

BAILEY | CAVALIERI

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September 28, 2016

Barcy F. McNeal, Secretary
Docketing Division
Public Utilities Commission of Ohio
180 East Broad Street, 11th Floor
Columbus, OH 43215-3793

Re: *In the Matter of the Application of Conneaut Telephone Company dba
GreatWave Communications and GreatWave Broadband Services, LLC to
Transfer, Case No. 16-1815-TP-ATR*

*In the Matter of the Application of GreatWave Broadband Services, LLC
to Provide Competitive Local Exchange and Competitive
Telecommunications Services, Case No. 16-1816-TP-ACE*

Dear Ms. McNeal:

In connection with the above-referenced applications, I am enclosing the original and two (2) **unredacted** copies of the following confidential trade secret information to be filed under seal pursuant to the Motion for Protective Order being e-filed in these matters on September 28, 2016:

1. Conneaut Telephone Company and subsidiary 2015 audited financial statements;
2. GreatWave Broadband Services, LLC pro forma income statement and balance sheet;
and
3. Conneaut Telephone Company consolidated pro forma financial statements.

Please time stamp the extra copy of the confidential information being filed under seal, and return it to our courier.

Also on September 28, 2016, the **redacted** versions of this information were e-filed on the public record with the Commission in these matters.

Thank you for your attention to this matter. Please contact me if you have any questions.

Very truly yours,

BAILEY CAVALIERI LLC


William A. Adams

Enclosure

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THE CONNEAUT TELEPHONE COMPANY AND SUBSIDIARY

**CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
WITH CONSOLIDATING INFORMATION**

DECEMBER 31, 2015 AND 2014

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CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	3-4
CONSOLIDATED BALANCE SHEETS	5-6
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME	7
CONSOLIDATED STATEMENTS OF RETAINED EARNINGS	8
CONSOLIDATED STATEMENTS OF CASH FLOWS	10-11
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	12-22
CONSOLIDATING INFORMATION:	
INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATING INFORMATION..	23
CONSOLIDATING BALANCE SHEETS.....	24-25
CONSOLIDATING STATEMENTS OF INCOME AND COMPREHENSIVE INCOME	26
CONSOLIDATING STATEMENTS OF RETAINED EARNINGS.....	27
CONSOLIDATING STATEMENTS OF CASH FLOWS.....	28-29



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Conneaut Telephone Company and Subsidiary
Conneaut, Ohio

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of The Conneaut Telephone Company (an Ohio corporation) and Subsidiary, which comprise the consolidated balance sheet as of December 31, 2015, and the related consolidated statements of income and comprehensive income, retained earnings and cash flows for the year then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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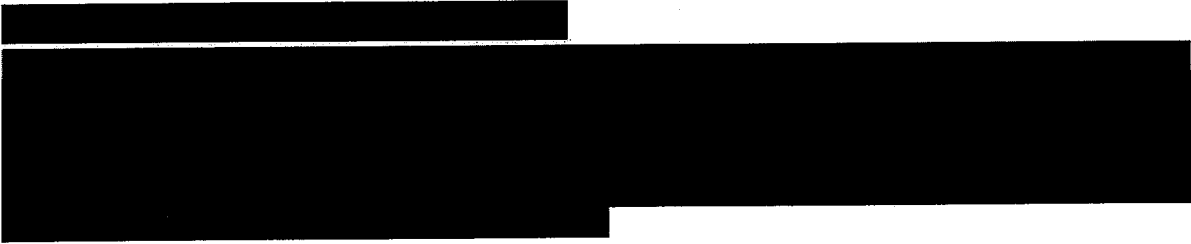
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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Conneaut Telephone Company and Subsidiary as of December 31, 2015, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Other Matter

The financial statements of the Company, as of and for the year ended December 31, 2014, were audited by other auditors whose report dated July 27, 2015 expressed an unmodified opinion on those statements.

Dianne Gavin Miller, LTD

Findlay, Ohio
July 22, 2016

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THE CONNEAUT TELEPHONE COMPANY AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
December 31, 2015 and 2014

ASSETS		2015	2014
Current assets			
Cash		\$	
Customer accounts receivable (net of allowance)			
Other accounts receivable			
Materials and supplies			
Other prepaid expenses			
Unamortized refinancing cost			
Total current assets			
Property, plant and equipment			
Construction in process			
Land			
Plant in service			
Non-operating plant			
Total property, plant and equipment			
Accumulated depreciation			
Net property, plant and equipment			
Other assets			
Investment in Rural Telephone Finance Cooperative			
Deferred income taxes			
Unamortized refinancing cost			
Total other assets			
Total assets		\$	

The accompanying notes are an integral part of these consolidated financial statements.

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THE CONNEAUT TELEPHONE COMPANY AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
December 31, 2015 and 2014

LIABILITIES AND STOCKHOLDERS' EQUITY

	2015	2014
Current liabilities		
Accounts payable	\$ [REDACTED]	[REDACTED]
Other accrued taxes	[REDACTED]	[REDACTED]
Accrued pension contribution	[REDACTED]	[REDACTED]
Accrued dividends on preferred stock	[REDACTED]	[REDACTED]
Current portion of note payable	[REDACTED]	[REDACTED]
Current portion of capital equipment leases	[REDACTED]	[REDACTED]
Other accrued expenses	[REDACTED]	[REDACTED]
Total current liabilities	[REDACTED]	[REDACTED]
Other liabilities		
Unfunded accrued pension cost	[REDACTED]	[REDACTED]
Unfunded accrued other postretirement benefits	[REDACTED]	[REDACTED]
Note payable	[REDACTED]	[REDACTED]
Capital equipment leases	[REDACTED]	[REDACTED]
Deferred income taxes	[REDACTED]	[REDACTED]
Total other liabilities	[REDACTED]	[REDACTED]
Total liabilities	[REDACTED]	[REDACTED]
Stockholders' equity		
Common stock	[REDACTED]	[REDACTED]
Treasury stock	[REDACTED]	[REDACTED]
Preferred stock	[REDACTED]	[REDACTED]
Additional paid in capital	[REDACTED]	[REDACTED]
Accumulated other comprehensive income	[REDACTED]	[REDACTED]
Retained earnings	[REDACTED]	[REDACTED]
Total stockholders' equity	[REDACTED]	[REDACTED]
Total liabilities and stockholders' equity	\$ [REDACTED]	[REDACTED]

The accompanying notes are an integral part of these consolidated financial statements.

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THE CONNEAUT TELEPHONE COMPANY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
For the Years Ended December 31, 2015 and 2014

	2015	2014
Operating revenues		
Local network services	\$ [REDACTED]	[REDACTED]
Network access services	[REDACTED]	[REDACTED]
Long distance network services	[REDACTED]	[REDACTED]
Cellular revenues	[REDACTED]	[REDACTED]
Basic networking revenues	[REDACTED]	[REDACTED]
Miscellaneous revenues	[REDACTED]	[REDACTED]
Uncollectible revenues	[REDACTED]	[REDACTED]
Total operating revenues	[REDACTED]	[REDACTED]
Operating expenses		
Plant specific operations	[REDACTED]	[REDACTED]
Plant nonspecific operations	[REDACTED]	[REDACTED]
Customer operations	[REDACTED]	[REDACTED]
Corporate operations	[REDACTED]	[REDACTED]
Depreciation and amortization	[REDACTED]	[REDACTED]
Other operating taxes	[REDACTED]	[REDACTED]
Total operating expenses	[REDACTED]	[REDACTED]
Net operating loss	[REDACTED]	[REDACTED]

The accompanying notes are an integral part of these consolidated financial statements.

