

Lincolnton Networks, Inc.
Provider of Last Resort Retail Service
Schedule of Rates, Terms and Conditions

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are subject to the applicable Service Order Charge as identified in this Tariff. If only one Calling Area Service offering is available for an Exchange, the Customer will automatically be classified under the available service offering and no charge will apply.

- D. Rates – The applicable rates for the Company’s Business Economy Service are listed in Sections 6.4.B and 6.4.D of this Tariff.

6.4 Calling Area Rates and List of Exchanges – Business Economy Service

- A. List of Exchanges Where Flat-Rated Calling Applies

Home Exchange	Unlimited Flat-Rated Calling to the Following Exchanges
Lincolnton	Camden Lincolnton Lincolnton Beach
Lincolnton Beach	Camden Lincolnton Lincolnton Beach

- B. Monthly Rates for Unlimited Flat-Rated Calling – Business Economy Service

Home Exchange	Rate
Lincolnton	\$32.74
Lincolnton Beach	\$32.74

Issued Date: July 31, 2012

Proposed Effective Date: August 30, 2012

Effective Date:

Docket No.: _____



Shirley P Manning

President

Lincolnvile Networks, Inc.
Provider of Last Resort Retail Service
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- C. List of Exchanges Where Per-Minute Charges Apply – Business Economy Service

Home Exchange	Per-Minute Rated Calling to the Following Exchanges
Lincolnvile	Belfast Morrill Union
Lincolnvile Beach	Belfast Morrill Union

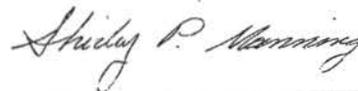
- D. The per-minute rate for calls made from Customer's Home Exchange to the applicable Exchanges listed in Section 6.4.C above is \$0.05 per minute.

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Shirley P Manning

President

Business Premium Service

7.1 Eligibility

- A. Residential service rates shall apply if the service is primarily for domestic purposes and the telephone number associated with the service is not included in any form of advertising for any business purpose. Customers to whom residential rates apply are not eligible to take Business Premium Service.
- B. Business rates shall apply for any service that does not qualify for residential service rates as set forth in Section 7.1.A.

7.2 Definitions

- A. Basic Service Calling Area – (BSCA) is the local (non-interexchange) calling area of the “home exchange” of a customer of Lincolnvile Networks, Inc. The BSCA includes all exchanges that were in the BSCA prior to the amendments effective in December 2002 plus all exchanges that are contiguous to the home exchange that were not included prior to the December 2002 amendments. Within a BSCA, there may be Economy and Premium calling options with flat-rate and per-minute pricing as specified in the definitions of those options. For all options, the BSCA includes all of the exchanges that are included in the calling option with the largest flat-rate calling area.
- B. Home Exchange – is the Exchange of the Company where the Customer receives dial tone.
- C. Premium Calling Area is the Customer’s basic-service calling area that has a flat monthly rate for unlimited calling within the Customer’ Home Exchange and the list of Exchanges identified in connection with the particular Home Exchange in Section 7.4.A of this Tariff.
- D. Provider of last resort service – is a flat- rate service with voice grade access to the public switched telephone network; local usage within the basic service calling areas of incumbent local exchange carriers as of January 1, 2012; dual-tone multifrequency signaling or its functional equivalent; single-party service or its functional equivalent; access to

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emergency services; access to operator services; access to interexchange service; access to directory assistance; toll limitation for qualifying low-income customers; and the capacity to maintain uninterrupted voice service during a power failure, either through the incorporation into the network or network interface devices of suitable battery backup or through electric current. For purposes of this Schedule, all terms included within the definition of provider of last resort service have the same meanings as set forth in 35-A MRSA § 7201.

- E. Business Premium Service – is provider of last resort service offered to business customers on a retail basis with the Premium Service Area as the Customer's Basic Service Calling Area.

