



July 25, 2019

Florida Public Service Commission  
Office of Commission Clerk  
2540 Shumard Oak Blvd.  
Tallahassee, Florida 32399-0850

**REDACTED**

RECEIVED-FPSC  
2019 JUL 30 PM 1:37  
COMMISSION CLERK

**Re: CLEC Application of Metro Fibernet, LLC d/b/a MetroNet**

Dear Florida Commission:

Metro Fibernet, LLC d/b/a MetroNet is a facilities-based provider of fiber. MetroNet will offer residential and business customers an array of services over its fiber, including voice services. MetroNet's build will initially target the Tallahassee market.

Enclosed as Exhibit "A," please find an original and one (1) copy of MetroNet's Application For Original Authority To Provide Telecommunications Service in the State of Florida. Also included is MetroNet's check in the amount of \$500.

Pursuant to Section 364.183(3), Florida Statutes, and Rule 25-22.006(5), Florida Administrative Code, MetroNet hereby makes a claim of confidentiality for the information attached in Exhibit A. The attached is a redacted version for public consumption. MetroNet will be sending an unredacted version under separate cover.

If you have any questions, please do not hesitate to contact me.

Regards,

Randy Kiesel  
Regulatory Manager

COM \_\_\_  
AFD \_\_\_  
APA \_\_\_  
ECO \_\_\_  
ENG \_\_\_  
GCL \_\_\_  
IDM 1  
CLK \_\_\_

**Exhibit A**  
**MetroNet Fibernet, LLC**

APPLICATION FOR ORIGINAL AUTHORITY OR TRANSFER OF AUTHORITY TO  
PROVIDE TELECOMMUNICATIONS SERVICE IN THE STATE OF FLORIDA

*[See attached]*

# FLORIDA PUBLIC SERVICE COMMISSION

## OFFICE OF INDUSTRY DEVELOPMENT AND MARKET ANALYSIS

### APPLICATION FOR ORIGINAL AUTHORITY OR TRANSFER OF AUTHORITY TO PROVIDE TELECOMMUNICATIONS SERVICE IN THE STATE OF FLORIDA

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#### INSTRUCTIONS

This form should be used as the application for an original certificate and transfer of an existing certificate (from a Florida certificated company to a non-certificated company). In the case of a transfer, the information shall be provided by the transferee. If you have other questions about completing the form, call **(850) 413-6600**.

Print or type all responses to each item requested in the application. If an item is not applicable, please explain. All questions must be answered. If unable to answer the question in the allotted space, please continue on a separate sheet.

Once completed, submit the **original and one copy** of this form along with a **non-refundable** fee of **\$500.00** to:

**Florida Public Service Commission  
Office of Commission Clerk  
2540 Shumard Oak Blvd.  
Tallahassee, Florida 32399-0850  
(850) 413-6770**

# APPLICATION

This is an application for (check one):

**Original certificate** (new company)

**Approval of transfer of existing certificate:** Example, a non-certificated company purchases an existing company and desires to retain the original certificate rather than apply for a new certificate.

Please provide the following:

1. Full name of company, including fictitious name(s), that must match identically with name(s) on file with the Florida Department of State, Division of Corporations registration:

\_\_\_\_\_  
Metro Fibernet, LLC d/b/a MetroNet

2. The Florida Secretary of State corporate registration number:

\_\_\_\_\_ M19000004494 \_\_\_\_\_

3. F.E.I. Number: \_\_\_\_\_ 27-4874657 \_\_\_\_\_

4. Structure of organization:

The company will be operating as a:  
(Check all that apply):

- |                                     |                           |                          |                              |
|-------------------------------------|---------------------------|--------------------------|------------------------------|
| <input type="checkbox"/>            | Corporation               | <input type="checkbox"/> | General Partnership          |
| <input type="checkbox"/>            | Foreign Corporation       | <input type="checkbox"/> | Foreign Partnership          |
| <input checked="" type="checkbox"/> | Limited Liability Company | <input type="checkbox"/> | Limited Partnership          |
| <input type="checkbox"/>            | Sole Proprietorship       | <input type="checkbox"/> | Other, please specify below: |
- \_\_\_\_\_

**If a partnership**, provide a copy of the partnership agreement.

**If a foreign limited partnership**, proof of compliance with the foreign limited partnership statute (Chapter 620.169, FS). The Florida registration number is: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

5. Who will serve as point of contact to the Commission in regard to the following?

(a) This application:

Name: Robert Bye  
Title: Corporate Counsel  
Street Address: 8837 Bond St.  
Post Office Box:  
City: Overland Park  
State: Kansas  
Zip: 66214  
Telephone No.: (913) 485-7731  
Fax No.:  
E-Mail Address: bob.bye@metronetinc.com

(b) Ongoing operations of the company:

(This company liaison will be the point of contact for FPSC correspondence. This point of contact can be updated if a change is necessary but this must be completed at the time the application is filed).

Name: Randy Kiesel  
Title: Regulatory Manager  
Street Address: 3701 Communications Way  
Post Office Box:  
City: Evansville  
State: Indiana  
Zip: 47715-8929  
Telephone No.: (812) 759-7807  
Fax No.: (317) 981-8051  
E-Mail Address: randy.kiesel@metronetinc.com  
Company Homepage: www.metronetinc.com

(c) Optional secondary point of contact or liaison:

(This point of contact will not receive FPSC correspondence but will be on file with the FPSC).

Name: John Campbell  
Title: V.P. and General Counsel  
Street Address: 8837 Bond St.  
Post Office Box:  
City: Overland Park  
State: Kansas  
Zip: 66214  
Telephone No.: (812) 213-1085  
Fax No.: (317) 981-8051  
E-Mail Address: John.campbell@metronetinc.com

6. Physical address for the applicant that will do business in Florida:

Street address: 3701 Communications Way  
City: Evansville  
State: Indiana  
Zip: 47715  
Telephone No: (877) 407-3224  
Fax No.: (913) 495-2344  
E-Mail Address: \_\_\_\_\_

7. List the state(s), and accompanying docket number(s), in which the applicant has:

(a) **operated** as a telecommunications company: Indiana Cause No. 44202; Illinois Docket No. 14-0695; Kentucky TFS2015-00647 \_\_\_\_\_

(b) **applications pending** to be certificated as a telecommunications company: Ohio \_\_\_\_\_

(c) **been certificated** to operate as a telecommunications company: \_\_\_\_\_ Iowa, Docket No. TCU-2015-0004; Michigan Docket No. U-20507; Minnesota Docket No. P-7000/NA-18-762 \_\_\_\_\_

(d) **been denied authority** to operate as a telecommunications company and the circumstances involved. N/A \_\_\_\_\_

(e) **had regulatory penalties imposed** for violations of telecommunications statutes and the circumstances involved. N/A \_\_\_\_\_

(f) **been involved in civil court proceedings** with another telecommunications entity, and the circumstances involved. N/A \_\_\_\_\_

8. The following questions pertain to the officers and directors. Have any been:

(a) adjudged bankrupt, mentally incompetent (and not had his or her competency restored), or found guilty of any felony or of any crime, or whether such actions may result from pending proceedings?  Yes  No

If yes, provide explanation.

(b) granted or denied a certificate in the State of Florida (this includes active and canceled certificates)?  Granted  Denied  Neither

If granted provide explanation and list the certificate holder and certificate number.

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If denied provide explanation.

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(c) an officer, director, and partner in any other Florida certificated telecommunications company?  Yes  No

If yes, give name of company and relationship. If no longer associated with company, give reason why not.

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9. Florida Statute 364.335(1)(a) requires a company seeking a certificate of authority to demonstrate its managerial, technical, and financial ability to provide telecommunications service.

**Note:** *It is the applicant's burden to demonstrate that it possesses adequate managerial ability, technical ability, and financial ability. Additional supporting information may be supplied at the discretion of the applicant. For the purposes of this application, financial statements MUST contain the balance sheet, income statement, and statement of retained earnings.*

- (a) **Managerial ability:** An applicant must provide resumes of employees/officers of the company that would indicate sufficient managerial experiences of each. Please explain if a resume represents an individual that is not employed with the company and provide proof that the individual authorizes the use of the resume.
- (b) **Technical ability:** An applicant must provide resumes of employees/officers of the company that would indicate sufficient technical experiences or indicate what company has been contracted to conduct technical maintenance. Please explain if a resume represents an individual that is not employed with the company and provide proof that the individual authorizes the use of the resume.
- (c) **Financial ability:** An applicant must provide financial statements demonstrating financial ability by submitting a balance sheet, income statement, and retained earnings statement. An applicant that has audited financial statements for the most recent three years must provide those financial statements. If a full three years' historical data is not available, the application must include both historical financial data and pro forma data to supplement. An applicant of a newly established company must provide three years' pro forma data. If the applicant does not have audited financial statements, it must be so stated and signed by either the applicant's chief executive officer or chief financial officer affirming that the financial statements are true and correct.

10. Where will you officially designate as your place of publicly publishing your schedule a/k/a tariffs or price lists)? (Tariffs or price lists MUST be publicly published to comply with Florida Statute 364.04).

Florida Public Service Commission

Website – Please provide Website address:

[www.metronetinc.com/regulatory](http://www.metronetinc.com/regulatory)

Other – Please provide address: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_



**THIS PAGE MUST BE COMPLETED AND SIGNED**

**REGULATORY ASSESSMENT FEE:** I understand that all telecommunications companies must pay a regulatory assessment fee. A minimum annual assessment fee, as defined by the Commission, is required.

**RECEIPT AND UNDERSTANDING OF RULES:** I understand the Florida Public Service Commission's rules, orders, and laws relating to the provisioning of telecommunications company service in Florida.

**APPLICANT ACKNOWLEDGEMENT:** By my signature below, I, the undersigned owner or officer, attest to the accuracy of the information contained in this application and attached documents and that the applicant has the technical ability, managerial ability, and financial ability to provide telecommunications company service in the State of Florida. I have read the foregoing and declare that, to the best of my knowledge and belief, the information is true and correct. I have the authority to sign on behalf of my company and agree to comply, now and in the future, with all applicable Commission rules, orders and laws.

Further, I am aware that, pursuant to Chapter 837.06, Florida Statutes, "**Whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his or her official duty shall be guilty of a misdemeanor of the second degree, punishable as provided in s. 775.082 and s. 775.083.**"

I understand that any false statements can result in being denied a certificate of authority in Florida.

COMPANY OWNER OR OFFICER

Print Name: Kevin Stelmach  
Title: Executive Vice President & General Manager  
Telephone No.: (812) 759-7958  
E-Mail Address: kevin.stelmach@metronetinc.com

Signature:  Date: 7/14/19



EXHIBIT A

MANAGEMENT BIOGRAPHIES

EXECUTIVE TEAM	Title	Years of Experience
Albert E. Cinelli	CHAIRMAN	53
John P. Cinelli	PRESIDENT	25
Lohn H. Weber	EXECUTIVE VICE PRESIDENT & CHIEF FINANCIAL OFFICER	15
John Campbell	EXECUTIVE VICE PRESIDENT & GENERAL COUNSEL	20
Kevin Stelmach	EXECUTIVE VICE PRESIDENT & GENERAL MANAGER	14
John Greenbank	EXECUTIVE VICE PRESIDENT CONSTRUCTION	36
John Iber	VICE PRESIDENT OF NETWORK ENGINEERING & OPERATIONS	29

**Albert E. Cinelli | CHAIRMAN**

For over a half a century Mr. Cinelli has provided a high level of leadership and vision to a variety of successful enterprises. Currently, Mr. Cinelli serves as Chairman of MetroNet Holdings, LLC and all of its affiliates including MetroNet. Over his career Mr. Cinelli has successfully incubated multiple communications companies from their inception including nGenX Corporation, MetroNet, Norlight, Inc. and Kentucky Data Link, Inc., which was sold to Windstream as part of a merger valued at \$825 Million. Before he became an entrepreneur in the communications industry, Mr. Cinelli served as Vice President and General Counsel of Marion Labs in Kansas City where as part of the senior management team he helped grow that company from \$80 Million in revenue to over \$1 Billion. Prior to Marion Labs, Mr. Cinelli served as the International General Counsel for American Home Products in New York City. Mr. Cinelli holds a Bachelor of Arts degree in Political Science and Economics from Lafayette College and his Juris Doctorate from Columbia University Law School.

**John P. Cinelli | PRESIDENT**

Mr. Cinelli has 25 years of experience successfully managing telecommunications companies. Currently he is President of MetroNet and MetroNet Holdings, LLC. Prior to those roles, Mr. Cinelli served as President of Q-Comm Corporation, a holding company for multiple telecommunications entities including Kentucky Data Link, Inc. He also served as President of Norlight, Inc., a facilities based CLEC that offered telecommunications services to residential and business customers throughout the Midwest. Norlight and Q-Comm were acquired in 2010 by Windstream Communications as part of an \$825 million merger. Mr. Cinelli has a Bachelor of Arts degree from Tufts University.

**Lohn H. Weber | EXECUTIVE VICE PRESIDENT & CHIEF FINANCIAL OFFICER**

Mr. Weber has overseen and managed the financial operations of multiple telecommunications companies in the span of 15 years. Through the course of his career he has raised more than \$500 million in debt financing for various companies. Mr. Weber previously served as CFO of Kentucky Data Link, Inc., a wholesale communications transport provider that grew from no revenues to revenues of \$200 million a year under his tenure. He also served as CFO of Q-Comm and its affiliates including Norlight, Norlight Telecommunications, Inc. and Kentucky Data Link, Inc. In addition to his role at MetroNet, Mr. Weber currently serves as CFO of MetroNet Holdings, LLC. He is a graduate of the University of Missouri and is a Certified Public Accountant.

**John M. Campbell | EXECUTIVE VICE PRESIDENT AND GENERAL COUNSEL**

Mr. Campbell oversees business development, human resources and the legal and regulatory affairs of MetroNet and MetroNet Holdings. He has 20 years of legal and regulatory experience working for communications companies. Previously, Mr. Campbell served as the senior legal officer of a \$60 million national wireless broadband provider. He also gained extensive legal, real estate and regulatory experience serving in various capacities with Sprint Communications Company and its affiliates. He is a graduate of Chicago-Kent College of Law.

**Kevin Stelmach | EXECUTIVE VICE PRESIDENT & GENERAL MANAGER**

Mr. Stelmach has a 13-year track record of successfully managing high tech companies. He currently oversees the day-to-day operations of MetroNet. Under his leadership, MetroNet has successfully deployed FTTP networks in 25 communities, acquired nearly 50,000 customers, and increased revenues every quarter of his tenure. Prior to joining MetroNet, Mr. Stelmach served as Vice President of Marketing and Sales for nGenX Corporation, a cloud computing company. nGenX was acquired by Q-Comm in 2004. Mr. Stelmach is a graduate of Mid America College.

**John Greenbank | EXECUTIVE VICE PRESIDENT OF CONSTRUCTION**

Mr. Greenbank is responsible for overseeing all aspects of MetroNet's construction efforts. He has extensive experience in all aspects of building, operating and maintaining fiber networks. Prior to serving with MetroNet, Mr. Greenbank served as President of Kentucky Data Link, Inc., a wholesale fiber transport provider. During his tenure he grew that company from an entity with no fiber assets in 1998 to one with 27,000 fiber route miles by 2012. Before working at Kentucky Data Link, Mr. Greenbank used his vast telecommunications experience running other small telecom companies since 1980.

**John Iber | VICE PRESIDENT OF NETWORK ENGINEERING & OPERATIONS**

Mr. Iber has more than 20 years of technology and operations management experience in the telecommunications and technology sectors. During his career he's overseen the successful deployment of numerous large software and hardware installations. Currently Mr. Iber serves as Vice President of Network Engineering and Operations for MetroNet. Prior to that, he served as Chief Operating Officer of nGenX, a cloud hosting company. Mr. Iber has also served as Vice President of Operations for Kentucky Data Link, Inc., and as a Managing Director for Williams International. He holds a Bachelor of Science in Electrical Engineering from Texas A&M University.



**METRONET HOLDINGS, LLC AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS**

Years ended September 30, 2018 and 2017







**Mayer Hoffman McCann P.C.**  
700 W 47th St Ste 1100 ■ Kansas City, MO 64112  
Main: 816.945.5600 ■ Fax: 816.897.1280 ■ www.mhmcpa.com

## Independent Auditors' Report

To the Members

### **METRONET HOLDINGS, LLC AND SUBSIDIARIES**

#### ***Report on the Financial Statements***

We have audited the accompanying consolidated financial statements of Metronet Holdings, LLC and Subsidiaries, which comprise the consolidated balance sheets as of September 30, 2018 and 2017, and the related consolidated statements of operations, members' capital and cash flows for the years then ended and the related notes to the consolidated financial statements.

#### ***Management's Responsibilities for the Financial Statements***

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

#### ***Auditors' Responsibility***

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

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

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

#### ***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Metronet Holdings, LLC and Subsidiaries as of September 30, 2018 and 2017, and the results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Mayer Hoffman McCann P.C.*

Kansas City, Missouri  
January 11, 2019



Member of Kreston International – a global network of independent accounting firms

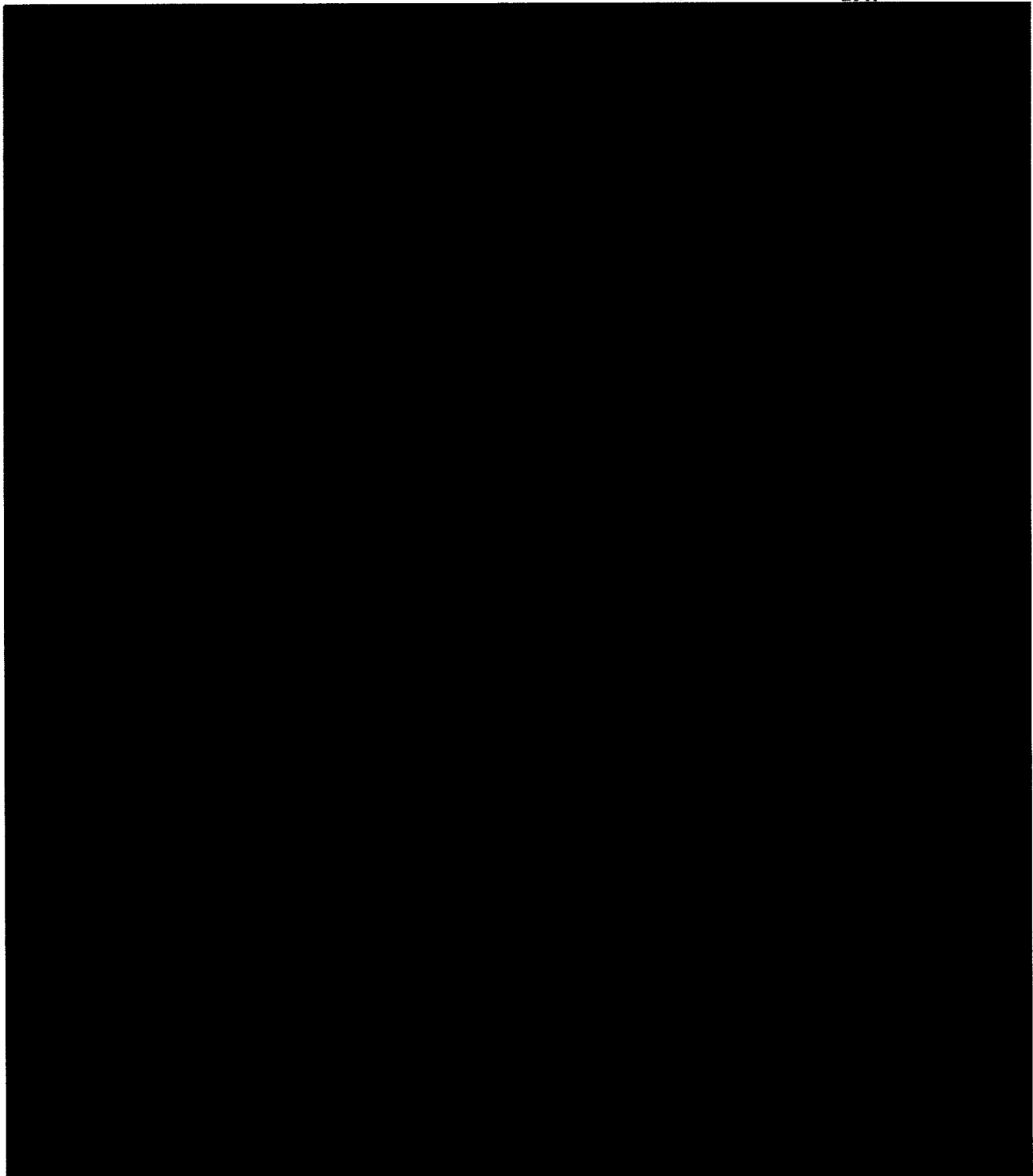
**METRONET HOLDINGS, LLC AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**