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THE CONNEAUT TELEPHONE COMPANY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
For the Years Ended December 31, 2015 and 2014

	2015	2014
Nonoperating income (expenses)		
Dividend and interest income		
Gain (loss) on disposal of equipment		
Interest expense		
Other non-operating expenses		
Total nonoperating income (expenses)		
Loss before income taxes		
Income tax benefit		
Net loss	\$	
Other comprehensive income, net of tax		
Unrealized loss on pension plan		
Net loss recognized in other comprehensive income		
Comprehensive loss	\$	

The accompanying notes are an integral part of these consolidated financial statements.

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THE CONNEAUT TELEPHONE COMPANY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF RETAINED EARNINGS
For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Retained earnings, beginning of year	\$ [REDACTED]	[REDACTED]
Net loss	[REDACTED]	[REDACTED]
Dividends	[REDACTED]	[REDACTED]
Retained earnings, end of year	<u>\$ [REDACTED]</u>	<u>[REDACTED]</u>

The accompanying notes are an integral part of these consolidated financial statements.

THE CONNEAUT TELEPHONE COMPANY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2015 and 2014

	2015	2014
Cash flows from operating activities		
Net loss	\$ [REDACTED]	[REDACTED]
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	[REDACTED]	[REDACTED]
Amortization of refinancing costs	[REDACTED]	[REDACTED]
Provision for deferred income taxes	[REDACTED]	[REDACTED]
Actuarial gain on pension plan	[REDACTED]	[REDACTED]
Loss on disposal of equipment	[REDACTED]	[REDACTED]
	<hr/>	<hr/>
Adjusted net income (loss)	[REDACTED]	[REDACTED]
Changes in operating assets and liabilities		
(Increase) decrease in:		
Customer accounts receivable	[REDACTED]	[REDACTED]
Other accounts receivable	[REDACTED]	[REDACTED]
Materials and supplies	[REDACTED]	[REDACTED]
Other prepaid expenses	[REDACTED]	[REDACTED]
Prepaid and refundable federal income taxes	[REDACTED]	[REDACTED]
Increase (decrease) in:		
Accounts payable	[REDACTED]	[REDACTED]
Other accrued taxes	[REDACTED]	[REDACTED]
Accrued pension contribution	[REDACTED]	[REDACTED]
Accrued dividends on preferred stock	[REDACTED]	[REDACTED]
Other accrued expenses	[REDACTED]	[REDACTED]
Unfunded accrued pension cost	[REDACTED]	[REDACTED]
Unfunded accrued other postretirement benefits	[REDACTED]	[REDACTED]
	<hr/>	<hr/>
Total changes in operating assets and liabilities	[REDACTED]	[REDACTED]
	<hr/>	<hr/>
Net cash provided by operating activities	\$ [REDACTED]	[REDACTED]

The accompanying notes are an integral part of these consolidated financial statements.

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THE CONNEAUT TELEPHONE COMPANY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2015 and 2014

	2015	2014
Cash flows from investing activities		
Purchase of plant and equipment	\$ [REDACTED]	[REDACTED]
Proceeds from sale of investment	[REDACTED]	[REDACTED]
Net cash used in investing activities	[REDACTED]	[REDACTED]
Net cash provided by operating activities and investing activities	[REDACTED]	[REDACTED]
Cash flows from financing activities		
Payments on notes payable	[REDACTED]	[REDACTED]
Payments on capital leases	[REDACTED]	[REDACTED]
Repayments on line of credit	[REDACTED]	[REDACTED]
Issuance of stock	[REDACTED]	[REDACTED]
Paid-in-capital received	[REDACTED]	[REDACTED]
Net cash used in financing activities	[REDACTED]	[REDACTED]
Net decrease in cash	[REDACTED]	[REDACTED]
Cash at beginning of year	[REDACTED]	[REDACTED]
Cash at end of year	\$ [REDACTED]	[REDACTED]

The accompanying notes are an integral part of these consolidated financial statements.

THE CONNEAUT TELEPHONE COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2015 and 2014

Note 1—Nature of business

The Conneaut Telephone Company, d/b/a Greatwave Communications, commenced business in 1897 and operates in the northeast area of Ohio and provides regulated local telephone services to Conneaut, Ohio and the surrounding areas. The Company also provides nonregulated services. Nonregulated services include cellular, internet, cable television (HFC), and other deregulated services including phone rentals, phone sales, service charges, and ancillary services.

Cable Suite 541, Inc., a wholly-owned subsidiary of the Company, provides cable television services in the same area of the telephone company.

The Public Utilities Commission of Ohio (PUCO) regulates the rates charged by the Company for local telephone services provided to its exchanges. The PUCO does not have jurisdiction over the rates or operations of the Cable Suite 541, Inc.

Total consolidated operating revenues are comprised of the following amounts:

	2015	2014
Local regulated telephone services	\$ [REDACTED]	\$ [REDACTED]
HFC	[REDACTED]	[REDACTED]
Cellular	[REDACTED]	[REDACTED]
Deregulated	[REDACTED]	[REDACTED]
Internet	[REDACTED]	[REDACTED]
Cable Suite 541, Inc.	[REDACTED]	[REDACTED]
Total	\$ [REDACTED]	\$ [REDACTED]

Note 2—Summary of significant accounting policies

Basis of accounting and reporting

The Company uses the accrual basis of accounting for financial statement purposes.

Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Conneaut Telephone Company and its wholly-owned subsidiary (collectively, the Company). Significant intercompany transactions and balances have been eliminated in consolidation.

Concentrations

The Company has a concentration of customers in one geographic area, specifically Conneaut, Ohio and the surrounding Ashtabula County communities.

The Company is operating under a collective bargaining agreement with the International Brotherhood of Electrical Workers, AFL-CIO, and its Local Union Number 673. It covers all outside plant and central office personnel, excluding supervisors, employed by the Company. Management and office clerical employees are also not covered by the Union. In August 2013, the Company signed a new three year contract that expires July 31, 2016.

THE CONNEAUT TELEPHONE COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-CONTINUED
December 31, 2015 and 2014

Note 2—Summary of significant accounting policies – continued

Concentrations-continued

The Company maintains cash balances in financial institutions located in Ohio. All accounts are insured up to [REDACTED] for 2015 and 2014. All accounts are fully insured as of December 31, 2015. The Company occasionally held bank deposit balances in excess of the insured limit throughout the year ended December 31, 2014.

Cash and cash equivalents

The Company considers highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Materials and supplies

Materials and supplies are valued at lower of cost or market. Cost is determined by the average cost method on a first-in, first-out basis.

Property, plant and equipment

Property, plant and equipment are carried at cost in continuing mass asset accounts. Depreciation of the Conneaut Telephone Company plant is computed at composite rates on the average cost as prescribed by the PUCO. Depreciation is based on the estimated useful lives computer for financial reporting on the straight-line method. For each mass asset account, the average of the beginning and ending monthly balances is computed and the applicable depreciation rate is applied.

Depreciation of Cable Suite 541, Inc. property and equipment is computed by the straight-line method over estimated useful lives, which range from three to 14 years.

The Company's policy is to continue evaluating the remaining lives and recoverability of such assets. When assets are retired, or otherwise disposed of, the depreciation reserve is charged with the full cost or other basis of the asset, and credited with the salving value and/or proceeds.

Unamortized refinancing cost

The Company has capitalized the costs of refinancing its term loan with the [REDACTED]
[REDACTED] Loan origination costs are being amortized over the terms of the loan.

Federal income taxes

The Company and its subsidiary file a consolidated Federal income tax return. The Company's effective tax rate is higher than what would be expected if the federal statutory rate were applied to income from continuing operations primarily because of expenses deductible for financial reporting purposes that are not deductible for tax purposes. These expenses consist of nondeductible lobbying expenses and meals and entertainment expenses. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The principal temporary differences are due to the use of different financial reporting and income tax methods for depreciation, as well as net operating loss carryforwards.