7.3 Regulations Concerning Business Premium Service.

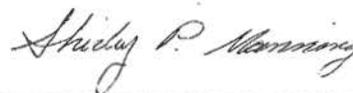
- A. Calls Outside the Premium Calling Area – Calls made from the Home Exchange to locations within the State of Maine, other than those listed in Section 7.3 are billed to the Customer at the applicable intrastate toll rates of the carrier used to provide Customer's intrastate toll service.
- B. Municipal Calling Service – Customer shall receive toll free calling to any other customer of a Provider of Last Resort within the municipality in which the Customer resides where practicable so long as the Customer is utilizing an intralata toll provider for whom Company provides billing to the Customer. In the event the Customer is charged by an intralata toll provider for whom Company provides billing to the Customer for a call to a Provider of Last Resort customer within the municipality in which the Customer resides, Company shall remove any charges associated with any such municipal calling from the Customer's bill when notified by the Customer.
- C. Changes in Calling Areas – The Customer's initial selection of either the Economy Calling Area Service offering or the Premium Calling Area Service offering is without charge. Subsequent changes by the Customer are subject to the applicable Service Order Charge as identified in this Tariff. If only one Calling Area Service offering is available for an Exchange, the Customer will automatically be classified under the available service offering and no charge will apply.

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**Lincolnton Networks, Inc.
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D. Rates – The applicable rates for the Company’s Business Premium Service are listed in Section 7.4.B of this Tariff.

7.4 Calling Area Rates and List of Exchanges – Business Premium Service

A. List of Exchanges Where Flat-Rated Calling Applies – Business Premium Service

Home Exchange	Unlimited Flat-Rated Calling to the Following Exchanges
Lincolnton	Belfast Camden Lincolnton Lincolnton Beach Morrill Union
Lincolnton Beach	Belfast Camden Lincolnton Lincolnton Beach Morrill Union

B. Monthly Rates for Unlimited Flat-Rated Calling – Business Premium Service

Home Exchange	Rate
Lincolnton	\$35.05
Lincolnton Beach	\$35.05

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Shirley P Manning
President



Coastal
Telco
Services



The Lincolnville Telephone Family of Companies

133 Back Meadow Rd., Nobleboro, ME 04555

207-563-9929, 207-785-9929, 207-763-9929



Residential DSL Internet

Five DSL Speeds

Available in Two Bundle Packages or without a Bundle

Packages	No Bundle	State of Maine	Continental	Download	Upload
Standard	\$37.95	\$69.95	\$79.95	768 Kbps	768 Kbps
Deluxe	\$42.95	\$74.95	\$84.95	3 Mbps	1 Mbps
Super	\$47.95	\$79.95	\$89.95	6 Mbps	1 Mbps
Power	\$57.95	\$89.95	\$99.95	10 Mbps	1 Mbps
Power Plus*	\$57.95	\$89.95	\$99.95	10 Mbps	2 Mbps*

State of Maine Bundle:

- Local Phone Service
- 1000 Minutes Long Distance within Maine
- Caller ID, Call Waiting & Call Forwarding
- Broadband High-Speed Internet

Continental Bundle:

- Local Phone Service
- 1000 Minutes Long Distance within the Continental US
- Caller ID, Call Waiting & Call Forwarding
- Broadband High-Speed Internet

The minimum requirements for using Broadband are:

IBM PC Compatible:

Windows XP, Vista, Win 7 & Win 8

Ethernet Network Interface

Macintosh:

Mac OS X

Ethernet Network Interface

Call 563-9911, 785-9911, 763-9911 today for more information ***and start saving!***

** All services may not be available in all areas.

* Plus taxes, surcharges and fees for any additional services

* Price Subject to change

*Phone Service is required

* Distance Restrictions Apply



O.P.E.N.



OPTICAL PREMISE ETHERNET NETWORK



RESIDENTIAL BROADBAND INTERNET



Stop losing time to slow data transfers.

OPEN's symmetrical transfer rates allow you to send data at top speed, meaning you have more time for what matters most. Need higher speeds? *Gigabit and beyond by request.*

POPULAR PERFORMANCE PICKS

	No Bundle	State of Maine	Continental	Speed
OPEN 10	\$67.95	\$99.95	\$109.95	10Mbps
OPEN 15	\$89.95	\$119.95	\$129.95	15Mbps
OPEN 20	\$109.95	\$139.95	\$149.95	20Mbps
OPEN 30	\$159.95	\$189.95	\$199.95	30Mbps
OPEN 50	\$199.95	\$229.95	\$239.95	50Mbps

STATE OF MAINE BUNDLE

- Local phone service.
- 1000 minutes long distance within Maine.
- Caller ID, call waiting, and call forwarding.
- Broadband Internet service.

CONTINENTAL BUNDLE

- Local phone service.
- 1000 minutes long distance within the Continental US.
- Caller ID, call waiting, and call forwarding.
- Broadband Internet service.

Call today to learn more about OPEN and start saving right away!