September 30, 2018 and 2017

**2018**

**2017**



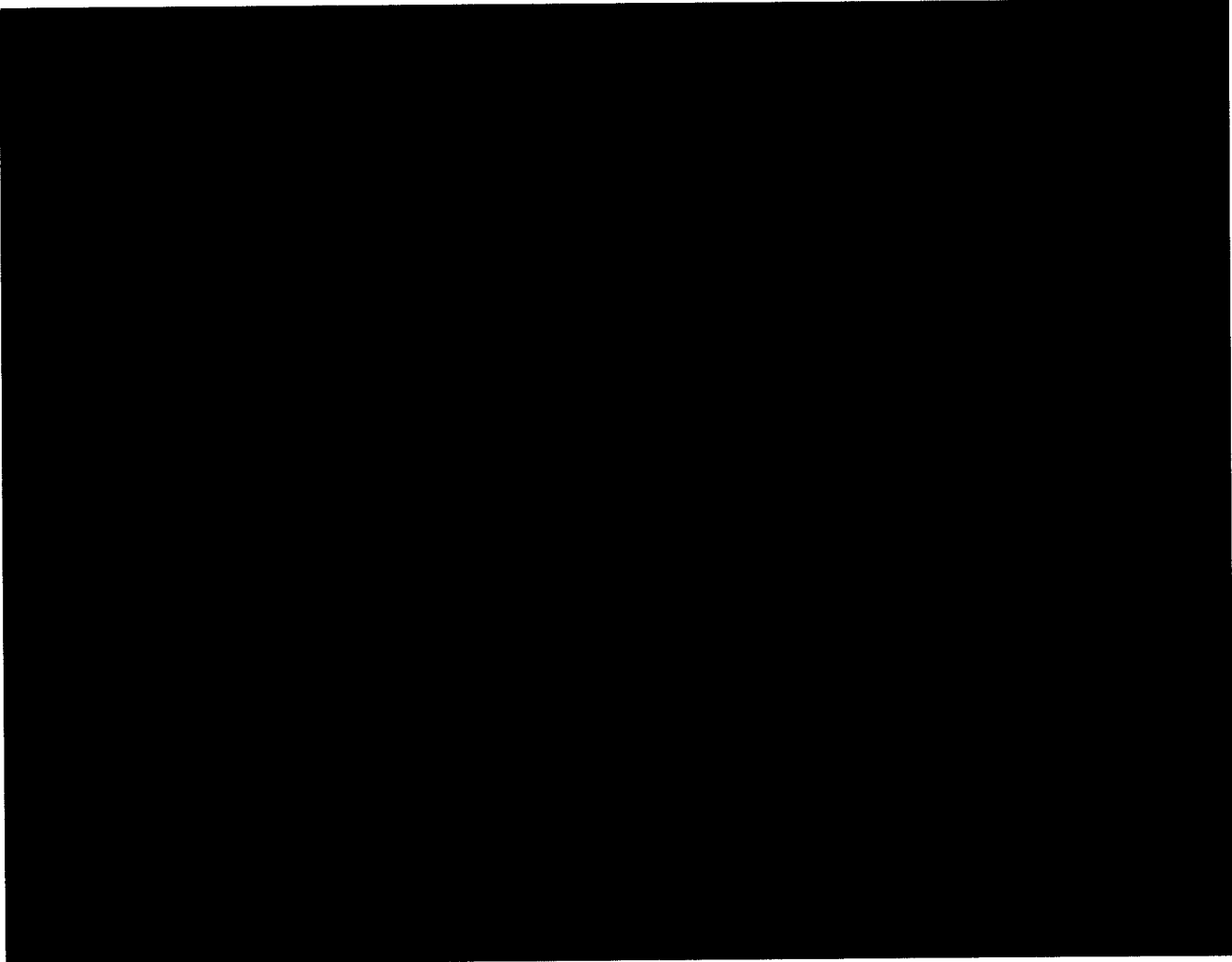
See Notes to Consolidated Financial Statements

**METRONET HOLDINGS, LLC AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

Years ended September 30, 2018 and 2017

2018

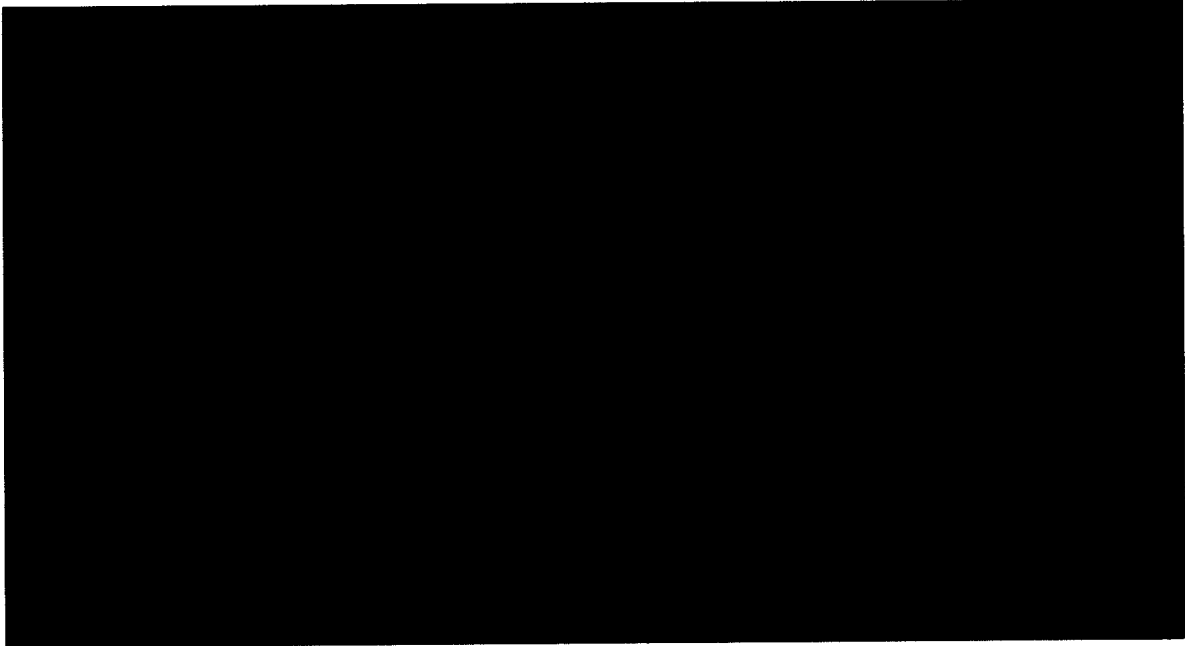
2017



See Notes to Consolidated Financial Statements

**METRONET HOLDINGS, LLC AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF MEMBERS' CAPITAL**

Years ended September 30, 2018 and 2017



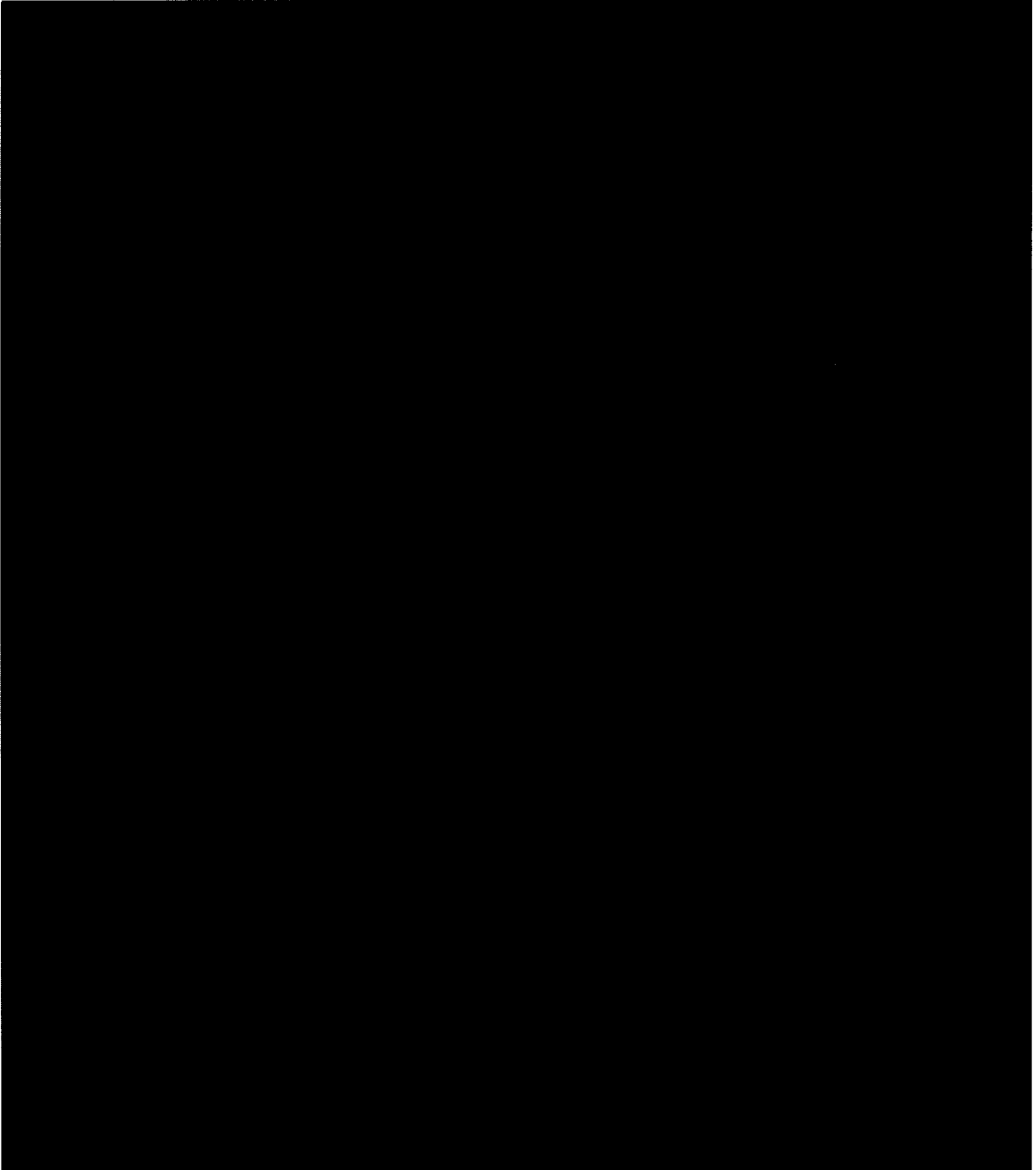
See Notes to Consolidated Financial Statements



**METRONET HOLDINGS, LLC AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

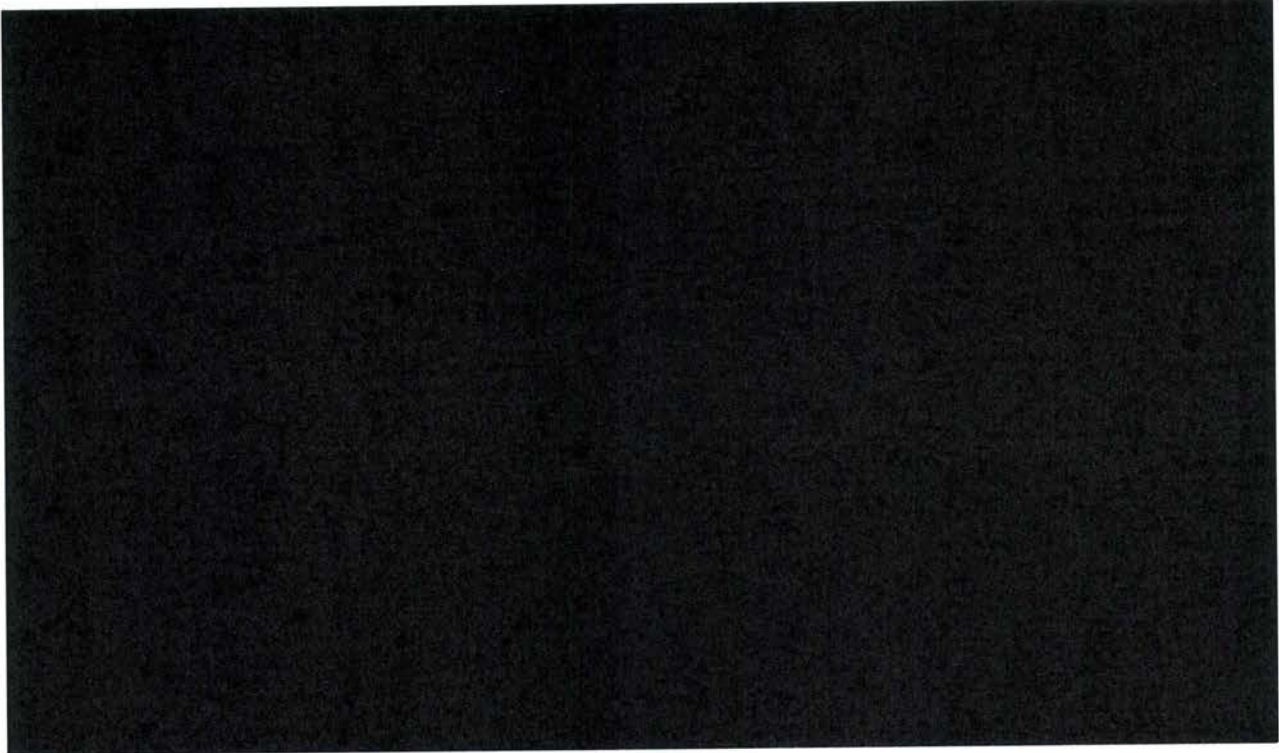
2018

2017



See Notes to Consolidated Financial Statements

METRONET HOLDINGS, LLC AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS



(2) Summary of significant accounting policies

**Principles of consolidation** - All significant intercompany accounts and transactions between the Company and its Subsidiaries have been eliminated in the consolidated financial statements.

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

**Cash and cash equivalents** - The Company considers all liquid investments with original maturities of three months or less to be cash and cash equivalents. At September 30, 2018 and 2017, cash and cash equivalents consisted primarily of checking accounts. At times, balances in these accounts are in excess of federally insured limits. Management monitors the soundness of the institutions involved and feels the Company's risk is negligible. The Company has not experienced any losses in such accounts

**Accounts receivable** - Accounts receivable are stated at the amounts billed to the customers, plus any accrued and unpaid interest. The Company provides an allowance for doubtful accounts, which is based upon a review of the outstanding receivables, historical collection information and existing economic conditions. Accounts receivable are ordinarily due 30 days after the issuance of the invoice. Accounts past due by more than 90 days are considered delinquent. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer.

**METRONET HOLDINGS, LLC AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(2) Summary of significant accounting policies (continued)**

**Property and equipment** - Property and equipment acquisitions are recorded at cost and depreciated over the estimated useful life of each asset. Leasehold improvements are amortized over the shorter of the lease term or the estimated useful lives of the improvements. The Company capitalizes equipment acquisitions greater than \$1,000. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

<u>Assets</u>	<u>Estimated Useful Lives</u>
Switch facilities	5 years
Fiber line	15 years
Real estate and buildings	39 years
Computer equipment	3 years
Software	3 years
Transportation equipment	5 years
Leasehold improvements	3 - 5 years

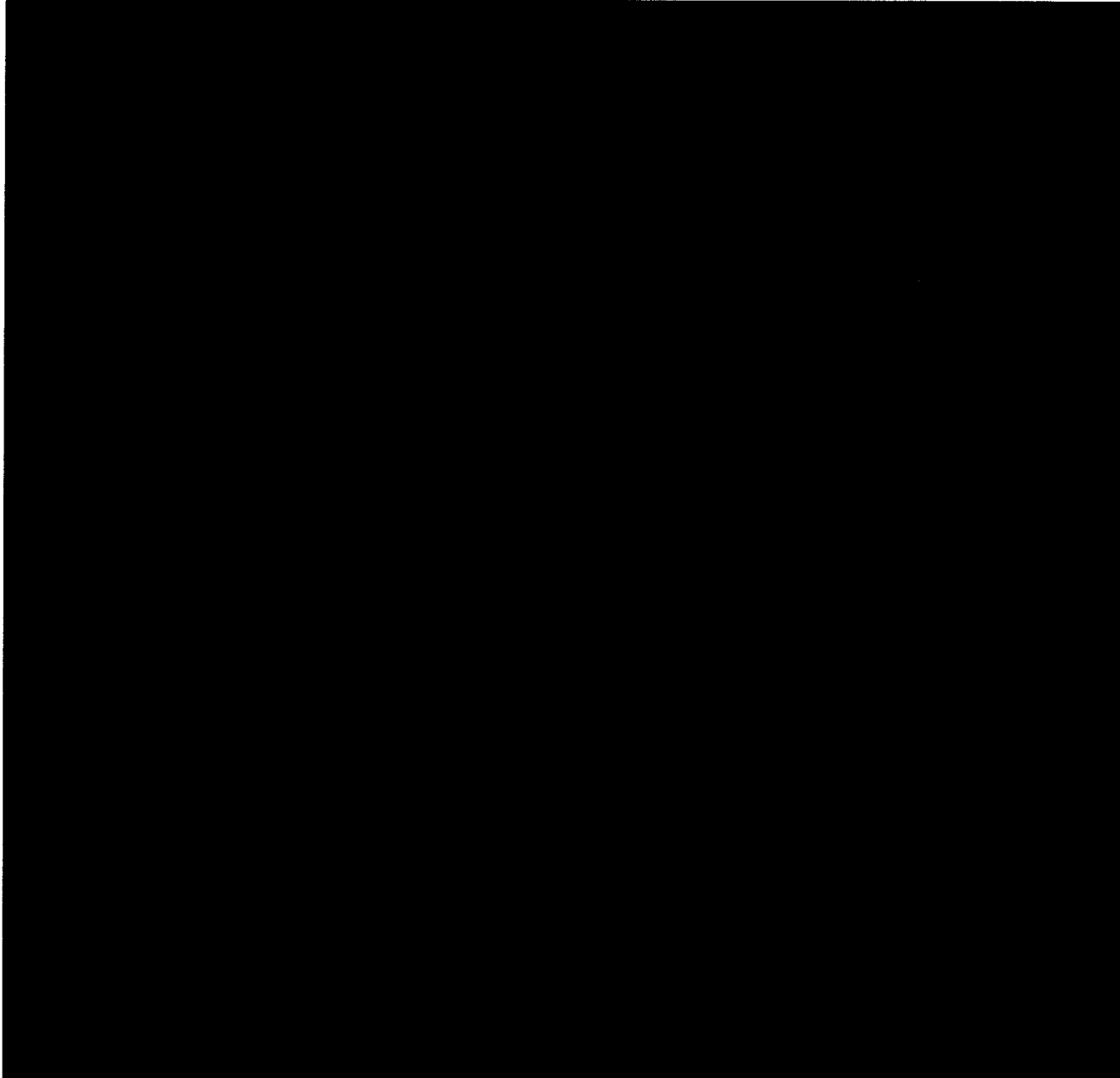
Property and equipment under construction includes inventory and expenditures for projects primarily related to new fiber optic cable route installation and collocation projects.