THE CONNEAUT TELEPHONE COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-CONTINUED
December 31, 2015 and 2014

Note 2—Summary of significant accounting policies – continued

Federal income taxes— continued

The Company has adopted Financial Accounting Standards Board (FASB) Accounting Standard Codification (ASC) 740-10-50-17 to account for uncertainty in income taxes. Management of the Company is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly change in the next twelve months. However, management's conclusions may be subject to review and adjustment at a later date based on factors including, but not limited to, new tax laws, regulations, and administrative interpretations (including relevant court decisions). The Company, and its subsidiary, files income tax returns in the United States of America Federal jurisdiction, the state of Ohio, and various local jurisdictions. With few exceptions, the Company is no longer subject to U.S. Federal, state and local tax examinations by tax authorities for years before 2012.

At December 31, 2015 and 2014, there are no unrecognized tax benefits that if recognized would affect the annual effective tax rate. The Company recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. During the years ended December 31, 2015 and 2014, no interest or penalties were recognized.

Comprehensive income

The Company has adopted FASB ASC 220-10-55. In conformity with FASB ASC 220-10-55, the Company reports comprehensive income and its components. Comprehensive income refers to net income plus other comprehensive income, that is, certain revenues, expenses, gains, and losses that are reported as separate components of stockholder's equity rather than net income.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain accounts in the prior year consolidated financial statements have been reclassified for comparative purposes to conform to the presentation of the current year consolidated financial statements. These reclassifications had no material effect on previously reported consolidated results of operations or retained earnings.

Subsequent events

Subsequent events have been evaluated through July 22, 2016, the date in which the consolidated financial statements were available to be issued. During 2016, the Company formed a subsidiary entity, GreatWave Broadband Services, LLC. The new entity will provide broadband and CLEC services.

Also in 2016, the Chief Executive Officer announced he will be resigning from his position. The Chief Operating Officer will be assuming the responsibilities of the Chief Executive Officer.

THE CONNEAUT TELEPHONE COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-CONTINUED
December 31, 2015 and 2014

Note 3—Accounts receivable

The Company recognizes all revenue earned through the end of the year, regardless of when customers are billed. Revenue earned but not billed was [REDACTED] and [REDACTED] as of December 31, 2015 and 2014, respectively.

Customer accounts receivable include all amounts due from the customers of the Company's local telephone exchange as well as HFC, cellular, deregulated and internet operations. Other accounts receivable include pooling settlements due from NECA and receivables from various organizations including [REDACTED]. The Company provides an allowance for doubtful accounts, based on historical rates for accounts deemed uncollectible. The allowance was [REDACTED] and [REDACTED] as of December 31, 2015 and 2014, respectively.

Trade credit is generally extended on a short-term basis; thus trade receivables do not bear interest, although a finance charge may be applied to such receivables that are past due in the amount of [REDACTED] per month if not paid by the end of the month.

Note 4—Unamortized refinancing cost

In accordance with generally accepted accounting principles in the United States of America, the Company has elected to amortize the loan refinancing costs related to the [REDACTED] loan that was awarded in 2012. The loan origination costs will be amortized over a period of 7 years to coincide with the maturity of the loan.

Amortization expense was [REDACTED] and [REDACTED] for 2015 and 2014, respectively. Estimated amortization expense related to loan origination costs is [REDACTED] for years 2015 through 2019.

Note 5—Property, plant and equipment

The costs of major classes of property, plant and equipment at the end of the year were:

	2015	2014
Conneaut Telephone Company		
Construction in process	\$ [REDACTED]	[REDACTED]
Land	[REDACTED]	[REDACTED]
Buildings	[REDACTED]	[REDACTED]
Digital electronic switching	[REDACTED]	[REDACTED]
Station apparatus	[REDACTED]	[REDACTED]
Poles, cables and wire	[REDACTED]	[REDACTED]
Other equipment	[REDACTED]	[REDACTED]
General purpose computers	[REDACTED]	[REDACTED]
Furniture and office equipment	[REDACTED]	[REDACTED]
Customer premise equipment	[REDACTED]	[REDACTED]
Non-Operating plant	[REDACTED]	[REDACTED]
Cable Suite 541, Inc.		
Total property, plant and equipment	\$ [REDACTED]	[REDACTED]

THE CONNEAUT TELEPHONE COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-CONTINUED
December 31, 2015 and 2014

Note 6—Investment in [REDACTED] certificate

The Company has a note payable to the [REDACTED]. The loan requires that [REDACTED] percent of the total loan be used to purchase a [REDACTED] which is amortized annually to maintain a [REDACTED]-to-outstanding loan balance. The [REDACTED] amortized amounts are paid in cash to the Company. The Company received [REDACTED] for the year 2015 in March 2016. This amount is included in other receivables in the financial statements. The Company received [REDACTED] for the year 2014.

Note 7—Pension plan

The Company has a defined benefit pension plan covering all of its employees. The benefits are based on years of service and the employee's final average monthly pay, which is the monthly average of an employee's earnings during the five consecutive years within the last ten years of employment, which produce the highest average. The Company's funding policy is to contribute annually an amount that, based on actuarial assumptions, is greater than the minimum required contribution, to meet the minimum funding standards of the Employee Retirement Income Security Act (ERISA), but less than the maximum amount that can be deducted for federal income tax purposes. However, the Company has temporarily frozen pension plan benefit accruals for newly hired and existing employees. The funds are invested in various (a) common stocks; (b) fixed income securities; and, (c) convertible securities.

The Company reports its pension liability under FASB ASC 715. The Funded Status is reported using the fair value of plan assets. The unrecognized transition obligation is added to the pension liability account as of December 31, 2004, with a charge to retained earnings, net of deferred tax. Furthermore, previously unrecognized actuarial gains and losses are recognized in a liability account in stockholders' equity called accumulated other comprehensive income (loss).

The following tables set forth the plan's funded status and amounts recognized in the Company's balance sheets at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Actuarial present value of obligations		
Accumulated benefit obligations, including vested benefits of [REDACTED] and [REDACTED], respectively	\$ [REDACTED]	\$ [REDACTED]
Projected benefit obligation for service rendered to date	\$ [REDACTED]	\$ [REDACTED]
Plan assets at fair value	[REDACTED]	[REDACTED]
Unfunded accrued pension cost	\$ [REDACTED]	\$ [REDACTED]

The segmented interest rates were used in determining the actuarial present value of the projected benefit obligation.

THE CONNEAUT TELEPHONE COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-CONTINUED
December 31, 2015 and 2014

Note 7-Pension plan-continued

An alternative amortization approach was used to amortize the unrecognized net obligation over the average remaining service period of employees expected to receive benefits under the plan.

	2015	2014
Projected benefit obligation: reconciliation		
Beginning balance	\$ [REDACTED]	[REDACTED]
Service cost	[REDACTED]	[REDACTED]
Interest cost	[REDACTED]	[REDACTED]
Actuarial gains	[REDACTED]	[REDACTED]
Benefits paid and expenses	[REDACTED]	[REDACTED]
Ending balance	[REDACTED]	[REDACTED]
Fair value of plan assets: reconciliation		
Beginning balance	[REDACTED]	[REDACTED]
Actual return on plan assets	[REDACTED]	[REDACTED]
Employer contributions	[REDACTED]	[REDACTED]
Benefits paid	[REDACTED]	[REDACTED]
Actuarial adjustment	[REDACTED]	[REDACTED]
Ending balance	[REDACTED]	[REDACTED]
Unfunded accrued pension cost	\$ [REDACTED]	[REDACTED]
Net pension cost included the following components		
Service cost	\$ [REDACTED]	[REDACTED]
Interest cost on projected benefit obligation	[REDACTED]	[REDACTED]
Actual return on plan assets	[REDACTED]	[REDACTED]
Net (gain) loss	[REDACTED]	[REDACTED]
Net periodic pension cost	\$ [REDACTED]	[REDACTED]

An analysis of accumulated other comprehensive income under FASB ASC 715 follows:

Net unrecognized actuarial gains and losses at 12/31/04	\$ [REDACTED]
Less: Deferred income tax	[REDACTED]
Reclassified as other comprehensive income 01/01/05	[REDACTED]
Net gains and (losses) from 2005 to 2013	[REDACTED]
Other comprehensive (gain) loss for 2014	[REDACTED]
Other comprehensive (gain) loss for 2015	[REDACTED]
Balance December 31, 2015	\$ [REDACTED]

THE CONNEAUT TELEPHONE COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-CONTINUED
December 31, 2015 and 2014

Note 8—Postretirement health care benefits

In addition to providing pension benefits, the Company provides certain health care benefits for retired employees, specifically the payment of health care insurance premiums. All of the Company's employees may become eligible for these benefits if they reach normal retirement age while working for the Company. For early retirees age 55 and over, the Company pays the Medicare supplement rate, with the retirees paying the balance. The plan is neither funded nor does it hold any assets. The premiums are paid from cash flows provided by operating activities. There are no non-benefit liabilities or significant matters affecting the comparability of information for the periods presented.