The Lincolnville Telephone Family of Companies

133 Back Meadow Rd, Nobleboro, ME 04555 | 563-9911 | 785-9911 | 763-9911

***Phone service required. **All services may not be available in all areas. *Plus taxes, surcharges and fees for any additional services.

(2000) Price Cap Carrier Additional Documentation Data Collection Form Including Rate-of-Return Carriers Affiliated with Price Cap Local Exchange Carriers	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0619 July 2013
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<010>	Study Area Code	100003
<015>	Study Area Name	LINCOLNVILLE TELEPHONE COMPANY
<020>	Program Year	2017
<030>	Contact Name - Person USAC should contact regarding this data	Jim Sanborn
<035>	Contact Telephone Number - Number of person identified in data line <030>	2075639910 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	jims@intelco.net

Select the appropriate responses below (Yes, No, Not Applicable) to note compliance as a recipient of Incremental 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(b),(c),(d),(e). The information reported on this form and in the documents attached below is accurate.

Incremental Connect America Phase I reporting

<2010>	2nd Year Certification 47 CFR § 54.313(b)(1)(i) - Note that for the July 1 2016 certification, this applies to Round 2 recipients of Incremental Support	<input style="width: 100%;" type="text"/>	
<2011>	3rd Year Certification 47 CFR § 54.313(b)(1)(ii) - Note that for the July 1 2016 certification, this applies to Round 1 recipients of Incremental Support	<input style="width: 100%;" type="text"/>	
<2022>	Recipient certifies, representing year two after filing a notice of acceptance of funding pursuant to 54.312(c), that the locations in question are not receiving support under the Broadband Initiatives Program or the Broadband Technology Opportunities Program for projects that will provide broadband with speeds of at least 4 Mbps/1Mbps - 54.313(b)(2)(i). Round 2 recipients only.	<input style="width: 100%;" type="text"/>	
<2023>	The attachment on line 2024 includes a statement of the total amount of capital funding expended in the previous year in meeting Connect America Phase I deployment obligations, accompanied by a list of census blocks indicating where funding was spent. This covers year two - 54.313(b)(2)(ii). Round 2 recipients only.	<input style="width: 100%;" type="text"/>	
<2024A>	Round 2 Recipient of Incremental Support?	<input style="width: 100%;" type="text"/>	<input style="width: 100%; height: 40px;" type="text"/>
<2024B>	Attach list of census blocks indicating where funding was spent in year two - 54.313(b)(2)(ii). Round 2 recipients only.	Name of Attached Document Listing Required Information	<input style="width: 100%; height: 40px;" type="text"/>
<2025A>	Round 1 or Round 2 Recipient of Incremental Support?		
<2025B>	Attach geocoded information for Phase I milestone reports (Round 1 for year three and Round 2 for year two) - Connect America Fund , WC Docket 10-90, Report and Order, FCC 13-	Name of Attached Document Listing Required Information	<input style="width: 100%; height: 40px;" type="text"/>
<2015>	2016 and future Frozen Support Certification 47 CFR § 54.313(c)(4)	<input style="width: 100%;" type="text"/>	

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?

<2017B> Attach information for Phase II - 54.313(e)(1) - list of geocoded locations already meeting the 54.309 public interest obligations at the end of calendar year 2015 and total amount of Phase II support, if any, the price

Name of Attached Document Listing
Required Information

cap carrier used for capital expenditures in 2015.

<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)(2)(ii)

Name of Attached Document Listing
Required Information

<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)(2)(v)

<2020> Recipient certifies that it offered broadband meeting the requisite public interest obligations specified in §54.309 to 40% of its supported locations in the state on December 31, 2017 - 54.313(e)(3)

<2021> Recipient certifies that it offered broadband meeting the requisite public interest obligations specified in §54.309 to 60% of its supported locations in the state on December 31, 2018 - 54.313(e)(4)

<2026> Recipient certifies that it offered broadband meeting the requisite public interest obligations specified in §54.309 to 80% of its supported locations in the state on December 31, 2019 - 54.313(e)(5)

<2027> Recipient certifies that it offered broadband meeting the requisite public interest obligations specified in §54.309 to 100% of its supported locations in the state on December 31, 2020 - 54.313(e)(6)

<010>	Study Area Code	100003
<015>	Study Area Name	LINCOLNVILLE TELEPHONE COMPANY
<020>	Program Year	2017
<030>	Contact Name - Person USAC should contact regarding this data	Jim Sanborn
<035>	Contact Telephone Number - Number of person identified in data line <030>	2075639910 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	jims@lintelco.net