**Long-lived asset impairment** - The Company evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended September 30, 2018 and 2017.

**Economic development revenue bonds** - Economic Development Revenue Bonds are classified as held to maturity and carried at amortized cost when management has the positive intent and ability to hold them to maturity. Interest income is realized over the life of the bonds based on bond coupon redemptions.

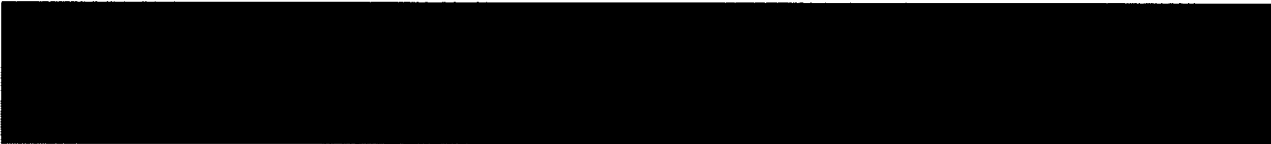
**Goodwill** - Beginning in 2016, the Company adopted the accounting alternative offered to nonpublic entities for the subsequent measurement of goodwill. In accordance with this alternative, the Company amortizes goodwill over ten years on the straight-line basis and only evaluates goodwill for impairment at the entity level when a triggering event occurs.

**METRONET HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

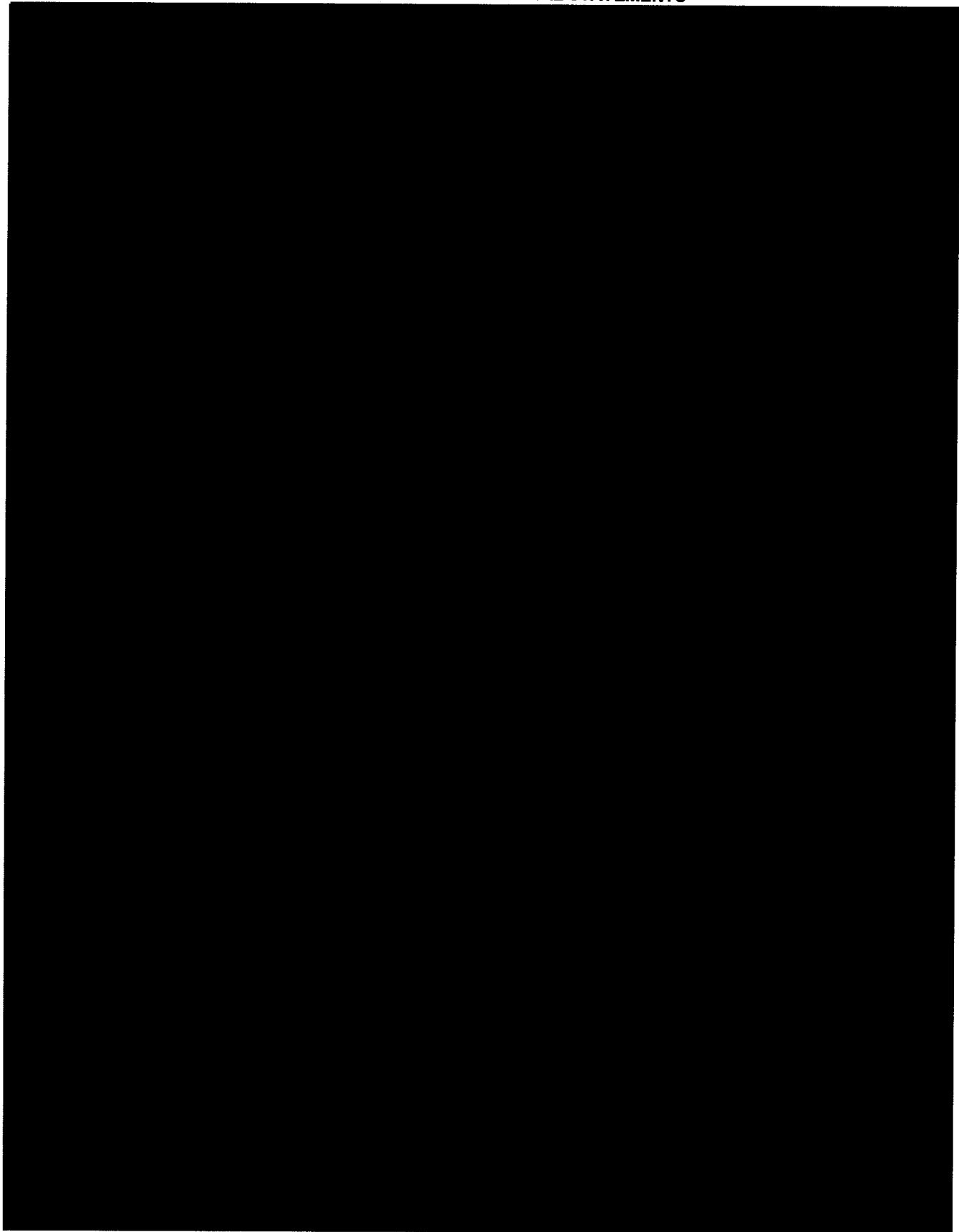


**Revenue recognition** - Revenues based on a flat fee, derived principally from cable television, local telephone, data communications, internet access service and residential/business broadband service, are billed in advance and recognized in subsequent periods when the services are provided. Revenues based on usage, derived primarily from long-distance services, are recognized monthly as services are provided. Revenue billed to other carriers for use of the Company's fiber lines is recognized on the cash basis, which approximates the accrual basis.

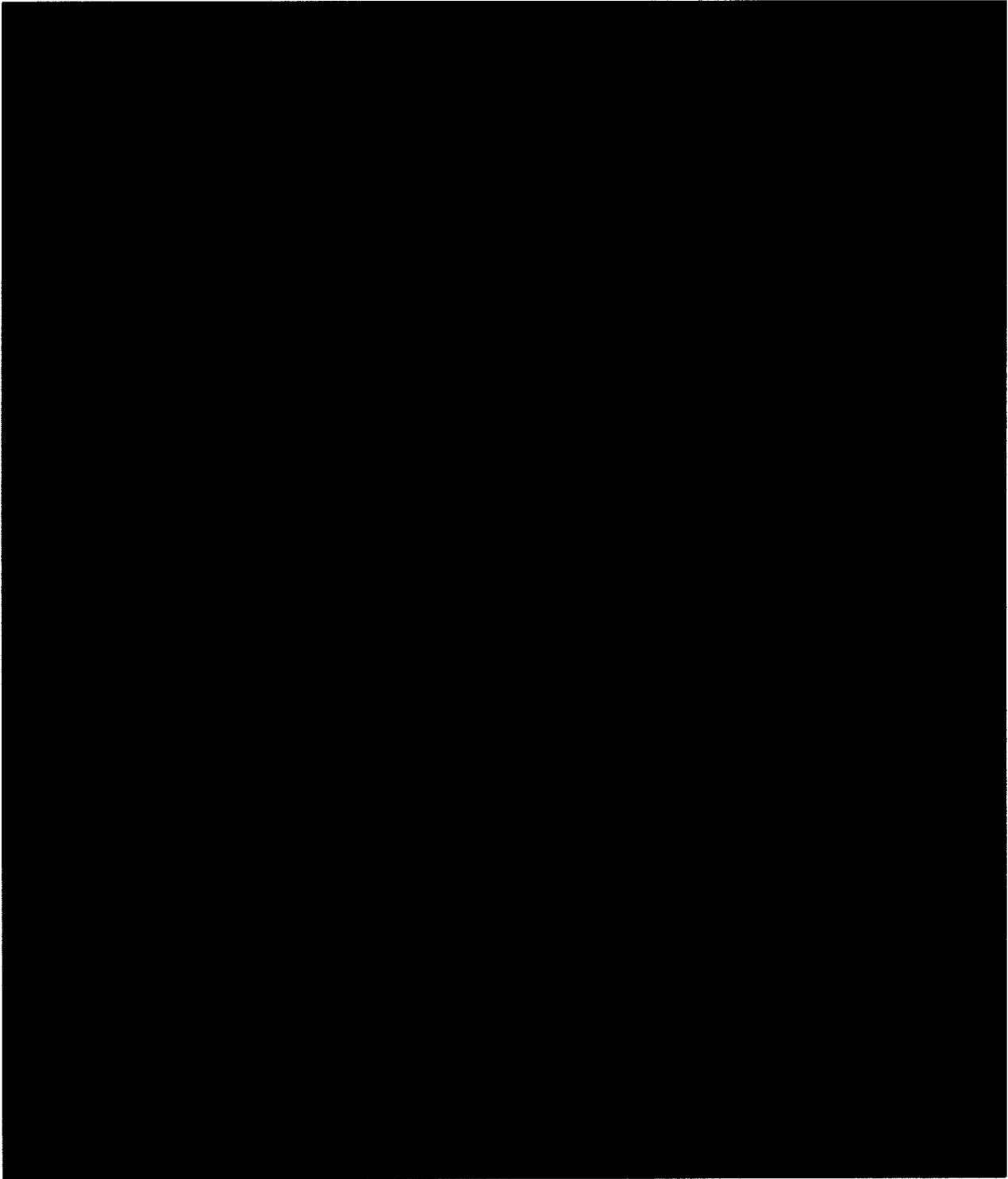
**Taxes collected from customers and remitted to governmental authorities** - Taxes collected from customers and remitted to governmental authorities are presented in the accompanying consolidated statement of operations on a net basis.



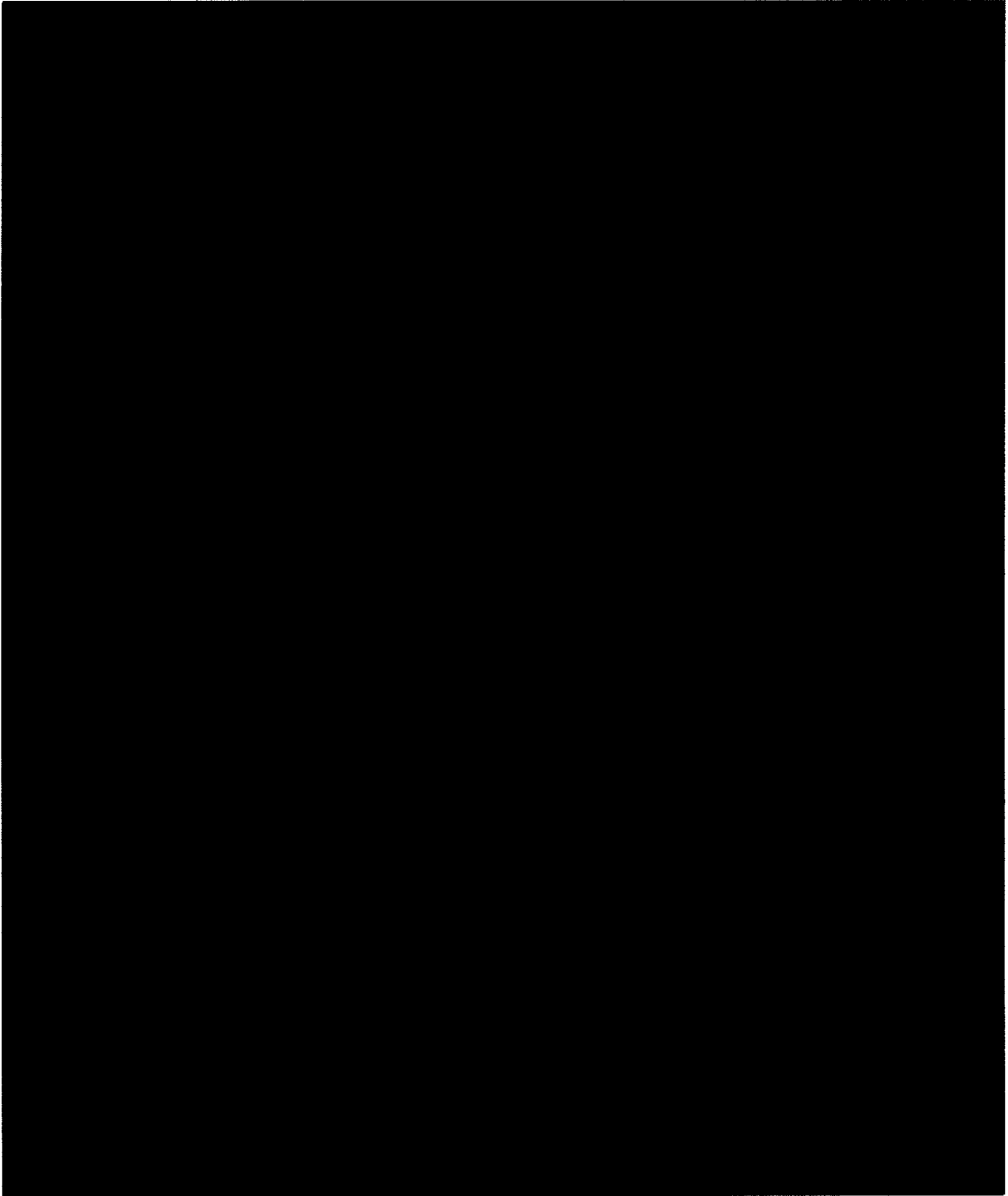
**METRONET HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**



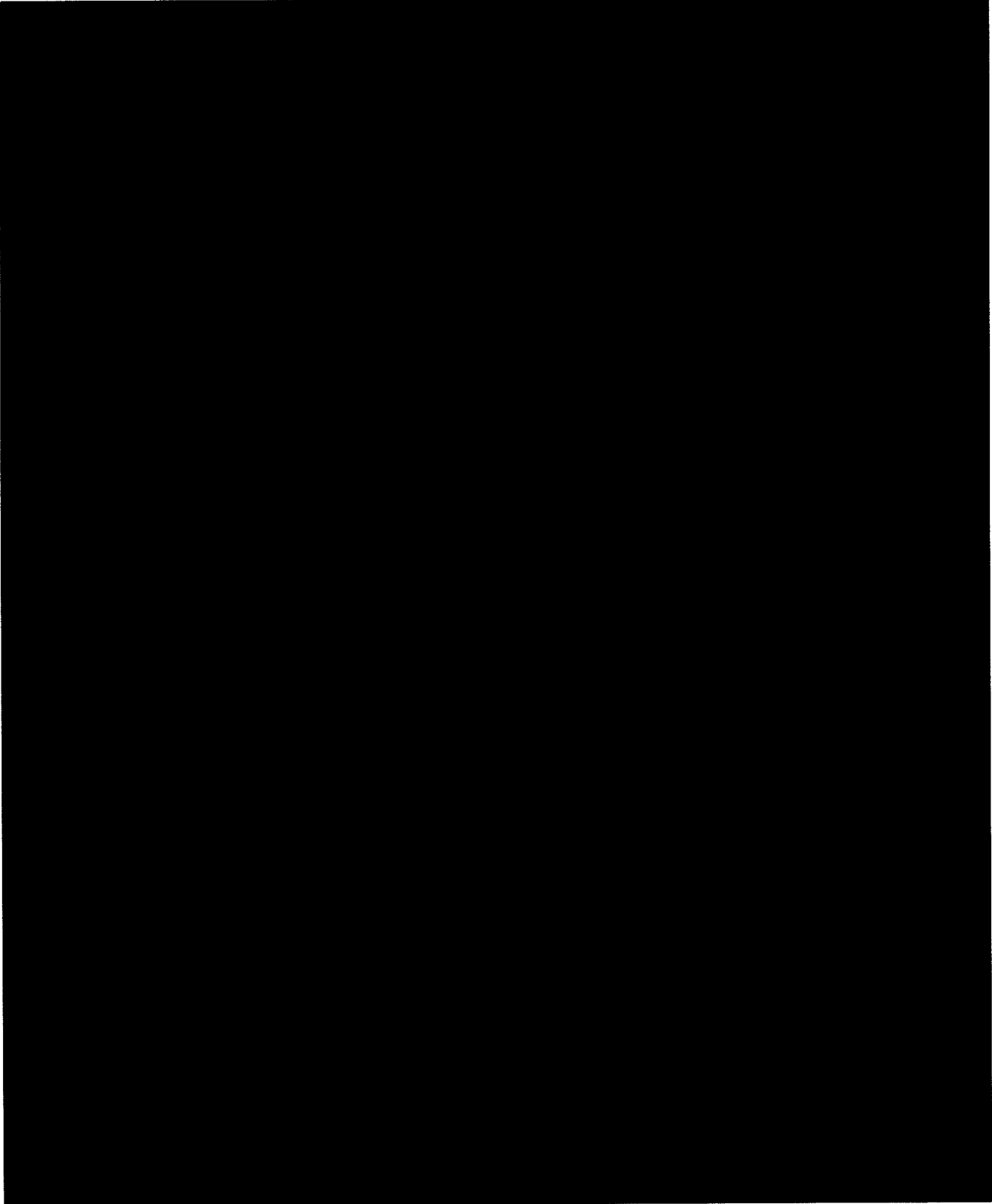
**METRONET HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**