The Company reports under FASB ASC 715. The Funded Status is reported using the accumulated benefit obligation compared to the fair value of plan assets.

Effective August 1, 2008 the Company was able to reduce its monthly hospitalization premium to [REDACTED] per participant. Since 1993 the Postretirement Health Care Benefit Obligation (OPEB) liability had been calculated using a [REDACTED] monthly premium, plus an assumed [REDACTED] annual [REDACTED]. The actual rate of [REDACTED] is much [REDACTED] the 2008 and thereafter calculations of the OPEB liability. The current obligation calculation also assumes an annual [REDACTED] rather than [REDACTED].

The following tables set forth the plan's funded status and amounts recognized in the Company's balance sheets:

	2015	2014
Retirees	\$ [REDACTED]	[REDACTED]
Other active plan participants	[REDACTED]	[REDACTED]
Accumulated benefit obligation	\$ [REDACTED]	[REDACTED]
Accumulated benefit obligation	\$ [REDACTED]	[REDACTED]
Plan assets at fair market value	[REDACTED]	[REDACTED]
Unfunded accrued other postretirement benefits	\$ [REDACTED]	[REDACTED]

Net postretirement benefit costs include the following components:

	2015	2014
Service cost-benefits earned during the year	\$ [REDACTED]	[REDACTED]
Interest cost on accumulated benefit obligation	[REDACTED]	[REDACTED]
Net periodic postretirement benefit cost	\$ [REDACTED]	[REDACTED]
Accrued benefit cost at beginning of the year	\$ [REDACTED]	[REDACTED]
Net periodic postretirement benefit cost	[REDACTED]	[REDACTED]
Contributions	[REDACTED]	[REDACTED]
Adjustment for employee resignations	[REDACTED]	[REDACTED]
Unfunded accrued other postretirement benefits	\$ [REDACTED]	[REDACTED]

THE CONNEAUT TELEPHONE COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-CONTINUED
December 31, 2015 and 2014

Note 8—Postretirement health care benefits—continued

The weighted average discount rate used in determining the present value of the accumulated benefit obligation and the health care cost trend rate (current and prospective) were [REDACTED] and [REDACTED] percent for the years ended December 31, 2015 and 2014, respectively.

[REDACTED] the weighted average health care cost trend rate [REDACTED] would [REDACTED] both the accumulated postretirement benefit obligation as of December 31, 2015 and 2014 and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for the years then ended are as follows:

	<u>2015</u>	<u>2014</u>
If costs [REDACTED]		
Accumulated benefit obligation [REDACTED] by	\$ [REDACTED]	\$ [REDACTED]
Postretirement benefit cost [REDACTED] by	\$ [REDACTED]	\$ [REDACTED]

[REDACTED] the weighted average health care cost trend to [REDACTED] would [REDACTED] both categories as follows:

	<u>2015</u>	<u>2014</u>
If costs [REDACTED]		
Accumulated benefit obligation [REDACTED] by	\$ [REDACTED]	\$ [REDACTED]
Postretirement benefit cost [REDACTED] by	\$ [REDACTED]	\$ [REDACTED]

Note 9—Supplemental cash flow information

The following information supplements the consolidated statements of cash flows:

	<u>2015</u>	<u>2014</u>
Cash paid for interest	\$ [REDACTED]	\$ [REDACTED]
Net cash paid for income taxes	\$ [REDACTED]	\$ [REDACTED]

For the years ended December 31, 2015 and 2014, the Company purchased vehicles and equipment in non-cash transactions totaling [REDACTED], respectively.

Note 10—Income taxes

Income tax expense (benefit) consists of the following components:

	<u>2015</u>	<u>2014</u>
Current federal income taxes	\$ [REDACTED]	\$ [REDACTED]
Deferred federal income taxes	\$ [REDACTED]	\$ [REDACTED]
Total income tax benefit	\$ [REDACTED]	\$ [REDACTED]

THE CONNEAUT TELEPHONE COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-CONTINUED
December 31, 2015 and 2014

Note 10—Income taxes—continued

Significant components of the Company's deferred tax assets and deferred tax liabilities are as follows:

	2015	2014
Deferred tax assets (liabilities):		
Property, plant and equipment, net	\$ [REDACTED]	[REDACTED]
OPEB	[REDACTED]	[REDACTED]
Pension costs	[REDACTED]	[REDACTED]
Unamortized lease	[REDACTED]	[REDACTED]
Net operating loss carryover	[REDACTED]	[REDACTED]
Total deferred tax assets (liabilities)	\$ [REDACTED]	[REDACTED]

At December 31, 2015, the Company has a net operating loss carryforward for income tax purposes of approximately [REDACTED] and will begin expiring in 2023.

Note 11—Operating leases

Beginning in 2013, the Company entered into operating leases to provide video transport of television channels for its cable television operation and to provide bandwidth service for its internet operation. Monthly payment amounts are [REDACTED]. These agreements were for 60 month term, expiring in 2018.

The Company also has an operating lease for land for its microwave tower payable to the township trustees. Monthly payment amounts are [REDACTED] through October 2019.

The Company leases multiple vehicles under one master operating lease with [REDACTED]. Monthly payment amounts are [REDACTED] as of December 31, 2015. The Company replaces vehicles as necessary under the master operating lease. As of December 31, 2015, the vehicle leases expire at various date through August 2019.

The Company has also entered into various Indefeasible Right of Use (IRU) operating lease agreements for use fiber capacity. These agreements range from 36 to 60 months terms. Monthly payment amounts for these leases are [REDACTED]

Total rent expense under these agreements was [REDACTED] in 2015 and 2014, respectively.

The future minimum commitments under the long-term lease agreements are as follows for the years ending December 31:

2016	\$ [REDACTED]
2017	[REDACTED]
2018	[REDACTED]
2019	[REDACTED]
2020	[REDACTED]
	\$ [REDACTED]

THE CONNEAUT TELEPHONE COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-CONTINUED
December 31, 2015 and 2014

Note 12—Common stock, preferred stock and treasury stock

The Company has [REDACTED] shares of common stock authorized with a stated value of [REDACTED] per share. As of December 31, 2015 and 2014, [REDACTED] shares of common stock are issued and outstanding. The Company also has [REDACTED] shares of preferred stock authorized with a par value of [REDACTED]. As of December 31, 2015 and 2014, [REDACTED] shares of preferred stock are issued and outstanding. There were [REDACTED] shares of common stock held in treasury stock as December 31, 2015 and 2014, respectively.

Note 13—

[REDACTED]

Note 14—Treasury stock reissuance

In October 2015, the Company transferred [REDACTED] shares of common treasury stock as a contribution to the Company's defined benefit pension plan. The total stock contribution to the pension amounted to [REDACTED].