Complete the items below to note compliance with five year service quality plan (pursuant to 47 CFR § 54.202(a)) and, for privately held carriers, ensuring 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)

(3010A) Milestone Certification {47 CFR § 54.313(f)(1)(i)} Yes - Attach Certification

(3010B) Please Provide Attachment Name of Attached Document Listing Required Information

(3012A) Community Anchor Institutions {47 CFR § 54.313(f)(1)(ii)} No - No New Community Anchors

(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)

(3014) If yes, does your company file the RUS annual report (Yes/No)

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)

(3016) Document(s) with Balance Sheet, Income Statement and Statement of Cash Flows

(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

(3018) If the response is no on line 3014, is your company audited? (Yes/No)

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

(3020) Document(s) for Balance Sheet, Income Statement and Statement of Cash Flows

(3021) Management letter and/or audit opinion issued by the independent certified public accountant that performed the company's financial audit.

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

(3023) Underlying information subjected to a review by an independent certified public accountant

(3024) Underlying information subjected to an officer certification.

(3025) Document(s) for Balance Sheet, Income Statement and Statement of Cash Flows

(3026) Attach the worksheet listing required information Name of Attached Document Listing Required Information

10003 me 3010



Lincolnville Telephone Company
Family of Companies
Serving Maine's
Telecommunications needs since 1904



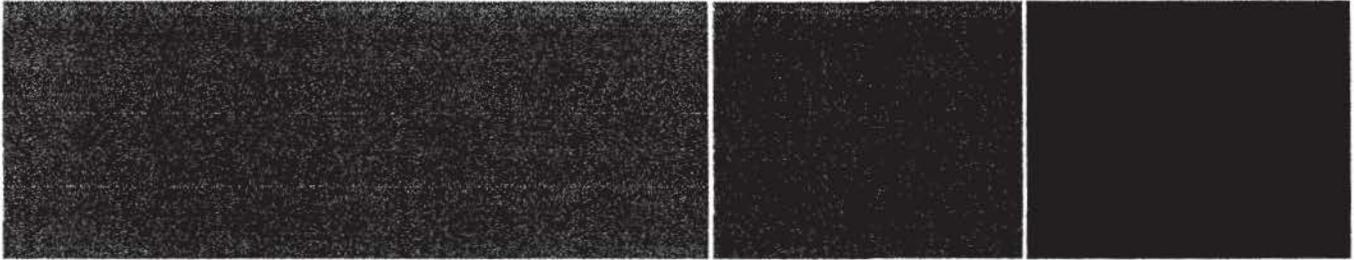
133 Back Meadow Rd
Nobleboro, ME 04555-9202
207-563-9911

June 7, 2016

Federal Communications Commission
445 12th Street SW
Washington, DC 20554

Lincolnville Networks Inc. certifies that it is taking reasonable steps to provide upon reasonable request broadband services at actual speeds of at least 10 Mbps downstream/1 Mbps upstream, with latency suitable for real-time applications, including Voice over Internet Protocol, and usage capacity that is reasonably comparable to comparable offerings in urban areas as determined in an annual survey, and that requests for such service are met within a reasonable amount of time.

Shirley P. Manning
Shirley P. Manning
President
Lincolnville Networks, Inc.



LINCOLNVILLE NETWORKS, INC.

FINANCIAL STATEMENTS

December 31, 2015 and 2014

With Independent Auditor's Report





INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Lincolville Networks, Inc.

We have audited the accompanying financial statements of Lincolville Networks, Inc. (a wholly-owned subsidiary of Lincolville Telephone Company), which comprise the balance sheets as of December 31, 2015 and 2014, and the related statements of income and accumulated deficit, 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 U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of 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 financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditor's 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 Lincolville Networks, Inc. as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Berry Dunn McNeil & Parker, LLC

Portland, Maine
March 8, 2016

LINCOLNVILLE NETWORKS, INC.
(A Wholly-Owned Subsidiary of Lincolnville Telephone Company)

