

CAPTION SHEET

CASE MANAGEMENT SYSTEM

1. REPORT DATE: 00/00/00	:	
2. BUREAU: OSA	:	
3. SECTION(S):	:	
5. APPROVED BY:	:	4. PUBLIC MEETING DATE:
DIRECTOR:	:	00/00/00
SUPERVISOR:	:	
6. PERSON IN CHARGE:	:	7. DATE FILED: 05/01/92
8. DOCKET NO: A-310800 F5000	:	9. EFFECTIVE DATE: 00/00/00

PARTY/COMPLAINANT:

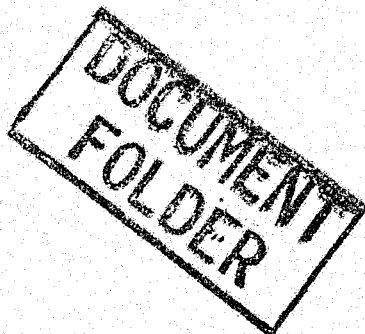
RESPONDENT/APPLICANT: COMMONWEALTH TELEPHONE CO.

COMP/APP COUNTY:

UTILITY CODE: 310800

ALLEGATION OR SUBJECT

APPLICATION OF COMMONWEALTH TELEPHONE COMPANY FOR APPROVAL OF THE TRANSFER OF 100 PERCENT OF OUTSTANDING COMMON STOCK OF C-TEC CORPORATION, PARENT COMPANY OF APPLICANT, TO AN AFFILIATED INTEREST.



May 1, 1992

RECEIVED

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John G. Alford, Secretary  
PA Public Utility Commission  
P.O. Box 3265  
Harrisburg, PA 17120

SECRETARY'S BUREAU  
Public Utility Commission

SECRETARY'S BUREAU  
Information Control Division

Re: Application of Commonwealth Telephone Company  
for Approval of the Transfer of Stock of It's  
Parent Company to an Affiliated Interest

Dear Secretary Alford:

A31080075000

Enclosed herewith please find an original and two (2) copies  
of the aforementioned Application for filing.

Should you have any questions or concerns regarding this  
matter, please contact me.

Sincerely,

TUCKER ARENSBERG, P.C.

JOHN M. QUAIN

JMQ:das  
Enclosures  
ctec.alford1.ltr

DOCUMENT  
FOLDER

MAY 6 1992

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

RECEIVED  
MAY 1 1992

SECRETARY OF  
Public Utility Commission

In re: Application of :  
Commonwealth Telephone Company :  
For Approval Of The Transfer :  
Of Stock By It's Parent Company :  
To An Affiliated Interest :

Docket No. A31080075000

TO THE HONORABLE CHAIRMAN AND COMMISSIONERS OF THE PENNSYLVANIA  
PUBLIC UTILITY COMMISSION:

AND NOW COMES, Commonwealth Telephone Company (hereinafter  
"CTCO" or the "Applicant"), pursuant to 66 Pa C.S. Section  
1102(a)(3) of the Public Utility Code, and 52 Pa Code Section 3.551  
of the Public Utility Commission's (hereinafter "Commission") Rules  
of Practice and Procedure to seek approval for the transfer of  
stock by it's parent company, to an affiliated interest.

In support thereof, Applicant avers as follows:

1. The name and address of the Applicant are:

Commonwealth Telephone Company  
100 Lake Street  
Dallas, PA 18612

2. The name and address of Applicant's attorneys are:

John M. Quain, Esquire  
Kenneth Zielonis, Esquire  
Tucker Arensberg, P.C.  
116 Pine Street  
Suite 403  
Harrisburg, PA 17101

Raymond B. Ostroski, Esquire  
General Counsel  
Commonwealth Telephone Company  
46 Public Square  
P.O. Box 3000  
Wilkes-Barre, PA 18703-3000

MAY 7 1992

3A. Corporate History of Transferor

C-TEC Corporation (hereinafter "C-TEC") is the transferor in the proposed transaction. It was formed as a holding company for various subsidiaries. Prior to January 1, 1992, C-TEC consisted of eight (8) operating divisions. It provided a core group of executive and corporate management services to all of its operating subsidiaries.

Effective January 1, 1992 C-TEC underwent a corporate reorganization and now consists of seven (7) operating subsidiaries, including: C-TEC Cable Systems, Inc.; Tec-Air, Inc.; C-TEC Telephone Properties, Inc.; C-TEC Properties, Inc.; C-TEC Financial Services, Inc.; Cellular Plus, Inc.; and C-TEC Services, Inc.

3B. Purpose of Incorporation of Transferor

C-TEC was incorporated as a holding company, and holds all of the outstanding stock of its operating subsidiaries.

3C. Affiliated Interests

C-TEC is the parent corporation of Applicant. It is therefore an affiliated interest of Applicant as said term is defined in Section 2101(1) of the Public Utility Code. 66 Pa C.S. Section 2101(1). C-TEC has effective control of the Applicant through its one hundred percent (100%) ownership of its outstanding common stock.

3D. Service Territory

CTCO serves customers in the territory supplied by its telephone lines and facilities located in the counties of Wyoming,

portions of Berks, Bradford, Bucks, Carbon, Chester, Columbia, Dauphin, Lackawanna, Lancaster, Lehigh, Luzerne, Lycoming, Monroe, Northampton, Schuylkill, Sullivan, Susquehanna, Tioga and York, Pennsylvania.

4A. Corporate History of Transferee

C-TEC Telephone Properties, Inc., (hereinafter "CTPI") is the transferee in the proposed transaction. It was incorporated on December 6, 1991, and, as noted in paragraph three (3A) above, it is one of the seven (7) operating subsidiaries of C-TEC.

4B. Corporate Purpose of Transferee

CTPI was formed for the purpose of increasing operational efficiencies and to further the general corporate purpose of the C-TEC Corporation.

4C. Affiliated Interests

CTPI was formed as a holding company for CTCO and for possible future acquisitions. It is therefore an affiliated interest of CTCO as said term is defined in Section 2101(1) of the Pennsylvania Public Utility Code. 66 Pa C.S. Section 2101(1). It is likewise an affiliated interest of the transferor. The transferor has effective control of transferee through its ownership of one hundred percent (100%) of the outstanding common stock of the corporation.

5. Transferor and transferee are affiliates as said term is defined under 66 Pa C.S. Section 2101(1) of the Public Utility Code. As noted above, transferor is the parent company of transferee by virtue of holding one hundred percent (100%) of the

outstanding common stock of transferee.

6. Applicant provides public utility service to 177,522 ratepayers in Pennsylvania, of which 157,112 are residential, and 20,410 are business customers.

7. Attached hereto as Exhibits A and B, are Balance Sheets of C-TEC and CTPI as of December 31, 1991, said date being the latest available Balance Sheets prior to the date of filing. Data for the period ending March 31, 1992 will be provided within thirty (30) days of the date of this filing.

8. Attached hereto as Exhibits C and D, are Income Statements of C-TEC and CTPI for the twelve (12) months ended December 31, 1991, said date being the same date as the Balance Sheets referred to in Paragraph (7) above. Data for the period ending March 31, 1992 will be provided within thirty (30) days of the date of this filing.

9. All annual reports, tariffs, certificates, applications for approval or the issuance of securities and securities certificates filed with Your Honorable Commission by transferor and transferee or by their predecessors, constituents and affiliated companies are incorporated herein by reference and made a part hereof.

10. The property to be transferred from C-TEC to CTPI is one hundred percent (100%) of the outstanding common stock of the Applicant. Pursuant to 66 Pa C.S. 1102(a)(3) said transfer requires the approval of the Public Utility Commission through the issuance of a Certificate of Public Convenience. As such, it is

this transfer of stock which is the subject of the instant Application.

11. The consideration for the transfer of stock is in the nature of an equity contribution from C-TEC to CTPI.

12. The number of shares of common stock to be transferred are 1,267,629 having a book value of \$88,194,081.

13. Pro forma Financial Statements of transferor and transferee giving effect to the transfer will be provided within thirty (30) days of the date of this filing.

14. Attached hereto as Exhibit E is a certified copy of the meeting minutes of the Board of Directors and the stockholders of C-TEC Corporation authorizing the transfer herein proposed.

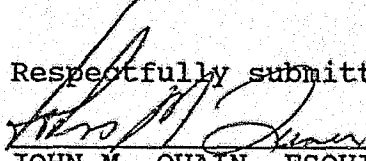
15. The proposed transfer of stock will have no adverse affect on service to Applicant's customers.

16. The proposed transfer will have no affect on CTCO's rates.

17. The reasons for the proposed transfer are as a result of a corporate reorganization undertaken by C-TEC.

WHEREFORE, Applicant prays that your Honorable Commission approve the transfer which forms the subject of this filing.

Respectfully submitted,

  
\_\_\_\_\_  
JOHN M. QUAIN, ESQUIRE  
KENNETH ZIELONIS, ESQUIRE  
TUCKER ARENSBERG, P.C.  
116 Pine Street  
Suite 403  
Harrisburg, PA 17101

Counsel for Commonwealth  
Telephone Company

Dated: May 1, 1992

C-TEC CORPORATION  
BALANCE SHEET

DECEMBER 31,

1991

	(THOUSANDS OF DOLLARS)
<b>CURRENT ASSETS:</b>	
CASH AND TEMPORARY CASH INVESTMENTS	\$ -
NOTES RECEIVABLE FROM SUBSIDIARIES	-
ACCOUNTS RECEIVABLE FROM SUBSIDIARIES	-
INCOME TAXES RECEIVABLE	-
PREPAYMENTS AND OTHER	-
	-----
TOTAL CURRENT ASSETS	-
INVESTMENT IN SUBSIDIARIES (STATED AT EQUITY)	176,578
PROPERTY, PLANT & EQUIPMENT	-
DEFERRED CHARGES	-
	-----
	\$176,578
	=====
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	
<b>CURRENT LIABILITIES:</b>	
DEMAND NOTES PAYABLE TO BANKS	\$ -
NOTES PAYABLE TO SUBSIDIARIES	3,684
ACCOUNTS PAYABLE TO SUBSIDIARIES	-
ACCRUED LIABILITIES AND OTHER	3,885
	-----
	7,569
LONG-TERM DEBT	100,000
	-----
<b>SHAREHOLDERS' EQUITY</b>	
COMMON STOCK	16,887
ADDITIONAL PAID IN CAPITAL	21,265
RETAINED EARNINGS	36,839
	-----
TOTAL	74,991
TREASURY STOCK AT COST, 394,247 SHARES	(5,982)
	-----
TOTAL SHAREHOLDERS' EQUITY	69,009
	-----
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$176,578
	=====

C-TEC TELEPHONE PROPERTIES, INC.  
BALANCE SHEET

DECEMBER 31,

1991

	(THOUSANDS OF DOLLARS)
<b>CURRENT ASSETS:</b>	
CASH AND TEMPORARY CASH INVESTMENTS	\$ -
NOTES RECEIVABLE FROM SUBSIDIARIES	-
ACCOUNTS RECEIVABLE FROM SUBSIDIARIES	-
INCOME TAXES RECEIVABLE	-
PREPAYMENTS AND OTHER	-
	-----
TOTAL CURRENT ASSETS	-
INVESTMENT IN SUBSIDIARIES (STATED AT EQUITY)	-
PROPERTY, PLANT & EQUIPMENT	-
DEFERRED CHARGES	-
	-----
	\$ -
	=====
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	
<b>CURRENT LIABILITIES:</b>	
DEMAND NOTES PAYABLE TO BANKS	\$ -
NOTES PAYABLE TO SUBSIDIARIES	-
ACCOUNTS PAYABLE TO SUBSIDIARIES	-
ACCRUED LIABILITIES AND OTHER	-
	-----
	-
LONG-TERM DEBT	-
	-----
<b>SHAREHOLDERS' EQUITY</b>	
COMMON STOCK	-
ADDITIONAL PAID IN CAPITAL	-
RETAINED EARNINGS	-
	-----
TOTAL	-
TREASURY STOCK AT COST	-
	-----
TOTAL SHAREHOLDERS' EQUITY	-
	-----
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ -
	=====

TEC CORPORATION  
STATEMENT OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 31,

1991

(THOUSANDS OF DOLLARS  
EXCEPT PER SHARE AMOUNTS)

## INCOME:

MANAGEMENT FEE CHARGES TO AFFILIATES	\$21,856
INTEREST INCOME FROM SUBSIDIARIES	946
INTEREST INCOME—OTHER	87
OTHER	137

TOTAL INCOME	23,026
--------------	--------

## EXPENSES:

INTEREST EXPENSE ON NOTES PAYABLE TO BANKS	10,439
INTEREST EXPENSE ON NOTES PAYABLE TO SUBSIDIARIES	216
GENERAL & ADMINISTRATIVE EXPENSES	12,612

TOTAL EXPENSES	23,267
----------------	--------

(LOSS) INCOME BEFORE INCOME TAX (BENEFIT) PROVISION,  
EQUITY IN NET (LOSS) INCOME OF SUBSIDIARIES  
AND LOSS FROM DISCONTINUED OPERATION

(241)

PROVISION (BENEFIT) FOR INCOME TAXES

875

(LOSS) INCOME BEFORE EQUITY IN NET (LOSS) INCOME OF  
SUBSIDIARIES, LOSS FROM DISCONTINUED OPERATION AND  
GAIN ON DISPOSAL

(1,116)

NET (LOSS) INCOME OF SUBSIDIARIES

(18,299)

(LOSS) INCOME BEFORE LOSS FROM DISCONTINUED  
OPERATION AND GAIN ON DISPOSAL

(19,415)

LOSS FROM DISCONTINUED OPERATION, NET OF INCOME  
TAX BENEFITS

—

GAIN ON DISPOSAL, NET OF INCOME TAX EXPENSE  
OF \$5,074,000

7,023

NET (LOSS) INCOME

(\$12,392)

## EARNINGS PER AVERAGE COMMON SHARE:

(LOSS) INCOME FROM CONTINUING OPERATIONS	(\$1.18)
LOSS FROM DISCONTINUED OPERATION	—
GAIN ON DISPOSAL	\$0.43

NET (LOSS) INCOME	(\$0.75)
-------------------	----------

AVERAGE COMMON SHARES OUTSTANDING

15,482,733

C-TELEPHONE PROPERTIES, INC.  
STATEMENT OF OPERATIONS

EXHIBIT D

FOR THE YEARS ENDED DECEMBER 31,

1991

(THOUSANDS OF DOLLARS  
EXCEPT PER SHARE AMOUNTS)

INCOME:

MANAGEMENT FEE CHARGES TO AFFILIATES  
INTEREST INCOME FROM SUBSIDIARIES  
INTEREST INCOME—OTHER  
OTHER

\$ —  
—  
—  
—

TOTAL INCOME

-----  
—  
-----

EXPENSES:

INTEREST EXPENSE ON NOTES PAYABLE TO BANKS  
INTEREST EXPENSE ON NOTES PAYABLE TO SUBSIDIARIES  
GENERAL & ADMINISTRATIVE EXPENSES

—  
—  
—

TOTAL EXPENSES

-----  
—  
-----

(LOSS)INCOME BEFORE INCOME TAX (BENEFIT) PROVISION,  
EQUITY IN NET (LOSS)INCOME OF SUBSIDIARIES  
AND LOSS FROM DISCONTINUED OPERATION

—

PROVISION(BENEFIT) FOR INCOME TAXES

—

(LOSS)INCOME BEFORE EQUITY IN NET (LOSS)INCOME OF  
SUBSIDIARIES, LOSS FROM DISCONTINUED OPERATION AND  
GAIN ON DISPOSAL

—

NET (LOSS)INCOME OF SUBSIDIARIES

—

(LOSS)INCOME BEFORE LOSS FROM DISCONTINUED  
OPERATION AND GAIN ON DISPOSAL

—

LOSS FROM DISCONTINUED OPERATION, NET OF INCOME  
TAX BENEFITS

—

GAIN ON DISPOSAL, NET OF INCOME TAX EXPENSE

—

NET (LOSS)INCOME

-----  
\$ —  
=====

EARNINGS PER AVERAGE COMMON SHARE:

(LOSS)INCOME FROM CONTINUING OPERATIONS  
LOSS FROM DISCONTINUED OPERATION  
GAIN ON DISPOSAL

\$ —  
—  
—

NET (LOSS)INCOME

-----  
\$ —  
=====

AVERAGE COMMON SHARES OUTSTANDING

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—  
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CERTIFICATION OF RESOLUTIONS  
OF  
C-TEC CORPORATION

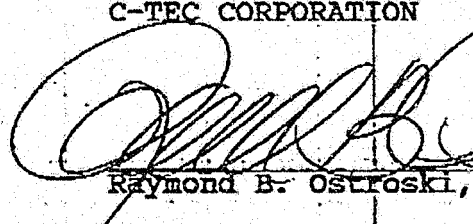
I HEREBY CERTIFY, That by declaration of Resolution by the Board of Directors of C-TEC CORPORATION on the 18th day of December, 1991, the following Resolution, which has not been modified or rescinded and which is not contrary to or inconsistent with the Articles of Incorporation or By-Laws of this Corporation, was duly and regularly adopted:

"1. RESOLVED, That all of the common stock of Commonwealth Telephone Company currently held by the Company shall hereby be transferred and assigned to C-TEC Telephone Properties, Inc., a Delaware corporation and wholly-owned subsidiary of the Company, upon receipt of appropriate approval from regulatory agencies, if necessary; and further

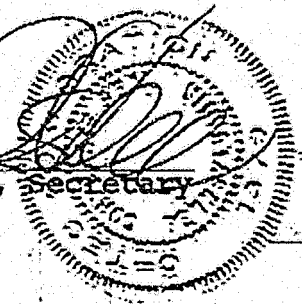
"2. RESOLVED, That the officers of this Company be and they are hereby authorized to do such thing, take such action, execute and deliver such documents and cause the payment of such fee and/or expense as may be necessary and/or required for the purpose of effecting the foregoing resolution, the due certification of this resolution being the sole and only evidence of authority required by such officers for the doing of such act or things and the execution and delivery of such documents."

