



July 3, 2018

Marlene H. Dortch, Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, S.W.  
Washington D.C. 20554

Re: *Connect America Fund*, WC Docket No. 10-90; 2019 FCC Form 481

Dear Ms. Dortch:

Lackawaxen Telecommunications Services, Inc. ("the Company") hereby submits to the Commission a copy of the Company's completed Form 481<sup>1</sup>. Certain portions of the Form 481 filing include information that is confidential in nature. Specifically, the section entitled "Rate of Return Carrier Additional Information"<sup>2</sup> should be accorded confidential treatment. Attached please find a statement of the reasons for withholding the redacted materials from public inspection pursuant to 47 CFR § 0.459.

Thank you for your attention to this matter. Should you or any member of the Commission Staff have any questions or comments, please do not hesitate to contact us at your convenience.

Sincerely,

A handwritten signature in black ink, appearing to read "James J. Kail", is written over a horizontal line.

James J Kail  
President & CEO

#### Attachments

<sup>1</sup> This filing is required to comply with 47 CFR §§ 54.313 and 54.422(c).

<sup>2</sup> The financial reports section of FCC Form 481 is identified at the Universal Service Administrative Company ("USAC") website as "Section 3005" in the downloadable version and as "Section 3000" in the online filing version at the same USAC website, <http://www.usac.org/hc/tools/forms.aspx>. The same identical financial information is required in both. The request for confidentiality applies regardless of whether the form filled out employs the 3005 or 3000 designation.

REDACTED - FOR PUBLIC INSPECTION



**CONFIDENTIALITY REQUEST AND STATEMENT OF JUSTIFICATION  
IN COMPLIANCE WITH 47 C.F.R. §0459(b)**

Lackawaxen Telecommunications Services, Inc. ("Company") is a small, privately held rural local exchange company based in Pennsylvania. The Company requests confidential treatment of certain information being provided to the Commission in its 2019 FCC Form 481. The information is competitively sensitive and its disclosure would have a negative competitive consequence upon the Company were it made publicly available. Such information would not ordinarily be made available to the public and should be afforded confidential treatment under 47 CFR §0.459.

Regulation	Statement of support and compliance with Confidentiality requests
47 CFR §0.459(a)(2)	The Company has e-filed, through ECFS, the redacted version and sent via USPS Express Mail the confidential hard copy version (original and one copy) of its 2019 FCC Form 481.
47 CFR §0.459(b)(1)	The Company requests that the documentation required in the section entitled "Rate of Return Carrier Additional Information" <sup>3</sup> , which consists of the Company's financial reports, income statement, balance sheet and cash flow statement, be accorded confidential treatment. The confidential information has been redacted from the public version with black shading.
47 CFR §0.459(b)(2)	The circumstances giving rise to the submission of this confidential Information is set forth in 47 CFR § 54.313 and 47 CFR § 54.422.
47 CFR §0.459(b)(3) and §0.459(b)(4)	The information for which confidentiality is sought is financial in nature, including balance sheet, income statement, and statement of cash flows.
47 CFR §0.459(b)(5)	There is robust competition in the telecommunications market today, including wireless, VoIP providers, and cable television providers to name a few. Financial data such as the amount of cash on hand, amount of debt, and revenue by source are all examples of information that competitors would not receive in the normal course of business.
47 CFR §0.459(b)(6)	The financial information is disclosed only within the Company, and furthermore is only provided (1) members of senior management, or (2) those employees who require this information to perform their jobs.
47 CFR §0.459(b)(7)	The Company has not previously released this information to third parties without the execution of a non-disclosure agreement.
47 CFR §0.459(b)(8)	The Company requests that the information be held by the Commission as confidential indefinitely.

<sup>3</sup> The financial reports section of FCC Form 481 is identified at the Universal Service Administrative Company ("USAC") website as "Section 3005" in the downloadable version and as "Section 3000" in the online filing version at the same USAC website, <http://www.usac.org/hc/tools/forms.aspx>. The same identical financial information is required in both. The request for confidentiality applies regardless of whether the form filed out employs the 3005 or 3000 designation.

REDACTED - FOR PUBLIC INSPECTION

FCC Form 481 - Carrier Annual Reporting  
Data Collection FormFCC Form 481  
OMB Control No. 3060-0986/OMB Control No. 3060-0613  
July 2018

<010>	Study Area Code	170177
<015>	Study Area Name	LACKAWAXEN TELECOM
<020>	Program Year	2019
<030>	Contact Name: Person USAC should contact with questions about this data	Christine Lalor
<035>	Contact Telephone Number: Number of the person identified in data line <030>	7245932411 ext.104
<039>	Contact Email Address: Email of the person identified in data line <030>	clalor@lhtc.net
	Form Type	54.313 and 54.422

**REDACTED  
FOR PUBLIC INSPECTION**

(600) Functionality in Emergency Situations Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2018
---	--

<010> Study Area Code	170177
<015> Study Area Name	LACKAWANNA TELECOM
<020> Program Year	2018
<030> Contact Name - Person USAC should contact regarding this data	Christine Lalor
<035> Contact Telephone Number - Number of person identified in data line <030>	7245912411 ext. 194
<039> Contact Email Address - Email Address of person identified in data line <030>	clalor@lhtco.net
<600> Certify compliance regarding ability to function in emergency situations	Yes
<610> Descriptive document for Functionality in Emergency Situations	170177PA610-17.pdf

REDACTED  
FOR PUBLIC INSPECTION

[illegible]

9001 Tribal Lands Reporting  
Data Collection Form

RCC Form 483  
OMB Control No. 3060-0986 (OMB Control No. 3060-0919)  
July 2018

<010>	Study Area Code	170177
<015>	Study Area Name	LACKAWANNE TELECOM
<020>	Program Year	2019
<030>	Contact Name - Person USAC should contact regarding this data	Christine Lalor
<035>	Contact Telephone Number - Number of person identified in data line <030>	7245932411 ext.104
<039>	Contact Email Address - Email Address of person identified in data line <030>	clalor@lhtc.net

<900> Does the filing entity offer tribal land services? (Y/N)

<910> Tribal Land(s) on which ETC Serves

<920> Tribal Government Engagement Obligation

Name of Attached Document

If your company serves Tribal lands, please select (Yes, No, NA) for each these boxes to confirm the status described on the attached PDF, on line 920, demonstrates coordination with the Tribal government pursuant to § 54.313(a)(5) includes:

- <921> Needs assessment and deployment planning with a focus on Tribal community anchor institutions.
- <922> Feasibility and sustainability planning;
- <923> Marketing services in a culturally sensitive manner;
- <924> Compliance with Rights of way processes
- <925> Compliance with Land Use permitting requirements
- <926> Compliance with Facilities Siting rules
- <927> Compliance with Environmental Review processes
- <928> Compliance with Cultural Preservation review processes
- <929> Compliance with Tribal Business and Licensing requirements.