In September 2014, the Company transferred [REDACTED] shares of common treasury stock as a contribution to the Company's defined benefit pension plan. The total stock contribution to the pension amounted to [REDACTED]. In addition, [REDACTED] shares, with a value of [REDACTED], were transferred to the pension plan in prior years and will [REDACTED] the pension contribution.

Note 15—Advertising costs

The Company has the policy of expensing nondirect-response advertising costs as incurred. Total advertising costs charged to expense in 2015 and 2014 were [REDACTED], respectively.

Note 16—Notes payable

The Company has a note payable to the [REDACTED] with an interest rate of [REDACTED] payable in quarterly installments of [REDACTED] with a maturity of March 2019. The outstanding loan balance as of December 31, 2015 and 2014 was [REDACTED], respectively. The note payable is collateralized by substantially all business assets of the Company and certain stock and related proceeds and all proceeds of the business assets. This note payable is subject to certain covenants. [REDACTED]

As of December 31, 2015, future annual maturities of the outstanding note payable are as follows:

2016	\$ [REDACTED]
2017	[REDACTED]
2018	[REDACTED]
2019	[REDACTED]
	<u>\$ [REDACTED]</u>

THE CONNEAUT TELEPHONE COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-CONTINUED
December 31, 2015 and 2014

Note 17—Capital equipment leases

The Company has entered into agreements to lease various property and equipment under non-cancelable long-term contracts that are being accounted for as capital leases through March 2020. The property and equipment is being amortized over its estimated useful life and the related expense is included in depreciation expense. The capital lease obligations at December 31, 2015 and 2014 are [REDACTED] and [REDACTED], respectively.

The future minimum lease payments under the capital leases and the present value of the net minimum lease payments are as follows:

2016	\$ [REDACTED]
2017	[REDACTED]
2018	[REDACTED]
2019	[REDACTED]
2020	[REDACTED]
Total minimum lease payments	[REDACTED]
Less amounts representing interest and fees	[REDACTED]
Present value of minimum lease payments	[REDACTED]
Less current portion	[REDACTED]
Net long-term capital lease obligations	\$ [REDACTED]

Equipment held under capital leases as of December 31, 2015 and 2014 was:

	2015	2014
Equipment	\$ [REDACTED]	[REDACTED]
Less accumulated depreciation	[REDACTED]	[REDACTED]
Total	\$ [REDACTED]	[REDACTED]

Note 18— [REDACTED]

Note 19— [REDACTED]

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CONSOLIDATING INFORMATION



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INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATING INFORMATION

To the Board of Directors
The Conneaut Telephone Company and Subsidiary
Conneaut, Ohio

We have audited the consolidated financial statements of The Conneaut Telephone Company and Subsidiary as of and for the year ended December 31, 2015, and have issued our report thereon, dated July 22, 2016, which contains an unmodified opinion on those consolidated financial statements. The consolidated financial statements as of and for the year ended December 31, 2014, were audited by other auditors whose report dated July 27, 2015 expressed an unmodified opinion on those statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. We have not performed any procedures with respect to the audited consolidated financial statements subsequent to July 22, 2016.

The accompanying consolidating information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Gilmore Jasion Mahler, LTD

Findlay, Ohio
July 22, 2016

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An independently owned company
McGLADREY ALLIANCE



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THE CONNEAUT TELEPHONE COMPANY AND SUBSIDIARY CONSOLIDATING BALANCE SHEETS December 31, 2015 and 2014

	The Conneaut Telephone Company	Cable Suite 541, Inc.	Eliminations	December 31, 2015 Consolidated	December 31, 2014 Consolidated
Current assets					
Cash	\$				
Customer accounts receivable (net of allowance)					
Other accounts receivable					
Materials and supplies					
Other prepaid expenses					
Unamortized refinancing cost					
Total current assets					
Property, plant and equipment					
Construction in process					
Land					
Plant in service					
Non-operating plant					
Total property, plant and equipment					
Accumulated depreciation					
Net property, plant and equipment					
Other assets					
Investment in subsidiaries					
Intercompany receivables					
Investment in [REDACTED]					
Deferred income taxes					
Unamortized refinancing cost					
Total other assets					
Total assets	\$				

The accompanying notes are an integral part of these consolidated financial statements.

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THE CONNEAUT TELEPHONE COMPANY AND SUBSIDIARY
CONSOLIDATING BALANCE SHEETS
December 31, 2015 and 2014

	The Conneaut Telephone Company	Cable Suite 541, Inc.	Eliminations	December 31, 2015 Consolidated	December 31, 2014 Consolidated
Current liabilities					
Accounts payable	\$	\$	\$	\$	\$
Other accrued taxes					
Accrued pension contribution					
Accrued dividends on preferred stock					
Current portion of note payable					
Current portion of capital equipment leases					
Other accrued expenses					
Total current liabilities					
Other liabilities					
Intercompany payables					
Unfunded accrued pension cost					
Unfunded accrued other postretirement benefits					
Note payable					
Capital equipment leases					
Deferred income taxes					
Total other liabilities					
Total liabilities					
Stockholders' equity					
Common stock					
Treasury stock					
Preferred stock					
Additional paid in capital					
Accumulated other comprehensive income					
Retained earnings					
Total stockholders' equity					
Total liabilities and stockholders' equity	\$	\$	\$	\$	\$

The accompanying notes are an integral part of these consolidated financial statements.

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THE CONNEAUT TELEPHONE COMPANY AND SUBSIDIARY
CONSOLIDATING STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
For the Years Ended December 31, 2015 and 2014

	Regulated Telephone	Nonregulated divisions		
		HFC	Cellular	Deregulated
Operating revenues				
Local network services	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]
Network access services	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Long distance network services	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Cellular revenues	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Basic networking revenues	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Rent revenues	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Miscellaneous revenues	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Uncollectible revenues	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total operating revenues	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Operating expenses				
Plant specific operations	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Plant nonspecific operations	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Customer operations	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Corporate operations	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Depreciation and amortization	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Other operating taxes	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total operating expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Net operating income (loss)	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]
Nonoperating income (expenses)				
Dividend and interest income	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]
Gain (loss) on disposal of equipment	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Interest expense	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Other non-operating expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total nonoperating income (expenses)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Income (loss) before income taxes	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Income tax (expense) benefit	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Net income (loss)	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]
Other comprehensive income (loss), net of tax				
Unrealized loss on pension plan	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Net loss recognized in other comprehensive loss	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Comprehensive income (loss)	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]

The accompanying notes are an integral part of these consolidated financial statements.

THE CONNEAUT TELEPHONE COMPANY AND SUBSIDIARY
CONSOLIDATING STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
For the Years Ended December 31, 2015 and 2014

[illegible]

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THE CONNEAUT TELEPHONE COMPANY AND SUBSIDIARY
CONSOLIDATING STATEMENTS OF RETAINED EARNINGS
For the Years Ended December 31, 2015 and 2014

	The Conneaut Telephone Company	Cable Suite 541, Inc.	Eliminations	December 31, 2015 Consolidated	December 31, 2014 Consolidated
Retained earnings, beginning of year	\$ [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Net loss	[REDACTED]	[REDACTED]		[REDACTED]	[REDACTED]
Dividends	[REDACTED]	[REDACTED]		[REDACTED]	[REDACTED]
Retained earnings, end of year	\$ [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

The accompanying notes are an integral part of these consolidated financial statements.