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of the Corporation this 29th day of April, 1992.

C-TEC CORPORATION

  
Raymond B. Ostroski, Secretary


(CORP. SEAL)



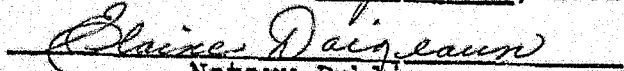
AFFIDAVIT

Commonwealth of Pennsylvania :  
  :  
County of Dauphin                    :

Raymond B. Ostroski, being duly sworn according to law, deposes and says that he is Vice President and General Counsel of Commonwealth Telephone Company and, that in this capacity he is authorized to and does make this Affidavit for it; and that the facts set forth in the foregoing Answer to Formal Complaint are true and correct to the best of his knowledge, information and belief and that he expects Commonwealth Telephone Company to be able to prove the same at any hearing hereof.

  
Raymond B. Ostroski  
Vice President and General Counsel

Sworn to and subscribed before me  
this 24<sup>th</sup> day of April, 1992.

  
Notary Public  
Seal

NOTARIAL SEAL  
ELAINE DAIGEAUN, NOTARY PUBLIC  
WILKES-BARRE, LUZERNE COUNTY, PA.  
MY COMMISSION EXPIRES JANUARY 18, 1993



COMMONWEALTH OF PENNSYLVANIA  
PENNSYLVANIA PUBLIC UTILITY COMMISSION  
P. O. BOX 3265, HARRISBURG, Pa. 17120

May 7, 1992

AMM

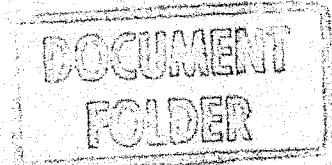
IN REPLY PLEASE  
REFER TO OUR FILE

A-310800F5000

Application of Commonwealth Telephone Company for approval of the transfer of 100 percent of outstanding common stock of C-TEC Corporation, parent company of applicant, to an affiliated interest.

John M. Quain, Esquire  
Kenneth Zielonis, Esquire  
Tucker Arensberg, P.C.  
Suite 403 - 116 Pine Street  
Harrisburg, Pennsylvania 17101

Raymond B. Ostroski, General Counsel  
Commonwealth Telephone Company  
46 Public Square  
P.O. Box 3000  
Wilkes-Barre, Pennsylvania 18703-3000



Gentlemen:

Receipt is acknowledged of the original and two copies of the application of Commonwealth Telephone Company which has been captioned and docketed to the above number. Receipt is also acknowledged of Tucker Arensberg's check No. 3166 in the amount of \$350.00 for the required filing fee.

You are directed upon receipt of this letter to publish the enclosed notice once during each of the weeks of May 18 and 25, 1992, in a newspaper or newspapers having a general circulation in the area(s) involved, and file proof of publication with the Commission on or before June 8, 1992.

The matter will receive the attention of the Commission and you will be advised of any further necessary procedure.

Very truly yours,

for JOHN G. ALFORD  
Secretary

Enclosure  
mpk

MAY 7 1992

PENNSYLVANIA PUBLIC UTILITY COMMISSION

NOTICE TO BE PUBLISHED

Notice is hereby given that application has been made to the Pennsylvania Public Utility Commission, under the provisions of the Public Utility Code, by Commonwealth Telephone Company for approval of the transfer of 100 percent of outstanding common stock of C-TEC Corporation, parent company of applicant, to an affiliated interest. (A-310800F5000)

Notice is hereby also given that this application may be considered by the Commission without a hearing. Protests or petitions to intervene may, however, be filed with the Public Utility Commission, Harrisburg, with copy thereof served upon applicant on or before June 8, 1992, pursuant to Title 52 of the Pennsylvania Code.

COMMONWEALTH TELEPHONE COMPANY

Counsel for applicant:

John M. Quain, Esquire  
Kenneth Zielonis, Esquire  
Tucker Arensberg, P.C.  
Suite 403 - 116 Pine Street  
Harrisburg, Pennsylvania 17101

Raymond B. Ostroski, General Counsel  
Commonwealth Telephone Company  
46 Public Square  
P.O. Box 3000  
Wilkes-Barre, Pennsylvania 18703-3000



# PENNSYLVANIA PUBLIC UTILITY COMMISSION



RECEIPT

KJR

The addressee named hereunder has paid Pennsylvania Public Utility Commission for the following bill, subject to final collection of check or money order tendered for such payment.

JOHN M QUAIN  
TUCKER ARENSBERG  
116 PINE STREET  
HARRISBURG PA 17101

DOCUMENT  
MAY 11 1992

Date May 11, 1992

DOCKETED  
MAY 12 1992

CR 145592 A

RECEIVED  
MAY 12 1992

In re application of Commonwealth Telephone Co  
A-310800, P5000.....\$350.00

SECRETARY'S BUREAU  
Information Control Division

Revenue account 001700-017601-102 (ck)

ck 3166 Checks \$350.00 Currency \_\_\_\_\_

Utility account 50:24

C. Joseph Weisinger  
For Department of Revenue

May 18, 1992

John M. Quain (717) 238-2900

RECEIVED  
MAY 20 1992

SECRETARY'S OFFICE  
Public Utility Commission

Janet Patrick  
PA Public Utility Commission  
North Office Building  
Room B-20  
Harrisburg, PA 17120

Re: Application for Approval to Transfer 100% of  
the Outstanding Common Stock of Commonwealth  
Telephone Company Held By CTEC Corporation,  
Parent Company of Applicant, to an Affiliated Interest

MMD

Dear Janet:

A 310800F5000

This letter will confirm our telephone conversation on the morning of May 18, 1992, regarding the publication of a Notice in the above captioned matter. As we discussed, your letter to me dated May 7, 1992 requesting that the Notice be published during the weeks of May 18 and May 25, contained an error in the caption.

After discussions with Doug Bebe in the Commission's Securities Section, it was decided that I should contact you regarding whether we should refrain from the scheduled publication until a corrected Notice is sent.

You and I agreed that my client, Commonwealth Telephone Company, should disregard the current Notice and await a corrected version before publishing the same in local newspapers of general circulation.

Please note that the caption set forth above, is the correct description of the transaction. I have not identified the docket number listed on your letter to avoid confusion. However, the docket number on your correspondence to me is listed as A-310800F5000.

Please contact me should you have any questions concerning this matter.

Sincerely,

TUCKER ARENSBERG, P.C.

*John M. Quain*  
JOHN M. QUAIN

DOCUMENT FOLDED  
DOCKETED  
MAY 27 1992

JMQ:das  
ctec.patrick1.ltr

cc: D. Bebe  
A. Levandosky



COMMONWEALTH OF PENNSYLVANIA  
PENNSYLVANIA PUBLIC UTILITY COMMISSION  
P. O. BOX 3265, HARRISBURG, Pa. 17120

May 21, 1992

IN REPLY PLEASE  
REFER TO OUR FILE

A-310800F5000

JOHN M QUAIN ESQUIRE  
TUCKER ARENSBERG PC  
116 PINE STREET  
HARRISBURG PA 17101

MMD

Application for approval to transfer 100% of the outstanding common stock of Commonwealth Telephone Company held by CTEC Corporation, parent company of applicant, to an affiliated interest.

Dear Mr. Quain:

Receipt is acknowledged of your letter dated May 18, 1992 advising of the caption correction the above entitled application.

You are directed upon receipt of this letter to publish the enclosed notice once during each of the weeks of June 1 and 8, 1992, in a newspaper(s) having a general circulation in the area(s) involved and file proof of publication with the Commission on or before June 22, 1992,

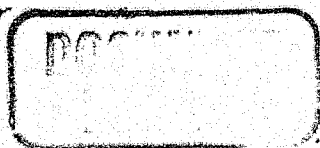
The matter will receive the attention of the Commission, and you will be advised of any further necessary procedure.

Very truly yours,

for John G. Alford  
Secretary

Enclosure  
JEP

MAY 22 1992



PENNSYLVANIA PUBLIC UTILITY COMMISSION

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CORRECTED NOTICE TO BE PUBLISHED

---

Notice is hereby given that an application has been made to the Pennsylvania Public Utility Commission, under the provisions of the Public Utility Code, by Commonwealth Telephone Company for approval to transfer 100% of the outstanding common stock of Commonwealth Telephone Company held by CTEC Corporation, parent company of applicant, to an affiliated interest. (A-310800F5000)

Notice is hereby also given that this application may be considered by the Commission without a hearing. Protests or petitions to intervene may, however, be filed with the Public Utility Commission, Harrisburg, with copy served upon applicant on or before June 22, 1992, pursuant to Title 52 of the Pennsylvania Code.

COMMONWEALTH TELEPHONE COMPANY

Counsel for the applicant:

John M. Quain, Esquire  
Tucker Arensberg, P.C.  
116 Pine Street  
Harrisburg Pa. 17101

June 2, 1992

RECEIVED <sup>AMH</sup>  
JUN 02 1992

Mr. Douglas Beebe  
Bureau of Audits  
Pa. Public Utility Commission  
P.O. Box 3265  
Harrisburg, PA 17105-3265

SECRETARY'S BUREAU  
Information Control Division

RE: APPLICATION OF COMMONWEALTH TELEPHONE COMPANY  
FOR APPROVAL TO TRANSFER STOCK

Dear Mr. Beebe:

*A 310800 \$5000*

I am providing you with responses to certain information requests regarding the Application of Commonwealth Telephone Company ("CTCO") for approval to transfer stock from CTEC:

1. CTEC is transferring only CTCO common stock to Commonwealth Telephone Properties, Inc. ("CTPI") because such stock represents the vast majority of CTEC's equity in CTCO. CTEC's transfer of CTCO stock represents an equity contribution by CTEC which is accomplished by the mechanism of a stock transfer. CTEC's (and now CTPI's) equity interest, represented by CTCO common stock, is 1.2 million shares with a book value of \$88 million.
2. Attached as Appendix A is the 1991 CTEC Shareholder Report.
3. You further requested diagrams showing the CTEC corporate structure before and after the proposed reorganization. Attached as Appendix B-1 is CTEC's corporate structure prior to reorganization. Appendix B-2 illustrates CTEC's corporate structure after the reorganization.
4. You further requested a list of corporate entities providing services to CTCO prior to and after the reorganization. Prior to reorganization, all services to CTCO were provided by CTEC, the parent company. Following the reorganization, this function is assumed by two newly created subsidiaries: (i) CTEC Financial Services, Inc. ("CFSI"), a Delaware corporation, whose role will be to handle inter-company financial transactions and (ii) CTEC Services, Inc. which will handle all other services previously provided by the parent company, including administrative, legal,

DOCKETED

JUN 10 1992

DOCUMENT  
FO

Mr. Douglas Beebe  
June 2, 1992  
Page Two

accounting, information processing and other related activities. CTCO also, by this response, assures the Staff that it is examining the need to file amended affiliated interest agreements or new affiliated interest agreements. CTCO will undertake to make all such required filings in the near future.

I hope this information is helpful to you in reviewing CTCO's Application. If you have any further questions, please do not hesitate to contact me.

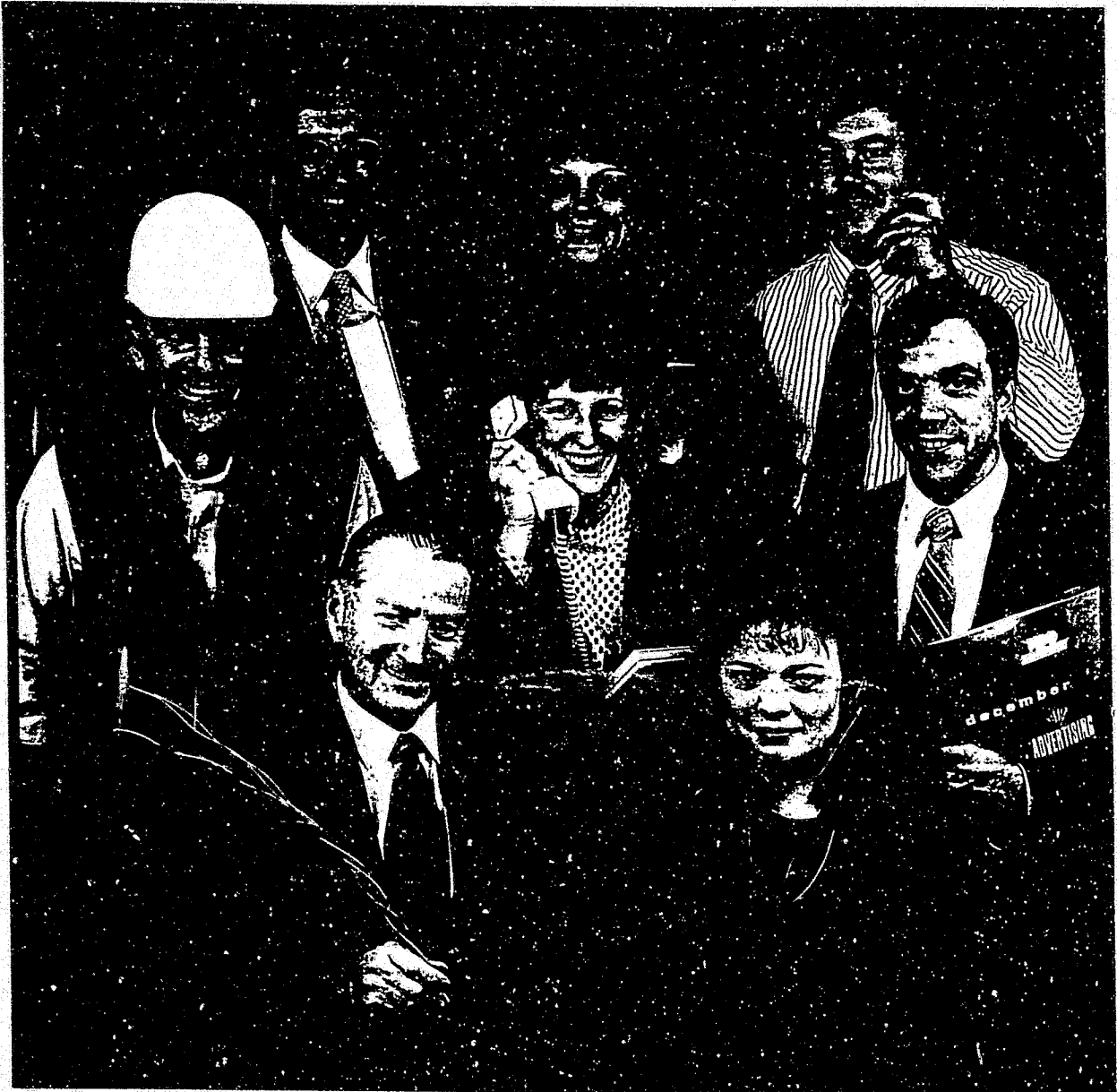
Sincerely,

TUCKER ARENSBERG, P.C.

*John M. Quain*  
John M. Quain

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cc: John Filipowicz  
Audrey Levandosky  
Jani Tuzinski  
J. Alford, Secretary



POOR ORIGINAL

DOCUMENT  
FOLDER



1991  
ANNUAL REPORT

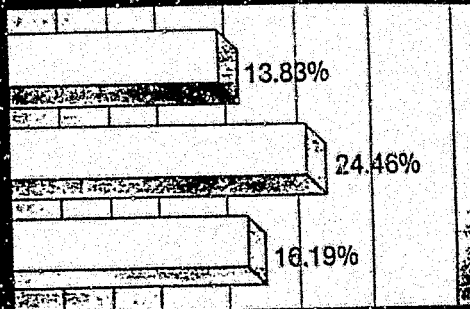
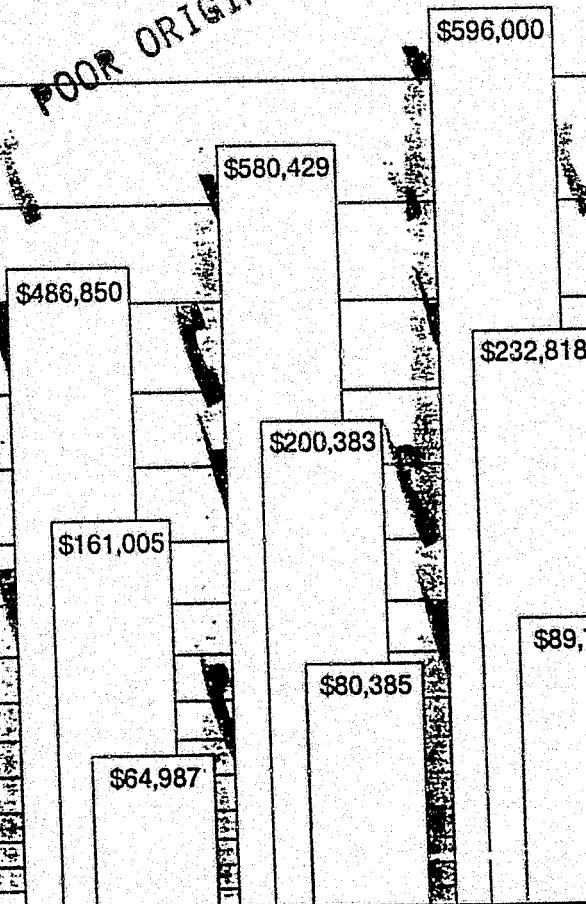
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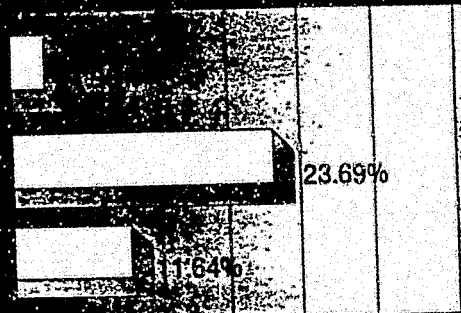
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(Thousands of Dollars)

POOR ORIGINAL



Revenues and Sales



Operating Income Before Depreciation And Amortization

# TO OUR SHAREHOLDERS . . .

On January 8, 1992, the tenth anniversary of AT&T's divestiture announcement was recognized. In the decade since that historic event, telephony, the most significant component of the telecommunications industry, has prospered and the consumer has benefitted substantially from that prosperity. Contrary to concerns that prevailed prior to the act, divestiture has been good for the country, the telecommunications industry, the consumer and C-TEC's shareholders, who now own diverse businesses that are separate and distinct from the telephone heritage that created the Company. Further, C-TEC's business mix is designed to foster the diversity and balance essential for a growing telecommunications company of the 1990's. C-TEC is among the very few with business operations in mobile communications, cable television and telephone (both as a local exchange and an interexchange carrier). We proudly refer to these as our core businesses.