Select Yes or No or Not Applicable

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(1000) Voice and Broadband Service Rate Comparability  
Data Collection Form

FGC Form 481

OMB Control No. 3060-0986 / OMB Control No. 3060-0819  
July 2018

<010>	Study Area Code	170177
<015>	Study Area Name	LACKAWAXEN TELECOM
<020>	Program Year	2019
<030>	Contact Name - Person USAC should contact regarding this data	Christine Lalor
<035>	Contact Telephone Number - Number of person identified in data line <030>	7245932411 ext.104
<039>	Contact Email Address - Email Address of person identified in data line <030>	clalor@lhtc.net

<1000>	Voice services rate comparability certification	Yes
<1010>	Attach detailed description for voice services rate comparability compliance	170177PA1010-17.pdf
<1020>	Broadband comparability certification	<p>Name of Attached Document</p> <p>Yes - Pricing is no more than the most recent applicable benchmark announced by the Wireline Competition Bureau</p>
<1030>	Attach detailed description for broadband comparability compliance	179177PA1030-17.pdf
		<p>Name of Attached Document</p>

**REDACTED  
FOR PUBLIC INSPECTION**

(1100) No Terrestrial Backhaul Reporting Data Collection Form		FCC Form 481 OMB Control No. 3060-9386/OMB Control No. 3060-0819 July 2018	
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<010>	Study Area Code	170177
<015>	Study Area Name	LACKAWAXEN TELECOM
<020>	Program Year	2019
<030>	Contact Name - Person USAC should contact regarding this data	Christine Lalor
<035>	Contact Telephone Number - Number of person identified in data line <030>	7245932411 ext.104
<039>	Contact Email Address - Email Address of person identified in data line <030>	clalor@lhtc.net

<1100> Certify whether terrestrial backhaul options exist (Y/N)

No

<1130> Please select the appropriate response (Yes, No, Not Applicable) to confirm the reporting carrier offers broadband service of at least 1 Mbps downstream and 256 kbps upstream within the supported area pursuant to § 54.313(g).

Yes

<1140> Alaska Plan rate-of-return certification (yes, no, or not applicable) of compliance with approved performance plan.

**REDACTED  
FOR PUBLIC INSPECTION**



## (1200) Terms and Conditions for Lifeline Customers

## Lifeline

## Data Collection Form

FCC Form 481

OMB Control No. 3060-0986/OMB Control No. 3060-0849  
July 2018

<010>	Study Area Code	170177
<015>	Study Area Name	LACKAWAXEN TELECOM
<020>	Program Year	2019
<030>	Contact Name - Person USAC should contact regarding this data	Christine Lalor
<035>	Contact Telephone Number - Number of person identified in data line <030>	7245932411 ext.104
<039>	Contact Email Address - Email Address of person identified in data line <030>	clalor@htc.net

## &lt;1210&gt; Terms &amp; Conditions of Voice Telephony Lifeline Plans

Name of Attached Document

## &lt;1220&gt; Link to Public Website

HTTP [htcbroadband.com](http://htcbroadband.com)

"Please check these boxes below to confirm that the attached document(s), on line 1210, or the website listed, on line 1220, contains the required information pursuant to § 54.422(a)(2) annual reporting for ETCs receiving low-income support, carriers must annually report:

<1221> Information describing the terms and conditions of any voice telephony service plans offered to Lifeline subscribers, ☒

<1222> Details on the number of minutes provided as part of the plan, ☒

<1223> Additional charges for toll calls, and rates for each such plan. ☒

**REDACTED**  
**FOR PUBLIC INSPECTION**

(2009) Price Cap Carrier Additional Documentation  
Data Collection Form  
Include Rates of Return, Service Offerings, with Price Cap Data, Exchange Carriers.

FCC Form 481  
OMB Control No. 3060-0928/OMB Control No. 3060-0899  
July 2015

<010>	Study Area Code	170177
<015>	Study Area Name	LACKAWAXEN TELECOM
<020>	Program Year	2019
<030>	Contact Name - Person USAC should contact regarding this data	Christine Talor
<035>	Contact Telephone Number - Number of person identified in data line <030>	7245932411 ext. 104
<039>	Contact Email Address - Email Address of person identified in data line <030>	ctalor@ltc.net

Select the appropriate responses below (Yes, No, Not Applicable) to note compliance as a recipient of frozen High Cost support, High Cost support to offset access charge reductions, and Connect America Phase II support as set forth in 47 CFR 54.313(c),(d),(e). The information reported on this form and in the documents attached below is accurate.

<2015> 2016 and future Frozen Support Certification 47 CFR § 54.313(c)(4)

#### Price Cap Carrier Connect America ICC Support {47 CFR § 54.313(d)}

<2016> Certification support used to build broadband

#### Connect America Phase II Reporting {47 CFR § 54.313(e)}

<2017A> Connect America Fund Phase II recipient?

<2017C> Total amount of Phase II support, if any, the price cap carrier used for capital expenditures in 2017.

<2018> Attach the number, names, and addresses of community anchor institutions to which the carrier newly began providing access to broadband service in the preceding calendar year - 54.313(e)(1)(ii)(A)

<2019> Recipient certifies that it bid on category one telecommunications and Internet access services in response to all FCC Form 470 postings seeking broadband service that meets the connectivity targets for the schools and libraries universal service support program for eligible schools and libraries located within any area in a census block where the carrier is receiving Phase II model-based support, and that such bids were at rates reasonably comparable to rates charged to eligible schools and libraries in urban areas for comparable offerings - 54.313(e)(1)(iii)(C)

Name of Attached Document Listing  
Required Information

**REDACTED  
FOR PUBLIC INSPECTION**

(3005) Rate Of Return Carrier Additional Documentation  
Data Collection Form

FCC Form 481

OMB Control No. 3060-0936 OMB Control No. 3060-0819  
July 2008

<010> Study Area Code 170177

<015> Study Area Name LACKAWAXEN TELECOM

<020> Program Year 2019

<030> Contact Name - Person USAC should contact regarding this data

Christine Lalor

<035> Contact Telephone Number - Number of person identified in data line <030> 7245932411 ext.104

<039> Contact Email Address - Email Address of person identified in data line <030>

clalor@lhtc.net

#### CAF BLS Reporting

(3008A) Please indicate whether new locations were deployed during the prior calendar year. (Yes/No)

(3008B) Please enter the number of new locations deployed in the prior calendar year associated with each of the following speed tiers.

(3008B1) Number of newly built locations with access to broadband speeds of at least 10/1 Mbps but less than 25/3 Mbps.

(3008B2) Number of newly built locations with access to broadband speeds of 25/3 Mbps or higher.

(3008C) Please provide the percentage of deployment across the entire study area.

**REDACTED  
FOR PUBLIC INSPECTION**

3009) Rate of Return Form - Add to Attachment  
Data Collection Form

CP Form 301  
OMB Control No. 3060-0988/OMB Control No. 3060-0843  
July 2014

<010>	Study Area Code	170177
<015>	Study Area Name	LACKAWAXEN TELECOM
<020>	Program Year	2019
<030>	Contact Name - Person USAC should contact regarding this data	Christine Lalor
<035>	Contact Telephone Number - Number of person identified in data line <030>	7245932411 ext. 104
<039>	Contact Email Address - Email Address of person identified in data line <030>	clalor@lhtrc.net

Select from the drop down menu or check the boxes below to note compliance with 54.313(f)(1). Privately held carriers must ensure compliance with the financial reporting requirements set forth in 47 CFR 54.313(f)(2). I further certify that the information reported on this form and in the documents attached below is accurate.

