

EXHIBIT 2

PETITION OF MCDANIEL TELEPHONE
COMPANY D/B/A TDS TELECOM TO
RECEIVE SUPPORT FROM THE STATE
UNIVERSAL COMMUNICATIONS SERVICES
PROGRAM – EXHIBIT 2 – 1

EXHIBIT 2

AFFILIATED TRANSACTIONS

McDaniel Telephone Company d/b/a TDS Telecom and its affiliates enter into various transactions including: Technical Assistance and Network Operations; Sale, Transfer, Purchase, and Leasing of Assets and Materials; Accounting and Financial Reporting; Information Systems and Billing; State and Federal Regulatory Affairs; Tariff Services; Securities and Finances; Customer Services and Sales; Human Resources; Employee Pensions and Benefits; Insurance; Corporate Services; and Taxes. All transactions provided by affiliates for the benefit of the Company or by the Company are charged directly to the affiliate in accordance with Part 32.27 of the FCC Rules.

Charges are directly assigned to the benefiting affiliate(s) wherever possible, and all charges that cannot be directly assigned are allocated based on the nature of the transaction. All charges to affiliates are recorded in the appropriate account prescribed by the Uniform System of Accounts, based upon the service provided.

Most services are provided by TDS Telecom Service, LLC which is an affiliated centralized service company which provides shared services to most of the telecom affiliates. Additional corporate and information systems services are provided by Telephone and Data Systems, Inc., the parent company. The ILECs and CLECs also may share field service employees and transfer assets when beneficial.

The Company records revenues, expenses, assets and liabilities that are solely regulated or non-regulated directly to separate sub-accounts. For joint and common expenses, direct analysis or indirect analysis cost allocation methodologies, based upon the functional activities being performed and type of cost incurred, are routinely performed. The results are incorporated into either the Company's labor distribution process or monthly cost allocation accrual entries, resulting in direct posting to separate regulated and non-regulated sub-accounts during the monthly General Ledger process. This minimizes manual processes and the need for additional end of year or special regulatory reporting separation of regulated and non-regulated costs. For joint and common investments, annual Part 64 studies are performed to update the allocations between regulated and non-regulated operations. In sum, allocations of plant assets, accumulated depreciation reserves, deferred income taxes, depreciation expense, and related operating expenses are provided for. These direct and indirect non-regulated assignments, allocations, and adjustments from this comprehensive Part 64 Cost Allocation process are utilized by the Company in developing the proper regulated revenue requirement.

The following table provides General Ledger booking details of affiliated transactions involving the Company during 2016.

Accounts Receivable (GL account 1190)	Asset Sales; Sale of Materials
Nonregulated Plant (GL account 1406)	Asset Purchase
Plant Under Construction (GL account 2003)	Plant Construction Labor
General Purpose Computers (GL account 2124 & 3100)	Asset Purchase
Intangibles (GL account 2690)	Software Purchase
Miscellaneous Revenues (GL account 52xx)	Billing & Collection & Sales Agency
Plant Specific Expenses (GL accounts 611x – 64xx)	Rent & Facilities; Insurance; Circuit Expense; Field Services Labor & Management
Plant NonSpecific Expenses (GL accounts 65xx)	Technical Assistance; Field Services Labor & Management; Network Operations and Administration; Engineering; Dispatch; Testing
Customer Operations (GL accounts 66xx)	Customer Sales & Service; Product Development & Management; Advertising; End User and CABS Billing
Corporate Operations (GL accounts 67xx)	Insurance; Executive and Planning; Human Resources; Regulatory and External Affairs; Tariff Services; Information Systems; Accounting and Finance; Legal
Nonoperating Income and Special Charges (GL account 73xx)	Interest Income; Lobbying
Nonregulated Expenses (GL accounts 799x)	Rent & Facilities; Insurance; Circuit Expense; Field Services Labor & Management; Technical Assistance; Network Operations and Administration; Engineering; Dispatch; Testing; Customer Sales & Service; Product Development & Management; Advertising; End User Billing; Insurance; Executive and Planning; Human Resources; Regulatory and External Affairs; Information Systems; Accounting and Finance; Legal