The uniqueness of C-TEC results from the application of a consistent strategy to create long-term shareholder value. This strategy requires perseverance and commitment. British Prime Minister Benjamin Disraeli once said, "The secret of success is constancy to purpose." Building upon nearly a century-old heritage in telecommunications, C-TEC established a corporate vision, defining precisely the business, products and most importantly, the purpose for which more than 1,400 men and women and approximately \$500 million in capital and debt are organized together. We have continuously enunciated our strategy—to create shareholder value—which has guided past and present and will continue to direct, future operations.

Toward this goal of building shareholder value, we made substantial progress in 1991. We accelerated the modernization of our telephone network and ended 1991 with more than 90 percent digital central offices; we expanded cellular markets into rural areas of Iowa and Pennsylvania and passed the 200,000 mark in cable television subscribers through internal growth and continued acquisition; we exceeded expectations with the number of customers who selected our long-distance company; and we

*"C-TEC Corporation will be a growth-oriented telecommunications company pursuing the creation of shareholder value through the initiatives of a motivated and committed work force providing quality services and products to its customers."*

—C-TEC Corporation's Vision Statement

achieved a significant turnaround and improvement in the communications services business. We also entered into full partnership with Reuben H. Donnelley Corporation, a subsidiary of the Dun & Bradstreet Corporation, to publish Yellow Pages directories in certain Pennsylvania markets. As mentioned in last year's report, C-TEC completed the sale of its former information services division in January, 1991. This transaction resulted in a gain of \$7,023,000, which is reflected in our 1991 financial statements.

From the moment that C-TEC determined it would be a strong, growth-oriented company, there was recognition that earnings would suffer, and as anticipated, operating results have been affected since 1989. This loss trend will likely continue

through the formative years of our significant growth plan. At year-end, total debt increased to more than \$437 million. This sum provided funding for acquisitions and the capital expenditures necessary to improve the infrastructure of our business. For the first time, C-TEC's debt was determined to be "investment grade" by a national rating agency. This positive ranking led to completion of a \$100 million private placement of long-term debt in December of 1991. By finding access to reasonably priced long-term financing, C-TEC will continue to vigorously pursue the plan to create shareholder value.

C-TEC is a cash flow driven company. We believe that operating cash flow is the foundation that will enable us to build value, the engine that will drive our long-term growth. Implementation of this growth and acquisition strategy involved the termination of dividends in 1989. It is highly unlikely that dividends will be resumed until there has been substantial debt reduction and

a constant stream of operating cash flow sufficient to provide growth and maintain our large, modern plant.

Last year's results were adversely affected by the recently adopted Pennsylvania business taxes, which claimed more than \$2,900,000 from C-TEC resources. With increases in the state's Corporate Net Income, Utility Gross Receipts and Capital Stock taxes, these legislative changes have had a profound impact on the management of our business and will retard capital formation and employment. Consequently, we will seek every occasion to support restoration of an equitable balance to the fiscal and political equation which is now so very regressive.

With almost a 20 percent stock ownership in Mercom, Inc., a Michigan-

# CABLE . . .

based cable television company, we became concerned about our investment during 1991 due to the company's deteriorating financial condition. Consequently, it was determined that a change in Mercom's management and directors would be in the best interests of all shareholders, and in October, C-TEC initiated a proxy solicitation, which successfully concluded in December. As a result, ten new board members were elected, a new slate of officers proposed by C-TEC was approved, and an interim management arrangement was established with C-TEC Cable Systems, Inc. All of these changes are in the long-term best interests of C-TEC and Mercom shareholders.

Two veteran directors retired during 1991. Edward H. Owlett served for 38 years and Willard S. Boothby for 30. Their long and devoted records of service have earned our applause and deep affection. The Company was fortunate to attract Donald G. Reinhard to our board. Mr. Reinhard brings many years of executive experience in telecommunications and a commitment to our core businesses.

C-TEC's employees continue to perform at heightened levels. During 1991, we increased revenues, operating cash flows and service standards. Management addressed the growing complexity of operating business in regulated environments; and we pursued acquisitions and completed the disposition of the information services division. Most importantly, we accomplished these tasks with fewer people. This achievement is a compliment to the competence of all C-TEC employees.

All our 1991 endeavors, together with a solid operational performance based on increased revenues and efficiencies, have strengthened not only C-TEC's immediate position, but also the prospect of future profitability. We successfully turned recessionary challenges and economic restrictions into opportunities for creativity and resourcefulness, and reaffirmed our commitment to creating long-term value as defined in our corporate vision.

Closing out 1991 with more than 207,000 subscribers, a 5 percent increase, C-TEC Cable Systems achieved a solid performance this past year. Impressive results include a 19 percent rise in revenues, which totalled \$76,128,000, while operating income before depreciation and amortization improved by more than 20 percent to \$29,892,000.

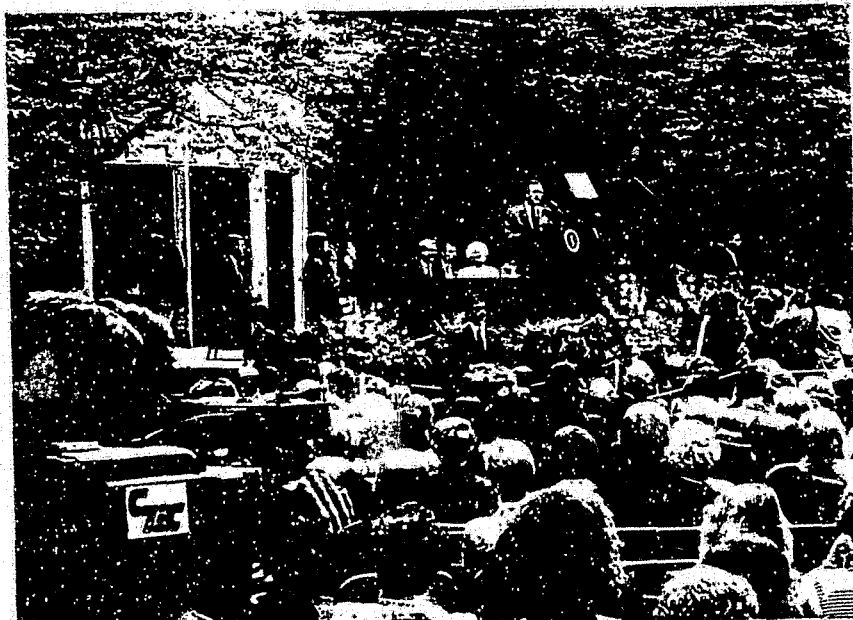
This success was due to continued strong demand for basic cable television, a stabilizing premium segment and high growth in advertising sales and pay-per-view. Continual attention to expense control improved operating margins.

Capital expenditures of \$11,159,000 were directed at extensions to new housing developments, construction of newly awarded franchises and overall plant upgrades and improvements. C-TEC is directing a large portion of its capital reinvestment toward expanding channel capacity, improving picture quality and positioning the company's network for emerging opportunities.

In an industry beset with customer dissatisfaction, C-TEC Cable has won

favor and loyalty among its subscribers through innovative programming and services. As part of its current focused marketing, the company launched a special "Cable Package," offering a mix of premium and basic programming at reduced pricing. Pay-per-view selections, designed to accommodate individual viewing preferences, were expanded, providing an even greater array of movies and events. Moreover, through the installation of today's most sophisticated equipment, pay-per-view services became fully automated, reducing incoming phone traffic, improving efficiency and correspondingly increasing sales.

One of the challenges facing the company as well as the industry is the continually rising cost of programming. With multi-million dollar athletic contracts becoming commonplace, licensing fees for sports networks have become uncontrollable. As the rates for other programming networks follow suit due to expanded 24-hour broadcasting, it is increasingly difficult to negotiate favorable pricing. We will continue to seek every



When President George Bush received an honorary degree from an Ivy League university, C-TEC Cable Systems was there. Sophisticated and comprehensive remote production capabilities are but one of the many services offered by C-TEC Cable.

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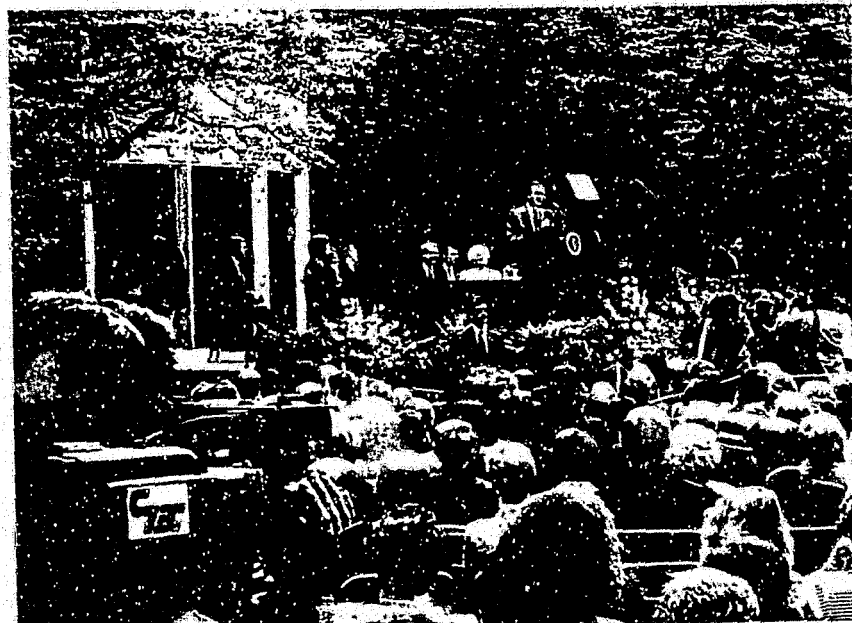
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From the beach resorts in Grand Haven to the ski lodges near Traverse City, C-TEC Cable Systems provides basic, premium and pay-per-view services to more than 130,000 customers throughout Michigan. Overall, the company serves more than 207,000 subscribers in four states and is one of the top 50 multiple system operators in the U.S.

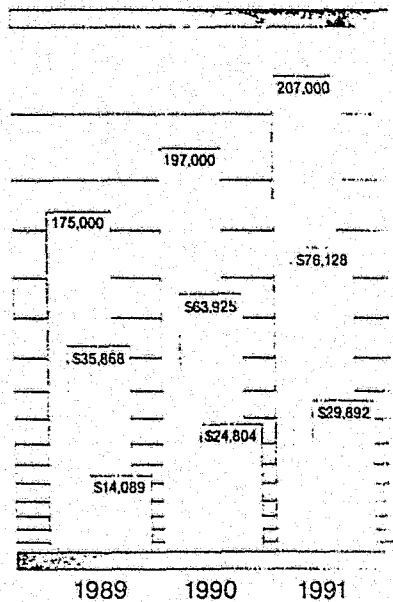
opportunity to secure quality services at reasonable rates so that our customers can enjoy the diversity of competitively priced, superior programming and family entertainment.

Recently, much media attention has been given to negative public opinion concerning cable television, partly due to the problem of high-priced programming. As a result, there have been renewed attempts to re-regulate the cable industry. Although these efforts were unsuccessful in 1991, we are concerned that the public has not been fully apprised of the restrictive ramifications of regulation—reduced availability of services in remote areas, limited programming selections, and decreased technology, to name a few. While C-TEC Cable Systems maintains strong customer loyalty and satisfaction, we will continue to challenge anti-cable legislation for the mutual benefit of the industry as well as our customers.

Looking toward future opportunities and issues, this past year the company reorganized and redefined staff structure and activities in both the east and west divisions. C-TEC Cable was strengthened by the mid-year appointment of Michael J. Mahoney as executive vice president. The company's management team was further enhanced with the appointment of Robin R. Troop as vice president and general manager of Michigan operations.

Finally, C-TEC Cable Systems entered into a management agreement with Mercom, Inc., the Michigan-based cable television company. C-TEC's goal is to reverse Mercom's decline and rebuild shareholder value. Most significant in the months ahead is the need to secure adequate long-term financing to allow Mercom to provide quality program offerings and services as well as to satisfy Mercom's suppliers and lenders.

**C-TEC Cable Systems**  
3-Year Comparative Growth  
(thousands of dollars except subscriber numbers)



Revenues  
Operating Income before Depreciation & Amortization  
Subscribers

# MOBILE SERVICES . . .



*Cellular Plus and Paging Plus frequently make available equipment and services to non-profit organizations who applaud the technology not only for convenience factors but also for emergency and safety reasons.*

For Cellular Plus, 1991 has been the year of the Rural Service Area (RSA). We built and activated seven RSA markets, three in Pennsylvania and four in Iowa. Clustered around already operational Cellular Plus territories, these new regions represent a covered population increase of greater than 635,000, a 42 percent gain, as well as an addition of 14,325 miles, more than triple the mileage of the prior year.

With a 6-fold increase in population covered and nearly a 21-fold increase in territory, the Iowa service areas realized the most substantial growth. When completed, the Cellular Plus Iowa Regional SuperSystem will cover almost one quarter of the state's landmass and population, tying together 24 counties. By year-end 1992, our customers will be able to enjoy approximately 13,000 miles of home

rate calling area, including nearly 90 miles of Interstate 80, an important roaming corridor. As of December 1991, more than 70 percent of this system was constructed.

In Pennsylvania, the newly built and activated systems were incorporated into our existing operations in Northeast Pennsylvania and Centre County. Through cooperative partnership agreements, Wayne, Pike and Wyoming counties joined our Northeast Pennsylvania service area, adding 1,680 square miles including another significant roaming corridor, Interstate 84, from the New York state border to the Wilkes-Barre/Scranton region. The activation of these RSAs also resulted in a covered population increase of almost 96,000.

To our Centre County operations we added Clinton County, which increased that system's territory covered

by 45 percent and the population covered by 30 percent.

Overall, despite the recession, the customer base of Cellular Plus grew by 27 percent across all markets.

Key to providing a comprehensive communications package, our paging and telephone answering businesses also experienced substantial change in 1991. Purchased as part of the Mobilfone acquisition in 1990, the Telephone Answering Exchange upgraded its terminal equipment.

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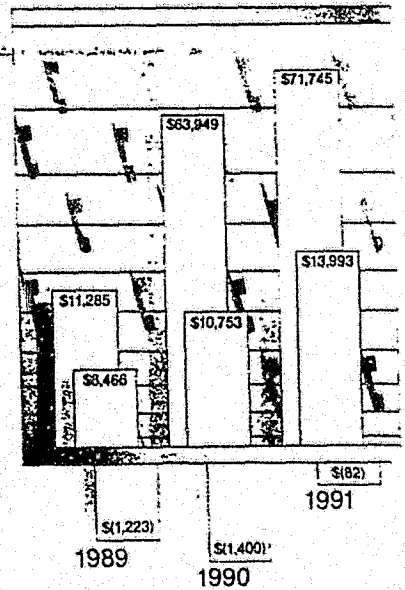
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relocated to the same facility as Paging Plus and Cellular Plus and changed its name to "AnyMessage." The newly installed state-of-the-art system completes our integrated message management approach. As a result of the notable achievements and considerable investments in 1991, our customers can now experience the benefits of a flexible, user-sensitive total mobile communications package in cellular, paging, telephone answering and voice message services.

---

Proving that cellular is the technology of choice when you need to quickly send or receive information, Cellular Plus customers in Iowa have found unique applications for our services, ranging from confirming the day's corn prices to calling for emergency help from the fields.

**C-TEC's Mobile Services  
3-Year Comparative Growth  
(thousands of dollars)**



Revenues

Operating Income before  
Depreciation & Amortization

Identifiable Assets

# TELEPHONE . . .

Key elements of Commonwealth Telephone Company's primary goal include continual improvement, a commitment to excellence and the provision of quality customer service. No mere rhetoric, these concepts translated into actions recognized by the Pennsylvania Public Utility Commission, which, for the second consecutive year, ranked Commonwealth the number one telephone utility in the state as measured by a variety of customer satisfaction and performance criteria. While this recognition was for 1990, this past year Commonwealth further improved in all of the same performance factors.