(3009)	Progress Report on 5 Year Plan Carrier certifies to 54.313(f)(1)(iii)	Not Applicable - No Attachment Required	
(3010A)	Certification of Public Interest Obligations (47 CFR § 54.313(f)(1)(ii))		
(3010B)	Please Provide Attachment	Name of Attached Document Listing Required Information	
(3012A)	Community Anchor Institutions (47 CFR § 54.313(f)(1)(ii))	Not Applicable - No Attachment Required	
(3012B)	Please Provide Attachment	Name of Attached Document Listing Required Information	
(3013)	Is your company a Privately Held ROR Carrier (47 CFR § 54.313(f)(2))	(Yes/No)	<input checked="" type="radio"/> <input type="radio"/>
(3014)	If yes, does your company file the RUS annual report	(Yes/No)	<input checked="" type="radio"/> <input type="radio"/>
Please check these boxes to confirm that the attached PDF, on line 3017, contains the required information pursuant to § 54.313(f)(2) compliance requires:			
(3015)	Electronic copy of their annual RUS reports (Operating Report for Telecommunications Borrowers)		<input checked="" type="checkbox"/>
(3016)	Document(s) with Balance Sheet, Income Statement and Statement of Cash Flows		<input checked="" type="checkbox"/>
(3017)	If the response is yes on line 3014, attach your company's RUS annual report and all required documentation	Name of Attached Document Listing Required Information	170177PA3005-17.pdf, 170177PA3026 - CPNI.pdf, 170177PA3015 - 2017RUS.xlsx
(3018)	If the response is no on line 3014, is your company audited?	(Yes/No)	<input type="radio"/> <input type="radio"/>
If the response is yes on line 3018, please check the boxes below to confirm your submission on line 3026 pursuant to § 54.313(f)(2), contains:			
(3019)	Either a copy of their audited financial statement; or (2) a financial report in a format comparable to RUS Operating Report for Telecommunications Borrowers		<input type="checkbox"/>
(3020)	Document(s) for Balance Sheet, Income Statement and Statement of Cash Flows		<input type="checkbox"/>
(3021)	Management letter and/or audit opinion issued by the independent certified public accountant that performed the company's financial audit.		<input type="checkbox"/>
If the response is no on line 3018, please check the boxes below to confirm your submission on line 3026 pursuant to § 54.313(f)(2), contains:			
(3022)	Copy of their financial statement which has been subject to review by an independent certified public accountant; or 2) a financial report in a format comparable to RUS Operating Report for Telecommunications Borrowers		<input type="checkbox"/>
(3023)	Underlying information subjected to a review by an independent certified public accountant		<input type="checkbox"/>
(3024)	Underlying information subjected to an officer certification.		<input type="checkbox"/>
(3025)	Document(s) with Balance Sheet, Income Statement and Statement of Cash Flows		<input type="checkbox"/>
(3026)	Attach the worksheet listing required information	Name of Attached Document Listing Required Information	

**REDACTED**  
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(300) Part 6 of Return Carrier Additional Documentation (Continued)  
Data Collection Form

170177  
LACKAWAXEN TELECOM

2019

Christine Talor

7245932411 ext.104

clalor@hrc.net

<010> Study Area Code

<015> Study Area Name

<020> Program Year

<030> Contact Name - Person USAC should contact regarding this data

<035> Contact Telephone Number - Number of person identified in data line <030>

<039> Contact Email Address - Email Address of person identified in data line <030>

Financial Data Summary

(3027) Revenue

(3028) Operating Expenses

(3029) Net Income

(3030) Telephone Plant in Service(TPIS)

(3031) Total Assets

(3032) Total Debt

(3033) Total Equity

(3034) Dividends

REDACTED  
FOR PUBLIC INSPECTION

<010>	Study Area Code	170177
<015>	Study Area Name	LACKWAXEN TELECOM
<020>	Program Year	2019
<030>	Contact Name - Person USAC should contact regarding this data	Christine Zelar
<035>	Contact Telephone Number - Number of person identified in data line <030>	7245932411 ext.104
<039>	Contact Email Address - Email Address of person identified in data line <030>	elalor@htc.net

**4005 Rural Broadband Experiment**

Authorized Rural Broadband Experiment (RBE) recipients must address the certification for public interest obligations and provide a list of newly served community anchor institutions.

**Public Interest Obligations – FCC 14-98 (paragraphs 26-29, 78)**

Please address Line 4001 regarding compliance with the Commission's public interest obligations. All RBE participants must provide a response to Line 4001.

4001. Recipient certifies that it is offering broadband meeting the requisite public interest obligations consistent with the category for which they were selected, including broadband speed, latency, usage capacity, and rates that are reasonably comparable to rates for comparable offerings in urban areas.

**Community Anchor Institutions – FCC 14-98 (paragraph 79)**

4003a. RBE participants must provide the number, names, and addresses of community anchor institutions to which they newly deployed broadband service in the preceding calendar year. On this line, please respond (yes – attach new community anchors, no – no new anchors) to indicate whether this list will be provided.

If yes to 4003A, please provide a response for 4003B.

4003b. Provide the number, names and addresses of community anchor institutions to which the recipient newly began providing access to broadband service in the preceding calendar year. Name of Attached Document Listing Required Information

**REDACTED  
FOR PUBLIC INSPECTION**

<010>	Study Area Code	170177
<015>	Study Area Name	LAKKANAXEN TELECOM
<020>	Program Year	2019
<030>	Contact Name - Person USAC should contact regarding this data	Christine Salor
<035>	Contact Telephone Number - Number of person identified in data line <030>	725372211 #2.104
<039>	Contact Email Address - Email Address of person identified in data line <030>	clsalor@lcc.net

### 5005 Alaska Plan

(5010) Do you participate in the Alaska plan? (Yes/No)

(5011) Please indicate whether any terrestrial backhaul or other satellite backhaul became commercially available in the previous calendar year in areas previously served exclusively by performance-limiting satellite backhaul. (Yes/No)

(5012) If the filing carrier identified in its approved performance plans that it relies exclusively on satellite backhaul for a certain portion of the population in its service area, indicate whether any terrestrial backhaul or other satellite backhaul became commercially available in the previous calendar year in areas that were previously served exclusively by satellite backhaul. (Yes/No)

[illegible]

**REDACTED**  
**FOR PUBLIC INSPECTION**

Certification - Reporting Carrier Data Collection Form	FCC Form 481 OMB Control No. 3060-0086/CMB Control No. 3060-0081 July 2018
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<010> Study Area Code	170177
<015> Study Area Name	LACKAWAXEN TELECOM
<020> Program Year	2019
<030> Contact Name - Person USAC should contact regarding this data	Christine Lalor
<035> Contact Telephone Number - Number of person identified in data line <030>	7245932411 ext.104
<039> Contact Email Address - Email Address of person identified in data line <030>	clalor@lhtc.net

TO BE COMPLETED BY THE REPORTING CARRIER, IF THE REPORTING CARRIER IS FILING ANNUAL REPORTING ON ITS OWN BEHALF:

Certification of Officer as to the Accuracy of the Data Reported for the Annual Reporting for CAF or LI Recipients	
I certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual reporting requirements for universal service support recipients; and, to the best of my knowledge, the information reported on this form and in any attachments is accurate.	
Name of Reporting Carrier: LACKAWAXEN TELECOM	
Signature of Authorized Officer: CERTIFIED ONLINE	Date 07/12/2018
Printed name of Authorized Officer: James Kail	
Title or position of Authorized Officer: President and CEO	
Telephone number of Authorized Officer: 7245932411 ext.	
Study Area Code of Reporting Carrier: 170177	Filing Due Date for this form: 07/16/2018
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

**REDACTED  
FOR PUBLIC INSPECTION**



Certification - Agent / Carrier Data Collection Form	FCC Form 481 OMB Control No. 3060-0049/OMB Control No. 3060-0819 July 2018
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<010> Study Area Code	170177
<015> Study Area Name	LACKAWAXEN TELECOM
<020> Program Year	2019
<030> Contact Name - Person USAC should contact regarding this data	Christine Lalor
<035> Contact Telephone Number - Number of person identified in data line <030>	7245932411 ext.104
<039> Contact Email Address - Email Address of person identified in data line <030>	clalor@lhtc.net

TO BE COMPLETED BY THE REPORTING CARRIER, IF AN AGENT IS FILING ANNUAL REPORTS ON THE CARRIER'S BEHALF:

Certification of Officer to Authorize an Agent to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
I certify that (Name of Agent) _____ is authorized to submit the information reported on behalf of the reporting carrier. I also certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual data reporting requirements provided to the authorized agent; and, to the best of my knowledge, the reports and data provided to the authorized agent is accurate.	
Name of Authorized Agent: _____	
Name of Reporting Carrier: _____	
Signature of Authorized Officer: _____	Date: _____
Printed name of Authorized Officer: _____	
Title or position of Authorized Officer: _____	
Telephone number of Authorized Officer: _____	
Study Area Code of Reporting Carrier: _____	Filing Due Date for this form: _____
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