Balance Sheets

December 31, 2015 and 2014

ASSETS

	<u>2015</u>	<u>2014</u>
Current assets		
Cash and cash equivalents	\$ 151,771	\$ 149,500
Accounts receivable, net of allowance for doubtful accounts of \$1,500 in 2015 and 2014	787,372	589,486
Materials and supplies	2,673	2,670
Prepaid expenses and other current assets	<u>1,411</u>	<u>1,375</u>
Total current assets	<u>943,227</u>	<u>743,031</u>
Property, plant and equipment, at cost		
Land and buildings	1,013,921	1,013,921
Central office equipment	2,823,375	2,780,484
Information origination/termination equipment	13,342	13,342
Cable and wire facilities	5,148,268	5,019,133
Other equipment	183,252	269,581
Telecommunications plant under construction	<u>12,301</u>	<u>11,036</u>
	9,194,459	9,107,497
Less accumulated depreciation	<u>6,209,584</u>	<u>5,899,261</u>
Net property, plant and equipment	<u>2,984,875</u>	<u>3,208,236</u>
Noncurrent assets		
Intangible, net	<u>1,009,110</u>	<u>1,053,712</u>
Total noncurrent assets	<u>1,009,110</u>	<u>1,053,712</u>
	<u>\$ 4,937,212</u>	<u>\$ 5,004,979</u>

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

LIABILITIES AND STOCKHOLDER'S EQUITY

	<u>2015</u>	<u>2014</u>
Current liabilities		
Accounts payable	\$ 25,660	\$ 11,302
Accrued expenses and other current liabilities	18,873	20,517
Due to related parties	<u>1,235,334</u>	<u>962,476</u>
Total current liabilities	1,279,867	994,295
Deferred income taxes	<u>1,269,500</u>	<u>1,354,000</u>
Total liabilities	<u>2,549,367</u>	<u>2,348,295</u>
Stockholder's equity		
Common stock, no par value; 2,000 shares authorized; 100 shares issued and outstanding	-	-
Paid-in capital	4,119,509	4,119,509
Accumulated deficit	<u>(1,731,664)</u>	<u>(1,462,825)</u>
Total stockholder's equity	<u>2,387,845</u>	<u>2,656,684</u>
	<u>\$ 4,937,212</u>	<u>\$ 5,004,979</u>

LINCOLNVILLE NETWORKS, INC.
(A Wholly-Owned Subsidiary of Lincolnville Telephone Company)

Statements of Income and Accumulated Deficit

Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Operating revenues		
Basic local network services	\$ 460,948	\$ 469,180
Network access services	918,479	904,439
Miscellaneous	26,449	30,326
Uncollectible revenues, net of recoveries	<u>(214)</u>	<u>(2,495)</u>
Total operating revenues	<u>1,405,662</u>	<u>1,401,450</u>
Operating expenses		
Plant specific operations	174,164	213,964
Plant nonspecific operations	173,823	195,767
Depreciation and amortization	442,804	426,592
Customer operations	189,282	171,628
Corporate operations	<u>322,999</u>	<u>295,055</u>
Total operating expenses	<u>1,303,072</u>	<u>1,303,006</u>
Operating taxes		
Federal and state income taxes	13,700	9,100
Other operating taxes	<u>68,632</u>	<u>74,440</u>
Total operating taxes	<u>82,332</u>	<u>83,540</u>
Net income	20,258	14,904
Accumulated deficit, beginning of year	(1,462,825)	(1,037,596)
Less dividends	<u>289,097</u>	<u>440,133</u>
Accumulated deficit, end of year	<u>\$ (1,731,664)</u>	<u>\$ (1,462,825)</u>

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

LINCOLNVILLE NETWORKS, INC.
(A Wholly-Owned Subsidiary of Lincolnville Telephone Company)

Statements of Cash Flows

Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities		
Net income	\$ 20,258	\$ 14,904
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	442,804	426,592
Deferred income taxes	(84,500)	-
Decrease (increase) in		
Accounts receivable	(197,886)	(271,658)
Materials and supplies	(3)	3
Prepaid expenses and other current assets	(36)	(53)
Increase (decrease) in		
Accounts payable	2,741	(59,057)
Accrued expenses and other current liabilities	(1,644)	(82,490)
Due to affiliates	<u>272,858</u>	<u>629,486</u>
Net cash provided by operating activities	<u>454,592</u>	<u>657,727</u>
Cash flows from investing activities		
Extension and replacement of telecommunications plant, net	<u>(163,224)</u>	<u>(237,336)</u>
Net cash used by investing activities	<u>(163,224)</u>	<u>(237,336)</u>
Cash flows from financing activities		
Payment of dividends	<u>(289,097)</u>	<u>(440,133)</u>
Net cash used by financing activities	<u>(289,097)</u>	<u>(440,133)</u>
Net increase (decrease) in cash and cash equivalents	2,271	(19,742)
Cash and cash equivalents, beginning of year	<u>149,500</u>	<u>169,242</u>
Cash and cash equivalents, end of year	<u>\$ 151,771</u>	<u>\$ 149,500</u>

Supplemental cash flow information:

During 2015, the Company financed approximately \$11,600 of telecommunications plant included in accounts payable in non-cash transactions.