To achieve this statewide distinction required the dedicated efforts of all 635 employees working toward total customer service. During the year, a record \$44.5 million was invested in network modernization and service improvements. Twelve central office replacements were completed, raising the company's digital service development to 91 percent. More than 132 miles of fiber optic cable were added, bringing total mileage to 660.

Following the successful debut of a Distance Learning Field Trial with Penn State University/Wilkes-Barre Campus, we are exploring other applications for this exciting new technology. The initial project involved the transmission of campus classroom instruction from Lehman, Pennsylvania to Towanda, Pennsylvania, using interactive full-motion videoconferencing via 76 miles of fiber optic cable.

Several other significant 1991 achievements focused on improvement, quality and excellence. We substantially expanded the availability of our PASSKEY Centrex Services for our business customers, providing an enhanced central office based alternative to stand-alone key or PBX telephone systems. We also initiated a program to further mutual understanding with our largest customers, establishing regular meetings with senior employees to review their needs

and our capabilities. Internally, we introduced Total Quality Management training to more than 350 employees, netting over \$250,000 in cost avoidance, expense reduction and increased revenue in 1991. To date, over 80 interdepartmental teams are working to design new and improve existing processes throughout the company.

As already noted in the corporate overview, these accomplishments occurred during a period of economic recession to which Commonwealth was not immune. Access line growth remained sluggish throughout the year, increasing 3.5 percent for a total of 196,622 lines by year-end. Toll calling activity followed suit. Revenues increased by 5.5 percent to \$119,310,000, total assets rose to \$271,899,000, and through a program of strong expense control, operating income before de-

preciation and amortization was \$56,266,000 for 1991.

Looking to long-term challenges, we recognize that a greater portion of our revenue sources will be exposed to competition, particularly as developmental technologies gain customer acceptance. At the same time, Pennsylvania telephone companies are at a disadvantage due to the current regulatory framework. We are working with a broad array of interest groups in support of legislation to exclude competitive services and associated revenues from regulation by the Pennsylvania Public Utility Commission. Moreover, we will assist efforts and endorse legislation to promote the development of a universally available, state-of-the-art, public broadband telecommunications network.

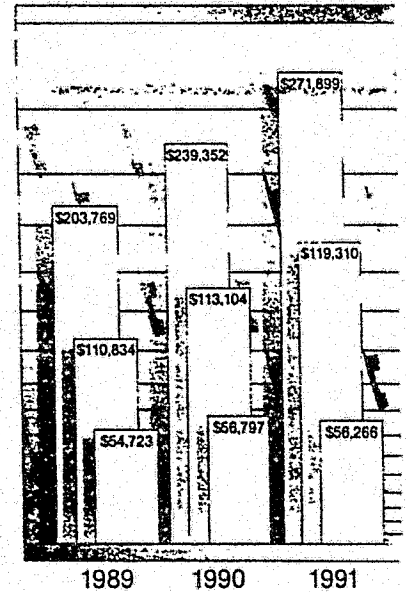


*As a company, Commonwealth Telephone is committed to the communities it serves. As individuals, our employees extend this pledge of service by participating in local events and through membership in community organizations.*

*Business customers  
have specialized  
communications needs.  
Commonwealth Telephone  
provides a complete array  
of services, including cable  
installation for voice, data,  
fiber and videotelecon-  
ferencing, for major  
corporations throughout  
our operating territory.*



**C-TEC's Telephone Operations  
3-Year Comparative Growth  
(thousands of dollars)**



Revenues

Operating Income before  
Depreciation & Amortization

Identifiable Assets

# LONG DISTANCE . . .



*Commonwealth Long Distance offers both residential and business customers discount rates 24 hours a day, seven days a week.*

Commonwealth Long Distance (CLD) surpassed all expectations for 1991, with revenues increasing over five times to more than \$9 million and sub-carrier costs decreasing by 20 percent. This start-up operation captured a 63 percent market share during Commonwealth Telephone's equal access conversion program, with 27 of 78 exchanges completed. The company successfully competed against major rivals AT&T, MCI, Sprint and local resellers, and now more than 50,000 satisfied customers use CLD each month. This past year, CLD concentrated on marketing to business

customers outside the Commonwealth Telephone franchise area, and initiated new services such as a calling card, 800 services, and operator services for the equal access areas. We issued more than 52,000 calling cards primarily throughout the franchised Commonwealth Telephone territory.

An independent telemarketing function was also established to provide extra marketing muscle to CLD's program. This organization furthers our strategy of securing the Commonwealth Telephone customer base while achieving profitable contributions to overall growth.

# COMMUNICATIONS SERVICES . . .



*In 1991, Commonwealth Communications significantly refined its product offering and market niches, providing business systems and related services in Eastern Pennsylvania and Western New Jersey and telecommunications products and services throughout the Northeast U.S.*

Acquiring several multi-year, multi-million dollar communications facilities management contracts in 1991, Commonwealth Communications realized a 31 percent gain in revenues. This was accomplished by securing contracts for nearly 20 percent of all bids proposed. The average value of acquired contracts increased by 33 percent, and the total value of all contracts equalled more than \$10.6 million, with a total recurring revenue stream of \$4 million.

Major projects focused on campus and premise cabling systems, design and implementation of ISDN and fiber optic networks. The company continues to provide switching and distribution design and various other engineering planning services to educational, health care and large business markets. Furthermore, we initiated a variety of staffing approaches to effectively handle projects involving diverse geographic locations and technical requirements.

# Looking Forward . . .

C-TEC's corporate vision confirms that no progress can be made nor success achieved without the contributions of a dedicated and motivated work force. It is only through the personal commitment of each C-TEC employee that future profitability can be ensured. Recognizing the value of our human resources, in 1991 we developed and instituted a series of wellness programs along with offering several health care and flexible scheduling options to best meet individual needs. Providing a comprehensive and competitive compensation package, management successfully negotiated numerous labor contracts this past year. We will continue to adopt policies and programs to better accommodate our changing work force and business structure.

Within operations, we anticipate greater progress in 1992 toward our long-term goal of improving shareholder value. We will refine customer services and innovatively market programming and advertising in cable; further develop regional supersystems within cellular; and mod-

ernize our infrastructure using new technologies in the telephone business. In the highly competitive engineering marketplace, we will concentrate on contracts of the caliber completed this past year, and in long-distance services, we will strive for increased market share and geographic expansion.

C-TEC's achievements now and throughout its history conclusively prove our commitment to improve shareholder value is not mere rhetoric. Our record is the standard for success identified by Disraeli: His view of "constancy to purpose" has been and always will be at our core. To this end, we look forward to continued progress in the coming year.

Andrew J. Sordoni, III *Chairman*

Charles E. Parente *President*

# C-TEC Corporation 1991 Annual Report

## FINANCIAL SECTION

### *C-TEC Corporation and Subsidiaries*

### Selected Financial Data

For the Years Ended December 31,	1991	1990	1989*	1988†*	1987†*
(Thousands of Dollars Except Per Share Amounts)					
Revenues and sales	\$ 232,818	\$ 200,383	\$ 161,005	\$ 141,444	\$ 132,107
(Loss) Income from continuing operations	\$ (19,415)	\$ (9,594)	\$ 5,787	\$ 17,709	\$ 16,486
(Loss) Income per average common share from continuing operations	\$ (1.18)	\$ (.58)	\$ .35	\$ 1.06	\$ 1.00
Dividends per share**	\$ —	\$ —	\$ .14	\$ .29	\$ .28
Total assets	\$ 596,000	\$ 580,429	\$ 486,850	\$ 270,013	\$ 281,951
Long-term debt	\$ 432,482	\$ 364,970	\$ 268,290	\$ 100,383	\$ 103,437

\* Operating results have been restated to reflect a disposition accounted for as a discontinued operation.

† Restated to reflect the 1989 stock split in the form of a dividend of two additional shares for each share of Common and Class B Common Stock.

\*\* Based on average shares of Common Stock and Class B Common Stock.



# Management's Discussion and Analysis

## Results of Operations and Financial Condition

The following discussion and analysis should be read in conjunction with the Consolidated Financial Statements and Notes thereto:

### The Company

C-TEC Corporation (the Company) is a diversified telecommunications and high technology company. The Company is organized into five principal groups: Telephone, Cable Television, Mobile Services, Communications Services and Long Distance Telephone Service.

### Consolidated Financial Results for the years ended December 31, 1991 and 1990

The Company recorded a net loss from continuing operations in 1991 of \$415,000 or \$1.18 per average common share compared to a net loss from continuing operations of \$9,594,000 or \$5.58 per average common share in 1990.

Operating results in 1991 were primarily impacted by the Company's expansion of cellular operations through acquisitions over the past two years. Accordingly, operating losses in the Mobile Services Group increased by \$9,839,000 of which \$5,927,000 (\$3.36 per average common share) is primarily associated with the amortization of intangible assets purchased and costs associated with the start-up of new operations.

1991 results were also adversely impacted by increased interest expense of \$3,334,000 or \$.20 per average common share. This increase is a result of additional borrowings necessary to fund acquisitions, capital expenditures and operations.

In addition, as a result of C-TEC assuming operational control of Mercom, Inc. in December 1991, the Company was required to make an accounting change in the recording of this investment from the cost to the equity method. Accordingly, this accounting change reduced 1991 results by \$2,404,000 or \$.15 per average common share.

After including the gain on disposal and the losses for discontinued operations, the Company recorded a net loss of \$12,000,000 and \$9,945,000 in 1991 and 1990 respectively compared to net income of \$4,460,000 in 1989.

During 1991 the Company had operating income after corporate expenses but before depreciation and amortization of \$89,738,000 compared to \$80,385,000 in 1990. The following table reflects this increase applicable to each of the five principal operating segments:

Segment	Increase (Decrease)	%
	(Thousands of Dollars)	
Telephone	\$ (531)	(0.93)%
Cable	\$ 5,088	20.51%
Communications Services	\$ (2,216)	(52.70)%
Mobile Services	\$ 1,318	94.14%
Long Distance	\$ 180	24.26%

In 1991, consolidated revenues and sales increased by \$32,435,000 or 16.19% over 1990. The following table reflects this increase applicable to each of the five principal operating segments:

Segment	Increase (Decrease)	%
	(Thousands of Dollars)	
Telephone	\$ 6,206	5.49%
Cable	\$12,203	19.09%
Communications Services	\$ 3,384	30.93%
Mobile Services	\$ 3,240	30.13%
Long Distance	\$ 7,402	445.90%

Although the moderate rate of inflation continued in 1991 at a slightly higher rate than 1990, historical inflation continues to have its adverse effects on the results of operations. Current rate-making practices in the telephone industry effectively limit recovery of facilities to the historical cost of those facilities.

However, obligations to holders of debt and preferred stock are also limited to historical costs. As a result, the impact of inflation on the cost of telephone facilities has been substantially reduced by the effect of inflation on the Company's debt and preferred stock. The effect of inflation is borne by the Company's common shareholders.

See Note 10 (Income Taxes) of Notes to Consolidated Financial Statements regarding the effect on the Company of the Financial Accounting Standards Board's Statement on Accounting for Income Taxes.

See Note 8 (Pensions and Employee Benefits) of Notes to Consolidated Financial Statements regarding the effects on the Company of the Financial Accounting Standards Board's Statement on Accounting for Post-Retirement Benefits other than Pensions.

### Consolidated Financial Results for the years ended December 31, 1990 and 1989

The Company recorded a net loss from continuing operations of \$9,594,000 in 1990 or \$5.58 per average common share, compared to net income from continuing operations of \$5,787,000 or \$3.35 per average common share in 1989.

1990 consolidated results decreased from 1989 primarily due to the 1989 third quarter acquisition of cable properties in the state of Michigan. The Company's 1990 results reflect 12 months of this operation, and accordingly, the Company recorded additional losses over 1989 of approximately \$13,327,000 or \$8.11 per average common share. These losses are primarily from the depreciation and amortization of assets purchased and interest incurred on borrowings to finance the acquisition. In addition, the use of temporary cash investments and borrowings to finance acquisitions and the operations of the Company has produced lower interest income and higher interest expense. Accordingly, the use of these funds has lowered 1990 results by \$2,376,000 or \$1.14 per average common share.

1990 results were favorably affected by lower costs associated with C-TEC's Stock Option and Stock Appreciation Rights Plan. These lower costs reduced 1990's net loss by \$2,802,000 or \$1.17 per average common share over 1989. In addition, 1990 results were favorably affected by the Telephone Group recording lower depreciation expense based on a capital recovery study performed in 1989. Accordingly, 1990 results were favorably impacted by \$1,716,000 or \$.10 per average common share.

During 1990 the Company had operating income after corporate expenses but before depreciation and amortization of \$80,385,000 compared to \$64,987,000 in 1989. The following table reflects this increase applicable to each of the five principal operating segments.

Segment	Increase (Decrease)	%
	(Thousands of Dollars)	
Telephone	\$ 2,074	3.79%
Cable	\$10,715	76.05%
Communications Services	\$ (2,558)	(155.31)%
Mobile Services	\$ (177)	(14.47)%
Long Distance	\$ (742)	—

In 1990, consolidated revenues and sales increased by \$39,378,000 or 24.46% over 1989. The following table reflects this increase applicable to each of the five principal operating segments.

Segment	Increase (Decrease)	%
	(Thousands of Dollars)	
Telephone	\$ 2,270	2.05%
Cable	\$28,057	78.22%
Communications Services	\$ 3,104	39.62%
Mobile Services	\$ 4,287	66.30%
Long Distance	\$ 1,660	—

Prior years' results have been restated to reflect the disposition of the Information Services Group and accordingly, operating results are shown separately in the accompanying Consolidated Statements of Operations. The disposition of the Information Services Group and the Company's corporate data processing function allows the Company to refocus attention on its core businesses. This disposition, which closed in 1991, was recorded at an after tax gain of \$7,023,000.

### Liquidity and Capital Resources

	1991	1990	1989
(Thousands of Dollars)			
Investing Activities:			
Additions to property, plant and equipment	\$55,050	\$ 69,657	\$ 52,146
Acquisitions	20,606	57,714	221,350
Total	<u>\$75,656</u>	<u>\$127,371</u>	<u>\$273,496</u>
Net cash provided by operating activities	<u>\$69,820</u>	<u>\$ 52,776</u>	<u>\$ 53,010</u>

Net cash provided by operating activities represented 92.29%, 41.43% and 19.38% of investing activities for capital expenditures and acquisitions for 1991, 1990 and 1989, respectively. The Company's construction budget is estimated to be approximately \$58,884,000 in 1992 as compared to \$55,050,000, \$69,657,000 and \$52,146,000 incurred in 1991, 1990 and 1989, respectively. As in prior years, it is anticipated that funds provided by operations and long-term debt and short-term borrowings (note 4) will fund construction costs and acquisitions.

At December 31, 1991 the Company had unused lines of credit totaling \$14,500,000.

At December 31, 1991 the Company had cash and temporary cash investments of \$49,636,000 as compared to \$24,057,000 in 1990.

In 1989 the Company instituted a policy which resulted in the complete elimination of cash dividends. The Company does not intend to alter this policy in the foreseeable future. The Company has no plans to issue additional equity.

### Results of Operations

#### Telephone Group

Telephone operating revenues increased \$6,206,000 (5.49%) and \$2,270,000 (2.05%) in the years 1991 and 1990, respectively. These increases are due primarily to increases in local service, toll and access charge revenues. The increase in local service and toll revenues reflects continued growth in subscribers and higher toll message volumes. Access charge revenue billed to interexchange carriers such as AT&T, also increased due to higher message volumes.

The Telephone Group continued to move forward with an aggressive plant modernization program which enables the company to provide new and improved services, and at the same time, maintain a level of profitability.

Although the 5.4% overall growth in 1991 operating revenues is comparable with the annual growth experienced over the last two years, excluding depreciation and amortization, the company experienced an 11.96% increase in operating expenses in 1991.

Prior year increases in operating expenses have also exceeded increases in operating revenues. The company expects to implement additional programs to increase productivity and control costs in all areas of operations to help offset this trend.

A substantial portion of this group's operating revenues are subject to a rate-making process prescribed by the Pennsylvania Public Utility Commission (PUC). As a result, any significant increase in expenses without a corresponding increase in revenues through approved rate hikes by the PUC could adversely impact future results of operations.

#### Cable Television

In the past two years, the group has experienced significant increases in operating revenues and operating income before depreciation and amortization as reflected in the following table:

	1991		1990	
	Increase	%	Increase	%
(Thousands of Dollars)				
Operating revenues	12,203	19.09%	28,057	78.22%
Operating income before depreciation and amortization	5,088	20.51%	10,715	76.05%

These increases are a direct result of internal growth, the acquisition and construction of additional systems, rate increases and operating efficiencies. The subscriber base grew to approximately 207,000 at the end of 1991 compared to 197,000 in 1990 and 175,000 in 1989.

This group incurred operating losses of \$9,970,000, \$12,074,000 and \$2,208,000 in 1991, 1990 and 1989, respectively, primarily from the depreciation and amortization of assets purchased through acquisitions. These non-cash charges will continue to have an adverse impact on results for the foreseeable future.

The company cannot presently determine what effect, if any, current legislation introduced in Congress may have on future revenues and results of operations.