TO BE COMPLETED BY THE AUTHORIZED AGENT:

Certification of Agent Authorized to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
I, as agent for the reporting carrier, certify that I am authorized to submit the annual reports for universal service support recipients on behalf of the reporting carrier; I have provided the data reported herein based on data provided by the reporting carrier; and, to the best of my knowledge, the information reported herein is accurate.	
Name of Reporting Carrier: _____	
Name of Authorized Agent Firm: _____	
Signature of Authorized Agent or Employee of Agent: _____	Date: _____
Name of Authorized Agent Employee: _____	
Title or position of Authorized Agent or Employee of Agent: _____	
Telephone number of Authorized Agent or Employee of Agent: _____	
Study Area Code of Reporting Carrier: _____	Filing Due Date for this form: _____
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

**REDACTED**  
**FOR PUBLIC INSPECTION**

## Attachments

**Lackawaxen Telecommunications Services, Inc. (SAC 170177)**

*Statement Regarding the Ability to Function in Emergency*

*Situations 47 CFR § 54.313(a)(6)*

Form 481, Line 610

Lackawaxen Telecommunications Services, Inc. (LTSI) had no service outages during 2017 which met the FCC's threshold for reporting into the Network Outage Reporting System ("NORS").

The Company engages in preventative maintenance programs, which help ensure network reliability in all conditions. This includes regular checks on generators, battery back-up, HVAC infrastructure at central office switches, and tree trimming/removal when trees have the potential to take down telephone lines during events of high wind or heavy snow. Access to critical infrastructure (like central office switches) is limited to essential personnel. Spare equipment is maintained in inventory.

Like most local exchange carriers, the Company's network consists of electronic switching equipment and a network of fiber optics and copper facilities. From a switching standpoint, the Company has one primary switch and smaller switches which are fed by the primary switch. These smaller switches are often referred to as intra-exchange remote switches or concentrators. The largest threat to switches is the loss of power. To address this, the Company ensures adequate battery back-up is maintained. For emergency situations which extend beyond the useful life of the battery back-up, the Company uses generators to power the switches. These generators are portable which ensures they can be relocated to any switching center based on the specific needs of each switch. In addition, the Company's office will serve as a Command and Control center. This center is included as a primary location to which continuous power is required.

In cases of emergency, the Company's management has contact information for all employees. Depending upon the scope of the emergency, the Company may call-in as many employees as necessary to provide continual telecommunications service. The Company has access to local and regional construction companies which can be called in to supplement the work force if necessary. When poles are down from emergencies, the Company works with other utilities attached to the same poles to expedite the repair or replacement of the infrastructure.

**REDACTED**  
**FOR PUBLIC INSPECTION**

In summation, the Company takes preventative measures to plan for emergency situations and also takes steps to mitigate the risk or duration of such events.

**REDACTED**  
**FOR PUBLIC INSPECTION**

813	Affiliates	SAC	Doing Business As Company or Brand Designation
	Lackawaxen Telecommunications Services, Inc	170177	LHTC Broadband
	Lackawaxen Long Distance Company	170177	LHTC Broadband

**REDACTED  
FOR PUBLIC INSPECTION**



*Statement Regarding Certification of Voice Rate Comparability*  
47 C.F.R. § 54.313(a)(10)  
Form 481, Line 1010

Lackawaxen Telecommunications Services, Inc. (LTSI) is a rural, rate of return regulated incumbent local exchange carrier operating in the state of Pennsylvania, and is an eligible telecommunications carrier (ETC) designated by the Pennsylvania Public Commission (PUC). As such, LTSI is subject to the regulatory authority of the PUC and operates under the relevant rules and laws of the state of Pennsylvania.

LTSI hereby certifies that the pricing of its voice services is no more than two standard deviations above the national average urban rate for voice service, \$45.38, as specified in the November 8, 2017, Public Notice issued by the Wireline Competition Bureau of the Federal Communications Commission (DA 17-1093).

LTSI's residential voice service rates, including state fees and the federal subscriber line charge (SLC) are as follows.

Monthly rate for exchange 685 is \$19.00  
Average monthly rate is \$19.00

**REDACTED**  
**FOR PUBLIC INSPECTION**



*Statement Regarding Certification of Broadband Rate Comparability*  
47 C.F.R. § 54.313(a)(10)  
Form 481, Line 1030

Lackawaxen Telecommunications Services, Inc. hereby confirms that the pricing of its broadband services is no more than two standard deviations above the national average urban rate for broadband service, \$94.32, as specified in the November 8, 2017, Public Notice DA 17-1093 issued by the Wireline Competition Bureau of the Federal Communications Commission.

LTSI's residential broadband service rates:

Monthly rate for 15/2MPS unlimited data is \$ 54.95  
Monthly rate for 25/3MPS unlimited data is \$ 69.95  
Monthly rate for exchange 50/5MPS unlimited data is \$ 89.95

**REDACTED**  
**FOR PUBLIC INSPECTION**

REDACTED  
FOR PUBLIC INSPECTION

(3005a) Operating Report for Privately-Held Rate of Return Carriers		FCC Form 481	
Balance Sheet - Data Collection Form		OMB Control No. 3060-0986	
Page 1 of 3		July 2013	
<010> Study Area Code		<010>	170177
<015> Study Area Name		<015>	Backwater Telecommunications Service, Inc.
<020> Program Year		<020>	2013
<030> Contact Name - Person USAC should contact regarding this data		<030>	Christine Lafor
<035> Contact Telephone Number - Number of person identified in data line <030>		<035>	724-839-1633
<039> Contact Telephone Email Address - Email Address of person identified in data line <030>		<039>	claf@backwater.com
<input type="checkbox"/> Files as reviewed single company		<input type="checkbox"/> Filed as audited single company	
<input type="checkbox"/> Filed as reviewed consolidated company		<input type="checkbox"/> Filed as audited consolidated company	
<input type="checkbox"/> Filed as subsidiary of reviewed consolidated company		<input type="checkbox"/> Filed as subsidiary of audited consolidated company	
CERTIFICATION			
We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.			
Signature		Date	
		7/23/13	
PART A. BALANCE SHEET			
ASSETS		LIABILITIES AND STOCKHOLDERS' EQUITY	
CURRENT ASSETS		CURRENT LIABILITIES	
1. Cash and Equivalents		25. Accounts Payable	
2. Cash-RUS Construction Fund		26. Notes Payable	
3. Affiliates:		27. Advance Billings and Payments	
a. Telecom, Accounts Receivable		28. Customer Deposits	
b. Other Accounts Receivable		29. Current Mat. L/T Debt	
c. Notes Receivable		30. Current Mat. L/T Debt-Rur. Dev.	
4. Non-Affiliates:		31. Current Mat.-Capital Leases	
a. Telecom, Accounts Receivable		32. Income Taxes Accrued	
b. Other Accounts Receivable		33. Other Taxes Accrued	
c. Notes Receivable		34. Other Current Liabilities	
5. Interest and Dividends Receivable		35. Total Current Liabilities (25 thru 34)	
6. Material-Nonregulated		LONG-TERM DEBT	
7. Material-Regulated		36. Funded Debt-RUS Notes	
8. Prepayments		37. Funded Debt-RTB Notes	
9. Other Current Assets		38. Funded Debt-FRB Notes	
10. Total Current Assets (1 Thru 9)		39. Funded Debt-Other	
NONCURRENT ASSETS		40. Funded Debt-Rural Develop. Loan	
11. Investment in Affiliated Companies		41. Premium (Discount) on L/T Debt	
a. Rural Development		42. Recquired Debt	
b. Nonrural Development		43. Obligations Under Capital Lease	
12. Other Investments		44. Adv. From Affiliated Companies	
a. Rural Development		45. Other Long-Term Debt	
b. Nonrural Development		46. Total Long-Term Debt (36 thru 45)	
13. Nonregulated Investments		OTHER LIAB. & DEF. CREDITS	
14. Other Noncurrent Assets		47. Other Long-Term Liabilities	
15. Deferred Charges		48. Other Deferred Credits	
16. Jurisdictional Differences		49. Other Jurisdictional Differences	
17. Total Noncurrent Assets (11 thru 16)		50. Total Other Liabilities and Deferred Credits (47 thru 49)	
PLANT, PROPERTY, AND EQUIPMENT		EQUITY	
18. Telecom, Plant-in-Service		51. Cap. Stock Outstanding & Subscribed	
19. Property Held for Future Use		52. Additional Paid-in-Capital	
20. Plant Under Construction		53. Treasury Stock	
21. Plant Adj., Nonop. Plant & Goodwill		54. Membership and Cap. Certificates	
22. Less Accumulated Depreciation		55. Other Capital	
23. Net Plant (18 thru 21, less 22)		56. Patronage Capital Credits	
		57. Retained Earnings or Margins	
		58. Total Equity (51 thru 57)	
24. TOTAL ASSETS (10+17+23)		59. TOTAL LIABILITIES AND EQUITY (35+46+50+58)	