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

LINCOLNVILLE NETWORKS, INC.
(A Wholly-Owned Subsidiary of Lincolnville Telephone Company)

Notes to Financial Statements

December 31, 2015 and 2014

Nature of Operations

Lincolnville Networks, Inc. (the Company), a wholly-owned subsidiary of Lincolnville Telephone Company (its Parent), derives its operating revenues primarily from providing telecommunications and broadband services in Maine. The Company extends credit at standard terms, after appropriate review, to its subscribers and domestic interexchange carriers. Telecommunications services are subject to varying degrees of regulation by the Federal Communications Commission (FCC) and the Maine Public Utilities Commission (MPUC).

1. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with U.S. 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Regulatory Accounting

The Company is subject to regulation of rates and other matters by the FCC and the MPUC. The Company follows the accounting prescribed by the Uniform System of Accounts of the FCC and the MPUC and Financial Accounting Standards Board Accounting Standards Codification (ASC) 980, *Regulated Operations*. This accounting recognizes the economic effects of rate regulation by recording costs and a return on investment, as such amounts are recovered through rates authorized by regulatory authorities. The Company annually reviews the continued applicability of ASC 980 based on the current regulatory and competitive environment.

Cash and Cash Equivalents

All liquid investments with an original maturity of three months or less are considered to be cash equivalents. The Company maintains its cash in bank accounts which may exceed federally insured limits; however, the Company's policy is to invest cash in excess of those limits in government-backed securities or accounts collateralized by bank-owned U.S. government securities or surety bonds. The Company has not experienced any losses in such accounts, and believes it is not exposed to any significant risk with respect to these accounts.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

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Materials and Supplies

Materials and supplies are valued at the lower of first-in, first-out (FIFO) cost or market.

Depreciation

Depreciation is computed on average plant investment by primary plant accounts using the straight-line method over the estimated useful lives of the assets. The Company assesses the estimated remaining useful lives of assets on an annual basis.

Capitalization Policy

Additions to plant and replacements of retirement units of property are capitalized at original cost, which includes labor, material and overhead, and direct charges such as equipment costs. Plant additions were reduced by grant proceeds of approximately \$331,000 in 2014. The Company did not receive grant proceeds in 2015.

Intangible Asset Subject to Amortization

The intangible asset subject to amortization consists of a franchise license which is being amortized by the straight-line method over the asset's estimated useful life of thirty years.

Sales Taxes

The Company reports sales taxes on a net basis; accordingly, they are recorded as a liability when collected from customers and excluded from revenues and expenses.

Income Taxes

Deferred income taxes are provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes.

The Company files a consolidated tax return with its Parent. Income taxes are allocated to the Company based on the statutory rates of the consolidated group applied to its separate income before income taxes.

Revenue Recognition

Operating revenues are recognized when services are provided to customers.

Certain interstate and intrastate terminating network access revenues for the Company are set at predetermined levels subject to the provisions of the FCC Order on Intercarrier Compensation and Universal Service Fund. The effect reduces these network access revenues over a ten-year period. The remaining interstate revenues are based on estimates of the Company's telephone plant investment, operating expenses, and allowable rates of return on investments allocable to those

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services. Nationwide pooling of the revenues is administered by National Exchange Carrier Association (NECA), of which the Company is a member. NECA files interstate access charge tariff schedules with the FCC and accumulates and distributes pooled revenues, derived from interstate access services, to its members. The Company records the effect of NECA settlements, including retroactive adjustments, if applicable, upon notification of such settlements from NECA.

Intrastate originating network access service revenues result from charges to interexchange carriers based on applying intrastate access tariffed rates to intrastate access usage.

Subsequent Events

For purposes of preparation of these financial statements in conformity with U.S. generally accepted accounting principles, the Company has considered transactions or events occurring through March 8, 2016, which was the date the financial statements were available to be issued.