#### Mobile Services Group

Mobile Services operating revenue has continued dramatic growth with increases of \$3,240,000 and \$4,287,000 or 30.13% and 66.30% in 1991 and 1990, respectively. These increases are a direct result of the start-up of new cellular operations and dramatic growth in the number of customers this group serves. Operating losses before depreciation and amortization were \$82,000, \$1,400,000 and \$1,223,000 in 1991, 1990 and 1989, respectively. Operating losses were \$13,487,000, \$3,648,000 and \$4,494,000 in 1991, 1990 and 1989, respectively. In 1989, \$1,929,000 of the reported loss is attributable to the write-down of cellular switching and electronic equipment which was replaced in 1990. The improved results in 1991 are a direct result of the continued growth in existing cellular businesses.

#### Communications Services Group

Operating revenues for this group increased \$3,384,000 and \$3,104,000 or 30.93% and 39.61% in 1991 and 1990, respectively.

Prior years' shift in the sales mix to lower margin projects, because of market pressures to reduce selling prices, continued to have an adverse impact on the results for this group in 1991. While significant progress was made during the year to secure projects with higher profit margins, the company had to initiate cost reduction steps to help offset the effects of certain lower margin contracts.

Operating losses in this group increased by \$2,286,000 in 1991 and \$2,592,000 in 1990. Additional losses in 1991 are primarily the result of significant losses incurred on a major telecommunications project and increased parent management fees.

Results for this group in 1990 were adversely affected by competitive pricing, cost overruns in new service offerings and work force increases to meet anticipated revenue growth and market demands.

While the company's future objective is to secure projects with higher profit margins, market conditions are expected to play a significant role.

#### Long Distance

The Long-Distance Group, which began operations in mid 1990, generated operating revenues of \$9,062,000 and \$1,660,000 in 1991 and 1990, respectively. Operating losses were \$922,000 in 1991 compared to \$742,000 in 1990. Operating losses in both years reflect significant costs to introduce this group into the marketplace and selling/marketing expenses to acquire market share.

# Consolidated Statements of Operations

## C-TEC Corporation and Subsidiaries

For the Years Ended December 31,	1991	1990	1989*
(Thousands of Dollars Except Per Share Amounts)			
<b>Revenues and Sales</b>	<b>\$232,818</b>	<b>\$200,383</b>	<b>\$161,005</b>
<b>Costs and Expenses</b>	<b>221,225</b>	<b>182,457</b>	<b>139,292</b>
<b>Operating Income</b>	<b>11,593</b>	<b>17,926</b>	<b>21,713</b>
Interest income	1,801	1,321	1,721
Interest expense	37,472	31,889	14,632
Other (income) expenses, net	(685)	1,242	11
<b>(Loss) Income Before Income Taxes</b>	<b>(23,393)</b>	<b>(13,884)</b>	<b>8,791</b>
<b>(Benefit) Provision for income taxes</b>	<b>(5,486)</b>	<b>(3,782)</b>	<b>3,903</b>
<b>(Loss) Income Before Minority Interest and Equity in Unconsolidated Entities</b>	<b>(17,907)</b>	<b>(10,102)</b>	<b>4,888</b>
Minority interest in loss of consolidated entities	223	477	876
Equity in (loss) income of unconsolidated entities	(1,731)	31	23
<b>(Loss) Income from Continuing Operations</b>	<b>(19,415)</b>	<b>(9,594)</b>	<b>5,787</b>
Loss from discontinued operation, net of income tax benefits	—	(349)	(1,327)
Gain on disposal, net of income tax expense	7,023	—	—
<b>Net (Loss) Income</b>	<b>\$(12,392)</b>	<b>\$ (9,943)</b>	<b>\$ 4,460</b>
<b>Earnings Per Average Common Share</b>			
(Loss) Income from continuing operations	\$ (1.18)	\$ (.58)	\$ .35
Loss from discontinued operation	—	(.02)	(.08)
Gain on disposal	\$ .43	\$ —	\$ —
<b>Net (Loss) Income</b>	<b>\$ (.75)</b>	<b>\$ (.60)</b>	<b>\$ .27</b>
<b>Average Common Shares Outstanding</b>	<b>16,482,733</b>	<b>16,473,512</b>	<b>16,622,001</b>

\*Restated to reflect a disposition accounted for as a discontinued operation.  
See accompanying notes to consolidated financial statements.

# Consolidated Statements of Cash Flows

C-TEC Corporation and Subsidiaries

For the Years Ended December 31,	1991	1990	1989
(Thousands of Dollars)			
<b>Cash Flows from Operating Activities</b>			
Net (Loss) Income	\$ (12,392)	\$ (9,943)	\$ 4,460
Depreciation and amortization	78,145	62,712	43,673
Deferred income taxes and investment tax credits, net	(4,683)	(3,336)	4,236
Net decrease in certain assets and liabilities	7,188	34	3,122
Provision for losses on accounts receivable	2,031	1,240	1,008
Equity in loss (income) of unconsolidated subsidiaries	1,731	(31)	(23)
Other	(2,200)	2,100	(3,466)
<b>Net cash provided by operating activities</b>	<b>69,820</b>	<b>52,776</b>	<b>53,010</b>
<b>Cash Flows from Investing Activities</b>			
Additions to property, plant and equipment	55,050	69,657	52,146
Acquisitions	20,606	57,714	221,350
Investment in non-current marketable securities	—	9,884	—
Other	(4,647)	(104)	(377)
<b>Cash used for investing activities</b>	<b>71,009</b>	<b>137,151</b>	<b>273,119</b>
<b>Cash Flows from Financing Activities</b>			
Net short-term (repayments) borrowings	(36,626)	3,264	33,362
Decrease (increase) in minority interest	(145)	1,038	(561)
Redemption of long-term debt	(174,720)	(27,900)	(11,595)
Redemption of preferred stock	(19)	(19)	(19)
Proceeds from the issuance of common stock	129	146	2,518
Dividends paid	—	—	(2,380)
Issuance of long-term debt	238,149	127,120	179,415
Purchase of treasury stock	—	(1,523)	(6,095)
Other	—	—	(63)
<b>Net cash provided by financing activities</b>	<b>26,768</b>	<b>102,126</b>	<b>194,582</b>
<b>Increase (decrease) in cash and temporary cash investments</b>	<b>25,579</b>	<b>17,751</b>	<b>(25,527)</b>
<b>Cash and temporary cash investments at beginning of year</b>	<b>24,057</b>	<b>6,306</b>	<b>31,833</b>
<b>Cash and temporary cash investments at end of year</b>	<b>\$ 49,636</b>	<b>\$ 24,057</b>	<b>\$ 6,306</b>
<b>Components of Net Decrease in Certain Assets and Liabilities</b>			
Accounts receivable and unbilled revenues	\$ (1,187)	\$ (4,542)	\$ (1,426)
Material and supply inventory	1,176	(683)	(1,073)
Income taxes receivable	4,974	1,717	(6,823)
Accounts payable	(2,255)	1,587	4,749
Accrued expenses	4,842	808	7,949
Other, net	(362)	1,147	(254)
<b>Net decrease in certain assets and liabilities</b>	<b>\$ 7,188</b>	<b>\$ 34</b>	<b>\$ 3,122</b>
<b>Supplemental Disclosures of Cash Flow Information</b>			
<b>Cash paid during the year for:</b>			
Interest (net of amounts capitalized)	\$ 37,595	\$ 31,832	\$ 9,429
Income taxes	\$ 2,469	\$ 1,833	\$ 6,951

See accompanying notes to consolidated financial statements.

# Consolidated Balance Sheets

## C-TEC Corporation and Subsidiaries

December 31,	1991	1990
(Thousands of Dollars)		
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and temporary cash investments	\$ 49,636	\$ 24,057
Accounts receivable, net of reserve for doubtful accounts of \$381 in 1991 and \$565 in 1990	29,096	30,000
Unbilled revenues	1,380	1,000
Material and supply inventory, at average cost	3,076	4,252
Income taxes receivable	132	5,106
Prepayments and other	2,112	1,534
<b>Total current assets</b>	<b>85,432</b>	<b>66,269</b>
<b>Property, Plant and Equipment</b>		
Telephone plant	365,350	345,917
Cable plant	146,684	135,482
Cellular plant	19,348	16,810
Other property, plant and equipment	7,104	8,958
<b>Total property, plant and equipment</b>	<b>538,486</b>	<b>507,167</b>
Accumulated depreciation	220,713	200,494
<b>Net property, plant and equipment</b>	<b>317,773</b>	<b>306,673</b>
<b>Investments, Net</b>	<b>12,372</b>	<b>11,054</b>
<b>Intangible assets, net of accumulated amortization of \$74,936 in 1991 and \$37,914 in 1990</b>	<b>172,901</b>	<b>190,381</b>
<b>Deferred Charges</b>	<b>7,522</b>	<b>6,052</b>
<b>Total Assets</b>	<b>\$596,000</b>	<b>\$580,429</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Current maturities of long-term debt and preferred stock	\$ 4,576	\$ 8,659
Notes payable to banks	—	36,626
Accounts payable	13,572	15,827
Advance billings and customer deposits	5,161	7,680
Accrued taxes	4,453	2,718
Accrued interest	5,953	6,076
Accrued expenses	18,601	13,636
<b>Total current liabilities</b>	<b>53,316</b>	<b>91,222</b>
<b>Long-Term Debt</b>	<b>432,482</b>	<b>364,970</b>
<b>Deferred Credits</b>		
Deferred income taxes	31,470	34,936
Deferred investment tax credits	3,896	5,113
Other	3,672	3,954
<b>Total deferred credits</b>	<b>39,038</b>	<b>44,003</b>
<b>Minority Interest</b>	<b>1,842</b>	<b>1,970</b>
<b>Redeemable Preferred Stock</b>	<b>313</b>	<b>332</b>
<b>Common Shareholders' Equity</b>	<b>69,009</b>	<b>70,322</b>
<b>Commitments and Contingencies (Note 6)</b>	<b>—</b>	<b>—</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$596,000</b>	<b>\$580,429</b>

See accompanying notes to consolidated financial statements.

# Consolidated Statements of Common Shareholders' Equity

C-TEC Corporation and Subsidiaries

	Common Stock Issued <sup>1</sup>		Additional Paid-In Capital	Retained Earnings	Treasury Stock	Other	Total
	Shares	Par Value					
(Thousands of Dollars)							
<b>Balance, December 31, 1988</b>	17,061,345	\$ 5,687	\$21,148	\$68,491	\$(1,049)	\$ (126)	\$94,151
Net income	—	—	—	4,460	—	—	4,460
Common stock issued (Note 7a)—							
Incentive stock options	126,191	126	2,454	—	—	—	2,580
Stock repurchases	(266,537)	(266)	—	—	—	—	(266)
Other	(15,000)	(15)	—	—	—	—	(15)
Treasury stock transactions (at cost)							
Incentive stock options	(126,191)	(126)	—	—	64	—	(62)
Cancelled	(129,824)	(129)	(1,308)	—	1,437	—	—
Stock repurchases	266,537	267	—	—	(6,095)	—	(5,828)
Other	15,000	15	(26)	—	(140)	—	(151)
Unearned portion of restricted stock	—	—	—	—	—	126	126
Cash dividends on common stock	—	—	—	(2,380)	—	—	(2,380)
Stock dividends on common stock	—	11,373	—	(11,373)	—	—	—
Other	—	—	—	(24)	—	—	(24)
<b>Balance, December 31, 1989</b>	16,931,521	16,932	22,268	59,174	(5,783)	—	92,591
Net loss	—	—	—	(9,943)	—	—	(9,943)
Common stock issued (Note 7a)—							
Incentive stock options	20,500	21	140	—	—	—	161
Stock repurchases	(21,569)	(22)	—	—	—	—	(22)
Treasury stock transactions (at cost)							
Incentive stock options	(20,500)	(21)	—	—	6	—	(15)
Stock repurchases	21,569	22	—	—	(1,523)	—	(1,501)
Other	—	—	—	—	—	(3,339)	(3,339)
<b>Balance, December 31, 1990</b>	16,931,521	16,932	22,408	49,231	(7,300)	(3,339)	77,932
Net income	—	—	—	(12,392)	—	—	(12,392)
Common stock issued (Note 7a)—							
Incentive stock options	18,000	18	(142)	—	—	—	(124)
Treasury stock transactions (at cost)							
Incentive stock options	(18,000)	(18)	—	—	272	—	254
Cancelled	(44,086)	(45)	(1,001)	—	1,046	—	—
Other	—	—	—	—	—	3,339	3,339
<b>Balance, December 31, 1991</b>	16,887,435	\$16,887	\$21,265	\$36,839	\$(5,982)	—	\$69,009

<sup>1</sup> Restated to reflect the 1989 issuance of a stock split in the form of a dividend of two additional shares for each share of Common and Class B Common Stock (see Note 7a).

See accompanying notes to consolidated financial statements.

# Notes to Consolidated Financial Statements

## 1. Summary of Significant Accounting Policies

### Principles of Consolidation

The consolidated financial statements include the accounts of C-TEC Corporation and its subsidiaries (the Company), all of which are wholly-owned, except an 80% owned cable television subsidiary and two cellular telephone subsidiaries which are 78.98% and 91.01% owned. The Company's subsidiaries are divided into five principal groups: Telephone, Cable Television, Communications Services, Mobile Services and Long Distance. The Company also holds minority interests in cellular partnerships and a cable company which are accounted for using the equity method. All significant intercompany accounts and transactions have been eliminated in consolidation.

Certain prior years' financial statements have been reformatted to conform with current year's presentations.

Earnings per share amounts are based on the weighted average number of common shares outstanding including Class B Common. The assumed exercise of stock options does not result in material dilution.

### Cash Flows

For purposes of the Consolidated Statements of Cash Flows, the Company considers all highly liquid investments purchased with a maturity of three months or less to be temporary cash investments.

### Property, Plant and Equipment

Telephone plant reflects the original cost of construction, including payroll and related costs such as taxes, pensions and other fringe benefits, and certain general administrative costs.

Depreciation on property used in the telephone business is provided on a composite straight-line basis based on the estimated lives of the various classes of depreciable property. The average rate was 6.69%, 6.80% and 7.75% for 1991, 1990 and 1989, respectively. At the time property is retired, the original cost, plus cost of removal, less salvage, is charged to accumulated depreciation.

Cable television plant includes the original cost of construction and certain capitalized costs, including interest incurred prior to receipt of the first subscriber revenue.

Depreciation on cable plant is provided on the straight-line method based on the estimated lives of the various classes of depreciable property. The average estimated useful lives of depreciable cable plant are:

Building	25 - 45 years
Cable Television Distribution Equipment	8 - 22.5 years
Other Equipment	4 - 10 years

Gain or loss is recognized on major retirements and dispositions. Major replacements and betterments are capitalized.

Depreciation on cellular and other property, plant and equipment is provided on the straight-line basis over the useful lives of the property ranging from 3 to 45 years. Gain or loss is recognized on major retirements and dispositions.

Repairs of all property, plant and equipment and minor replacements and renewals are charged to maintenance expense.

In December 1989, the Mobile Services Group recorded additional expense of \$1,929,000 which reduced net income by \$1,007,000 (\$3.06 per average common share) associated with the write-down of cellular switching and electronic equipment. This equipment was replaced in 1990 with technologically advanced equipment that linked the Company with neighboring cellular systems.

### Intangible Assets

Intangible assets are amortized on the straight-line basis and primarily represent acquired (1) cable television franchises and subscriber lists for \$68,007,000 and \$37,092,000, respectively, which are being amortized over the lives of the franchises ranging from 3.3 to 19.3 years; (2) cable noncompete agreements for \$74,088,000, which are being amortized over 5 years; (3) cellular metropolitan (MSA) and rural (RSA) licenses for \$38,602,000, which are being amortized over 10 years; and (4) cellular noncompete agreements for \$14,200,000, which are being amortized over 2 years.

In addition, the excess of cost over the fair value of cable television assets acquired for \$4,106,000 is being amortized on the straight-line basis over the composite life of the franchises, ranging from 5.0 to 19.3 years. The excess cost associated with acquired cellular assets for \$8,600,000 is being amortized on the straight-line basis over 25 years.

### Telephone Network Access and Long-Distance Service

Telephone network access and long-distance service revenues are derived from access charges, toll rates and settlement arrangements. IntraLATA (LATAs are geographic areas within which toll traffic is handled jointly by local telephone companies) access and long-distance revenues are a function of the IntraLATA Toll Originating Responsibility Plan (ITORP). Under the ITORP system, the Telephone Group bills and retains IntraLATA toll rates to its customers for originating traffic. Access charges are paid to the local telephone company terminating the traffic. In addition, the Telephone Group is paid access charges for terminating traffic originating from other local telephone companies. InterLATA/Intrastate revenues are based on access charge billings to interexchange carriers, primarily American

## Notes to Consolidated Financial Statements

Telephone and Telegraph (AT&T). Interstate revenues reflect access charges applied to end-users and interexchange carriers. Interstate access charges are subject to a pooling process with the National Exchange Carrier Association (N.E.C.A.). Final interstate revenues are based on nationwide average costs applied to certain demand quantities.

### Long-Term Contracts

Long-term contracts are accounted for on the percentage-of-completion method. Estimated sales and earnings are recognized as equipment is installed or contract services rendered, with estimated losses, if any, charged to income currently.

### Income Taxes

The Company and its subsidiaries report income for federal income tax purposes on a consolidated basis. Income taxes are provided in accordance with the comprehensive income tax allocation method. Timing differences resulting from the recognition of income and expense for tax purposes are reflected in the deferred tax accounts in the accompanying consolidated financial statements. Investment tax credits for the Telephone and Cable Groups have been deferred in prior years and are being amortized over the average lives of the applicable property. The Telephone Group amortizes excess deferred taxes over the remaining life of the plant which gave rise to the excess.