<010> Study Area Code 170177  
<015> Study Area Name Jackwaxen Telecommunications Service Inc.  
<020> Program Year 2019  
<030> Contact Name - Person USAC should contact regarding this data Christine Lalor  
<035> Contact Telephone Number - Number of person identified in data line <030> 7245932411  
<039> Contact Telephone Email Address - Email Address of person identified in data line <030> clalor@htc.net

PART B. STATEMENTS OF INCOME AND RETAINED EARNINGS OR MARGINS		PRIOR YEAR	THIS YEAR
ITEM			
1.	Local Network Services Revenues		
2.	Network Access Services Revenues		
3.	Long Distance Network Services Revenues		
4.	Carrier Billing and Collection Revenues		
5.	Miscellaneous Revenues		
6.	Uncollectible Revenues		
7.	Net Operating Revenues (1 thru 5 less 6)		
8.	Plant Specific Operations Expense		
9.	Plant Nonspecific Operations Expense (Excluding Depreciation & Amortization)		
10.	Depreciation Expense		
11.	Amortization Expense		
12.	Customer Operations Expense		
13.	Corporate Operations Expense		
14.	Total Operating Expenses (8 thru 13)		
15.	Operating Income or Margins (7 less 14)		
16.	Other Operating Income and Expenses		
17.	State and Local Taxes		
18.	Federal Income Taxes		
19.	Other Taxes		
20.	Total Operating Taxes (17+18+19)		
21.	Net Operating Income or Margins (15-16-20)		
22.	Interest on Funded Debt		
23.	Interest Expense - Capital Leases		
24.	Other Interest Expense		
25.	Allowance for Funds Used During Construction		
26.	Total Fixed Charges (22+23+24-25)		
27.	Nonoperating Net Income		
28.	Extraordinary Items		
29.	Jurisdictional Differences		
30.	Nonregulated Net Income		
31.	Total Net Income or Margins (21+27+28+29+30-26)		
32.	Total Taxes Based on Income		
33.	Retained Earnings or Margins Beginning-of-Year		
34.	Miscellaneous Credits Year-to-Date		
35.	Dividends Declared (Common)		
36.	Dividends Declared (Preferred)		
37.	Other Debits Year-to-Date		
38.	Transfers to Patronage Capital		
39.	Retained Earnings or Margins end-of-Period [(31+33-34)-(35-36+37+38)]		
40.	Patronage Capital Beginning-of-Year		
41.	Transfers to Patronage Capital		
42.	Patronage Capital Credits Retired		
43.	Patronage Capital End-of-Year (40+41-42)		
44.	Annual Debt Service Payments		
45.	Cash Ratio [(14+20-10-11)/7]		
46.	Operating Accrual Ratio [(14+20+25)/7]		
47.	TIER [(31+26)/26]		
48.	DSCR [(31+26+10+11)/44]		

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(3005c) Operating Report for Privately-Held Rate of Return Carriers  
Balance Sheet - Data Collection Form  
Page 3 of 3

FCC Form 481  
OMB Control No. 3060-0986  
July 2013

<010> Study Area Code  
<015> Study Area Name  
<020> Program Year  
<030> Contact Name - Person USAC should contact regarding this data  
<035> Contact Telephone Number - Number of person identified in data line <030>  
<039> Contact Telephone Email Address - Email Address of person identified in data line <030>

170177  
Lackwaxen Telecommunications Service Inc.  
2019  
Christine Lalor  
7245932411  
clalor@lhtc.net

PART C. STATEMENTS OF CASH FLOWS	
1. Beginning Cash (Cash and Equivalents plus RUS Construction Fund)	
2. Net Income	
3. Add: Depreciation	
4. Add: Amortization	
5. Other (Explain)	
6. Decrease/(Increase) in Accounts Receivable	
7. Decrease/(Increase) in Materials and Inventory	
8. Decrease/(Increase) in Prepayments and Deferred Charges	
9. Decrease/(Increase) in Other Current Assets	
10. Increase/(Decrease) in Accounts Payable	
11. Increase/(Decrease) in Advance Billings & Payments	
12. Increase/(Decrease) in Other Current Liabilities	
13. Net Cash Provided/(Used) by Operations	
14. Decrease/(Increase) in Notes Receivable	
15. Increase/(Decrease) in Notes Payable	
16. Increase/(Decrease) in Customer Deposits	
17. Net Increase/(Decrease) in Long Term Debt (Including Current Maturities)	
18. Increase/(Decrease) in Other Liabilities & Deferred Credits	
19. Increase/(Decrease) in Capital Stock, Paid-In Capital, Membership and Capital Certificates & Other Capital	
20. Less: Payment of Dividends	
21. Less: Patronage Capital Credits Retired	
22. Other (Explain)	
23. Net Cash Provided/(Used) by Financing Activities	
24. Net Capital Expenditures (Property, Plant & Equipment)	
25. Other Long-Term Investments	
26. Other Noncurrent Assets & Jurisdictional Differences	
27. Other (Explain)	
28. Net Cash Provided/(Used) by Investing Activities	
29. Net Increase/(Decrease) in Cash	
30. Ending Cash	

	Number of fields with invalid data
3005a BalanceSheet	0
3005b IncomeStatement	0
3005c Cashflow	0

Worksheet	Input Item	Mandatory fields that are blank			Error Status
3005a BalanceSheet	Study Area Code	<010>			OK
3005a BalanceSheet	Study Area Name	<015>			OK
3005a BalanceSheet	Program Year	<020>			OK
3005a BalanceSheet	Contact Name - Person USAC should contact regarding this data	<030>			OK
3005a BalanceSheet	Contact Telephone Number - Number of person identified in data line <030>	<035>			OK
3005a BalanceSheet	Contact Telephone Email Address - Email Address of person identified in data line <030>	<038>			OK
3005c Cashflow	Explanation for cell C20	5			OK
3005c Cashflow	Explanation for cell C39	22			OK
3005c Cashflow	Explanation for cell C45	27			OK

Worksheet	Input Item	Totals that can not be zero			Error Status
3005a BalanceSheet	Total Assets	24			OK
3005a BalanceSheet	Total Liabilities and Equity	59			OK
3005b IncomeStatement	Input Items for prior year				OK
3005b IncomeStatement	Input Items for current year				OK

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**Lackawaxen Telecommunications  
Services, Inc.**

Financial Statements

December 31, 2017 and 2016

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Candor. Insight. Results.

# **Lackawaxen Telecommunications Services, Inc.**

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## **Table of Contents**

**December 31, 2017 and 2016**

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Statement of Stockholder's Equity	6
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FOR PUBLIC INSPECTION**

## Independent Auditors' Report

Board of Directors  
Lackawaxen Telecommunications Services, Inc.