**METRONET HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

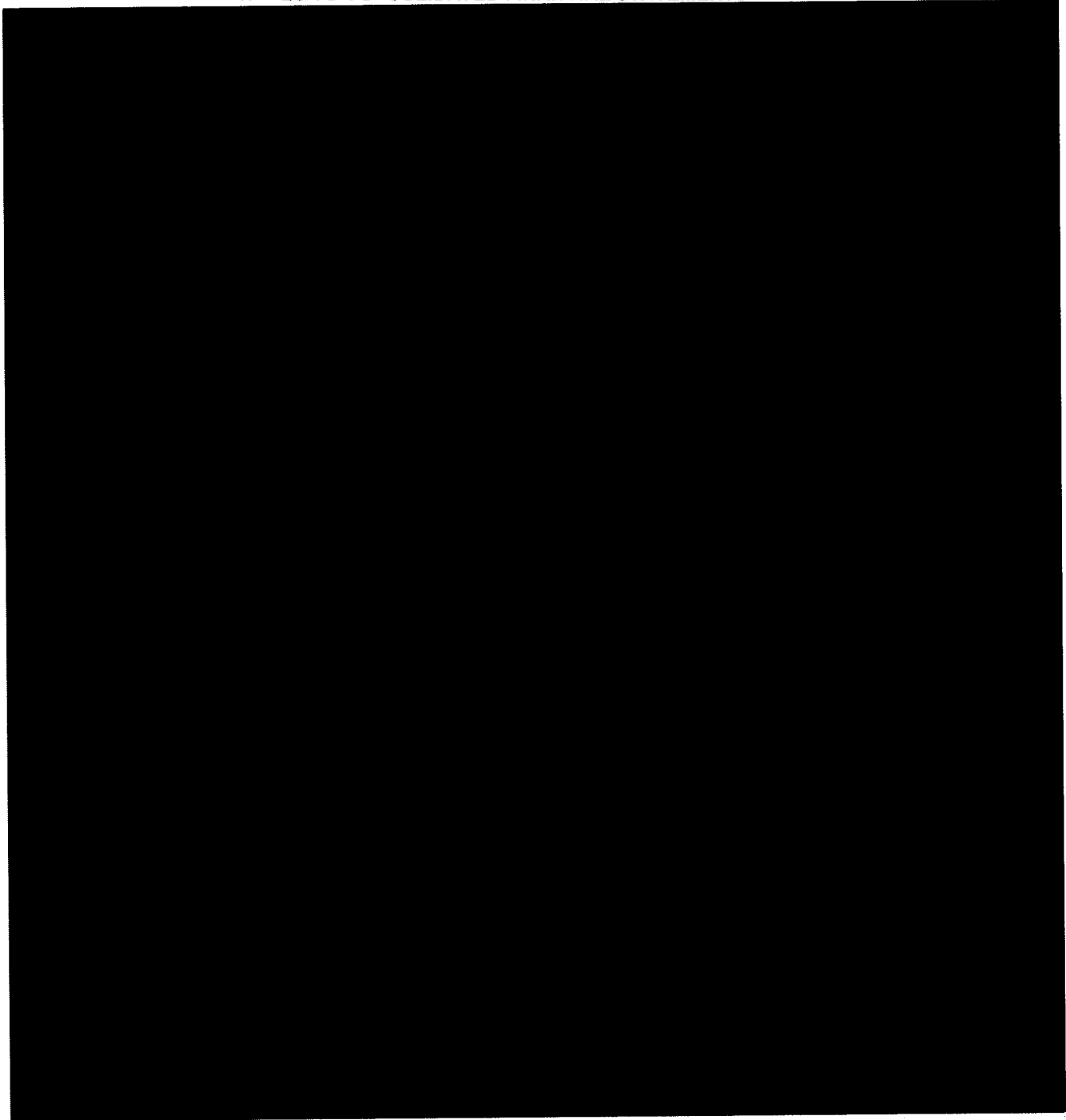


**METRONET HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

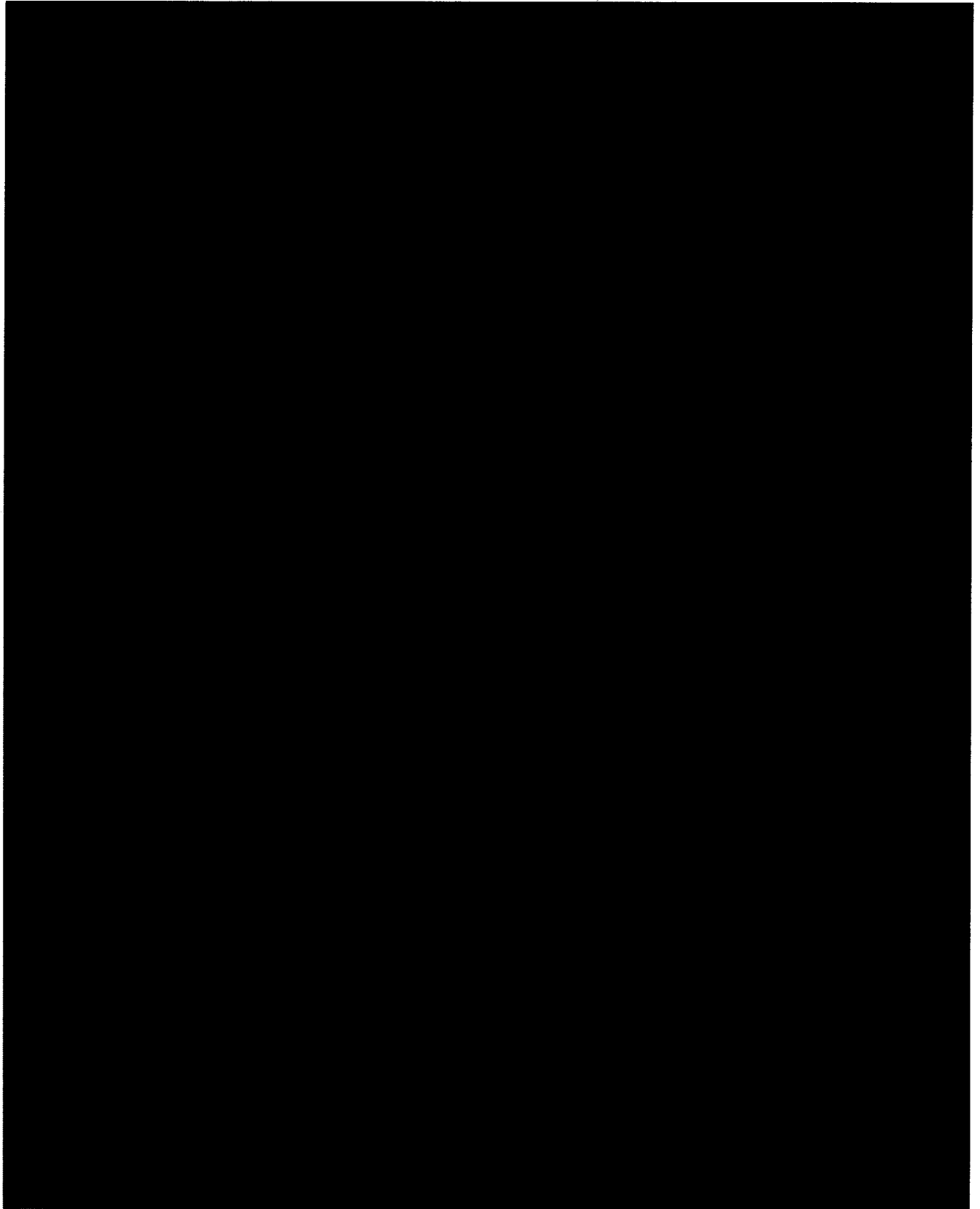




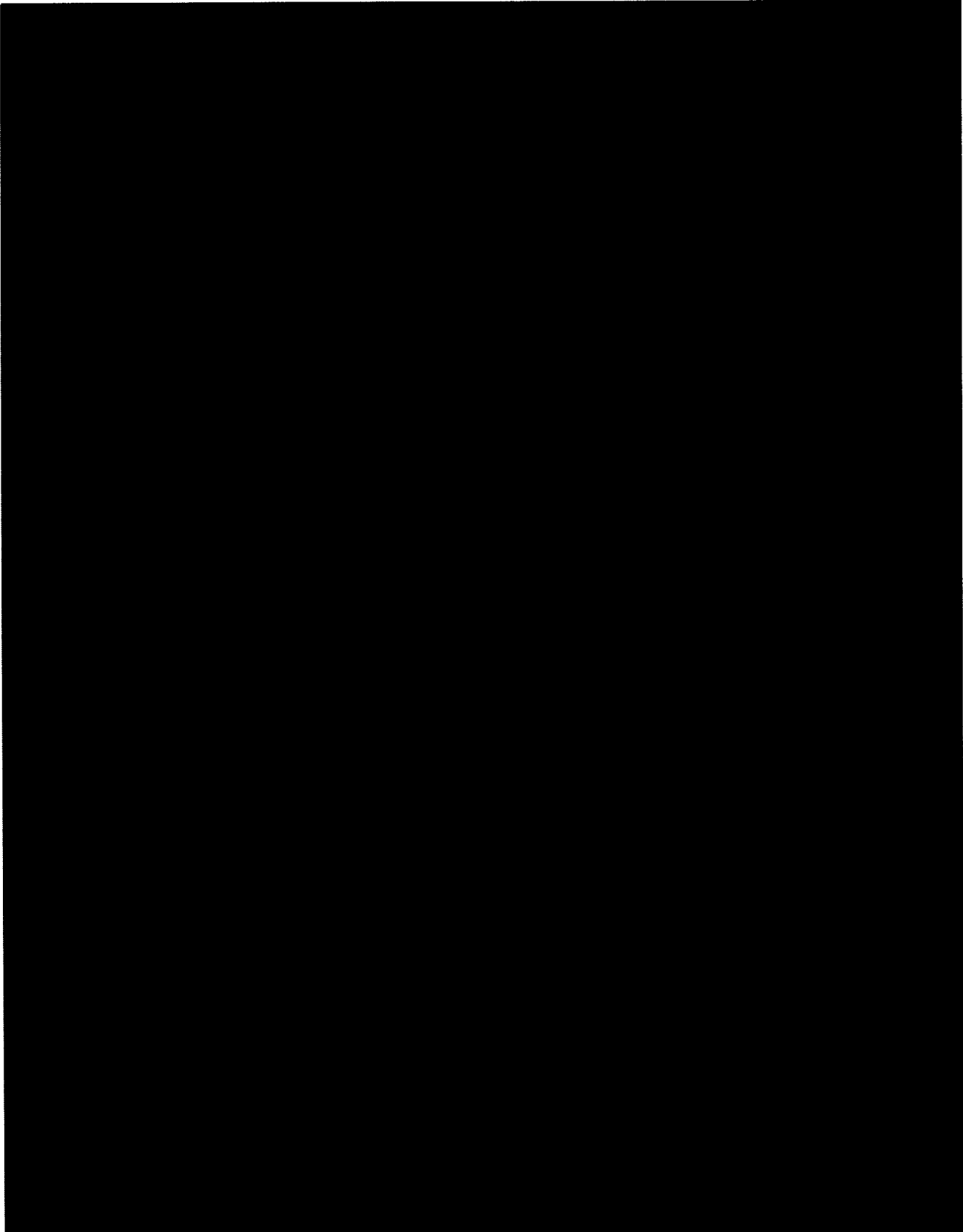
**METRONET HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**



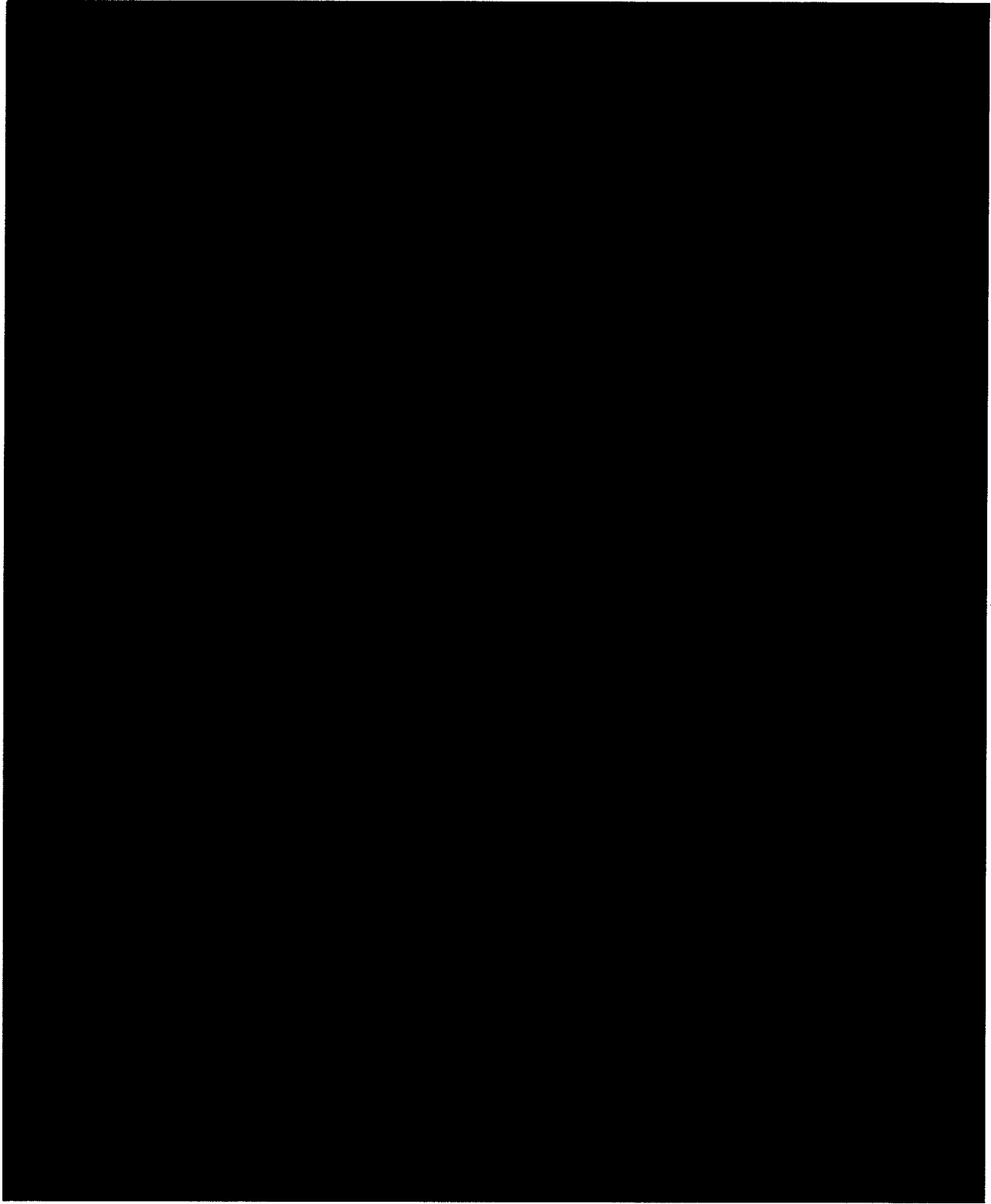
**METRONET HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**



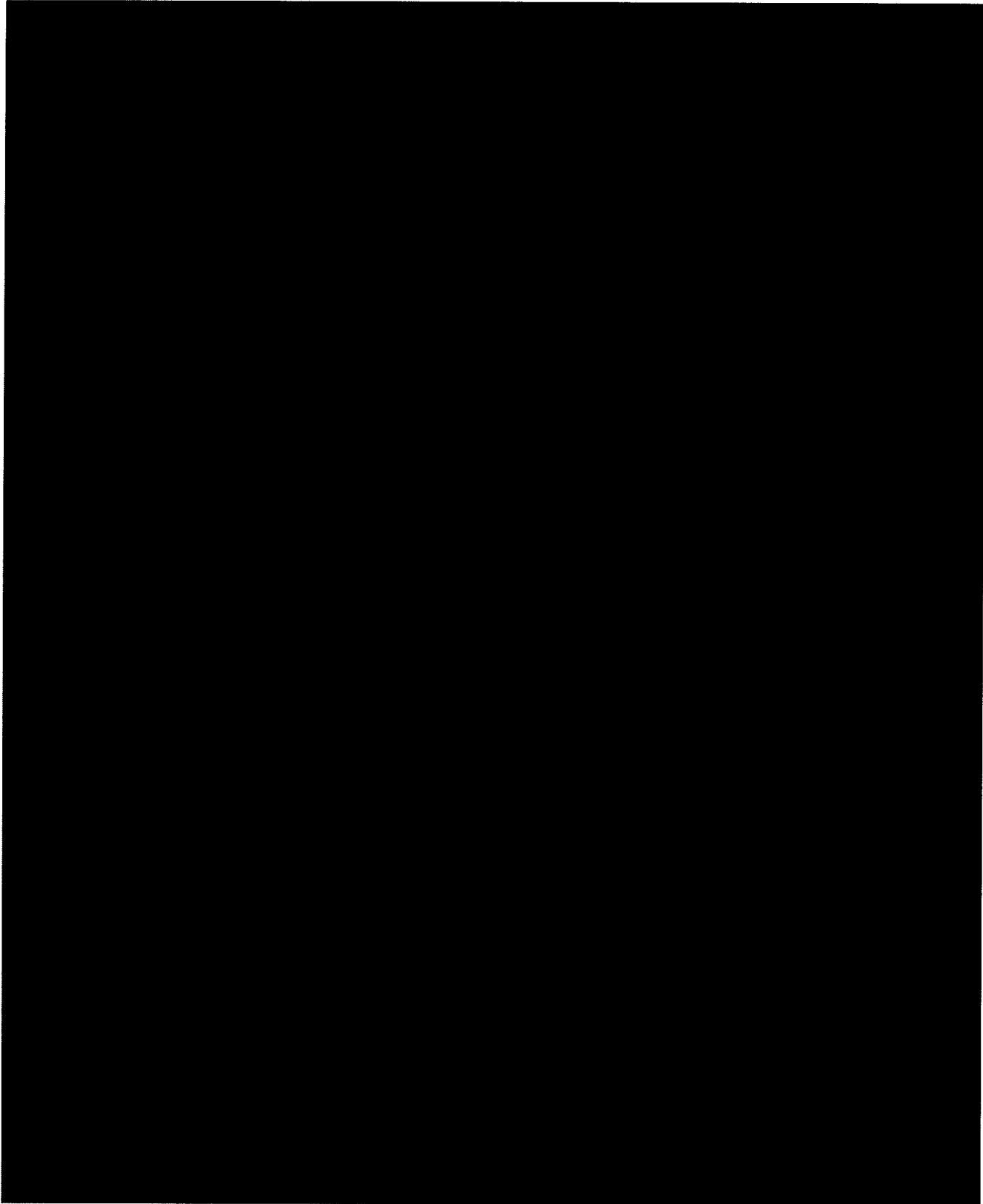
**METRONET HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**



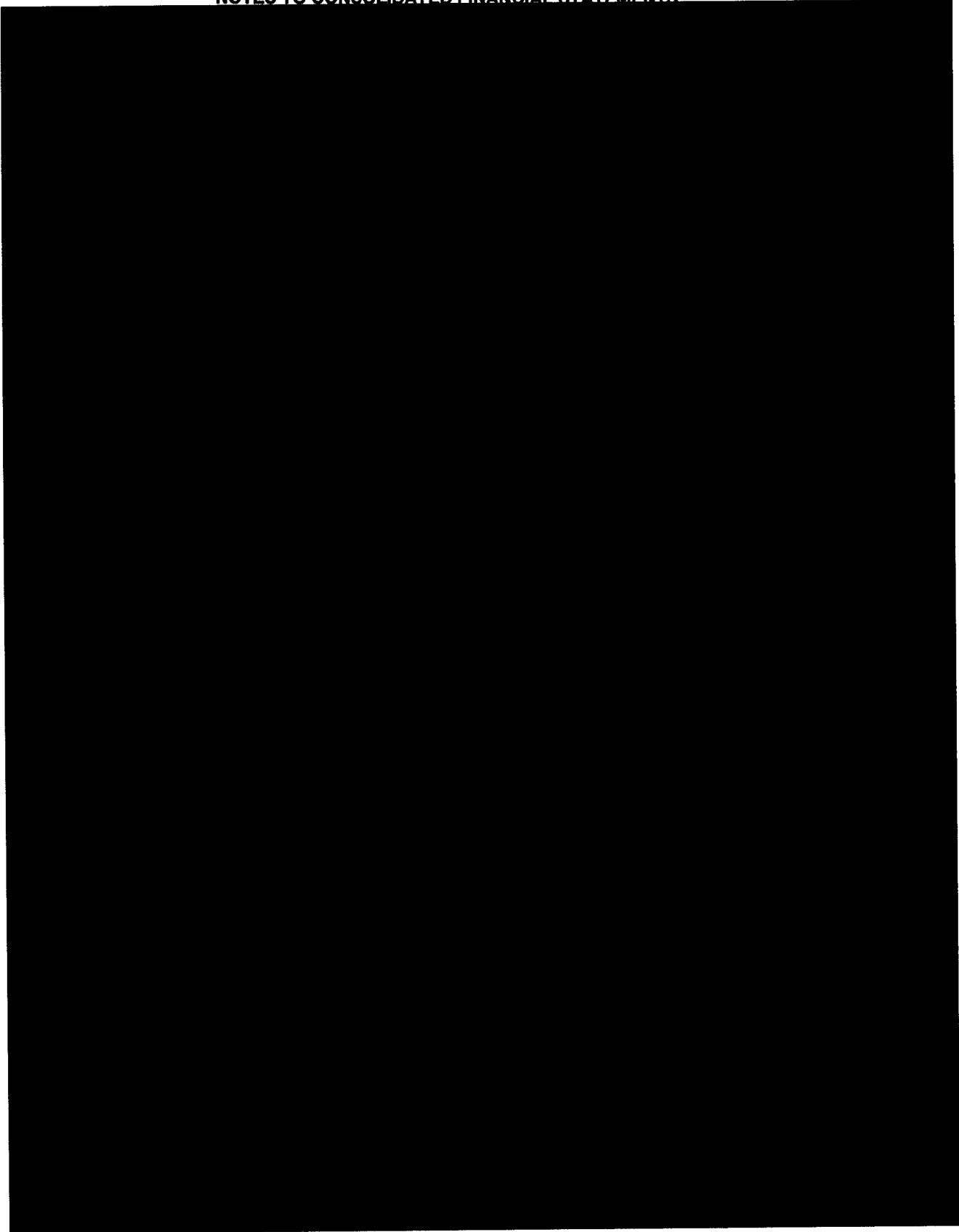
**METRONET HOLDINGS, LLC AND SUBSIDIARIES**  
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**METRONET HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(17) Commitments**

The Company has entered into numerous collocation agreements that allow it to locate equipment in facilities owned by telecommunication providers. Additionally, the Company is involved in numerous pole attachment agreements, which allows it to extend its fiber optic network.