### Other Deferred Charges

Other deferred charges include unamortized debt issuance costs of \$1,504,000 primarily associated with the financing obtained to complete the acquisition of cable television properties in the state of Michigan (see Note 2) and \$1,454,000 associated with the credit agreement entered into in March of 1991. These costs are being amortized on the straight-line basis over the life of the Senior Secured Notes, Revolving Secured Credit Agreement, and Credit Agreement (see Note 4).

## 2. Business Combinations

During 1991, the Company acquired additional cable properties serving subscribers in Michigan and New Jersey, for \$5,065,000.

All of these transactions were accounted for as purchases and the results of operations were not significant to the consolidated financial statements.

In January 1991, the Company completed the purchase of an Iowa RSA cellular license for \$15,541,000.

On August 29, 1989, the Company acquired cable television operations in the state of Michigan for \$206,653,000. This acquisition was accounted for as a purchase and, accordingly, the results of operations are included in the Consolidated Financial Statements since the date of acquisition.

The following table summarizes, on an unaudited, pro forma basis, the estimated combined results of operations of the Company and its subsidiaries as if this acquisition had occurred at the beginning of 1989. These pro forma results have been prepared for comparative purposes only, and do not purport to be indicative of what would have occurred had the acquisition been made at the beginning of 1989 or of the results which may occur in the future.

### UNAUDITED

(Thousands of Dollars Except Per Share Amounts)

FOR THE YEAR ENDED DECEMBER 31,	1989
Revenues and Sales	\$180,681
Net Loss	\$ (11,416)
Net Loss per Average Common Share	\$ (0.69)

## 3. Discontinued Operation

In late 1990, the Company signed a definitive agreement for the sale of assets of the Information Services Group and the Company's corporate data processing function. This disposition was recorded at an after tax gain of \$7,023,000 in 1991. The agreement also provides a minimum royalty fee of \$3,600,000 on cellular software products sold through January 1, 1998.

Operating results of the Information Services Group for the year ended December 31, 1990 are shown separately in the Consolidated Statements of Operations. In addition, the Consolidated Statements of Operations for 1989 were restated to reflect this Group as a discontinued operation. Revenues and sales of the Information Services Group were \$5,630,000 and \$1,782,000, in 1990 and 1989, respectively.

Net property, plant and equipment of \$1,400,000, which was disposed of in 1991, is included in the respective caption on the December 31, 1990 Balance Sheet.

# Notes to Consolidated Financial Statements

## 4. Debt

### a. Long-Term Debt

The long-term debt outstanding at December 31, 1991 and 1990 is as follows:

	1991	1990
	(Thousands of Dollars)	
<b>Long-Term Debt</b>		
Mortgage notes payable to the United States of America—		
Rural Electrification Administration (REA)—		
2% due 1990 to 2003	\$ 457	\$ 498
Federal Financing Bank (FFB)—		
12.177% due 2003	200	207
8.36% due 2009	2,785	2,849
7.693% due 2012	11,603	11,841
Rural Telephone Bank (RTB)—		
5% due 2009	27,120	27,120
5.43% due 2009	31,053	—
7% due 2012	1,814	1,853
6.5% due 2013	17,959	18,339
7% due 2015	40,794	41,473
Industrial Development Agency obligations, 70% of prime	4,770	5,310
Senior Secured Notes		
9.65% due 1999	150,000	150,000
Senior Secured Notes		
9.52% due 2001	100,000	—
Revolving Credit Agreements	41,000	95,000
Bank term loans, at various rates	2,765	14,255
Other	4,719	4,865
<b>Total</b>	<b>437,039</b>	<b>373,610</b>
<b>Due within one year</b>	<b>(4,557)</b>	<b>(8,640)</b>
<b>Total Long-Term Debt</b>	<b>\$432,482</b>	<b>\$364,970</b>

During 1990, the Telephone Group entered into an agreement with the RTB that provides borrowings up to \$89,996,000. In September of 1991 and 1990, the Telephone Group borrowed \$31,053,000, and \$27,120,000 in connection with this agreement, respectively. In 1990, in accordance with the terms of the agreement, this group was required to make an investment in RTB stock equal to approximately 5% of the total available borrowing amount. The loans are payable on a monthly basis beginning two years from the date of the note. Interest is payable monthly from the date of borrowing.

The Telephone Group has other borrowings with the United States of America through the REA, FFB and RTB under various mortgage notes and security agreements. In accordance with these agreements, quarterly sinking fund payments are being made on all notes and portions of amounts borrowed have been used to purchase common stock of the RTB.

Substantially all the assets of the Telephone Group are subject to the lien of the various security agreements described above. In addition, the Telephone Group is restricted as to the amount of dividends that may be distributed, the amount of any investment in an affiliated company, and the redemption of capital stock.

In prior years, the Cable Group entered into agreements with several industrial development agencies regarding the use of proceeds from the issuance of industrial development revenue bonds. The funds were used to finance the construction of certain cable facilities. These bonds are collateralized by certain cable facilities and, in addition, a bank has issued a letter of credit in favor of the trustee as additional collateral for the bonds. This letter of credit is guaranteed by the Company. There is a sinking fund requirement on the bonds through 1997. Interest is payable monthly at 70% of the prime interest rate, but not less than 7% (7.0% at December 31, 1991 and 1990).

In 1989, in order to complete the August 29, 1989 Michigan cable television acquisition, the Cable Group entered into a private placement of Senior Secured Notes for \$150,000,000 and a \$70,000,000 Revolving Secured Credit Agreement which the Company voluntarily reduced to \$60,000,000 in 1990. The Senior Secured Notes and the Revolving Secured Credit Agreement are collateralized by the stock of the Cable Group subsidiaries. On September 1, 1996 and on each September 1 thereafter, a mandatory principal payment is required on the Senior Secured Notes. The Senior Secured Notes and Revolving Secured Credit Agreement contain restrictive covenants which, among other things, require maintenance of a specified debt to cash flow ratio.

## Notes to Consolidated Financial Statements

The Revolving Secured Credit Agreement involves a group of commercial banks that provided revolving credit borrowings up to \$55,500,000 as of December 31, 1991. Effective December 31, 1990, the total commitments are reduced on a quarterly basis for six years. These quarterly reductions escalate on an annual basis. Interest is paid based on Prime, LIBOR or CD Rates, depending on the type of loan and terms of the agreement. A fee of  $\frac{3}{8}\%$  per annum is required on the unused portion of the available commitment (\$13,000,000 at December 31, 1991) and  $\frac{1}{8}\%$  on the unavailable portion of the commitments (\$1,500,000 at December 31, 1991). The Cable Group had borrowings of \$41,000,000 (6.39% weighted average interest rate) and \$47,000,000 (10.05% weighted average interest rate) as of December 31, 1991 and 1990 under this agreement, respectively.

In 1989, the Company entered into a Credit Agreement with two commercial banks that provided revolving credit borrowings up to \$50,000,000 at any time until December 31, 1992. The Company had borrowings of \$48,000,000 (9.80% weighted average) outstanding at December 31, 1990 under this credit agreement. In March of 1991, the Company terminated this agreement and entered into a \$95,000,000 Credit Agreement utilizing a syndicate of banks that provided revolving credit borrowings through June 30, 1992. Proceeds from this new Credit Agreement were utilized to repay the terminated agreement and \$9,300,000 of short-term notes outstanding as of December 31, 1990. This new agreement contained restrictive covenants, including the maintenance of a specified debt to cash flow ratio. Interest is paid based on Prime, LIBOR or CD Rates, depending on the type of loan and terms of the agreement. This revolver was subsequently reduced to \$50,000,000 in December of 1991. There were no borrowings under this agreement as of December 31, 1991.

In December of 1991, the Company entered into a private placement of Senior Secured Notes for \$100,000,000 at 9.52% due 2001. Proceeds were utilized to prepay revolver borrowings outstanding on the closing date. This agreement contains restrictive covenants, including maintenance of a specified debt to cash flow ratio. On December 1, 1996 and on each December 1 thereafter, a mandatory principal repayment is required on the Senior Secured Notes.

The Credit Agreement and the Senior Secured Notes are collateralized by a pledge of the stock of the telephone and cellular subsidiaries.

During prior years, the Company borrowed funds under an unsecured term loan agreement at 8.25% for the construction and development of certain cable television systems. This loan was also repaid during 1991 from proceeds from the new credit agreement entered into in March of 1991. The amount outstanding at December 31, 1990 was \$6,000,000. The Company had an unsecured \$5,000,000 bank term loan outstanding at December 31, 1990 at 9.5%, which was repaid in 1991.

The Cable Group is obligated for a loan at 8.45%, collateralized by the assets of Home Link, the Company's 80% owned cable subsidiary. This loan is payable in semiannual installments maturing on August 22, 1993. The amount outstanding as of December 31, 1991 and 1990 was \$2,765,000 and \$3,255,000, respectively.

Maturities and sinking fund requirements on long-term debt for each year ending December 31, 1992 through 1996 are as follows:

Year	Aggregate Amounts
1992	\$ 4,558,000
1993	\$ 9,003,000
1994	\$18,220,000
1995	\$21,766,000
1996	\$52,597,000

### b. Short-Term Debt

At December 31, 1991, the Company had unused lines of credit that provide for borrowings of up to \$12,500,000 at rates varying from prime less  $\frac{1}{4}\%$  to money market rates (6.50% to 7.25%, respectively, at December 31, 1991). In addition, the Cable Group had an unused line of credit for \$2,000,000 at prime (6.50% at December 31, 1991). Short-term unsecured borrowings may be made under these lines of credit. All unused lines of credit are cancellable at the option of the banks.

The Company pays commitment or facility fees of approximately 0.3% on the unused credit line commitments to compensate the banks for maintaining availability of the above mentioned lines of credit.

## Notes to Consolidated Financial Statements

### 5. Redeemable Preferred Stock

The preferred stock of a subsidiary is redeemable in whole or in part at the Company's option upon 30 days' notice at its optional redemption prices. Such prices are not significantly different from par value. Preferred stock is entitled, in voluntary liquidation, to an amount equal to the optional redemption price and, in involuntary liquidation, to par value plus accrued dividends. The redeemable preferred stock outstanding at December 31, 1991 and 1990 are as follows:

	1991	1990	1991	1990
	Number of Shares Outstanding		(Thousands of Dollars)	
<b>Redeemable Preferred Stock</b>				
cumulative, \$100 par value, authorized 102,719 shares in 1991 and 102,907 shares in 1990				
Series C, 5%, due 2005	1,540	1,650	\$ 154	\$ 165
Series E, 5¼%, due 2008	935	990	93	99
Series F, 5½%, due 2029	846	869	85	87
<b>Total</b>	<b>3,321</b>	<b>3,509</b>	<b>\$ 332</b>	<b>\$ 351</b>
Due within one year			(19)	(19)
<b>Total preferred stock</b>			<b>\$ 313</b>	<b>\$ 332</b>

In addition, the Series C, E and F Preferred Stock of a subsidiary include provisions for a mandatory sinking fund sufficient to retire approximately 188 shares each year at par plus accrued dividends. Sinking Fund Requirements for each year ending December 31, 1991 through 1993 are approximately \$19,000. In 1991, 1990 and 1989, 188 shares were redeemed.

### 6. Commitments and Contingencies

The Telephone Group's construction budget for 1992 is approximately \$35,329,000, for which the Telephone Group had various purchase commitments at December 31, 1991. In addition, the Cable Television and Mobile Services Groups' construction budgets for 1992 are approximately \$17,374,000 and \$6,024,000, respectively.

Total rental expense, primarily for pole rentals, was \$4,043,000 in 1991. Total rental expense (principally EDP equipment and pole rentals) was \$5,397,000 and \$3,908,000 in 1990 and 1989, respectively. At December 31, 1991, rental commitments under noncancellable leases, excluding annual pole rental commitments of approximately \$2,615,000 which are expected to continue indefinitely, are as follows:

Year	Aggregate Amounts
1992	\$1,150,000
1993	\$ 714,000
1994	\$ 570,000
1995	\$ 520,000
1996	\$ 474,000
After 1996	\$ 162,000

The transaction for the disposition of the Information Services Group and the Company's corporate data processing function encompassed a facilities management agreement whereby continuing and uninterrupted information processing services would be provided to C-TEC's operations.

# Notes to Consolidated Financial Statements

## 7. Common Shareholders' Equity

### a. Common Stock

On April 25, 1991, the Company reduced the number of authorized shares of Class B Common Stock to 8,753,203 shares by reducing the authorized but unissued shares by 186,729 and cancelling 44,086 shares of the Company's Class B Common Stock held as Treasury Shares.

On July 27, 1989, the Company reduced the number of authorized shares of Class B Common Stock to 8,984,018 shares by reducing the authorized but unissued shares by 5,886,158 and cancelling 129,824 shares of the Company's Class B Common Stock held as Treasury Shares. A stock split in the form of a dividend of two additional shares for each share of Common and Class B Common Stock was distributed on May 25, 1989 to shareholders of record on May 9, 1989. All references in the accompanying consolidated financial statements to the number of common shares and per share amounts prior to May 25, 1989 have been restated to reflect the stock split.

During 1989, the Company, through an odd-lot repurchase program, offered to repurchase stock directly from shareholders owning fewer than 100 shares of the Company's Common Stock and Class B Common Stock. A total of 4,933 shares of Common Stock and 3,440 shares of Class B Common Stock were repurchased for \$123,000 and \$90,000, respectively.

Common shareholders' equity at December 31, 1991 and 1990 is as follows:

	1991	1990	1991	1990
	Number of Shares Outstanding		(Thousands of Dollars)	
<b>Common Shareholders' Equity</b>				
Common stock, \$1 par value, authorized 35,000,000 shares, issued 8,134,292 in 1991 and 8,136,984 in 1990	7,969,293	7,971,985	\$ 8,134	\$ 8,137
Class B Stock, \$1 par value, authorized 8,753,203 shares, issued 8,753,143 in 1991 and 8,794,537 in 1990	8,523,895	8,503,203	8,753	8,795
<b>Total common stock</b>	<b>16,493,188</b>	<b>16,475,188</b>	<b>16,887</b>	<b>16,932</b>
Additional paid-in capital			21,265	22,408
Retained earnings			36,839	49,231
Unrealized Loss on Non-Current Marketable Equity Securities			—	(3,339)
Treasury Stock at cost, 394,247 shares in 1991 and 456,333 shares in 1990			(5,982)	(7,300)
<b>Total common shareholders' equity</b>			<b>\$ 69,009</b>	<b>\$ 77,932</b>

On April 26, 1984, the shareholders adopted the Company's 1984 Stock Option and Stock Appreciation Rights Plan (the Plan). The Plan provides for the grant of Stock Options (options) and Stock Appreciation Rights (SARs) to key employees of the Company. Up to 450,000 shares of stock and up to 900,000 SARs may be issued under the Plan.

The options and SARs may not be exercised before one year from the date of grant and may not be exercised after an employee's employment terminates for any reason other than death, unless provided otherwise at the time of grant. Generally, the options and SARs are to be granted within ten years from the date of the adopted Plan.

During 1988, the Board of Directors made certain revisions to the Plan. The amended Plan provides for the grant of both Nonqualified and Incentive Stock Options and SARs. The Board of Directors determines the option price at the date of grant. The Incentive Stock Options are not exercisable before one year or after five years from date of grant in the case of a Ten Percent Shareholder; or before one year or after ten years from date of grant in all other cases.

Incentive Stock Options, of which 9,000 were exercisable as of December 31, 1991, are primarily granted to executive officers of the Company and may only be exercised on a quarterly basis during a ten-day window period. The remaining 20,000 outstanding incentive stock options as of December 31, 1991 are exercisable on or after June 25, 1992.

Costs (credits) associated with SARs were (\$38,000), (\$1,074,000) and \$3,565,000 in 1991, 1990 and 1989, respectively.

## Notes to Consolidated Financial Statements

Transactions involving the Plan are summarized as follows:

Option Shares	1991	1990	1989
Outstanding, January 1	50,000	70,500	372,000
Granted	—0—	—0—	—0—
Cancelled	(3,000)	—0—	(39,000)
Exercised (at \$7.20)	(18,000)	(20,500)	(262,500)
Outstanding, December 31 (at \$7.20)	29,000	50,000	70,500
Exercisable, December 31	9,000	7,000	—0—

### Stock Appreciation Rights

Outstanding, January 1	100,000	141,000	177,000
Granted	—0—	—0—	—0—
Cancelled	(6,000)	—0—	(36,000)
Exercised	(36,000)	(41,000)	—0—
Outstanding, December 31 (at \$8.00)	58,000	100,000	141,000
Exercisable, December 31	18,000	14,000	—0—

In September 1987, 15,000 shares of stock were issued to an executive of the Company for future services. Unearned compensation equivalent to the market value at the date of issue was charged to shareholders' equity and was being amortized over a period of five years. These shares were returned to the Company in December 1989 and recorded at their original cost.

At December 31, 1990, the cost of non-current marketable securities exceeded their market value by \$3,339,000. The Company believed the decline in market value of these securities to be temporary and accordingly an allowance for unrealized losses was established and shareholders' equity was reduced by a corresponding amount. The Company has subsequently changed to the equity method of accounting for this investment (see note 11).

### b. Retained Earnings

Pursuant to the terms of mortgage notes and security agreements (see Note 4) and preferred stock, there are restrictions as to the amount of dividend payments that can be paid by the telephone subsidiary to the Company. As of December 31, 1991, the maximum allowable distribution was approximately \$476,000.