We have audited the accompanying financial statements of Lackawaxen Telecommunications Services, Inc., which comprise the balance sheet as of December 31, 2017 and 2016, and the related statements of comprehensive income, stockholder's equity, and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free of material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lackawaxen Telecommunications Services, Inc. as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Emphasis of Matter

As discussed in Note 10, the Company's parent LTC Communications, Inc. ("LTC") and Laurel Highland Total Communications, Inc. ("Laurel Highland") have agreed to an all stock general rule merger transaction whereby Laurel Highland will acquire one hundred percent of the stock of LTC and its subsidiaries (including the Company). The joint application was filed with the Pennsylvania Public Utilities Commission on December 12, 2017. The transaction is expected to close in the first quarter of 2018. Our opinion is not modified with respect to this matter.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated February 21, 2018, on our consideration of Lackawaxen Telecommunications Services, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lackawaxen Telecommunications Services, Inc.'s internal control over financial reporting and compliance.

*Baker Tilly Virchow*

Wyomissing, Pennsylvania  
February 21, 2018

**Lackawaxen Telecommunications Services, Inc.**

## Balance Sheet

December 31, 2017 and 2016

	2017	2016
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ [REDACTED]	\$ [REDACTED]
Accounts receivable:		
Due from subscribers and agents, less allowance for uncollectible accounts 2017 \$12,700 and 2016 \$11,800	[REDACTED]	[REDACTED]
Due from affiliates	[REDACTED]	[REDACTED]
Materials and supplies inventory, at average cost	[REDACTED]	[REDACTED]
Prepaid expenses	[REDACTED]	[REDACTED]
Deferred income tax	[REDACTED]	[REDACTED]
Prepaid income and other taxes	[REDACTED]	[REDACTED]
Total current assets	[REDACTED]	[REDACTED]
<b>Investments and Other Assets</b>		
Investments	-	[REDACTED]
Cash surrender value of life insurance	-	[REDACTED]
Nonregulated plant, at cost, net of accumulated depreciation	[REDACTED]	[REDACTED]
Other	[REDACTED]	[REDACTED]
Total investments and other assets	[REDACTED]	[REDACTED]
<b>Property and Equipment, net</b>		
In service	[REDACTED]	[REDACTED]
Under construction	[REDACTED]	[REDACTED]
Accumulated depreciation	[REDACTED]	[REDACTED]
Total property and equipment	[REDACTED]	[REDACTED]
Total assets	\$ [REDACTED]	\$ [REDACTED]

See notes to financial statements



**Lackawaxen Telecommunications Services, Inc.****Balance Sheet**

December 31, 2017 and 2016

	2017	2016
<b>Liabilities and Stockholders' Equity</b>		
<b>Current Liabilities</b>		
Current maturities of long-term debt	\$ [REDACTED]	\$ [REDACTED]
Accounts payable	[REDACTED]	[REDACTED]
Due to affiliates	[REDACTED]	[REDACTED]
Customers' deposits	[REDACTED]	[REDACTED]
Deferred income taxes	[REDACTED]	[REDACTED]
Total current liabilities	[REDACTED]	[REDACTED]
<b>Long-Term Debt, Net of Current Maturities</b>	[REDACTED]	[REDACTED]
<b>Deferred Compensation</b>	[REDACTED]	[REDACTED]
<b>Deferred Income Taxes</b>	[REDACTED]	[REDACTED]
Total liabilities	[REDACTED]	[REDACTED]
<b>Stockholders' Equity</b>		
Common stock, par value \$2.50 per share; authorized 20,000 shares; issued 6,684 shares; outstanding 6,086 shares	[REDACTED]	[REDACTED]
Paid-in capital	[REDACTED]	[REDACTED]
Retained earnings	[REDACTED]	[REDACTED]
Accumulated other comprehensive income	[REDACTED]	[REDACTED]
Total stockholders' equity	[REDACTED]	[REDACTED]
Total liabilities and stockholders' equity	\$ [REDACTED]	\$ [REDACTED]

See notes to financial statements

**Lackawaxen Telecommunications Services, Inc.**Statement of Comprehensive Income (Loss)  
Years Ended December 31, 2017 and 2016

	2017	2016
<b>Operating Revenues</b>		
Local service	\$ [REDACTED]	[REDACTED]
Access service	[REDACTED]	[REDACTED]
Toll service	[REDACTED]	[REDACTED]
Miscellaneous	[REDACTED]	[REDACTED]
Provision for doubtful accounts	[REDACTED]	[REDACTED]
Total operating revenues	[REDACTED]	[REDACTED]
<b>Operating Expenses</b>		
Plant specific	[REDACTED]	[REDACTED]
Plant nonspecific:		
Depreciation	[REDACTED]	[REDACTED]
Other	[REDACTED]	[REDACTED]
Customer operations	[REDACTED]	[REDACTED]
Corporate operations	[REDACTED]	[REDACTED]
Operating taxes other than income	[REDACTED]	[REDACTED]
Benefit for income taxes	[REDACTED]	[REDACTED]
Total operating expenses	[REDACTED]	[REDACTED]
Loss from operations	[REDACTED]	[REDACTED]
<b>Nonregulated and Other Income (Expense)</b>		
Nonregulated:		
Revenues	[REDACTED]	[REDACTED]
Expenses	[REDACTED]	[REDACTED]
Other income, net	[REDACTED]	[REDACTED]
Income tax expense	[REDACTED]	[REDACTED]
Total nonregulated other income	[REDACTED]	[REDACTED]
Income (loss) before fixed charges	[REDACTED]	[REDACTED]
<b>Fixed Charges</b>		
Interest on long-term debt	[REDACTED]	[REDACTED]
Amortization of debt expense	[REDACTED]	[REDACTED]
Total fixed charges	[REDACTED]	[REDACTED]
Net income (loss)	[REDACTED]	[REDACTED]
<b>Other Comprehensive (Loss) Income</b>		
Net unrealized holding (loss) gains on investments arising during the period, net of tax	[REDACTED]	[REDACTED]
Total comprehensive income (loss)	\$ [REDACTED]	[REDACTED]

See notes to financial statements

# Lackawaxen Telecommunications Services, Inc.

## Statement of Stockholders' Equity

Years Ended December 31, 2017 and 2016

	Common Stock	Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Stockholders' Equity
Balances, December 31, 2015	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]
Net loss	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Other comprehensive income	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Balances, December 31, 2016	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Net income	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Other comprehensive income	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Balances, December 31, 2017	[REDACTED]	[REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]

See notes to financial statements

**Lackawaxen Telecommunications Services, Inc.**

## Statement of Cash Flows

Years Ended December 31, 2017 and 2016

	2017	2016
<b>Cash Flows from Operating Activities</b>		
Net income (loss)	\$ [REDACTED]	\$ [REDACTED]
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:		
Depreciation and amortization	[REDACTED]	[REDACTED]
Provision for doubtful accounts	[REDACTED]	[REDACTED]
Deferred compensation	[REDACTED]	[REDACTED]
Loss on sale of investments	[REDACTED]	[REDACTED]
Deferred income tax benefit	[REDACTED]	[REDACTED]
(Increase) decrease in assets:		
Accounts receivable	[REDACTED]	[REDACTED]
Material and supplies inventory	[REDACTED]	[REDACTED]
Prepaid expenses	[REDACTED]	[REDACTED]
Prepaid income and other taxes	[REDACTED]	[REDACTED]
Increase (decrease) in liabilities:		
Accounts payable	[REDACTED]	[REDACTED]
Customer deposits	[REDACTED]	[REDACTED]
Net cash (used in) provided by operating activities	[REDACTED]	[REDACTED]
<b>Cash Flows from Investing Activities</b>		
Advances from (to) affiliates	[REDACTED]	[REDACTED]
Purchase of property and equipment	[REDACTED]	[REDACTED]
Proceeds from sale of investments	[REDACTED]	[REDACTED]
Decrease (increase) in cash surrenders of life insurance policies	[REDACTED]	[REDACTED]
Net cash provided by (used in) investing activities	[REDACTED]	[REDACTED]
<b>Cash Flows Used in Financing Activities</b>		
Principal payments on long-term debt	[REDACTED]	[REDACTED]
Net change in cash and cash equivalents	[REDACTED]	[REDACTED]
<b>Cash and Cash Equivalents, Beginning</b>	[REDACTED]	[REDACTED]
<b>Cash and Cash Equivalents, Ending</b>	\$ [REDACTED]	\$ [REDACTED]
<b>Supplementary Cash Flows Information</b>		
Interest paid	\$ [REDACTED]	\$ [REDACTED]
Income taxes paid	\$ [REDACTED]	\$ [REDACTED]