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THE CONNEAUT TELEPHONE COMPANY AND SUBSIDIARY
CONSOLIDATING STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2015 and 2014

	The Conneaut Telephone Company	Cable Suite 541, Inc.	Eliminations	December 31, 2015 Consolidated	December 31, 2014 Consolidated
Cash flows from operating activities					
Net loss	\$ [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Adjustments to reconcile net loss to net cash provided by operating activities:					
Depreciation	[REDACTED]	[REDACTED]		[REDACTED]	[REDACTED]
Amortization of refinancing costs	[REDACTED]	[REDACTED]		[REDACTED]	[REDACTED]
Provision for deferred income taxes	[REDACTED]	[REDACTED]		[REDACTED]	[REDACTED]
Actuarial gain on pension plan	[REDACTED]	[REDACTED]		[REDACTED]	[REDACTED]
(Gain) loss on disposal of equipment	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Adjusted net income (loss)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Changes in operating assets and liabilities					
(Increase) decrease in:					
Customer accounts receivable	[REDACTED]	[REDACTED]		[REDACTED]	[REDACTED]
Other accounts receivable	[REDACTED]	[REDACTED]		[REDACTED]	[REDACTED]
Materials and supplies	[REDACTED]	[REDACTED]		[REDACTED]	[REDACTED]
Other prepaid expenses	[REDACTED]	[REDACTED]		[REDACTED]	[REDACTED]
Prepaid and refundable federal income taxes	[REDACTED]	[REDACTED]		[REDACTED]	[REDACTED]
Increase (decrease) in:					
Accounts payable	[REDACTED]	[REDACTED]		[REDACTED]	[REDACTED]
Other accrued taxes	[REDACTED]	[REDACTED]		[REDACTED]	[REDACTED]
Accrued pension contribution	[REDACTED]	[REDACTED]		[REDACTED]	[REDACTED]
Accrued dividends on preferred stock	[REDACTED]	[REDACTED]		[REDACTED]	[REDACTED]
Other accrued expenses	[REDACTED]	[REDACTED]		[REDACTED]	[REDACTED]
Unfunded accrued pension cost	[REDACTED]	[REDACTED]		[REDACTED]	[REDACTED]
Unfunded accrued other postretirement benefits	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total changes in operating assets and liabilities	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Net cash provided by (used in) operating activities	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]

The accompanying notes are an integral part of these consolidated financial statements.

REDACTED - FOR PUBLIC INSPECTION

THE CONNEAUT TELEPHONE COMPANY AND SUBSIDIARY
CONSOLIDATING STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2015 and 2014

	The Conneaut Telephone Company	Cable Suite 541, Inc.	Eliminations	December 31, 2015 Consolidated	December 31, 2014 Consolidated
Cash flows from investing activities					
Purchase of plant and equipment	\$ [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Proceeds from investment in [REDACTED] [REDACTED] certificate	[REDACTED]			[REDACTED]	[REDACTED]
Proceeds from sale of equipment	[REDACTED]			[REDACTED]	[REDACTED]
Net cash used in investing activities	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Net cash provided by (used in) operating activities and investing activities	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Cash flows from financing activities					
Payments on note payable	[REDACTED]			[REDACTED]	[REDACTED]
Payments on capital equipment leases	[REDACTED]			[REDACTED]	[REDACTED]
Repayments on line of credit	[REDACTED]			[REDACTED]	[REDACTED]
Dividends paid	[REDACTED]			[REDACTED]	[REDACTED]
Re-issuance of treasury stock	[REDACTED]			[REDACTED]	[REDACTED]
Paid-in-capital received	[REDACTED]	[REDACTED]		[REDACTED]	[REDACTED]
Intercompany financing	[REDACTED]	[REDACTED]		[REDACTED]	[REDACTED]
Net cash provided by (used in) financing activities	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Net increase (decrease) in cash	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Cash at beginning of year	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Cash at end of year	\$ [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

The accompanying notes are an integral part of these consolidated financial statements.

GREAT WAVE BROADBAND SERVICES, LLC
FORECASTED TAXABLE INCOME - 30 YEARS
FOR THE PERIOD AUGUST 30, 2016 THROUGH DECEMBER 31, 2046

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<i>4.0 Months</i>										
REVENUE										
Internet Broadband										
Competitive Local Exchange										
Networking										
Management Fee										
Less: Uncollectible Accounts										
TOTAL REVENUE										
EXPENSES										
Plant Specific										
Plant Specific - Networking										
Plant Non-Specific										
Customer Operations										
Corporate Operations										
Depreciation & Amortization										
TOTAL EXPENSES										
NET OPERATING INCOME BEFORE DEBT SERVICE										
DEBT SERVICE AND CDE FEES										
NMTC Leveraged XXI, LLC Audit and Tax Fee										
Western Reserve DF Affiliate X, LLC Audit & Tax Fee										
Interest Expense on QLICI Loan A1										
Interest Expense on QLICI Loan B1										
Interest Expense on QLICI Loan A2										
Interest Expense on QLICI Loan B2										
TOTAL DEBT SERVICE AND CDE FEES										
NET INCOME / (LOSS) BEFORE INCOME TAXES										
Income Tax (Expense) / Refund										
NET INCOME / (LOSS)										

GBS Balance Sheet

PRE-CLOSE	CLOSING DAY	12/31/2016
-----------	-------------	------------

CASH
DFWR Fee Reserve
Tax/Audit Fee Reserve
MATERIAL AND SUPPLIES
OTHER CURRENT ASSETS

TOTAL CURRENT ASSETS

PROPERTY, PLANT AND EQUIPMENT

CAPITAL LEASE OBLIGATIONS
TELECOMMUNICATIONS PLANT
TELECOMMUNICATIONS PLANT-NONREG
CATV ASSETS-NONREGULATED
ACCUMULATED DEPRECIATION
ACCUMULATED DEPRECIATION-NONREG

TOTAL PROPERTY, PLANT AND EQUIPMENT

TOTAL ASSETS

LIABILITIES

CURRENT LIABILITIES
NOTES PAYABLE - FINANCE FUND
MEMBER LOAN FROM CTC
LONG TERM DEBT NMTC
LONG TERM DEBT-CAPITAL LEASE
ACCRUED LIABILITIES
OTHER LIABILITIES
TOTAL LIABILITIES

Retained Earnings
STOCKHOLDER EQUITY

12/31/2017

12/31/2018

12/31/2019

THE CONNEAUT TELEPHONE COMPANY
BALANCE SHEET-CONSOLIDATED

	AUDITED Dec 31, 2015	Mar 31, 2016	Projected Current Dec 31, 2016	Projected Year 1 Dec 31, 2017	Projected Year 2 Dec 31, 2018	Projected Year 3 Dec 31, 2019	Projected Year 4 Dec 31, 2020	Projected Year 5 Dec 31, 2021
ASSETS								
CURRENT ASSETS								
CASH								
MATERIAL AND SUPPLIES								
OTHER CURRENT ASSETS								
PREPAYMENTS								
TOTAL CURRENT ASSETS								
NONCURRENT ASSETS								
OTHER NONCURRENT ASSETS								
NONREGULATED INVESTMENTS								
INTANGIBLES								
DEFERRED MAINTENANCE AND RETIREMENTS								
TOTAL NONCURRENT ASSETS								
PROPERTY, PLANT AND EQUIPMENT								
CAPITAL LEASE OBLIGATIONS								
TELECOMMUNICATIONS PLANT								
TELECOMMUNICATIONS PLANT-NONREG								
CATV ASSETS-NONREGULATED								
ACCUMULATED DEPRECIATION								
ACCUMULATED DEPRECIATION-NONREG								
TELEPHONE PLANT ADJUSTMENT								
TELECOMMUNICATIONS PLANT CONSTR								
NONOPERATING PLANT								
PLANT HELD FOR FUTURE USE								
TOTAL PROPERTY, PLANT AND EQUIPMENT								
TOTAL ASSETS								
LIABILITIES								
CURRENT LIABILITIES								
OTHER LIABILITIES/DEFERRED CREDIT								
LONG TERM DEBT								
TOTAL LIABILITIES								
STOCKHOLDERS' EQUITY								
CAPITAL STOCK-COMMON								
SHARES 12,968								
CAPITAL STOCK-PREFERRED								
SHARES 4,881								
PREMIUM ON CAPITAL STOCK								
TREASURY STOCK								
RETAINED EARNINGS								
ACCUMULATED OTHER COMPREHENSIVE INCOME								
TOTAL STOCKHOLDERS' EQUITY								
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY								