Typically, these agreements involve locating multiplexing/muxing equipment (a rack) in local exchange carrier (LEC) central offices. These agreements have specified beginning and ending dates; however, absent notification from either party of the intent to end the agreement, they then automatically convert to a month-to-month agreement with no specified ending date. These agreements typically require minimal rental payments for the use of the space and are assumed to exist in near perpetuity. Should the Company elect to exit such an agreement, the terms provide that it is responsible for both the removal of the equipment and fiber as well as the cost of returning the space to its original condition.

ASC 410, Asset Retirement and Environment Obligations requires a liability to be recognized in the period in which (1) a legal obligation to retire a long-lived asset exists, and (2) the fair value of the obligation based on retirement cost and settlement date is reasonably estimable. The Company believes it has a legal obligation to remove the aforementioned equipment and to restore the facilities upon termination of agreements. However, it believes it does not have a reasonable basis by which to assign probabilities to the timing of the potential agreement terminations and, accordingly, cannot reasonably estimate the fair value of the asset retirement obligation.

**SUPPLEMENTAL INFORMATION**





**Mayer Hoffman McCann P.C.**  
700 W 47th St Ste 1100 ■ Kansas City, MO 64112  
Main: 816.945.5600 ■ Fax: 816.897.1280 ■ [www.mhmcpa.com](http://www.mhmcpa.com)

## INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

To the Members

### METRONET HOLDINGS, LLC AND SUBSIDIARIES

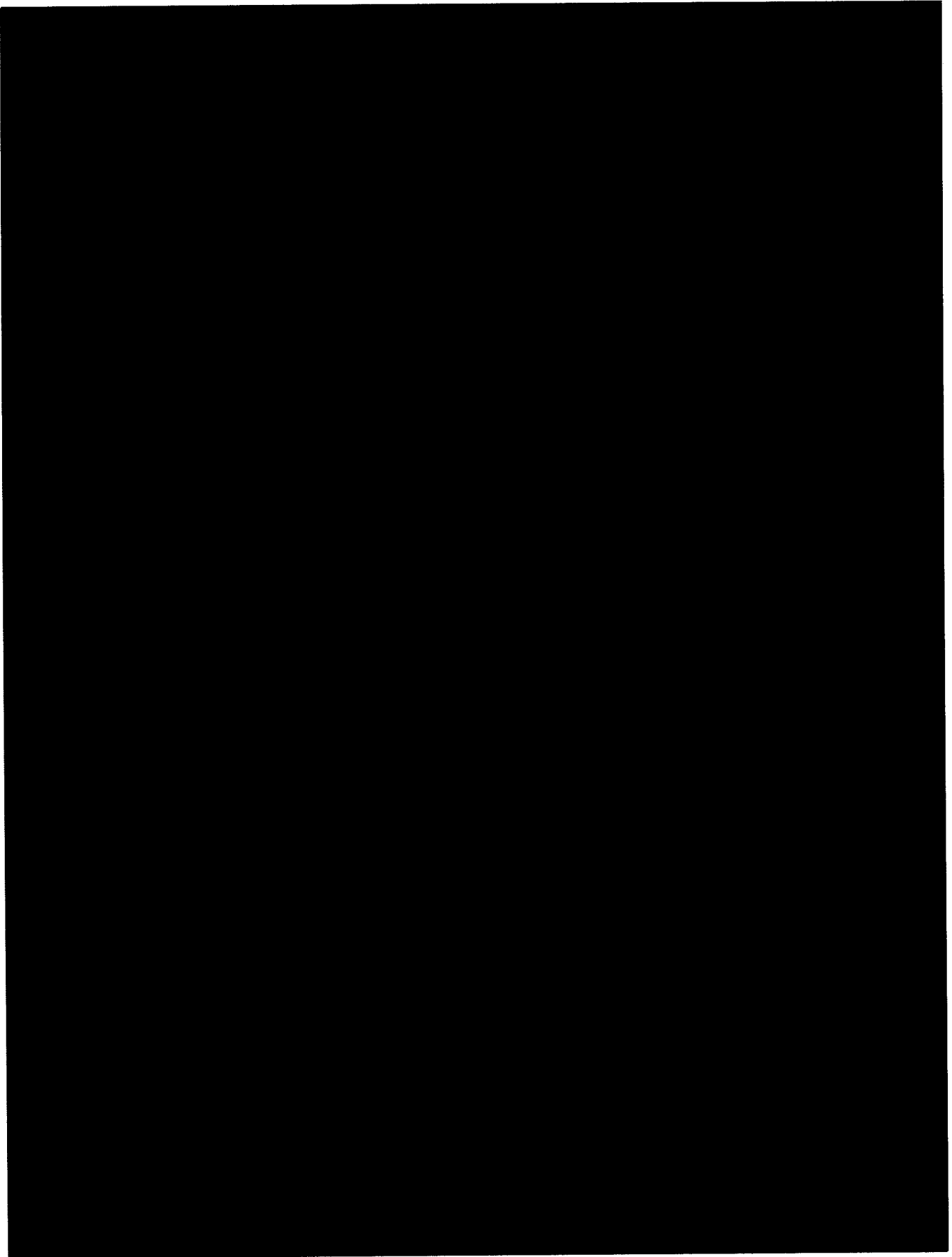
We have audited the consolidated financial statements of Metronet Holdings, LLC and Subsidiaries, (the "Company") as of and for the year ended September 30, 2018 and have issued our report thereon dated January 11, 2019 which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying supplemental information on pages 21 through 26 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

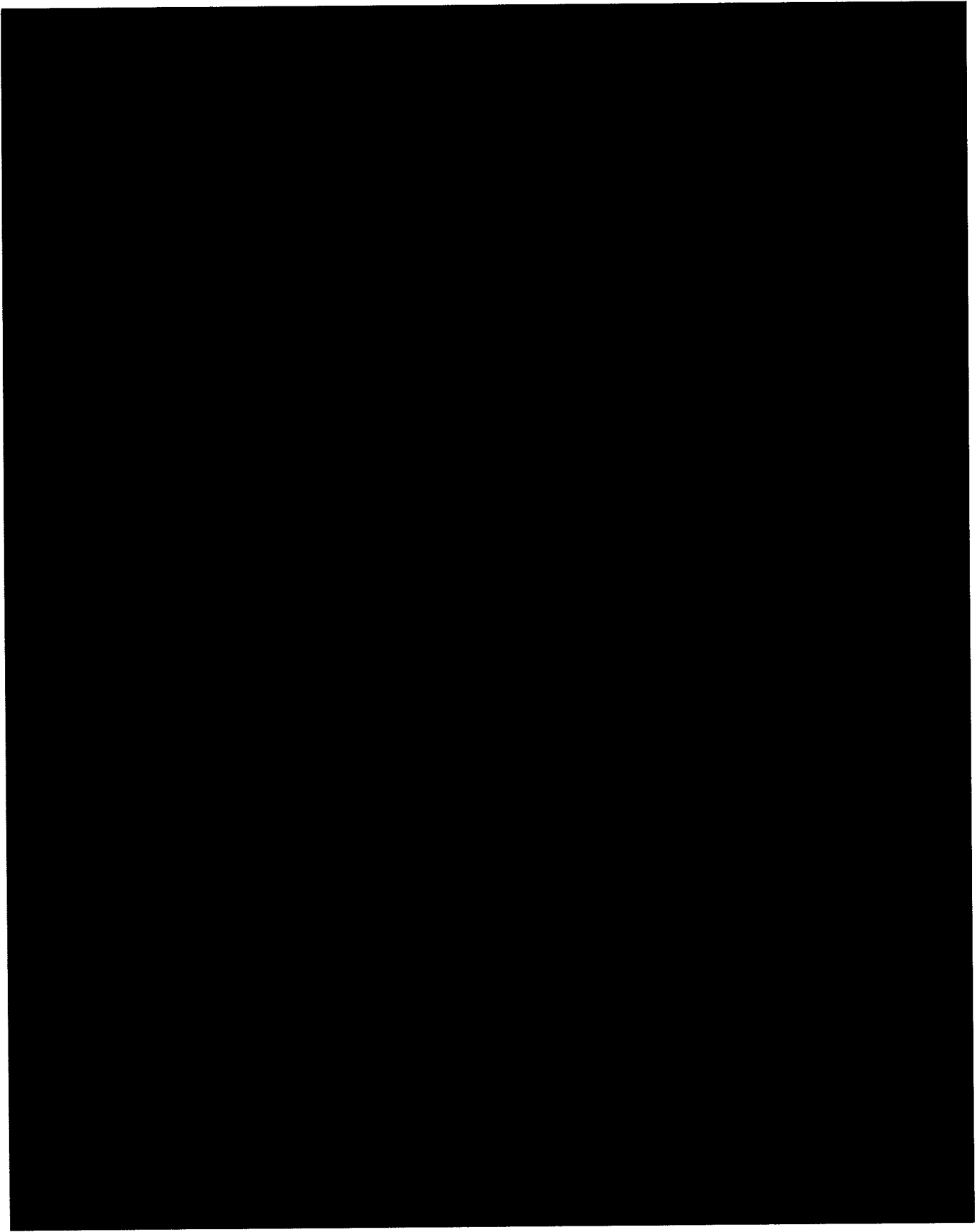
*Mayer Hoffman McCann P.C.*

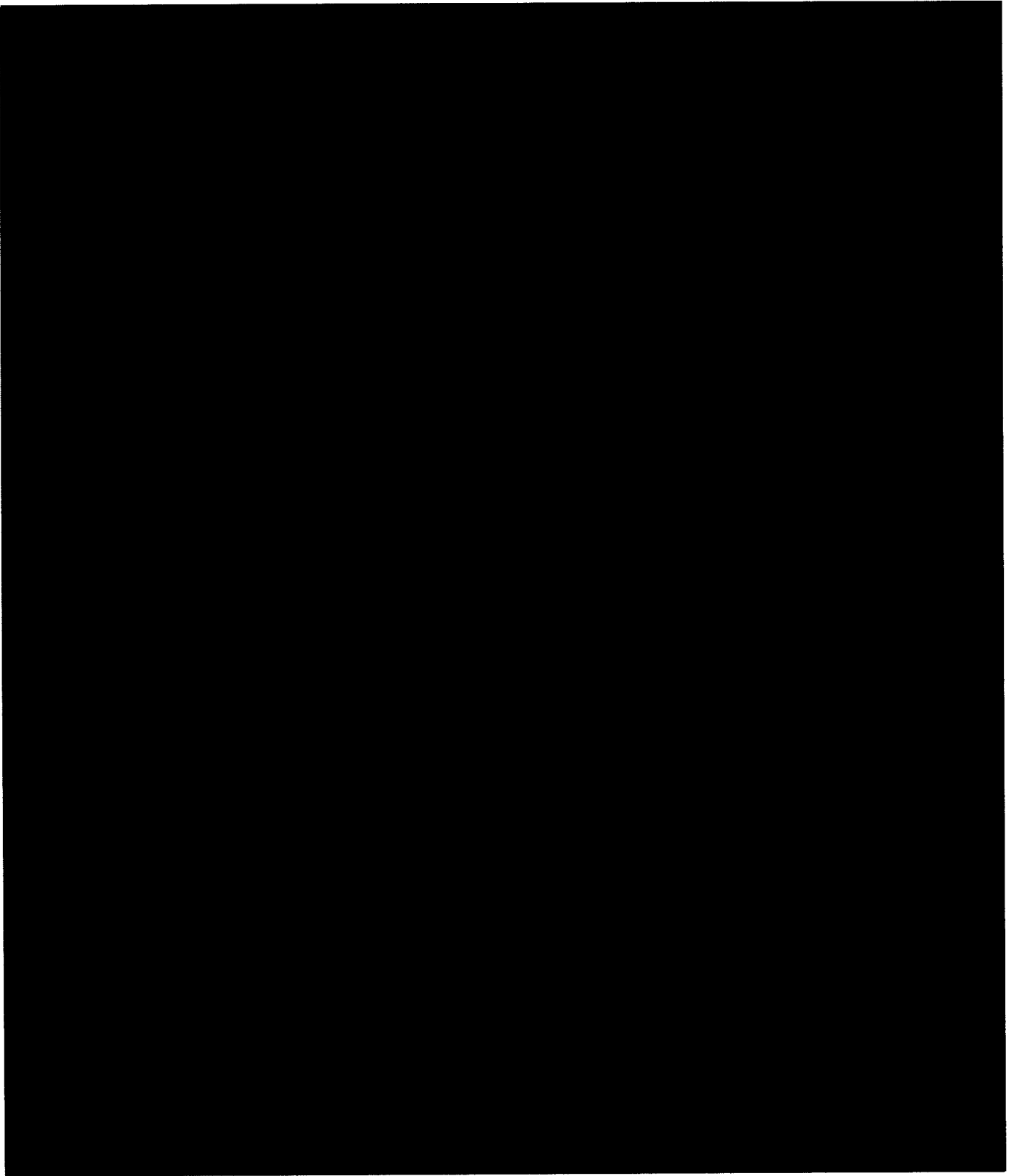
Kansas City, Missouri  
January 11, 2019