See notes to financial statements

# **Lackawaxen Telecommunications Services, Inc.**

Notes to Financial Statements  
December 31, 2017 and 2016

## **1. Principles of Consolidation and Nature of Business**

The Company is an independent telephone utility providing communication services in parts of Pike and Wayne Counties, Pennsylvania.

The Company is a wholly owned subsidiary of Lackawaxen Telecom, Inc., a wholly-owned subsidiary of LTC Communications, Inc. ("LTC").

## **2. Significant Accounting Policies**

### **Accounting and Rate Regulation**

The Company is subject to the accounting principles of and rate regulation by the Pennsylvania Public Utility Commission.

### **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles 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.

### **Revenue Recognition**

The Company's revenues are recorded when services are provided. Access service and long distance service revenues are derived from access charges, toll rates and settlement arrangements. The Company recognizes retroactive settlements as changes in revenues in the year the settlement is completed in accordance with industry practice.

### **Cash and Cash Equivalents**

For purposes of determining cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

The Company maintains its cash and cash equivalents in checking and money market accounts. These balances, from time to time, may exceed amounts insured by the Federal Deposit Insurance Corporation.

### **Accounts Receivable**

Accounts receivable are stated at outstanding balances, less an allowance for doubtful accounts. The allowance for doubtful accounts is established through provisions charged against income. Accounts deemed to be uncollectible are charged against the allowance and subsequent recoveries, if any, are credited to the allowance. The allowance for doubtful accounts is maintained at a level considered adequate to provide for losses that can be reasonably anticipated. Management's periodic evaluation of the adequacy of the allowance is based on past experience, agings of the receivables, adverse situations that may affect a customer's ability to pay, current economic conditions and other relevant factors. This evaluation is inherently subjective as it requires estimates that may be susceptible to significant change. Unpaid balances remaining after the stated payment terms are considered past due.

## **Lackawaxen Telecommunications Services, Inc.**

Notes to Financial Statements  
December 31, 2017 and 2016

### **Investments**

The Company has a portfolio of marketable equity securities. All securities are classified as available-for-sale. These securities are recorded at fair value based on quoted market prices and unrealized gains and losses, net of taxes, are reported as a component of other comprehensive income until realized. Realized gains and losses are determined using the specific-identification method.

### **Plant and Depreciation**

Plant is recorded at cost. Normal renewals and betterments of units of property are charged to plant accounts, while ordinary repairs and replacements of items considered to be less than units of property are charged to plant specific expenses. The cost of plant retired, plus removal costs, less salvage is charged to accumulated depreciation. Accordingly, no gain or loss is recognized in connection with ordinary retirements.

Depreciation is computed by the straight-line method. Factors used for calculating depreciation are based on the economic useful lives of the assets. The effective composite depreciation rates for 2017 and 2016 were 3.1% and 3.0%, respectively.

### **Accounting for Impairment of Long-Lived Assets**

The Financial Accounting Standards Board ("FASB") Accounting Standard Codification (ASC), requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by use and eventual disposition of the asset. If the carrying amount of an asset exceeds its estimated undiscounted future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. As of December 31, 2017 and 2016, management of the Company believes that no write-down for such impairment is required related to its long-lived assets.

### **Income Taxes**

The Company is included in the consolidated federal income tax return filed by LTC. The Company's federal income tax expense is computed using the separate return method for intercorporate tax allocation.

Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax basis. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

The Company is subject to federal income tax in the consolidated return filed by LTC and files a separate state income tax in Pennsylvania.

## **Lackawaxen Telecommunications Services, Inc.**

Notes to Financial Statements  
December 31, 2017 and 2016

### **Savings Plan**

The Company has a contributory savings plan for substantially all employees. The Company contributes matching amounts for participating employees in accordance with the provisions of the plan. In addition, the Plan includes a profit sharing component. The Company made matching contributions of [REDACTED] to the plan in 2017 and 2016, respectively. The Company did not make any profit sharing contributions to the plan for 2017 or 2016.

### **Presentation of Sales Taxes**

The Company collects sales tax from customers. The Company's accounting policy is to net the taxes collected and remitted to the state within revenues.

### **Debt Issuance Costs**

The Company amortizes long-term debt issuance costs to interest expense using the effective interest method and debt-issuance costs associated with line-of-credit financing arrangements to interest expense using the straight-line method over the terms of the associated line-of-credit financing arrangements.

### **New Accounting Standards**

In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). Topic 606, as amended, establishes principles for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. The guidance is effective for the Company in 2019 and may be applied retrospectively to each period presented or retrospectively with the cumulative effect recognized at the initial application. The Company is currently assessing the effect this guidance will have on its results of operations, financial position and cash flows.

During November 2015, the FASB issued ASU No. 2015-17, *Balance Sheet Classification of Deferred Taxes*. ASU No. 2015-17 requires deferred tax assets and liabilities to be classified as noncurrent in the classified balance sheet. ASU No. 2015-17 is effective for annual periods beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018. Early adoption is permitted. The company does not believe that the adoption of ASU No. 2015-17 will have a material effect on its results of operations, financial position and cash flows.

### **Reclassifications**

Certain amounts relating to 2016 have been reclassified to conform to the 2017 reporting format.

### **Subsequent Events**

The Company has evaluated events and transactions occurring subsequent to the balance sheet date of December 31, 2017 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through February 21, 2018, the date these financial statements were available to be issued.

# Lackawaxen Telecommunications Services, Inc.

Notes to Financial Statements  
December 31, 2017 and 2016

## 3. Investment in Equity Securities

The following is a summary of the Company's investment in available-for-sale securities as of December 31, 2017 and 2016:

	Cost	Gross Unrealized Gains	Fair Value
<b>December 31, 2017</b>			
Equity securities	\$ -	\$ -	\$ -
<b>December 31, 2016</b>			
Equity securities	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]

The Company sold the equity securities during 2017 which resulted in a loss of \$ [REDACTED]

Equity investments were comprised of investments in common stock. The value is determined by unadjusted quoted prices for identical securities in active markets (Level 1 of the fair value hierarchy). This investment was in an unrealized gain position as of December 31, 2016.