THE CONNEAUT TELEPHONE COMPANY
INCOME STATEMENT-CONSOLIDATED

	AUDITED Dec 31, 2015	Mar 31, 2016	Projected Current Dec 31, 2016	Projected Year 1 Dec 31, 2017	Projected Year 2 Dec 31, 2018	Projected Year 3 Dec 31, 2019	Projected Year 4 Dec 31, 2020	Projected Year 5 Dec 31, 2021
OPERATING REVENUES								
LOCAL NETWORK SERVICES								
SALES								
SALES RETURNS AND ALLOWANCES								
NETWORK ACCESS SERVICE								
LONG DISTANCE NETWORK SERVICE								
MISCELLANEOUS REVENUE								
RENT REVENUES FROM SUBSIDIARY								
CELLULAR REVENUES								
BASIC NETWORKING REVENUES								
FEES FROM SUBSIDIARY								
LESS: UNCOLLECTIBLE REVENUE								
<u>TOTAL OPERATING REVENUE</u>								
COST OF GOODS SOLD								
OPERATING EXPENSES								
PLANT SPECIFIC OPERATIONS								
PLANT NONSPECIFIC OPERATIONS								
CUSTOMER OPERATIONS								
CORPORATE OPERATIONS								
DEPRECIATION AND AMORTIZATION								
AMORTIZATION OF EXTRAORDINARY RETIREMENTS								
<u>TOTAL OPERATING EXPENSES</u>								
FEDERAL INCOME TAX - Est								
STATE FRANCHISE TAX-Est								
OTHER OPERATING TAXES - Est								
DEFERRED TAXES								
AMORTIZATION ITC								
<u>TOTAL OPERATING TAXES</u>								
NET OPERATING INCOME								
INTEREST INCOME								
OTHER NONOPERATING INCOME								
<u>TOTAL OTHER INCOME</u>								
SPECIAL CHARGES								
INTEREST ON FUNDED DEBT								
INTEREST ON CAPITAL LEASE								
OTHER INTEREST DEDUCTIONS								
<u>TOTAL FIXED CHARGES</u>								
NET INCOME BEFORE EXTRAORDINARY GAIN (LOSS)								
EXTRAORDINARY GAIN (LOSS)								
NET INCOME (LOSS) AFTER EXTRAORDINARY ITEMS								

THE CONNEAUT TELEPHONE COMPANY
STATEMENT OF RETAINED EARNINGS-CONSOLIDATED

BALANCE AT BEGINNING OF YEAR
ADD: NET INCOME FOR THE PERIOD
PRIOR YEARS EARNINGS(LOSS) SUBSIDIARY
ADJUSTMENT PREVIOUS YEARS (DEPR OVERACCR)
INTERCOMPANY ENTRIES

LESS: DIVIDENDS ON PREFERRED STOCK
DIVIDENDS ON COMMON STOCK
ADJUSTMENT ACCUMULATED OTHER COMPREHENSIVE
LESS: ADJUSTMENT

BALANCE AT END OF PERIOD

AUDITED	Projected	Projected	Projected	Projected	Projected	Projected	Projected
Dec 31, 2015	Current	Year 1	Year 2	Year 3	Year 4	Year 5	
Dec 31, 2016	Dec 31, 2016	Dec 31, 2017	Dec 31, 2018	Dec 31, 2019	Dec 31, 2020	Dec 31, 2021	

THE CONNEAUT TELEPHONE COMPANY
STATEMENT OF CASH FLOWS

	Mar 31, 2016	Projected Current Dec 31, 2016	Projected Year 1 Dec 31, 2017	Projected Year 2 Dec 31, 2018	Projected Year 3 Dec 31, 2019	Projected Year 4 Dec 31, 2020	Projected Year 5 Dec 31, 2021
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NET INCOME

DEPRECIATION EXPENSE
DEFERRED TAX EXPENSE

NET INCOME ADJUSTED FOR NONCASH ITEMS

CHANGES IN OPERATING ASSETS AND LIABILITIES

(INCREASE) DECREASE IN OTHER CURRENT ASSETS
(INCREASE) DECREASE IN INVENTORY
(INCREASE) DECREASE IN PREPAID EXPENSES
INCREASE (DECREASE) IN CURRENT LIABILITIES
INCREASE (DECREASE) IN ACCRUED LIABILITIES
INCREASE (DECREASE) OTHER LIABILITIES/DEFERRED CREDIT

CASH FLOW FROM OPERATING ACTIVITIES

CASH FLOW FROM INVESTING ACTIVITIES
NET CHANGE OF FIXED ASSET PURCHASES
NON-CURRENT ASSET CHANGE
SALE OF ASSET PREPAYMENT
NET CAPITAL LEASE

CASH FLOW FROM INVESTING ACTIVITIES

CASH FLOW FROM FINANCING ACTIVITIES
PROCEEDS FROM AND PAYMENTS ON NOTES PAYABLE (NET)
DIVIDENDS PAID

CASH FLOW FROM FINANCING ACTIVITIES

NET CASH INCREASE (DECREASE)

Cash - Beginning of Year
Cash - End of Year

THE CONNEAUT TELEPHONE COMPANY
Assumptions Summary

<u>Income Statement</u>		2017	2018	2019	2020	2021
<u>Assumption</u>						
1) Payroll Overview	Impact					
2) USF/NECA Settlement	Plant Specific Expense					
3) CLEC Revenue--Business Only	Network Access Service Revenue					
4) Cable TV Rate Inc.	Local Network Services					
5) Capital Leases	Local Network Services					
6) I.T. Revenue	Interest on Capital Lease					
7) FTTH Revenue	Basic Networking Revenue					
8) Medical Rate Increase	Local Network Services					
9) Fiber Circuits-Bus.	Plant Specific Expense					
10) Tel. Cust. - Conn	Local Network Services					
12) Debt Refinance and FTTH Buildout	Interest Expense					
13) Expenses	Plant Specific Expense					
14) Work in Progress Revenue	Local Network Services					
15) Plant	Depreciation					
16) Taxes	Deferred tax expense					
Summary						
	Local Network Services					
	Network Access Service Revenue					
	Plant Specific Expense					
	Interest Expense					
	Interest on Capital Lease					
	Local Network Services					
	Basic Networking Revenue					
	Depreciation and Amortization					
	Deferred tax expense					
Balance Sheet						
<u>Assumption</u>		2017	2018	2019	2020	2021
11) Pension Contrib.	Impact					
12) Debt Refinance and FTTH Buildout	Other Liab/Deferred Credit					
15) Plant	Current Liabilities					
16) Taxes	Long Term Debt					
	Current Portion Debt/Current Liab					
	CATV Plant					
	Other Liab./Deferred Credit					

THE CONINEAUT TELEPHONE COMPANY
Assumptions

1) Payroll Overview
Payroll 2015

Total Payroll
2016
2017
2018
2019
2020
2021

Assume: Payroll would decrease in 2017 for permanent layoff and no overtime, increase in 2018-2021 for cost of living pay increases and new employees:

2) USF/NECA Settlement

Change
2016
2017
2018
2019
2020
2021

Assume: USF/NECA increased \$200,000 in 2016 and to remain steady. Decreases expected going forward

3) CLEC Revenue—Business Only

Change
2016
2017
2018
2019
2020
2021

Proforma Assumption: \$195,000 in 2016, increasing \$78,000 per year from 2017-2021

Cable TV Rate Inc.	Per Cust/Mon.	Revenue Var.	Change	# of Customers
2016				
2017				
2018				
2019				
2020				
2021				

Proforma Assumption: Assuming 1550 customers with increases 2017-2021, revenue is \$5/customer/month in 2016, increasing \$3/month/year from 2017 going forward

5) Capital Leases

Interest	Annual Decrease
2016	
2017	
2018	
2019	
2020	
2021	

Proforma Assumption: Current leases would be paid off with financing and purchase new vehicles in the future

6) L.T. Revenue Inc. Monthly Annual Inc.