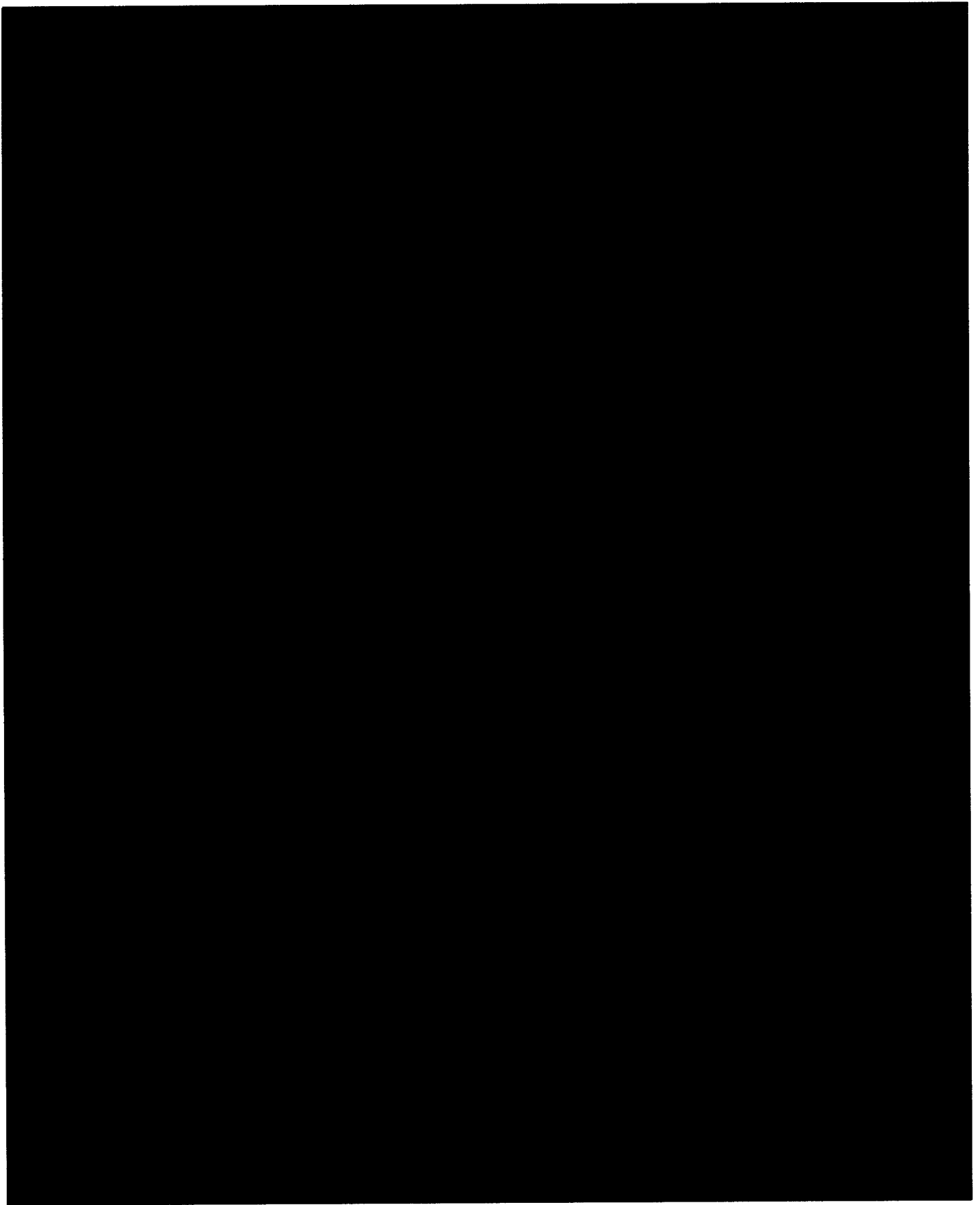


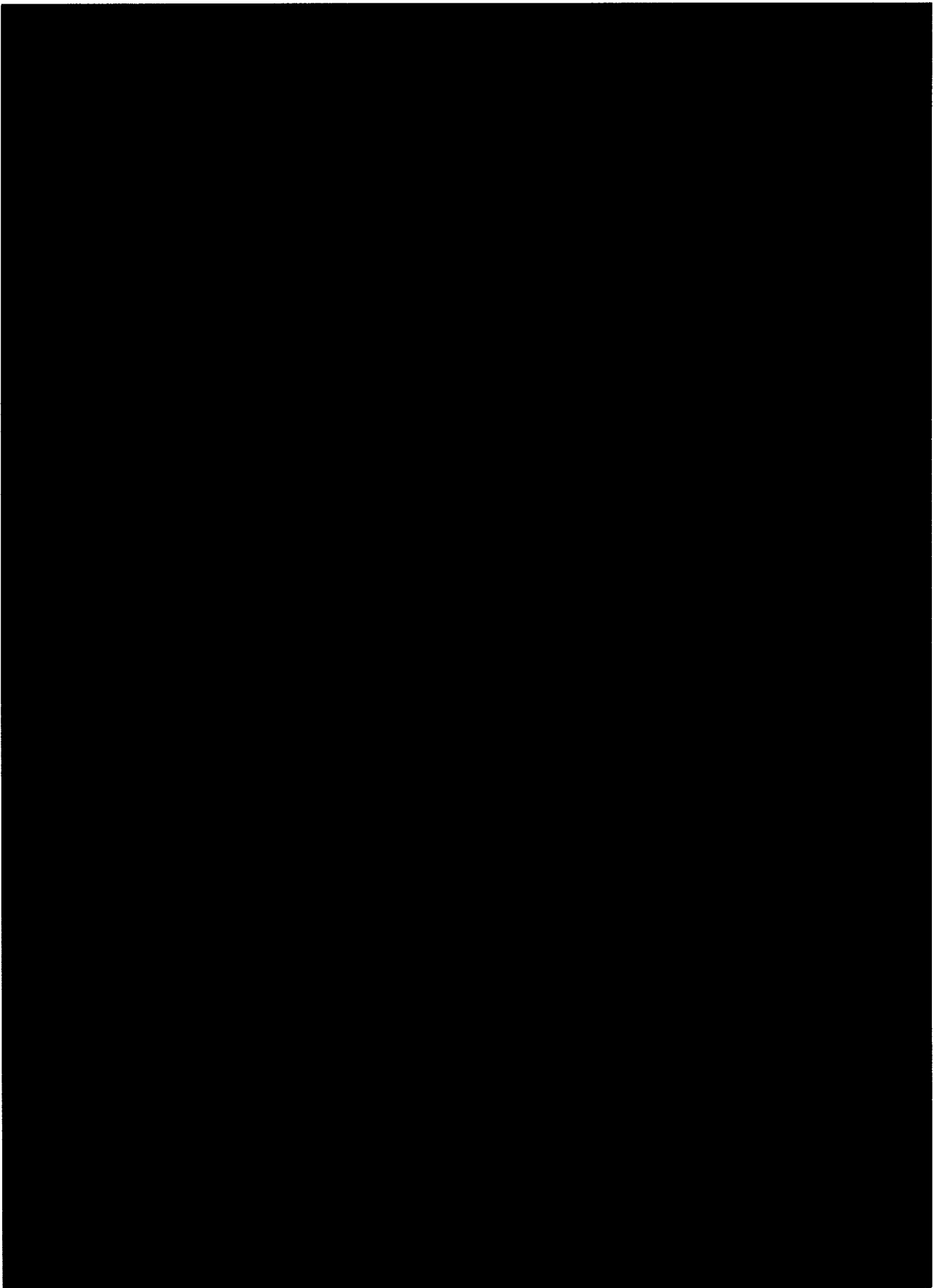
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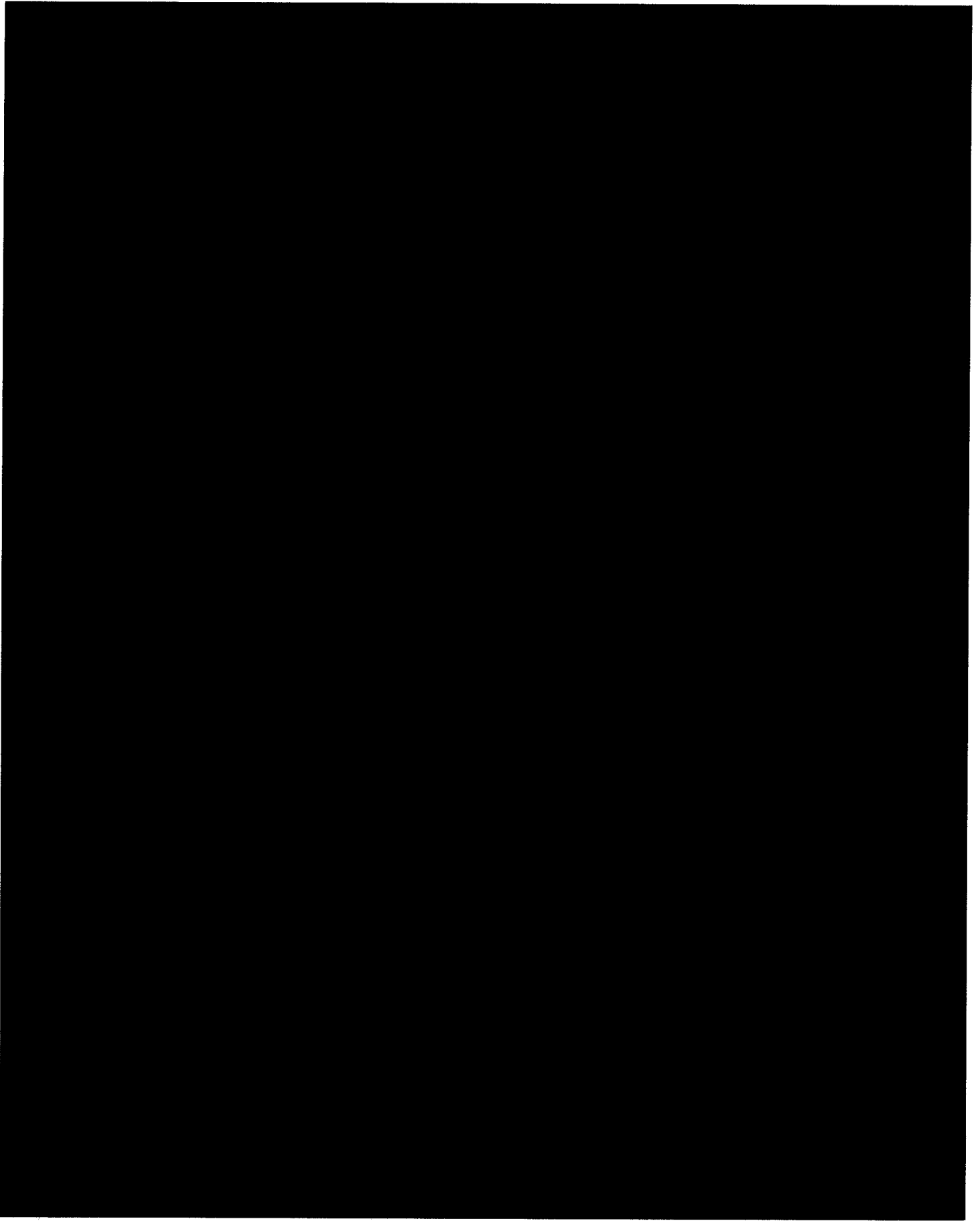


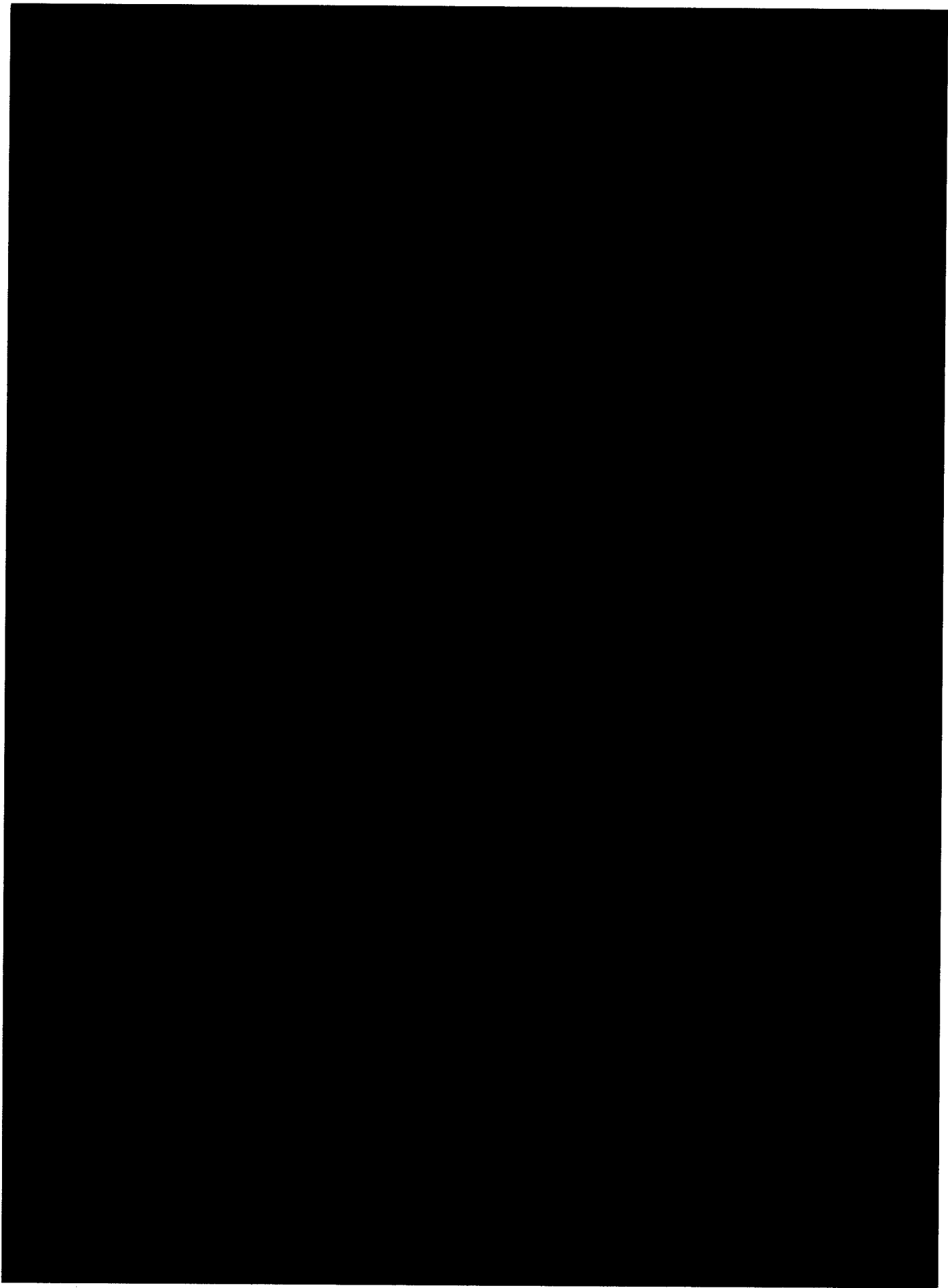
















**METRONET HOLDINGS, LLC AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS**

Years ended September 30, 2017 and 2016





700 West 47th Street, Suite 1100 ■ Kansas City, MO 64112  
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## Independent Auditors' Report

To the Members

### **METRONET HOLDINGS, LLC AND SUBSIDIARIES**

#### ***Report on the Financial Statements***

We have audited the accompanying consolidated financial statements of Metronet Holdings, LLC and its Subsidiaries, which comprise the consolidated balance sheets as of September 30, 2017 and 2016, and the related consolidated statements of operations and comprehensive loss, members' capital and cash flows for the years then ended and the related notes to the consolidated financial statements.

#### ***Management's Responsibilities for the Financial Statements***

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

#### ***Auditors' Responsibility***

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

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

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

#### ***Opinion***

In our opinion, the consolidated financial statements referred to above presents fairly, in all material respects, the financial position of Metronet Holdings, LLC and its Subsidiaries as of September 30, 2017 and 2016, and the results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Mayer Hoffman McCann P.C.*

Kansas City, Missouri  
December 20, 2017



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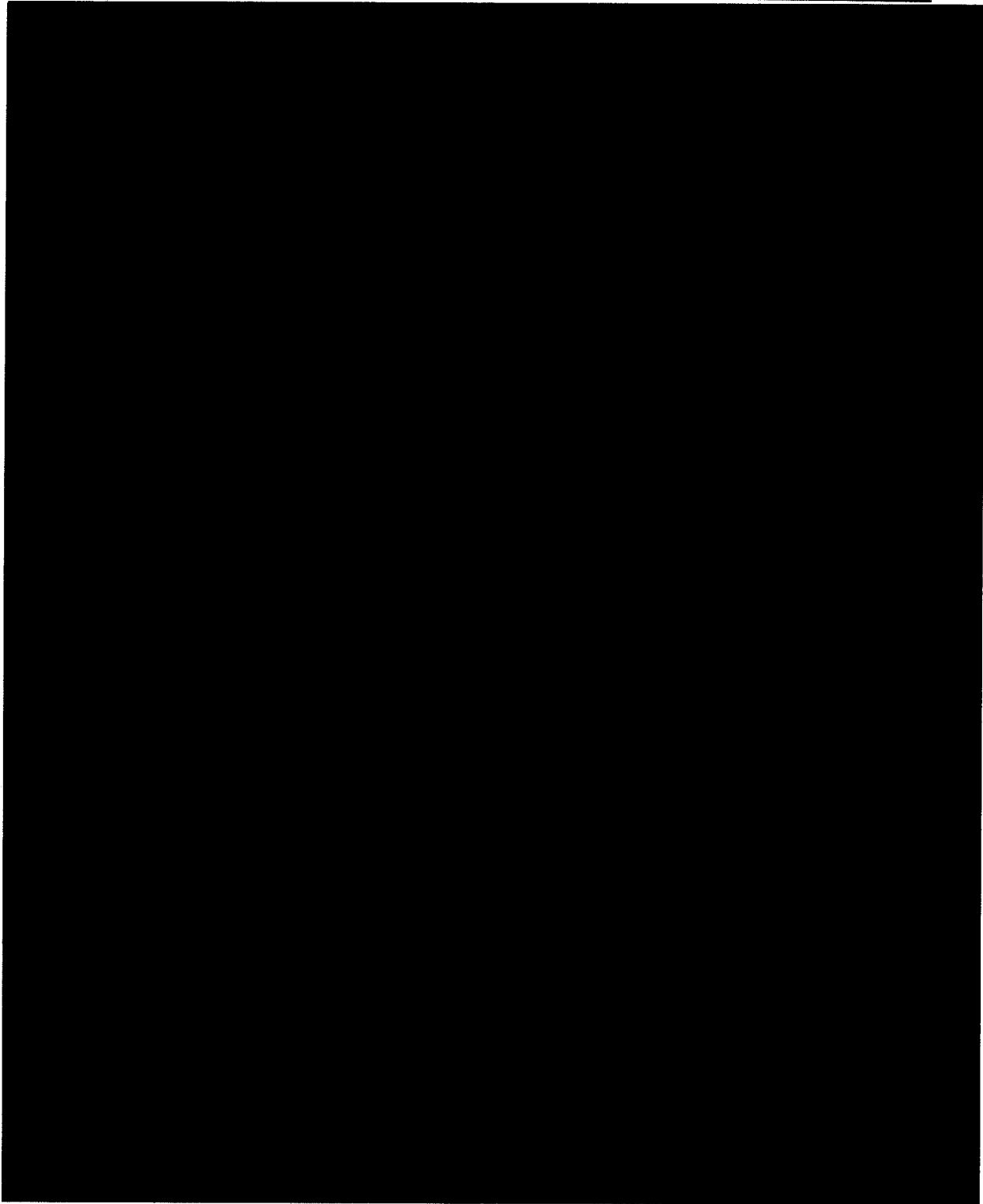
**METRONET HOLDINGS, LLC AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**

September 30, 2017 and 2016

2017

2016



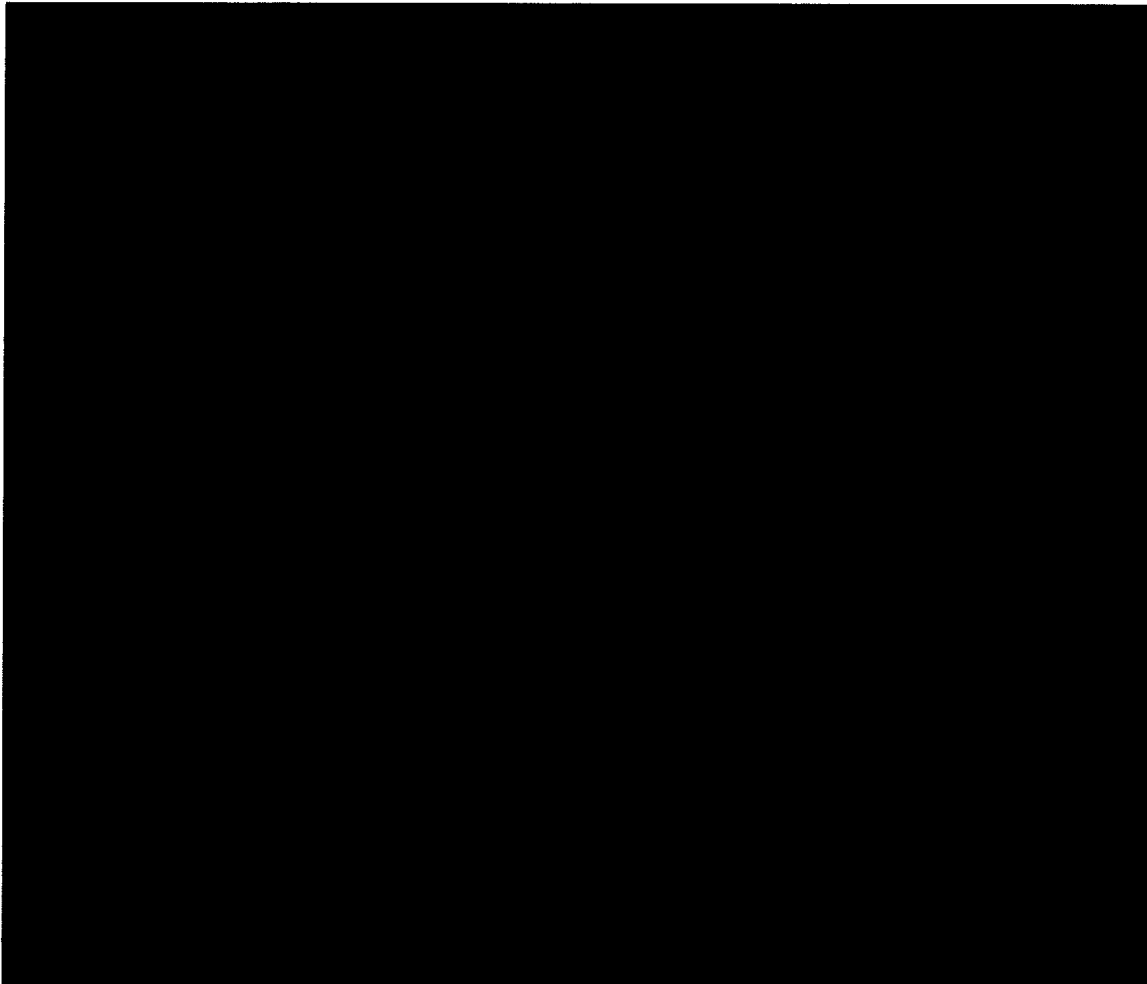
See Notes to Consolidated Financial Statements