2. Telecommunications Plant Adjustment

A telecommunications plant adjustment of \$2,222,957, net of accumulated amortization of \$868,940 and \$750,540 at December 31, 2015 and 2014, respectively, which is included in property, plant and equipment in the balance sheets, is a regulatory adjustment representing the difference between the fair value of the property, plant and equipment acquired and the original cost of the plant, less the associated depreciation. The Company is amortizing the adjustment over a period of seven to thirty years which approximates the estimated remaining useful lives of the underlying assets. Amortization expense included in depreciation and amortization expense in the statements of income was \$118,400 and \$117,731 in 2015 and 2014, respectively. This amortization is not recoverable through rates, as mandated by a stipulated agreement with the MPUC.

3. Intangible Asset Subject to Amortization

The intangible asset consists of a franchise license of \$1,338,048, net of accumulated amortization of \$328,938 and \$284,336 at December 31, 2015 and 2014, respectively. Amortization expense approximated \$44,600 in 2015 and 2014. Estimated amortization expense through 2020 is as follows:

2016	\$ 44,600
2017	44,600
2018	44,600
2019	44,600
2020	44,600

4. Income Taxes

The actual tax expense differs from that computed at a federal rate of 34% primarily because of state income taxes.

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The components of income tax expense (benefit) at December 31 are as follows:

	<u>Current</u>	<u>Deferred</u>	<u>Total</u>
<u>2015</u>			
Federal income tax	\$ 77,200	\$ (66,900)	\$ 10,300
State income tax	<u>21,000</u>	<u>(17,600)</u>	<u>3,400</u>
	<u>\$ 98,200</u>	<u>\$ (84,500)</u>	<u>\$ 13,700</u>
<u>2014</u>			
Federal income tax	\$ 7,600	\$ -	\$ 7,600
State income tax	<u>1,500</u>	<u>-</u>	<u>1,500</u>
	<u>\$ 9,100</u>	<u>\$ -</u>	<u>\$ 9,100</u>

Amounts payable to the parent for current income taxes are included in due to related parties at December 31, 2015 and 2014.

The deferred tax liability consists primarily of temporary differences related to depreciation and amortization.

5. Related Parties

The Company provides to and receives from related parties through common ownership various network, management, and operation services under an intercompany management services agreement, which has been approved by the MPUC. Charges between these related parties in 2015 and 2014 approximated:

	<u>2015</u>	<u>2014</u>
Provided to:		
Coastal Telco Services, Inc.	\$ 105,405	\$ 144,000
Lincolnville Communications, Inc.	57,119	58,000
Received from:		
Coastal Telco Services, Inc.	\$ 537,815	\$ 655,000

The Company, its Parent and its subsidiaries' assets are collateral in a loan agreement entered into by its Parent. The loan is due in quarterly installments through June 30, 2018, when the balance is due in full. The Parent's outstanding balance on the loan was \$13,169,822 and \$15,169,822 at December 31, 2015 and 2014, respectively. The Company does not presently expect to be required to perform on its obligations under the loan agreement.

The Company and its affiliate through common ownership, Tidewater Telecom, Inc., participate in a combined study area for the nationwide pooling of certain revenues. All settlements are received or paid by the Company and amounts allocated to Tidewater Telecom, Inc. are recorded in the due to related parties.

There was no Management Letter issued in connection with the audit of the December 31, 2015 financial statements of Lincolnville Networks, Inc.

<010>	Study Area Code	100993
<015>	Study Area Name	LINCOLNVILLE TELEPHONE COMPANY
<020>	Program Year	2017
<030>	Contact Name - Person USAC should contact regarding this data	Jim Sanborn
<035>	Contact Telephone Number - Number of person identified in data line <030>	2015439918 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	jims@lntelco.net

4005 Rural Broadband Experiment

Authorized Rural Broadband Experiment (RBE) recipients must address the certification for public interest obligations, provide a list of newly served community anchor institutions, and provide a list of locations where broadband has been deployed.

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 to the identified locations 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 _____

Broadband Deployment Locations – FCC 14-98 (paragraph 80)

4004a. Attach a list of geocoded locations to which broadband has been deployed as of the June 1st immediately preceding the July 1st filing deadline for the FCC Form 481. Name of Attached Document Listing Required Information _____

4004b. Attach evidence demonstrating that the recipient is meeting the relevant public service obligations for the identified locations. Materials must at least detail the pricing, offered broadband speed and data usage allowances available in the relevant geographic area. Name of Attached Document Listing Required Information _____