## Notes to Consolidated Financial Statements

### 8. Pensions and Employee Benefits

Substantially all of the Company's employees are included in a trustee noncontributory pension plan. Upon retirement, employees are provided a monthly pension based on length of service and compensation. The Company funds pension costs as accrued.

Actuarial determined pension cost for 1991 and 1990 is as follows:

	1991	1990
	(Thousands of Dollars)	
Benefits earned during the year (service cost)	\$1,148	\$1,118
Interest cost on projected benefit obligation	2,051	1,913
Actual return on plan assets	(6,690)	573
Other components—net	3,110	(4,490)
Net periodic pension credit	\$ (381)	\$ (886)

The Company's pension plan has assets in excess of the accumulated benefit obligations. Plan assets include equity, cash and fixed income securities. The following table presents a reconciliation at December 31, 1991, 1990 and 1989 of the funded status of the pension plan to prepaid pension expense. Prepaid pension expense is included in Deferred Charges on the accompanying Consolidated Balance Sheets.

December 31.	1991	1990	1989
	(Thousands of Dollars)		
Plan assets at fair value	\$43,951	\$38,196	\$39,670
Actuarial present value of benefit obligations:			
Accumulated benefit obligation:			
Vested	23,657	19,670	16,351
Nonvested	732	642	1,155
Total	24,389	20,312	17,506
Effect of increases in compensation	5,879	5,125	4,580
Plan assets in excess of projected benefit obligation	13,683	12,759	17,584
Unrecognized transition asset	(6,648)	(7,202)	(7,756)
Unrecognized prior service cost	876	935	1,370
Unrecognized net gain	(5,498)	(4,460)	(10,052)
Prepaid pension expense	\$ 2,413	\$ 2,032	\$ 1,146

Significant assumptions used in determining pension obligations and related pension expense included a discount rate of 7.25% at December 31, 1991, and 8% at December 31, 1990 and 1989. The rate of projected compensation increases was 6.5% and the expected long-term rate of return on plan assets was 8% for each period.

In addition to providing pension benefits, the Company has provided certain health care and life insurance benefits for retired employees. Premiums of approximately \$206,000, \$116,000 and \$92,000 were expensed as paid in 1991, 1990 and 1989, respectively. The Company is currently in the process of amending this postretirement benefit to (1) require existing retirees to contribute to the cost of providing this insurance and (2) eliminate this health care benefit for future retirees.

The Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 106, "(SFAS 106) Employers' Accounting for Postretirement Benefits other than Pensions" in December 1990. Adoption by the Company is not required until 1993. Although the Company is currently unable to reasonably estimate the impact of adopting SFAS 106, the Company's amended plan for providing postretirement benefits is not expected to have a material impact on future results of operations.

## Notes to Consolidated Financial Statements

### 9. Financial Information by Business Segment

The Company's operations are classified into five principal segments: Telephone, Cable Television, Communications Services, Mobile Services, and Long Distance. Intersegment sales are not significant and are eliminated in the consolidated financial statements.

For the Years Ended December 31,	1991	1990	1989*
<b>Telephone</b>	(Thousands of Dollars)		
Operating revenues and sales	\$119,310	\$113,104	\$110,834
Operating income before depreciation and amortization	\$ 56,266	\$ 56,797	\$ 54,723
Depreciation and amortization	\$ 23,346	\$ 21,941	\$ 23,132
Operating income	\$ 32,920	\$ 34,856	\$ 31,591
Property, plant and equipment additions	\$ 39,684	\$ 40,618	\$ 34,476
Identifiable assets	\$271,899	\$239,352	\$203,769
<b>Cable Television</b>			
Operating revenues and sales	\$ 76,128	\$ 63,925	\$ 35,868
Operating income before depreciation and amortization	\$ 29,892	\$ 24,804	\$ 14,089
Depreciation and amortization	\$ 39,862	\$ 36,878	\$ 16,297
Operating loss	\$ (9,970)	\$ (12,074)	\$ (2,208)
Property, plant and equipment additions	\$ 11,159	\$ 19,370	\$ 10,888
Identifiable assets	\$232,393	\$263,551	\$257,638
<b>Communications Services</b>			
Operating revenues and sales	\$ 14,325	\$ 10,941	\$ 7,837
Operating loss before depreciation and amortization	\$ (6,421)	\$ (4,205)	\$ (1,647)
Depreciation and amortization	\$ 203	\$ 133	\$ 99
Operating loss	\$ (6,624)	\$ (4,338)	\$ (1,746)
Property, plant and equipment additions	\$ 96	\$ 565	\$ 175
Identifiable assets	\$ 7,516	\$ 7,107	\$ 2,224
<b>Mobile Services</b>			
Operating revenues and sales	\$ 13,993	\$ 10,753	\$ 6,466
Operating loss before depreciation and amortization	\$ (82)	\$ (1,400)	\$ (1,223)
Depreciation and amortization	\$ 13,405	\$ 2,248	\$ 3,271
Operating loss	\$ (13,487)	\$ (3,648)	\$ (4,494)
Property, plant and equipment additions	\$ 3,963	\$ 6,961	\$ 2,741
Identifiable assets	\$ 71,745	\$ 63,949	\$ 11,285
<b>Long Distance</b>			
Operating revenues and sales	\$ 9,062	\$ 1,660	\$ —
Operating loss before depreciation and amortization	\$ (922)	\$ (742)	\$ —
Depreciation and amortization	\$ 428	\$ 47	\$ —
Operating loss	\$ (1,350)	\$ (789)	\$ —
Property, plant and equipment additions	\$ 106	\$ 23	\$ —
Identifiable assets	\$ 1,926	\$ 1,463	\$ —
<b>Parent and Other</b>			
Depreciation and amortization	\$ 901	\$ 1,212	\$ 475
Operating income (loss)	\$ 10,104	\$ 3,919	\$ (1,430)
Property, plant and equipment additions	\$ 42	\$ 2,017	\$ 3,850
Identifiable assets**	\$ 10,521	\$ 3,108	\$ 10,641

\*Restated to reflect a disposition accounted for as a discontinued operation, and accordingly, excludes the applicable segment information for this operation including the identifiable assets of \$1,899 and \$1,293 for 1990 and 1989, respectively.

\*\*Includes the net investment in Mercom, Inc. for \$3,194,000 and \$2,359,000 in 1991 and 1990, respectively.

## Notes to Consolidated Financial Statements

### 10. Income Taxes

The (Benefit) Provision for Income Taxes Consisted of the Following:

	1991	1990	1989
Current (refundable) payable—			
Federal	\$ 879	\$ (2,797)	\$ (2,803)
State	3,392	2,093	1,786
Total current	4,271	(704)	(1,017)
Deferred, net (see below)—			
Federal	(4,226)	(2,160)	4,952
State	760	202	755
Total deferred	(3,466)	(1,958)	5,707
Investment tax credits, net of amortization	(1,217)	(1,378)	(1,471)
(Benefit) provision for income taxes	\$ (412)	\$ (4,040)	\$ 3,219

(Benefit) Provision for Income Taxes Reflected in the Consolidated Statements of Operations

	1991	1990	1989
(Benefit) provision for income taxes	\$ (5,486)	\$ (3,782)	\$ 3,903
Provision (benefit) from discontinued operations	5,074	(258)	(684)
Total (benefit) provision for income taxes	\$ (412)	\$ (4,040)	\$ 3,219

Deferred Income Taxes Consisted of Timing Differences Related to:

	1991	1990	1989
Excess of tax over book depreciation expense	\$ 1,068	\$ 6,301	\$ 6,930
Pension income	24	320	291
Capitalization requirements	(205)	(701)	(733)
Write-down of cellular switching equipment	—	—	(519)
Cost of plant removal	93	229	241
Amortization of excess deferred taxes	(540)	(513)	(520)
SARs expense, net	19	630	76
Alternative Minimum Tax	(634)	(7,599)	(975)
Benefit of rate differential resulting from net operating loss carryback	—	335	973
Amortization of subscriber lists	(20)	975	—
Accrued compensation	6	(672)	(298)
Adjustment to prior years	141	(1,004)	375
Benefit of reversal of previously established deferred taxes	(2,946)	—	—
Gain on sale of assets	(111)	(145)	(71)
Capitalized gross profit on intercompany transactions	(416)	—	—
Other, net	55	(114)	(63)
Deferred (benefit) provision	\$ (3,466)	\$ (1,958)	\$ 5,707

The (Benefit) Provision for Income Taxes is Different from the Amounts Computed by Applying the U.S. Statutory Federal Tax Rate of 34%. The Differences are as Follows:

	1991	1990	1989
Book (loss) income before (benefit) provision for income taxes	\$ (12,804)	\$ (13,983)	\$ 7,679
Federal tax (benefit) expense at statutory rate	\$ (4,353)	\$ (4,754)	\$ 2,611
Increase (reduction) due to:			
State income taxes, net of federal benefit	2,717	1,514	1,677
Depreciation (flow-through)	425	625	559
Amortization of investment tax credits	(1,217)	(1,378)	(1,471)
Benefit of rate differential applied to reversing timing differences	(420)	(420)	(420)
Adjustments to prior year's accrual	962	794	318
Dividends received deductions	(11)	22	(154)
Non-deductible goodwill	612	335	199
Rate differential due to net operating loss carryback	63	(543)	—
Equity in unconsolidated entity	817	—	—
Other, net	(7)	(235)	(100)
(Benefit) provision for income taxes	\$ (412)	\$ (4,040)	\$ 3,219

## Notes to Consolidated Financial Statements

The current federal income tax provision for 1991 includes a tax benefit of \$628,000 due to a tax net operating loss carryback from 1991 to 1988. The Company has a tax net operating loss carryforward of \$24,289,000 which will expire in 2006. To the extent that tax carryforwards in excess of financial reporting carryforwards are realized through reduction of income taxes payable in future periods, the eliminated deferred taxes will be reinstated at the then current rates.

In 1991 and 1990, the Company was liable for Alternative Minimum Tax (AMT) in the amount of \$572,000 and \$7,437,000 respectively. At December 31, 1991, the cumulative Minimum Tax credit was \$9,299,000. This amount can be carried forward indefinitely to reduce regular tax liabilities that exceed the AMT in future years.

Included in the Telephone Group's plant account are certain taxes and payroll related costs which were required to be capitalized for book purposes by the Pennsylvania Public Utility Commission (PPUC) prior to 1988, some of which were expensed for tax purposes. The income tax effects of such differences are being recorded using the flow-through method. Under the established rate-making practices applied by the PPUC, the deferred taxes not previously recorded are to be collected in subscribers' rates prospectively through increased charges for income taxes paid. The current amount at December 31, 1991 for which deferred taxes have not been provided was \$1,860,000.

The Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (SFAS 109), in February 1992. SFAS 109 requires the computation of income taxes based on a liability approach rather than the deferred method currently employed by the Company. Adoption is not required until 1993. The Company has elected not to adopt this statement at an earlier date. The company is currently evaluating the effect on its financial position resulting from this change in accounting for income taxes.

A cable television subsidiary has unused net operating loss and investment tax credit carryforwards of approximately \$2,686,000 and \$223,000 respectively, at December 31, 1991, which arose prior to acquisition. The Company will be able to utilize these carryforwards to the extent the cable television subsidiary generates future taxable income. These carryforwards expire beginning in 1995 through 1997. In addition, a Mobile Services subsidiary has net operating loss carryforwards of \$1,753,000 which also arose prior to acquisition. These carryforwards will expire beginning in 2003 through 2005. This subsidiary also has a net operating loss carryforward of \$605,000 which is subject to statutory limitations. If utilized, such carryforwards will be used to reduce the intangible assets acquired.

### Investments

The Company's investments reflected on the accompanying consolidated balance sheets, at December 31, 1991 and 1990 are as follows:

	1991	1990
	(Thousands of Dollars)	
Mercom, Inc. Common Stock	\$ 3,194	\$ 5,598
Rural Telephone Bank Stock	7,548	7,548
Cellular Partnerships	1,129	741
Other Stock Investments	501	506
	12,372	14,393
Unrealized loss on non-current marketable equity securities	—	(3,339)
<b>Total Investments, Net</b>	<b>\$ 12,372</b>	<b>\$ 11,054</b>

During 1991, the Company obtained significant influence over the operating and financial policies of Mercom, Inc., which is 19.87% owned. Accordingly, the Company changed from the cost to the equity method to account for this investment and recorded the Company's proportionate share of losses and amortization of excess cost over net assets for \$2,404,000. The excess cost over net assets associated with this investment for \$5,649,000 is being amortized on the straight-line basis over 15 years.

The following table reflects the summarized financial position and results of operations of this company.

	1991	1990	1989
	(Thousands of Dollars)		
Current Assets	\$ 1,367	\$ 1,536	\$ 2,481
Non-current Assets	\$ 26,113	\$29,021	\$24,585
Current Liabilities	\$ 38,638	\$32,109	\$20,744
Non-Current Liabilities	\$ —	\$ 1,822	\$ 4,315
Stockholders' Equity	\$(11,158)	\$(3,374)	\$ 2,007
Revenues	\$ 11,041	\$ 9,667	\$ 7,693
Net Loss	\$ (7,784)	\$ (1,103)	\$ (1,028)

# Notes to Consolidated Financial Statements

## 12. Quarterly Information (Unaudited)

1991	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
(Thousands of Dollars Except Per Share Amounts)				
Revenues and sales	\$55,620	\$55,200	\$60,936	\$61,062
Operating income	3,744	2,084	3,184	2,580
Net Income (Loss)	3,817	(4,890)	(4,586)	(6,733)
<b>Net Income (Loss) Per Average Common Share</b>	<b>\$ .23</b>	<b>\$ (.29)</b>	<b>\$ (.29)</b>	<b>\$ (.40)</b>
<b>Common Stock*</b>				
Market Price				
High	\$ 17½	\$ 17½	\$ 17	\$ 16¾
Low	11¾	13½	13	13½
<b>Class B Stock*</b>				
Bid Price*				
High	\$ 19¾	\$ 19¼	\$ 18¼	\$ 17½
Low	15	16	16¾	14¼
<b>1990</b>				
Revenues and sales	\$47,660	\$48,023	\$51,010	\$53,690
Operating income	6,744	4,819	5,101	1,262
Net Loss	(134)	(2,268)	(2,422)	(5,119)
<b>Net Loss Per Average Common Share</b>	<b>\$ (.01)</b>	<b>\$ (.14)</b>	<b>\$ (.15)</b>	<b>\$ (.30)</b>
<b>Common Stock*</b>				
Market Price				
High	\$ 26½	\$ 20¾	\$ 22	\$ 16
Low	16¼	16¼	14	11⅞
<b>Class B Stock*</b>				
Bid Price				
High	\$ 26	\$ 23¼	\$ 23¼	\$ 18
Low	19	19¼	17	16

\*The Company's stock prices are quoted from the National Association of Securities Dealers, Inc. monthly statistical report.

- (1) The first, second and third quarters of 1991 have been restated to reflect the correction of the valuation assigned to certain cellular assets acquired. This correction reduced third quarter results by \$3,238,000 (\$.20 per average common share) of which \$1,009,000 (\$.06 per average common share) and \$540,000 (\$.03 per average common share) is associated with the first and second quarters of 1991. In addition, \$679,000 or \$.04 per average common share is associated with 1990.
- (2) Net income for the first quarter of 1991 reflects a gain on the disposal of a business segment for \$8,001,000 or \$.49 per average common share. This amount was reduced in the third quarter by \$978,000 or \$.06 per average common share by Pennsylvania tax law changes. These changes included, among other negative factors, the elimination of prior net operating loss carryforwards.
- (3) The first and third quarters of 1991 reflect higher costs associated with stock appreciation rights (SARs). Accordingly, results were reduced by \$632,000 and \$426,000 or \$.04 and \$.03 per average common share, respectively. The net loss for the second quarter of 1991 reflects lower costs associated with SARs for \$442,000 or \$.03 per average common share.
- (4) Net loss for the third quarter of 1991 was favorably impacted by \$880,000 associated with interstate toll revenue settlement adjustments. Included in this amount are \$105,000, \$103,000, \$470,000 and \$170,000 relating to the first and second quarters of 1991 and the years 1990 and 1989, respectively.
- (5) 1990 results have been restated to reflect a discontinued operation (see Note 2). Net loss reflects income of \$31,000 and \$469,000 (\$.03 per average common share) for the first and fourth quarters of 1990, and losses of \$436,000 (\$.03 per average common share) and \$413,000 (\$.03 per average common share) for the second and third quarters associated with the discontinued operation.

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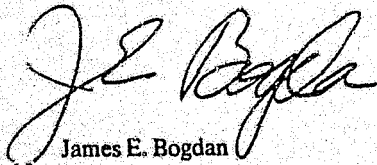
## Report of Management

The integrity and objectivity of the financial information presented in this annual report is the responsibility of the management of C-TEC Corporation.

The financial statements report on management's accountability for Company operations and assets. To this end, management maintains a system of internal controls and procedures designed to provide reasonable assurance that the Company's assets are protected and that all transactions are accounted for in conformity with generally accepted accounting principles. The system includes documented policies and guidelines, augmented by a comprehensive program of internal and independent audits conducted to monitor overall accuracy of financial information and compliance with established procedures.

Coopers & Lybrand, independent accountants, conduct a review of internal accounting controls to the extent required by generally accepted auditing standards and perform such tests and procedures as they deem necessary to arrive at an opinion on the fairness of the financial statements presented herein.