## 4. Telephone Plant

Telephone plant in service and under construction is stated at cost. Listed below are the major classes of the telephone plant as of December 31, 2017 and 2016:

	Estimated Life (in years)	2017	2016
Telephone plant:			
In service:			
Land		\$ [REDACTED]	[REDACTED]
Motor vehicles	7	[REDACTED]	[REDACTED]
Other equipment	8	[REDACTED]	[REDACTED]
Buildings	19 - 33	[REDACTED]	[REDACTED]
Furniture and office equipment	5 - 10	[REDACTED]	[REDACTED]
Central office and other equipment	10 - 12	[REDACTED]	[REDACTED]
Poles, cables and wire	12 - 18	[REDACTED]	[REDACTED]
Other		[REDACTED]	[REDACTED]
Under construction		[REDACTED]	[REDACTED]
Accumulated depreciation		[REDACTED]	[REDACTED]
		\$ [REDACTED]	\$ [REDACTED]
Nonregulated telephone equipment	5 - 7	\$ [REDACTED]	\$ [REDACTED]
Accumulated depreciation		[REDACTED]	[REDACTED]
		\$ [REDACTED]	\$ [REDACTED]



## Lackawaxen Telecommunications Services, Inc.

Notes to Financial Statements  
December 31, 2017 and 2016

### 5. Long-Term Debt

Long-term debt is represented by mortgage notes payable to Rural Utilities Service ("RUS"), an agency of the United States of America at interest rates as shown below:

	2017	2016
RUS 2.15%	\$ [REDACTED]	\$ [REDACTED]
RUS 1.07%	[REDACTED]	[REDACTED]
RUS 1.02%	[REDACTED]	[REDACTED]
RUS 0.85%	[REDACTED]	[REDACTED]
Current maturities	[REDACTED]	[REDACTED]
Deferred issuance cost	[REDACTED]	[REDACTED]
	[REDACTED]	\$ [REDACTED]

The notes are paid in installments of approximately \$ [REDACTED] including interest and due quarterly. The notes are scheduled to be repaid at various times from January 2018 to June 2021. All of the Company's assets are pledged as collateral on the notes. Estimated aggregate maturities during the next four years are 2018 \$ [REDACTED], 2019 \$ [REDACTED], 2020 \$ [REDACTED], and 2021 \$ [REDACTED].

At December 31, 2017, unadvanced loan funds of \$ [REDACTED] were available to the Company on loan commitments from the Rural Utilities Service and the Rural Telephone Bank.

The Company is required to maintain certain financial ratio. Any noncompliance with this ratio requires the Company to submit a plan acceptable to the RUS to become compliant. No further action is necessary.

### 6. Capital Stock and Retained Earnings

The long-term debt agreements contain certain restrictions on the payment of dividends or redemption of capital stock. The restrictions are related in general to the Company's adjusted net worth and assets (as defined). At December 31, 2017, there was approximately \$ [REDACTED] available for dividend payments.

## Lackawaxen Telecommunications Services, Inc.

Notes to Financial Statements  
December 31, 2017 and 2016

### 7. Income Tax Matters

Net deferred tax assets and liabilities consist of the following components as of December 31, 2017 and 2016:

	2017	2016
Deferred tax assets	\$ [REDACTED]	\$ [REDACTED]
Deferred tax liabilities	[REDACTED]	[REDACTED]
	<u>\$ [REDACTED]</u>	<u>[REDACTED]</u>

The components giving rise to the net deferred tax liabilities described above have been included in the accompanying balance sheets as of December 31, 2017 and 2016 as follows:

	2016
Current assets	\$ [REDACTED]
Current liabilities	[REDACTED]
Noncurrent liabilities	[REDACTED]
	<u>[REDACTED]</u>

Taxable temporary differences giving rise to deferred tax liabilities are related to telephone plant and deduction of certain prepaid expenses. Deductible temporary differences giving rise to deferred tax assets are related to mobile phone revenue and deferred compensation.

The provision for income taxes (expense/benefit) for the years ended December 31, 2017 and 2016 consists of the following:

	2017	2016
Federal:		
Current	\$ [REDACTED]	[REDACTED]
Deferred	[REDACTED]	[REDACTED]
Change due to enacted tax rates	[REDACTED]	[REDACTED]
	<u>[REDACTED]</u>	<u>[REDACTED]</u>
State:		
Current	[REDACTED]	[REDACTED]
Deferred	[REDACTED]	[REDACTED]
	<u>[REDACTED]</u>	<u>[REDACTED]</u>

The Company has Pennsylvania net operating losses amounting to approximately [REDACTED] which expire in 2037.

## Lackawaxen Telecommunications Services, Inc.

Notes to Financial Statements  
December 31, 2017 and 2016

Income tax (benefit) expense is reflected in the accompanying statement of income as follows:

	2017	2016
Operating expense	\$ [REDACTED]	\$ [REDACTED]
Nonregulated and other income	[REDACTED]	[REDACTED]
	<u>\$ [REDACTED]</u>	<u>[REDACTED]</u>

In accordance with industry practice, the tax effect of interest expense is included with operating income tax expense.

The income tax provision differs from the amount of income tax determined by applying the statutory tax rates to pretax losses for the years ended December 31, 2017 and 2016 due to the following:

	2017	2016
Statutory income tax benefit	[REDACTED]	[REDACTED]%
Increase (decrease) in income taxes resulting from:		
State income taxes, net of federal benefit	[REDACTED]	[REDACTED]
Officers' life insurance	[REDACTED]	[REDACTED]
Change in enacted federal tax rates	[REDACTED]	[REDACTED]
Other, net	[REDACTED]	[REDACTED]
	<u>[REDACTED]</u>	<u>[REDACTED]</u>

Prepaid income taxes include \$(59,000) and \$91,342 due to (from) its parent for federal income taxes at December 31, 2017 and 2016, respectively.

### 8. Related Parties

The Company has a [REDACTED] and collect arrangement with an affiliate. Revenues recognized under this agreement were \$3,178 and \$48,443 for the years ended December 31, 2017 and 2016, respectively. Additionally, \$150,588 and \$234,566 of access revenues were recognized as a result of services billed to the affiliate for the years ended December 31, 2017 and 2016, respectively.

The Company has recorded \$[REDACTED] in expense related to services performed by LTC for the years ended December 31, 2017 and 2016, respectively.

## **Lackawaxen Telecommunications Services, Inc.**

Notes to Financial Statements  
December 31, 2017 and 2016

### **9. Contingencies**

There are various federal and state regulatory proceedings with the Federal Communications Commission, Pennsylvania Public Utility Commission and Commonwealth Court affecting the telecommunications industry. Some of these proceedings may have an effect on the Company in the future. The impact, if any, cannot be determined at this time. Adverse decisions in these proceedings, however, could have a material effect on operating results or cash flows in future periods.

As of December 31, 2017 the Company has paid the Pennsylvania Department of Revenue (the "Department") assessments of [REDACTED] for additional gross receipts taxes for the years 2009 through 2014. This amount is reflected in prepaid and other income taxes on the December 31, 2017 and 2016 balance sheets. The tax is assessed on telecommunications revenue previously reported by the Company as being exempt. The Company disagrees with the Department's position and has filed an appeal. The Company was successful in the first level of appeal for certain revenue for the years 2009 through 2011. The remaining assessment for 2009 through 2011 are currently under a third level of appeal. The Company is currently awaiting fact development. Appeals for 2012 through 2014 have not yet been reviewed. The Company, through consultation with legal counsel, believes that the assessments recorded will be recovered.

### **10. Sale of Company**

The Company's parent LTC and Laurel Highland, Total Communications, Inc. ("Laurel Highland") have agreed to an all stock merger transaction whereby Laurel Highland will acquire one hundred percent of the Company and its subsidiaries. The joint application was filed with the Pennsylvania Public Utilities Commission (PaPUC) on December 12, 2017 and was approved on December 12, 2017. The transaction is expected to close in the first quarter of 2018.



BAKER TILLY

**Independent Auditors' Report on Internal Control  
Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of  
Financial Statements Performed in Accordance  
with Government Auditing Standards**

Board of Directors  
Lackawaxen Telecommunications Services, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Lackawaxen Telecommunications Services, Inc., which comprise the balance sheet as of December 31, 2017, and the related statements of comprehensive income, stockholder's equity and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 21, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Lackawaxen Telecommunications Services, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lackawaxen Telecommunications Services, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Lackawaxen Telecommunications Services, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees to follow the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Lackawaxen Telecommunications Services, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other use.

*Baker Tilly Virchow Krause, LLP*

Wyomissing, Pennsylvania  
February 21, 2018

REDACTED  
FOR PUBLIC INSPECTION