**METRONET HOLDINGS, LLC AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**

Years ended September 30, 2017 and 2016

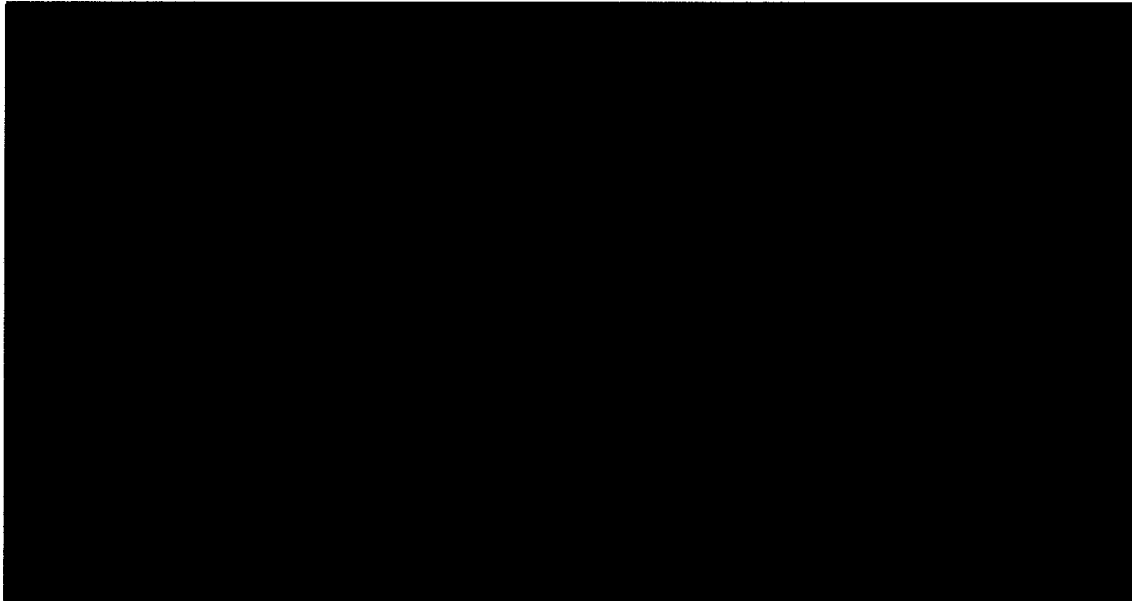
2017

2016



**METRONET HOLDINGS, LLC AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF MEMBERS' CAPITAL**

Years ended September 30, 2017 and 2016

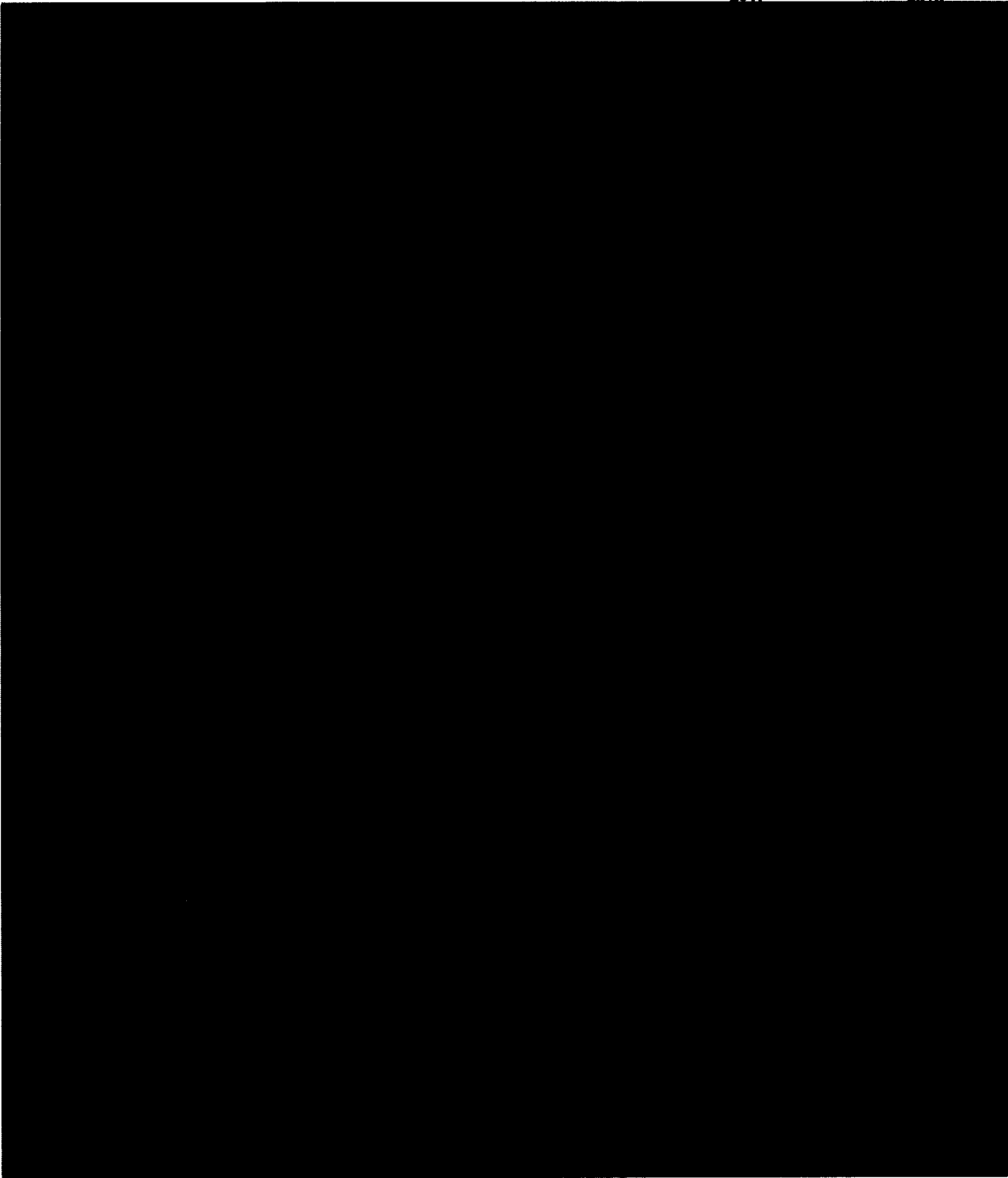


**METRONET HOLDINGS, LLC AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

Years ended September 30, 2017 and

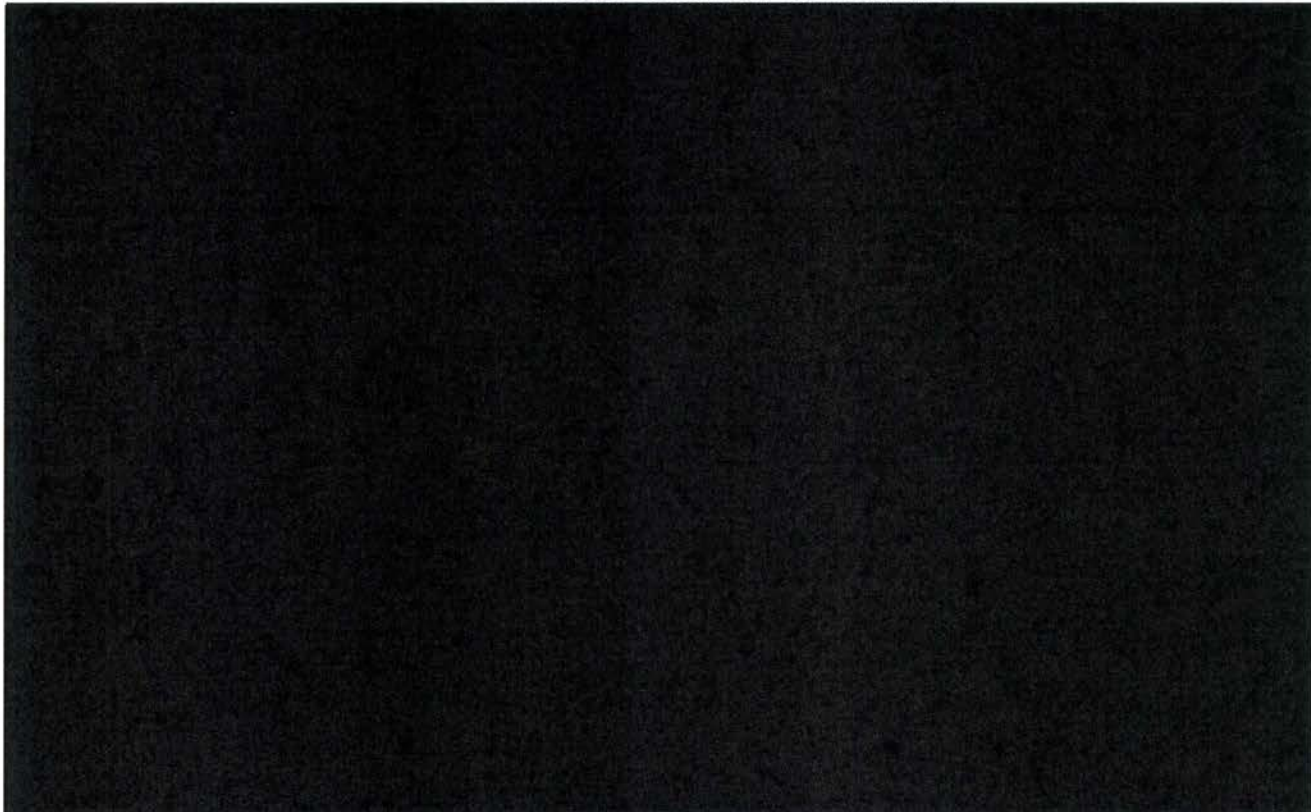
2017

2016



See Notes to Consolidated Financial Statements

METRONET HOLDINGS, LLC AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS



(2) Summary of significant accounting policies

**Principles of consolidation** - All significant intercompany accounts and transactions between the Company and its Subsidiaries have been eliminated in the consolidated financial statements.

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

**Business combinations** - The Company applies the acquisition method of accounting for business acquisitions in accordance with Financial Accounts Standards Board (FASB) Accounts Standards Codification (ASC) Topic 805, *Business Combinations*. The Company allocates the purchase prices of business acquisitions based on the fair value of the identifiable tangible and intangible assets, which are measured in accordance with FASB ASC 820, *Fair Value Measurements and Disclosures*.

The difference between the total cost of the acquisition and the sum of the fair values of the acquired tangible and identifiable intangible assets less liabilities is recorded as goodwill. Transaction costs are expensed as incurred. The statements of income include the results of operations for the acquisition from the date of acquisition.



METRONET HOLDINGS, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(2) Summary of significant accounting policies (continued)

**Cash and cash equivalents** - The Company considers all liquid investments with original maturities of three months or less to be cash and cash equivalents. At September 30, 2017 and 2016, cash and cash equivalents consisted primarily of money market accounts. At times, balances in these accounts are in excess of federally insured limits. Management monitors the soundness of the institutions involved and feels the Company's risk is negligible. The Company has not experienced any losses in such accounts

**Accounts receivable** - Accounts receivable are stated at the amounts billed to the customers, plus any accrued and unpaid interest. The Company provides an allowance for doubtful accounts, which is based upon a review of the outstanding receivables, historical collection information and existing economic conditions. Accounts receivable are ordinarily due 30 days after the issuance of the invoice. Accounts past due by more than 90 days are considered delinquent. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer.

**Investment securities** - The Company classifies its marketable debt securities as "available for sale." Securities classified as "available for sale" are carried in the consolidated financial statements at fair value.

**Property and equipment** - Property and equipment acquisitions are recorded at cost and depreciated over the estimated useful life of each asset. Leasehold improvements are amortized over the shorter of the lease term or the estimated useful lives of the improvements. The Company capitalizes equipment acquisitions greater than \$1,000. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

<u>Assets</u>	<u>Estimated Useful Lives</u>
Switch facilities	5 years
Fiber line	15 years
Real estate and buildings	39 years
Computer equipment	3 years
Software	3 years
Transportation equipment	5 years
Leasehold improvements	3 - 5 years

Property and equipment under construction includes inventory and expenditures for projects primarily related to new fiber optic cable route installation and collocation projects. The Company capitalizes interest costs as a component of construction in progress, based on the weighted average rates paid for long-term borrowings.

**Long-lived asset impairment** - The Company evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended September 30, 2017 and 2016.




**METRONET HOLDINGS, LLC AND SUBSIDIARIES**

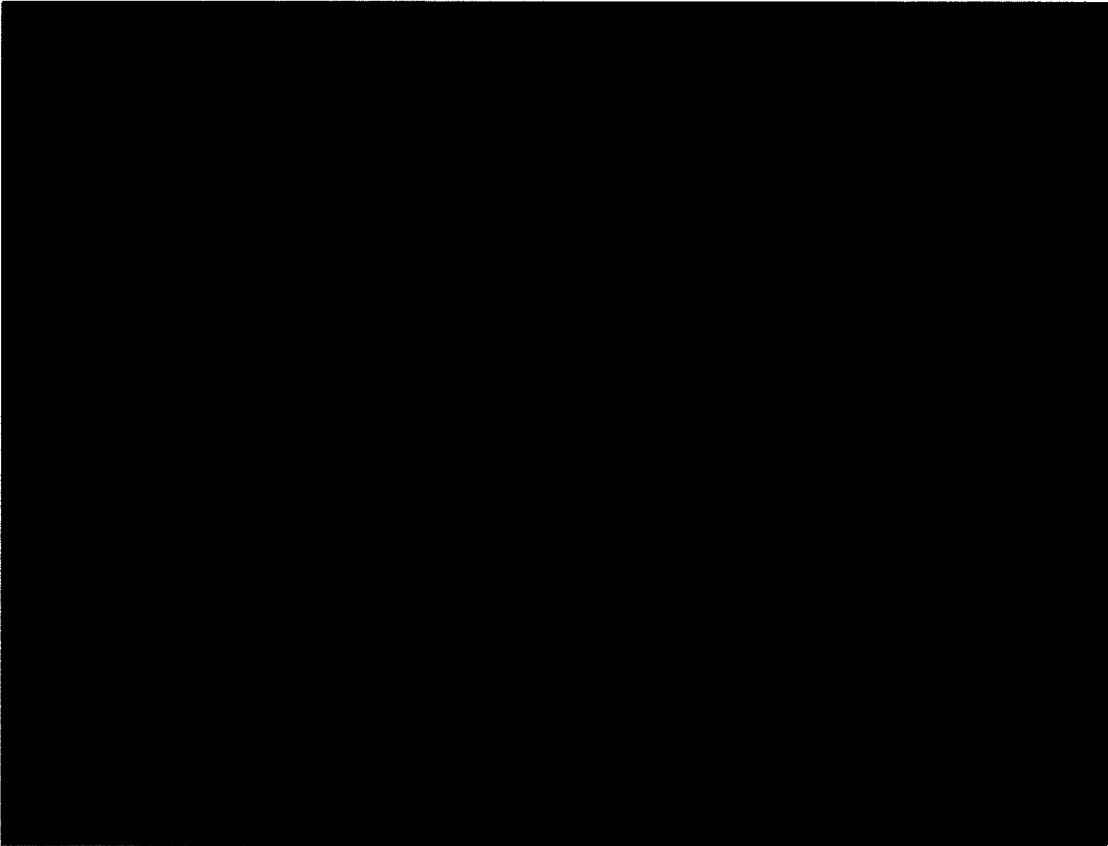
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(2) Summary of significant accounting policies (continued)**

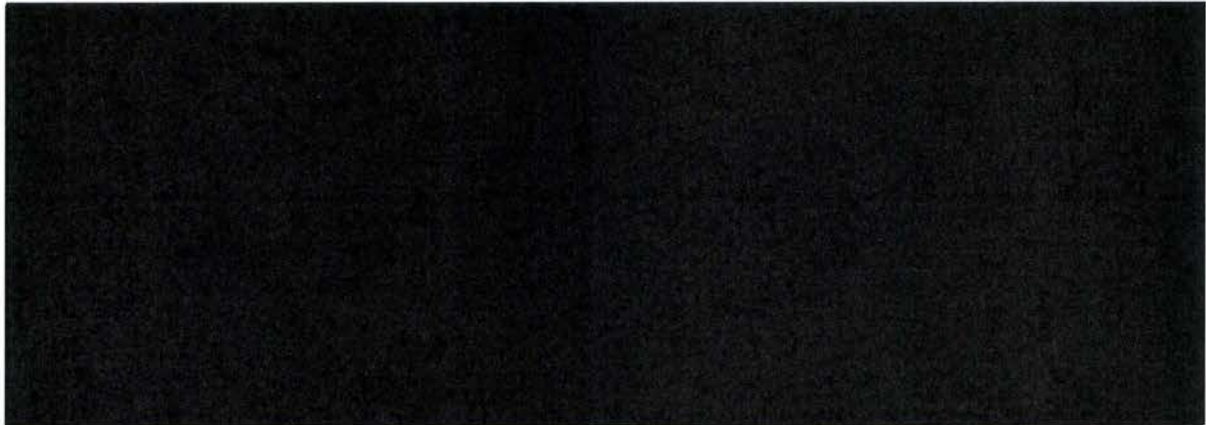
**Economic development revenue bonds** - Economic Development Revenue Bonds are classified as held to maturity and carried at amortized cost when management has the positive intent and ability to hold them to maturity. Interest income is realized over the life of the bonds based on bond coupon redemptions.



**Goodwill** - Beginning in 2016, the Company adopted the accounting alternative offered to nonpublic entities for the subsequent measurement of goodwill. In accordance with this alternative, the Company amortizes goodwill over ten years on the straight-line basis and only evaluates goodwill for impairment at the entity level when a triggering event occurs.

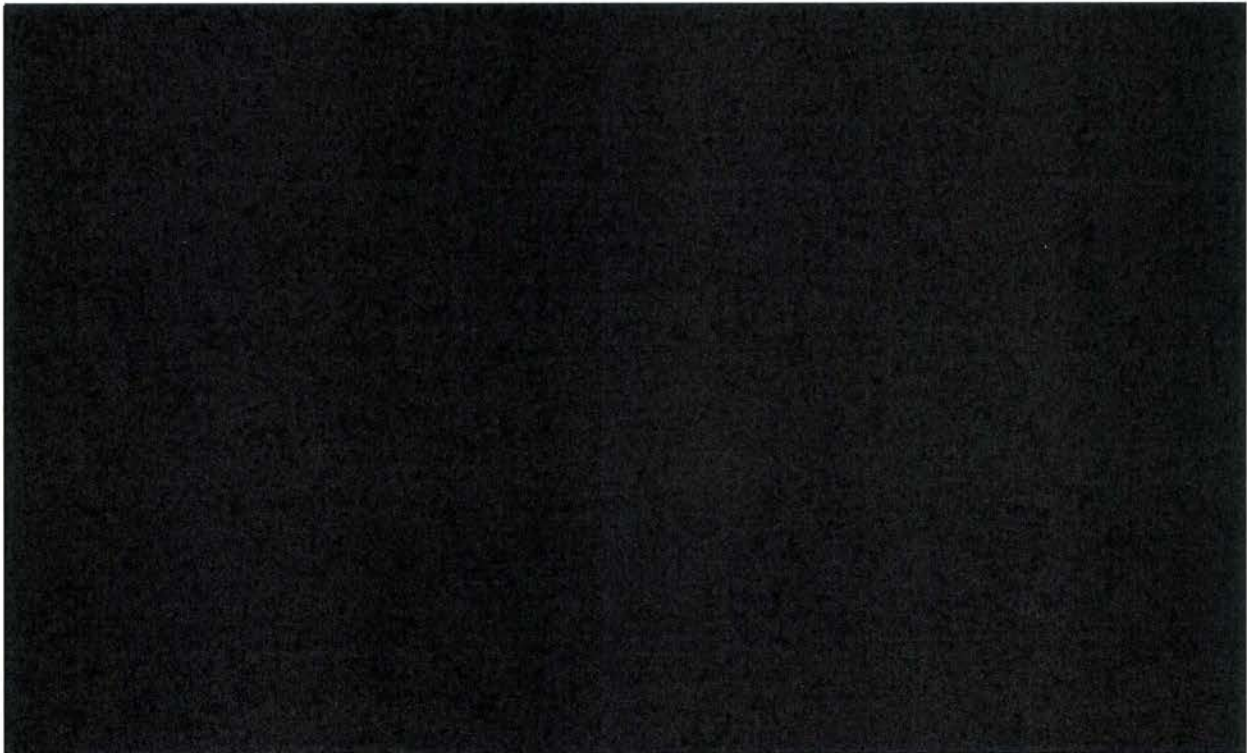


**METRONET HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**



**Revenue recognition** - Revenues based on a flat fee, derived principally from cable television, local telephone, data communications, internet access service and residential/business broadband service, are billed in advance and recognized in subsequent periods when the services are provided. Revenues based on usage, derived primarily from long-distance services, are recognized monthly as services are provided. Revenue billed to other carriers for use of the Company's fiber lines is recognized on the cash basis, which approximates the accrual basis.