2016
2017
2018
2019
2020
2021

Proforma Assumption: In 2016 and going forward annual increase

7) FTTH Revenue Avg. Rev./Cust. Yearly Rev. Accounts Annual Inc.

2016
2017
2018
2019
2020
2021

Increase/year 2017
Increase/year 2018
increase/year 2019-2021

Assumption: Additional 300 customers/year in 2017 and beyond (assuming loan proceeds for buildout)

8) Medical Rate Increase Per Emp/Mon. Monthly Total Annual Inc.

2016
2017
2018
2019
2020
2021

Assumptions: Assume 36 employees at 2016. Increases by 2 employees/year in 2017, and 1 employee /year in 2018-2021 based on payroll increase assumptions.

9) Fiber Circuits-Bus. Rev. Inc./Mon. Yearly Rev. Annual Inc.

2016
2017
2018
2019
2020
2021

Proforma Assumption: In 2016 and going forward annual increase

Number of Accounts Monthly Revenue

Jan-16
Feb-16
Mar-16
Apr-16
May-16
Jun-16
Jul-16
Aug-16
Sep-16
Oct-16
Nov-16
Dec-16

Jan-17
Feb-17
Mar-17
Apr-17
May-17
Jun-17
Jul-17
Aug-17
Sep-17
Oct-17
Nov-17
Dec-17

Jan-18
Feb-18
Mar-18
Apr-18
May-18
Jun-18
Jul-18
Aug-18
Sep-18
Oct-18
Nov-18
Dec-18

10) Tel. Cust. - Comm	Annual Avg.	Per Cust./Mon	Annual Dec.
2016		
2017			
2018			
2019			
2020			
2021			

Proforma Assumption: Expected attrition of 90 lines/year
 *Business, bundling, and committed land line customers maintain projected floor of 2,500

11) Pension Contrib.	Other Liab	(inc) Dec	Current	(inc) Dec
2016				
2017				
2018				
2019				
2020				
2021				

Assume: pension costs of _____ per year and Payments of _____ in 2017 _____ in 2018, and _____ per years 2019-2021.

LEAD

12) Debt Refinance and FTTH Buildout

Refinance existing:

Assume: Seven years interest only on NMTC loan amortized remaining term. USDA loan amortized ten years

Cash borrowed

Interest Rate

Time (months)

Interest Only (months)

(Assume a debt start date in July, 2016)

Month	Long Term Debt	Interest Expense	Annual Inc (Dec)	Change over Year	Current portion	Change	LT Portion	Change
Jan-17								
Feb-17								
Mar-17								
Apr-17								
May-17								
Jun-17								
Jul-17								
Aug-17								
Sep-17								
Oct-17								
Nov-17								
Dec-17								
Jan-18								
Feb-18								
Mar-18								
Apr-18								
May-18								
Jun-18								
Jul-18								
Aug-18								
Sep-18								
Oct-18								
Nov-18								
Dec-18								
19 Amortiz Sched								
20 Amortiz Sched								
21 Amortiz Sched								

Total Interest Expense

2016

2017

2018

2019

2020

2021

Balance in Account

2016

2017

2018

2019

2020

2021

13) Expenses

	Internet Capacity	CATV Programming	Billing Exp	Total	(Decrease)
2017					
2018					
2019					
2020					
2021					

14) Work In Progress Revenue
Assume: Revenue is increasing: month in for Aug-Dec, 2016 due to work in progress being billed, part CLEC/fiber/Internet

2016

15) Plant	FTTH buildout	
Assume:	CAPEX in years 2017-2021.	
	Yearly Increase	Increase
2017		
2018		
2019		
2020		
2021		

16) Taxes
Effective Tax rate: 34%
NOL - 2015

	2017	2018	2019	2020	2021
2016 \$					
2017 \$					
2018 \$					
2019 \$					
2020 \$					
2021 \$					

Deferred Tax Asset
Deferred Tax Liab
FJT Payable
Deferred Tax Expense
Current Tax Expense
Total

THE CONNEAUT TELEPHONE COMPANY-CONSOLIDATED
RATIOS

2016 2017 2018 2019 2020 2021

Leverage Ratio-Not to exceed 3.5:1

ANNUAL OPERATING CASH FLOW	\$
TOTAL DEBT	\$
LESS SCC	\$
TOTAL DEBT ADJUSTED	\$
PERCENT	
LEVERAGE RATIO	

DEBT SERVICE COVERAGE RATIO-Not less than 1.25:1

NET INCOME	\$
PLUS DEPR & AMORTIZATION	\$
PLUS INTEREST EXPENSE	\$
TOTAL	\$
CURRENT PORTION LTD	\$
PLUS INTEREST EXPENSE	\$
TOTAL	\$
PERCENT	
RATIO	

TIMES INTEREST EARNED RATIO

NET INCOME	\$
PLUS INTEREST EXPENSE	\$
FEDERAL INCOME TAX	\$
TOTAL	\$
PERCENT	
RATIO	

CURRENT RATIO (Not Annualized)

CURRENT ASSETS	\$
CURRENT LIABILITIES	\$
PERCENT CURRENT RATIO	

NET WORTH-Not less than 40%

TOTAL ASSETS	\$
TOTAL LIABILITIES	\$
NET WORTH	\$
PERCENT	

DEBT TO EQUITY RATIO

DEBT	\$
EQUITY	\$
PERCENT RATIO	

THE CONNEAUT TELEPHONE COMPANY
Key Figures

	AUDITED Dec 31, 2015	Mar 31, 2016	Projected Current Dec 31, 2016	Projected Year 1 Dec 31, 2017	Projected Year 2 Dec 31, 2018	Projected Year 3 Dec 31, 2019	Projected Year 4 Dec 31, 2020	Projected Year 5 Dec 31, 2021
1) EBITDA calculation								
NET INCOME (LOSS) AFTER EXTRAORDINARY ITEMS	\$							
TOTAL INTEREST								
TOTAL TAXES								
DEPRECIATION AND AMORTIZATION	\$							
EBITDA								
2) YTD Gross revenue	\$							
3) YTD payroll expense	\$							
4) YTD Capital expenditures	\$							
5) COLLATERAL COVERAGE RATIO								
CASH								
DISCOUNTED CURRENT ASSETS								
DISCOUNTED NONCURRENT ASSETS								
DISCOUNTED PROPERTY, PLANT AND EQUIPMENT								
TOTAL DISCOUNTED ASSETS								
LESS CURRENT LIABILITIES								
TOTAL								
TOTAL DEBT								
PLUS INTEREST EXPENSE								
TOTAL								
PERCENT RATIO								
6) Cash on hand	\$							
7) Trailing 12 month revenue								
8) Trailing 12 month EBITDA								
NET INCOME (LOSS) AFTER EXTRAORDINARY ITEMS								
TOTAL INTEREST								
TOTAL TAXES								
DEPRECIATION AND AMORTIZATION	\$							
EBITDA								

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Case No(s). 16-1815-TP-ATR, 16-1816-TP-ACE

Summary: Notice of filing redacted audited financial statements of Conneaut Telephone Company, pro forma income statement and balance sheet of GreatWave Broadband Services, LLC, and consolidated pro forma financial statements of Conneaut Telephone Company electronically filed by Mr. William A. Adams on behalf of Conneaut Telephone Company and GreatWave Broadband Services, LLC