The Board of Directors meets its responsibility for the Company's financial statements through its Audit Committee which is comprised exclusively of directors who are not officers or employees of the Company. The Audit Committee recommends to the Board of Directors the independent auditors for election by the shareholders. The Committee also meets periodically with management and the independent and internal auditors to review accounting, auditing, internal accounting controls and financial reporting matters. As a matter of policy, the internal auditors and the independent auditors periodically meet alone with, and have access to, the Audit Committee.



James E. Bogdan  
Vice President -  
Chief Financial Officer

---

## Report of Independent Accountants

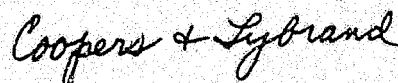
### To the Shareholders of C-TEC Corporation:

We have audited the accompanying consolidated balance sheets of C-TEC Corporation and Subsidiaries as of December 31, 1991 and 1990, and the related consolidated statements of operations, common shareholders' equity and cash flows for each of the three years in the period ended December 31, 1991. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of C-TEC Corporation and Subsidiaries as of December 31, 1991 and 1990, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1991 in conformity with generally accepted accounting principles.

2400 Eleven Penn Center  
Philadelphia, Pennsylvania  
February 28, 1992



## BOARD OF DIRECTORS

Andrew J. Sordoni, III  
*Chairman*  
William B. Sordoni  
*Vice Chairman*  
Charles E. Parente  
*President*  
*Chief Executive Officer*  
Clarence J. Fitze  
*Realtor, Tunkhannock, PA*

Stuart E. Graham  
*Chairman, President & CEO*  
*Sordoni/Skanska*  
*Construction Co.*  
*Parsippany, NJ*  
Frank M. Henry  
*President, Frank Martz*  
*Coach Company*  
*Wilkes-Barre, PA*

Donald G. Reinhard  
*President & CEO*  
*Pencor Services, Inc.*  
*Palmerton, PA*  
Eugene Roth, Esq.  
*Attorney-at-Law*  
*Rosenn, Jenkins &*  
*Greenwald*  
*Wilkes-Barre, PA*

**C-TEC CORPORATION**  
C-TEC Corporation is a diversified telecommunications and high technology company that provides telephone, cable television, mobile, long-distance and communications services to a broad range of customers.

### CABLE

C-TEC Cable Systems, one of the top 50 multiple system operators, serves over 207,300 cable television subscribers throughout New York, New Jersey, Pennsylvania and Michigan.

### MOBILE SERVICES

The Mobile Services Group comprises Cellular Plus, which offers cellular telephone service in eight counties in Northeastern and Central Pennsylvania as well as Iowa City and 24 surrounding counties in Iowa; and Paging Plus, which provides telephone answering and paging services throughout Eastern Pennsylvania.

### TELEPHONE

Commonwealth Telephone Company provides local telephone service to more than 196,000 customers in twenty counties throughout Eastern Pennsylvania. Commonwealth is the 20th largest of the 1,370 telephone companies in the United States.

### LONG-DISTANCE

Commonwealth Long Distance Company provides various long-distance telephone services to customers in Eastern Pennsylvania.

### COMMUNICATIONS SERVICES

Commonwealth Communications provides network engineering, integration and management, communications facilities management and premise wiring and campus distribution systems to diverse clients throughout the United States. The company also sells, installs and maintains business communications systems on a regional basis.

## COMMITTEES

### EXECUTIVE COMMITTEE

Andrew J. Sordoni, III  
*Chairman*

Charles E. Parente  
William B. Sordoni

### AUDIT COMMITTEE

Frank M. Henry  
*Chairman*

Stuart E. Graham  
Donald G. Reinhard

### PENSION COMMITTEE

Clarence J. Fitze  
*Chairman*

James E. Bogdan  
John J. Menapace  
Charles E. Parente  
William B. Sordoni

### COMPENSATION COMMITTEE

Eugene Roth, Esq.  
*Chairman*

Clarence J. Fitze  
Stuart E. Graham

## CORPORATE OFFICERS

Andrew J. Sordoni, III  
*Chairman*  
William B. Sordoni  
*Vice Chairman*  
Charles E. Parente  
*President*  
*Chief Executive Officer*  
Jack H. Thomas  
*Executive Vice President*  
*and Chief Operating Officer*

James E. Bogdan  
*Vice President and*  
*Chief Financial Officer,*  
*Treasurer*

Raymond B. Ostroski  
*Vice President and*  
*General Counsel,*  
*Corporate Secretary*

John J. Menapace  
*Vice President and Chief*  
*Administrative Officer*

John C. Balan  
*Executive Vice President,*  
*Communications Services*

Marc C. Elgaway  
*Executive Vice President,*  
*Mobile Services*

Michael J. Mahoney  
*Executive Vice President*  
*C-TEC Cable Systems*

Paul W. Mazza  
*Executive Vice President,*  
*Commonwealth Telephone*  
*Company*

Donald P. Roskos  
*Executive Vice President,*  
*Commonwealth Long*  
*Distance*

### TRANSFER AGENT AND REGISTRAR

First Eastern Bank, N.A.  
11 West Market Street  
Wilkes-Barre, PA 18768

### INDEPENDENT ACCOUNTANTS

Coopers & Lybrand  
2400 Eleven Penn Center  
Philadelphia, PA 19103-2962

### STOCK INFORMATION

Common Stock  
Traded Over the Counter  
NASDAQ/National Market  
System  
Symbol: CTEX

Class B Common Stock  
Traded Over the Counter  
NASDAQ/Bid & Asked  
Quotations  
Symbol: CTEX-B

### FORM 10-K

A copy of Form 10-K may be obtained by writing to:

Thelma Marshall  
C-TEC Corporation  
46 Public Square  
P.O. Box 3000  
Wilkes-Barre, PA  
18703-3000

C-TEC CORPORATION ORGANIZATION

THE TELEPHONE GROUP

Commonwealth Telephone Company (PA)

THE CABLE TELEVISION GROUP

C-TEC Cable Systems Northeast, Inc. (PA Corp.)

C-TEC Cable Systems Midwest, Inc. (PA Corp.)

C-TEC Cable Systems, Inc. (DEL Corp.)

C-TEC Cable Systems of New York, Inc. (PA Corp.)

ComVideo Systems, Inc. (PA Corp.)

C-TEC Cable Systems of Michigan, Inc. (PA Corp.)

C-TEC Cable Systems of Pennsylvania, Inc. (PA Corp.)

C-TEC Cable System Services, Inc. (PA Corp.)

C-TEC CORPORATION (PA Corp.)

THE COMMUNICATIONS GROUP

Commonwealth Communications, Inc. (PA Corp.)

THE MOBILE SERVICES GROUP

See Attached

THE INFORMATION SERVICES GROUP

C-TEC Information Services Company (PA Corp.)

THE REAL ESTATE HOLDING GROUP

SRHC, Inc. (PA Corp.)

THE AIR TRANSPORTATION GROUP

TEC Air, Inc. (PA Corp.)

THE LONG DISTANCE GROUP

Commonwealth Long Distance Company (PA Corp.)



ORIGINAL

John M. Quain (717) 238-2900

June 22, 1992

RECEIVED  
JUN 22 1992

John G. Alford, Secretary  
PA Public Utility Commission  
P.O. Box 3265  
North Office Building  
Harrisburg, PA 17120

SECRETARY'S BUREAU  
Information Control Division

Re: Application for Approval to Transfer 100% of the  
Outstanding Common Stock of Commonwealth Telephone  
Company Held by CTEC Corporation  
Docket No. A-310800F5000

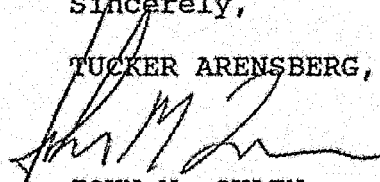
Dear Secretary Alford:

Pursuant to Secretarial Letter dated May 21, 1992, enclosed  
herewith please find an original and two (2) copies of Proofs of  
Publication for the above captioned matter.

Should you have any questions regarding this matter, please  
contact me.

Sincerely,

TUCKER ARENSBERG, P.C.



JOHN M. QUAIN

JMQ:das  
Enclosures  
ctec.alford2.ltr

DOCUMENT  
FOLDER

ORIGINAL

John M. Quain (717) 238-2900

June 22, 1992

RECEIVED  
JUN 22 1992

John G. Alford, Secretary  
PA Public Utility Commission  
P.O. Box 3265  
North Office Building  
Harrisburg, PA 17120

SECRETARY'S BUREAU  
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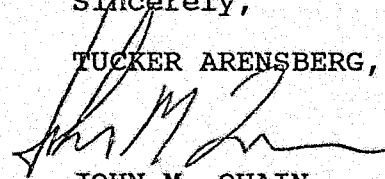
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TUCKER ARENSBERG, P.C.



JOHN M. QUAIN

JMQ:das  
Enclosures  
ctec.alford2.ltr

DOCUMENT  
FOLDER

Commonwealth of Pennsylvania  
Bradford County

JUN 17 1992

Personally appeared before me this eleventh day of June, A.D. 1992, Bonnie L. Isaacs, who being duly sworn doth depose and say that she is the Office Manager of the DAILY REVIEW, a daily newspaper of general circulation established in 1879, published in the Borough of Towanda, county aforesaid, and that the notice hereto attached is exactly as was printed in said paper once a day for two day(s) prior to this date, viz: June 1 and June 8, 1992.

The affiant is not interested in the subject matter of the notice or advertising, and that all of the allegations of the statement as to the time, place, and character of publication are true.

*Bonnie L. Isaacs*  
Bonnie L. Isaacs  
Office Manager

Sworn and subscribed before me this eleventh day of June, A.D. 1992

*Barbara C. Davis*  
Barbara C. Davis  
Notary Public

Not. Seal  
Barbara C. Davis, Notary Public  
Towanda Boro, Bradford County  
My Commission Expires July 5, 1993

Member, Pennsylvania Association of Notaries

BOOKETED

JUN 25 1992

LEGAL	LEGAL
<p>LEGAL NOTICE PENNSYLVANIA PUBLIC UTILITY COMMISSION</p> <p>CORRECTED NOTICE TO BE PUBLISHED</p> <p>Notice is hereby given that an application has been made to the Pennsylvania Public Utility Commission, under the provisions of the Public Utility Code, by Commonwealth Telephone Company for approval to transfer 100 percent of the outstanding common stock of Commonwealth Telephone Company held by G-TEC Corporation, parent company of applicant, to an affiliated interest. (A-310800F500)</p> <p>Notice is hereby also given that this application may be considered by the Commission without a hearing. Protests or petitions to intervene may,</p>	<p>however, be filed with the Public Utility Commission, Harrisburg, with copy served upon applicant on or before June 22, 1992, pursuant to Title 52 of the Pennsylvania Code.</p> <p>Commonwealth Telephone Company Counsel for the applicant: John M. Quain, Esquire Tucker Arensberg, P.C. 116 Pine Street Harrisburg, PA 17101</p> <p>1jun8c</p>

DOCUMENT  
FOLDER

Proof of Publication  
**The Times Leader**

(Under Act No. 587, approved May 16th, 1929)

STATE OF PENNSYLVANIA, ss:  
COUNTY OF LUZERNE.

..... Kathleen Sweetra ..... being duly sworn according to law, deposes and says that <sup>he</sup> ~~she~~ is bookkeeper for the Times Leader of Wilkes-Barre, Pa., a daily newspaper published in the city of Wilkes-Barre, County of Luzerne and State aforesaid, by THE WILKES-BARRE TIMES LEADER; that the said TIMES LEADER was established in 1939, and that the printed notice for publication hereto attached is exactly as printed in the regular editions of the TIMES LEADER on the following dates, viz:

..... May 30, 1992 .....

Affiant further deposes and says that the TIMES LEADER is a newspaper of general circulation, and that neither the affiant nor the TIMES LEADER is interested in the subject matter of the aforesaid notice or advertisement, and that all allegations in the foregoing statement as to time, place and character of publication are true.

..... Kathleen Sweetra .....  
Sworn to before me this. .... 1st ..... day  
of June ..... 19 92 .....  
..... Mary E. Evan .....

NOTARIAL SEAL  
MARY E. EVAN, NOTARY PUBLIC  
WILKES-BARRE, LUZERNE COUNTY, PA.  
MY COMMISSION EXPIRES NOV. 4, 1994

PENNSYLVANIA PUBLIC UTILITY COMMISSION  
CORRECTED NOTICE TO BE PUBLISHED  
OR  
Notice is hereby given that an application has been made to the Pennsylvania Public Utility Commission, under the provisions of the Public Utility Code, by Commonwealth Telephone Company for approval to transfer 100% of the outstanding common stock of Commonwealth Telephone Company held by C-Teo Corporation, parent company of applicant, to an affiliated interest. (A-310800P500).  
Notice is hereby also given that this application may be considered by the Commission without a hearing. Protests or petitions to intervene may, however, be filed with the Public Utility Commission, Harrisburg, with copy served upon applicant on or before June 22, 1992, pursuant to Title 52 of the Pennsylvania Code.  
COMMONWEALTH TELEPHONE COMPANY

**The Times Leader**

DOCUMENT  
FOLDER

For publishing attached notice on above stated dates - - - - - \$

**Publishers Receipt for Advertising Costs:**

The TIMES LEADER, a newspaper of general circulation, hereby acknowledges receipt of the costs as above and certifies that the same have been duly paid.

JUN 25 1992

The Times Leader

Per. ....

Proof of Publication  
**The Times Leader**

(Under Act No. 587, approved May 16th, 1929)

STATE OF PENNSYLVANIA,  
COUNTY OF LUZERNE. ss:

..... Kathleen Sweetra ..... being duly sworn according to law, deposes and says that <sup>he</sup><sub>she</sub> is bookkeeper for the Times Leader of Wilkes-Barre, Pa., a daily newspaper published in the city of Wilkes-Barre, County of Luzerne and State aforesaid, by THE WILKES-BARRE TIMES LEADER; that the said TIMES LEADER was established in 1939, and that the printed notice for publication hereto attached is exactly as printed in the regular editions of the TIMES LEADER on the following dates, viz:

..... June 19, 1992 .....

Affiant further deposes and says that the TIMES LEADER is a newspaper of general circulation, and that neither the affiant nor the TIMES LEADER is interested in the subject matter of the aforesaid notice or advertisement, and that all allegations in the foregoing statement as to time, place and character of publication are true.

PENNSYLVANIA PUBLIC UTILITY COMMISSION  
CORRECTED NOTICE TO BE PUBLISHED  
Notice is hereby given that an application has been made to the Pennsylvania Public Utility Commission, under the provisions of the Public Utility Code, by Commonwealth Telephone Company for approval to transfer 100% of the outstanding common stock of Commonwealth Telephone Company held by C-Tec Corporation, parent company of applicant, to an affiliated interest. (A-310800P500)  
Notice is hereby also given that this application may be considered by the Commission without a hearing. Protests or petitions to intervene may, however, be filed with the Public Utility Commission, Harrisburg, with copy served upon applicant on or before June 22, 1992, pursuant to Title 52 of the Pennsylvania Code.  
COMMONWEALTH TELEPHONE COMPANY

..... Kathleen Sweetra .....  
Sworn to before me this. 19th day  
of June, 1992

..... Mary E. Evan .....  
NOTARIAL SEAL  
MARY E. EVAN, NOTARY PUBLIC  
WILKES-BARRE, LUZERNE COUNTY, PA.  
MY COMMISSION EXPIRES NOV. 4, 1994

**The Times Leader**

For publishing attached notice on above stated dates - - - - - \$ .....

**Publishers Receipt for Advertising Costs:**

The TIMES LEADER, a newspaper of general circulation, hereby acknowledges receipt of the costs as above and certifies that the same have been duly paid.

RECEIVED  
JUN 25 1992

The Times Leader

DOCUMENT FOLDER

Per. ....

COMMONWEALTH OF PENNSYLVANIA  
November 5, 1993

**SUBJECT:** Cases With No Activity for 6 Months or Longer

**TO:** Agnes Brewster, Supervisor  
Docket Section  
Secretary's Bureau

**FROM:** Deborah D. Singer, Administrator *DS*  
Bureau of Safety & Compliance

The following cases which appeared on the Cases with no Activity for Six Months or Longer list are incorrectly assigned to Safety & Compliance and should be reassigned to the indicated Bureau:

<u>Case</u>	<u>Appropriate Bureau</u>
A-00022583C0000 Yellow Limousine Service, Inc.	Should be reassigned to <u>Law Bureau</u> due to bankruptcy issue (See computer)
A-00102956C8701 PGH-Johnstown-Altoona Express	Formal Complaint- should be assigned to <u>ALJ</u>
A-00103281M9108 Metro Transportation Company	Assigned to <u>Law Bureau</u> 4/30/92 (See computer)
A-00106168M9301 Perry J. Cab Company, Inc.	Answer filed 3/1/93- should be reassigned to <u>ALJ</u> for hearing (See computer)

Agnes Brewster  
Page 2  
November 4, 1993

A-00107486C9001  
Chariots of Fire Messenger  
& Delivery Service

Formal Complaint-  
should be assigned  
to ALJ

C-00913620  
Phoenix Shuttle Service, Inc.

SAC referred to  
Law Bureau 10/23/92  
(Document in file)

C-00924472  
Peachey, Joseph

Law memo to Sec.  
reassigning case  
to ALJ for hearing  
(See computer)

A-310800F5000  
Commonwealth Telephone Co.

Securities case-  
should be reassigned  
to OSA due to  
reassignment of  
Securities section  
to that Bureau

Please contact me at 7-6382 with any questions.

cc: Kenneth E. Nicely  
KEN:DDS/smh/9

**DOCKETED**  
FEB 3 1994

**DOCUMENT  
FOLDER**