**Taxes collected from customers and remitted to governmental authorities** - Taxes collected from customers and remitted to governmental authorities are presented in the accompanying consolidated statement of operations and comprehensive loss on a net basis.



**METRONET HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

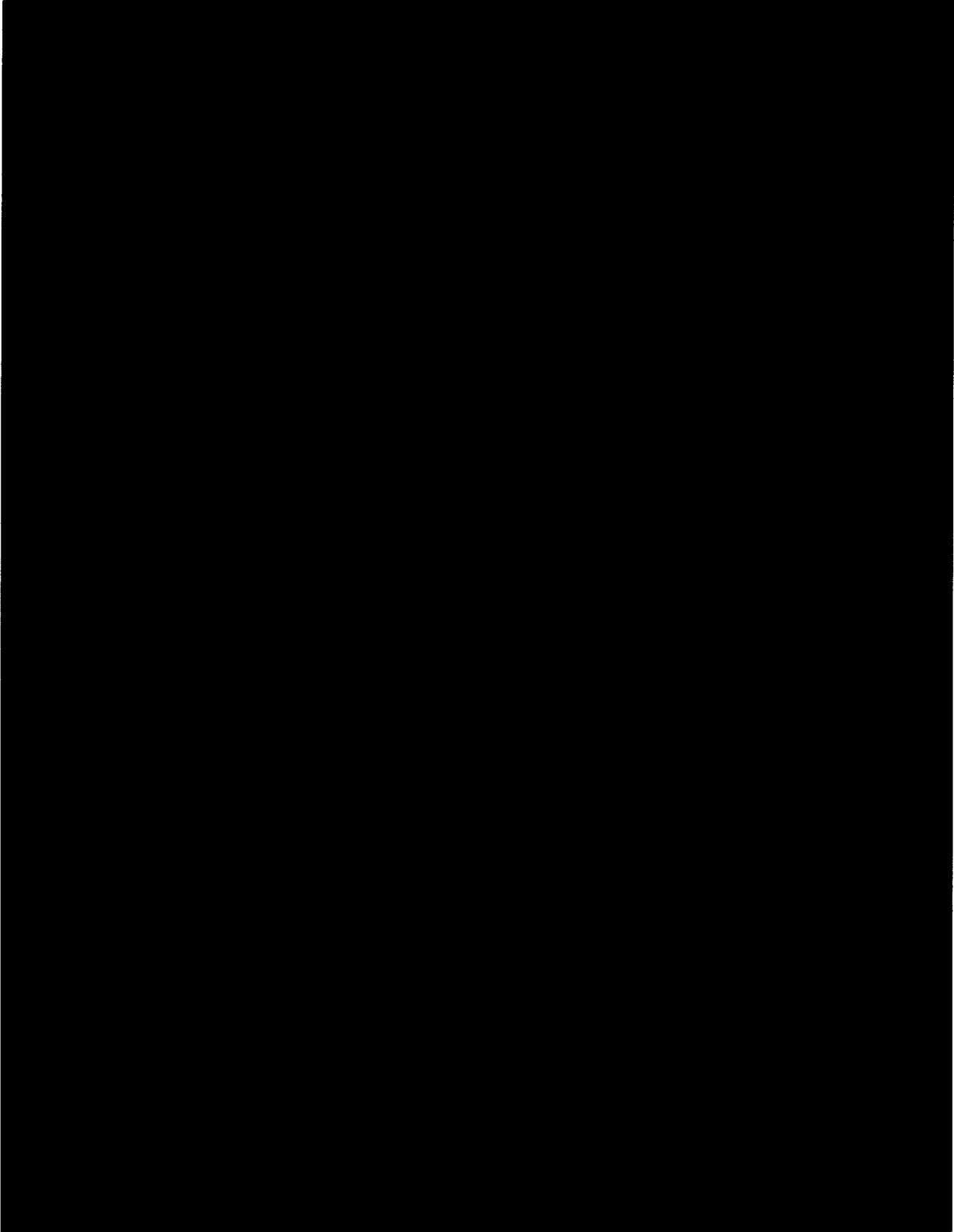
(4) **Investments**

FASB ASC 820, Fair Value Measurements and Disclosures, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

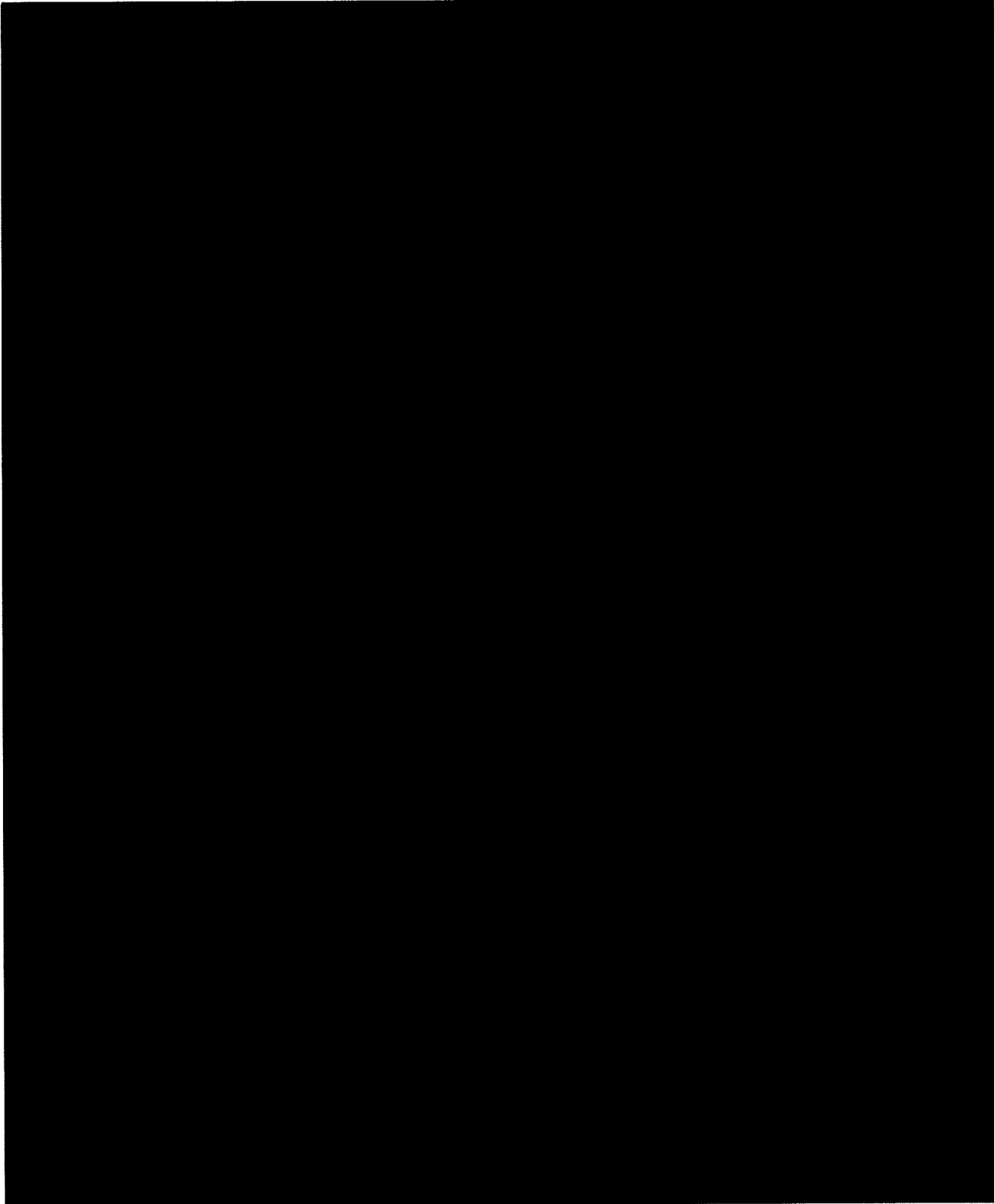
- |         |   |
|---------|---|
| Level 1 | Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.   |
| Level 2 | Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in inactive markets; inputs other than quoted market prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability. |
| Level 3 | Inputs to the valuation methodology are unobservable and significant to the fair value measurement.   |

The asset or liability's fair value measurement level within fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

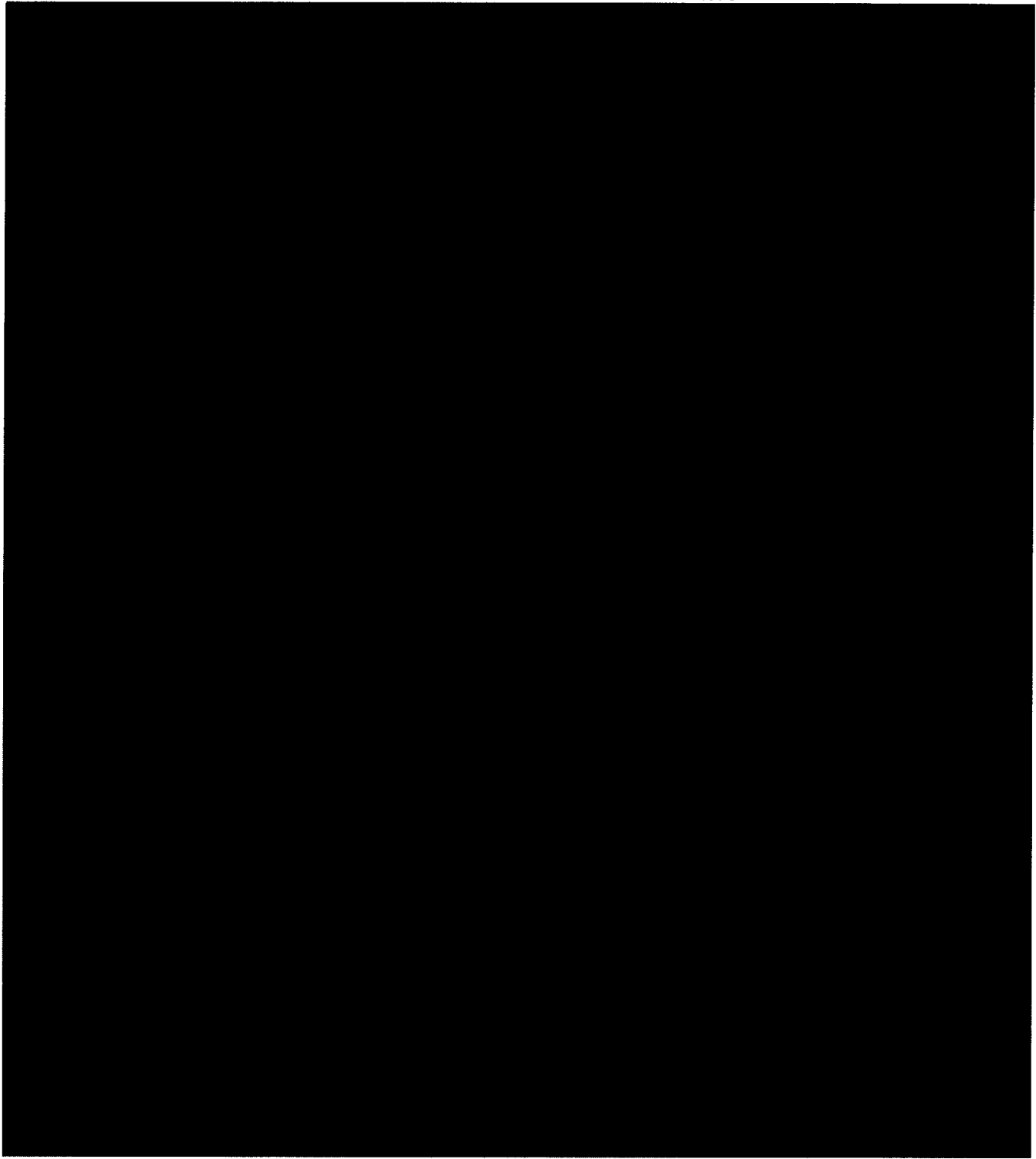
**METRONET HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**



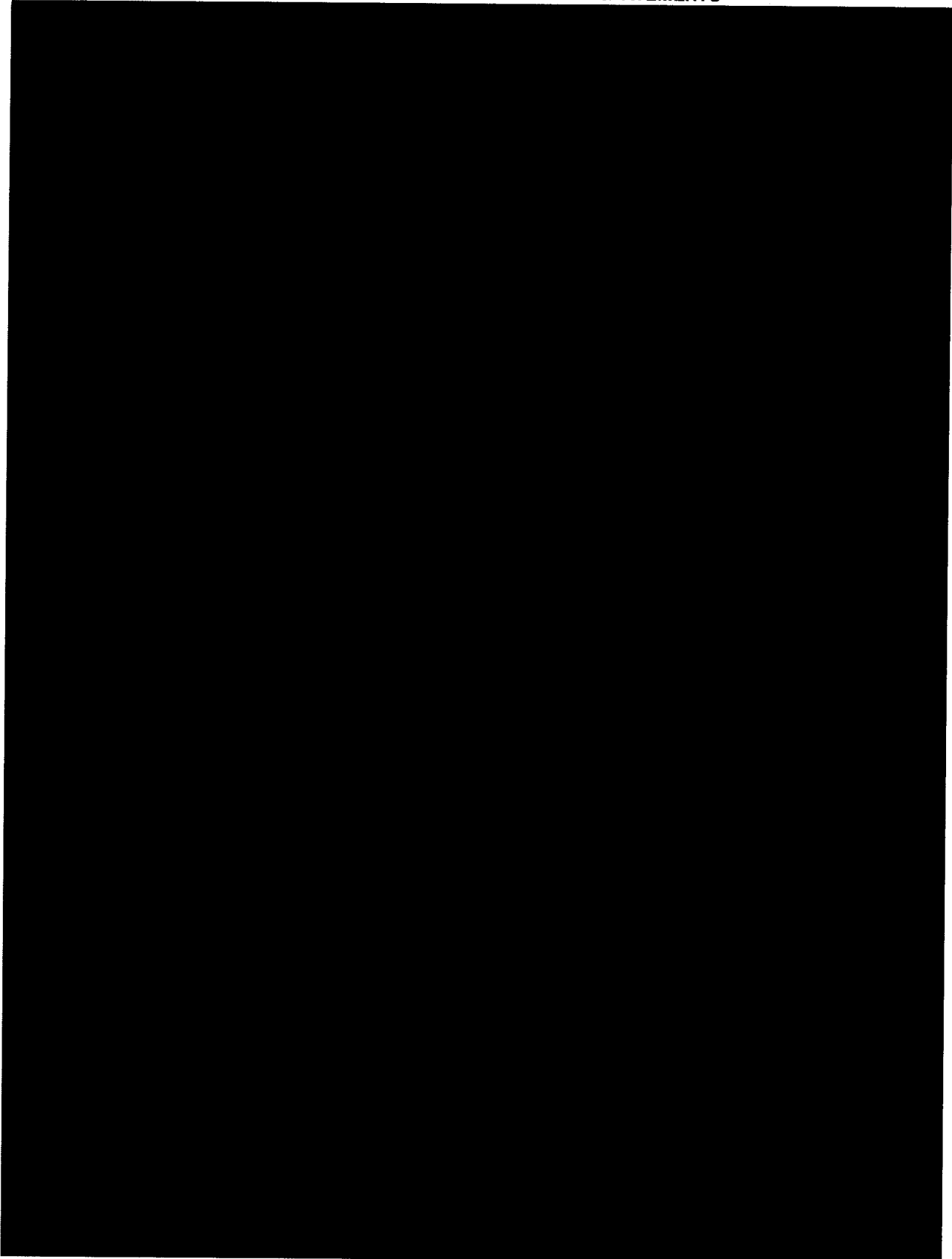
**METRONET HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**



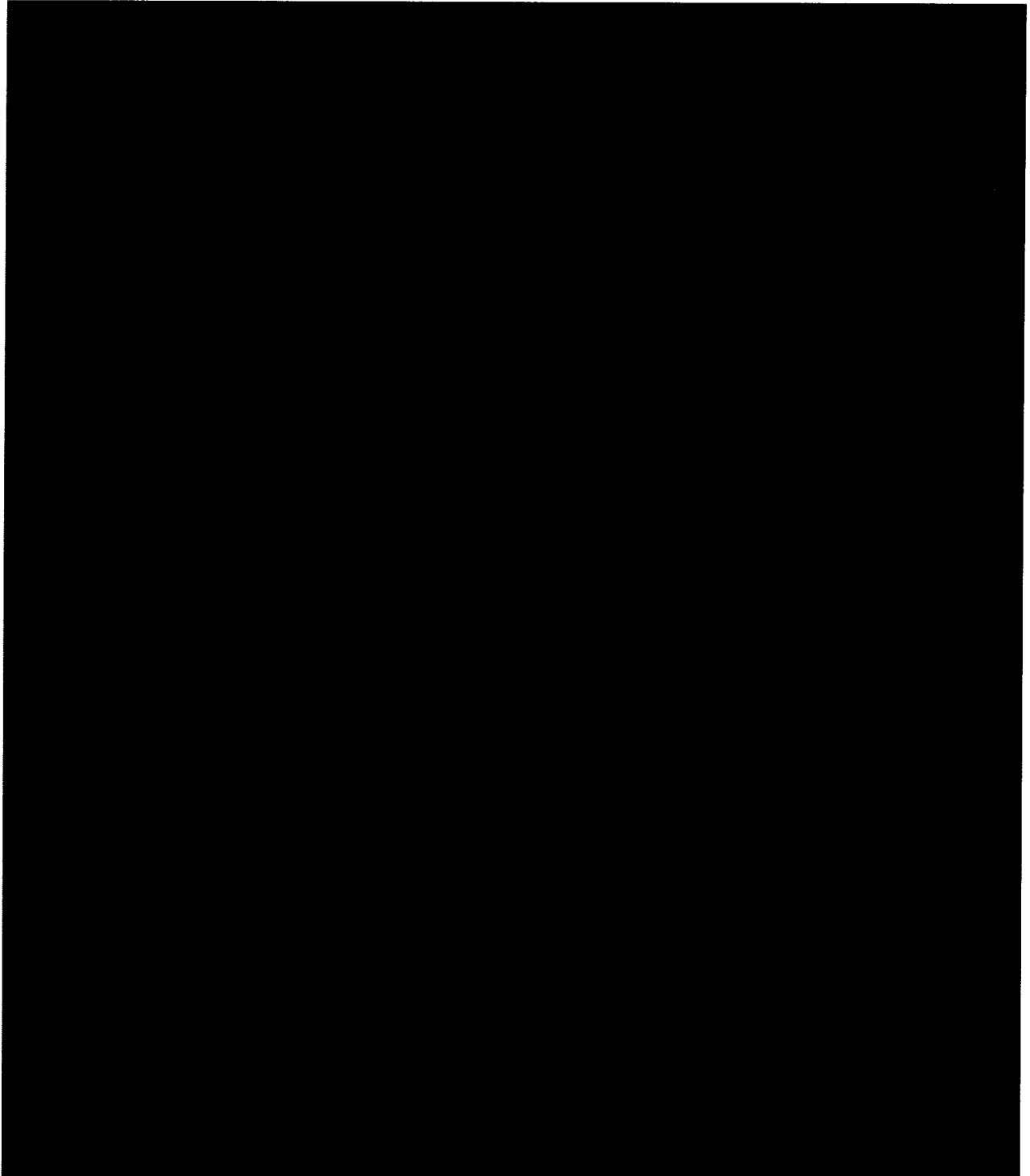
**METRONET HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**



**METRONET HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

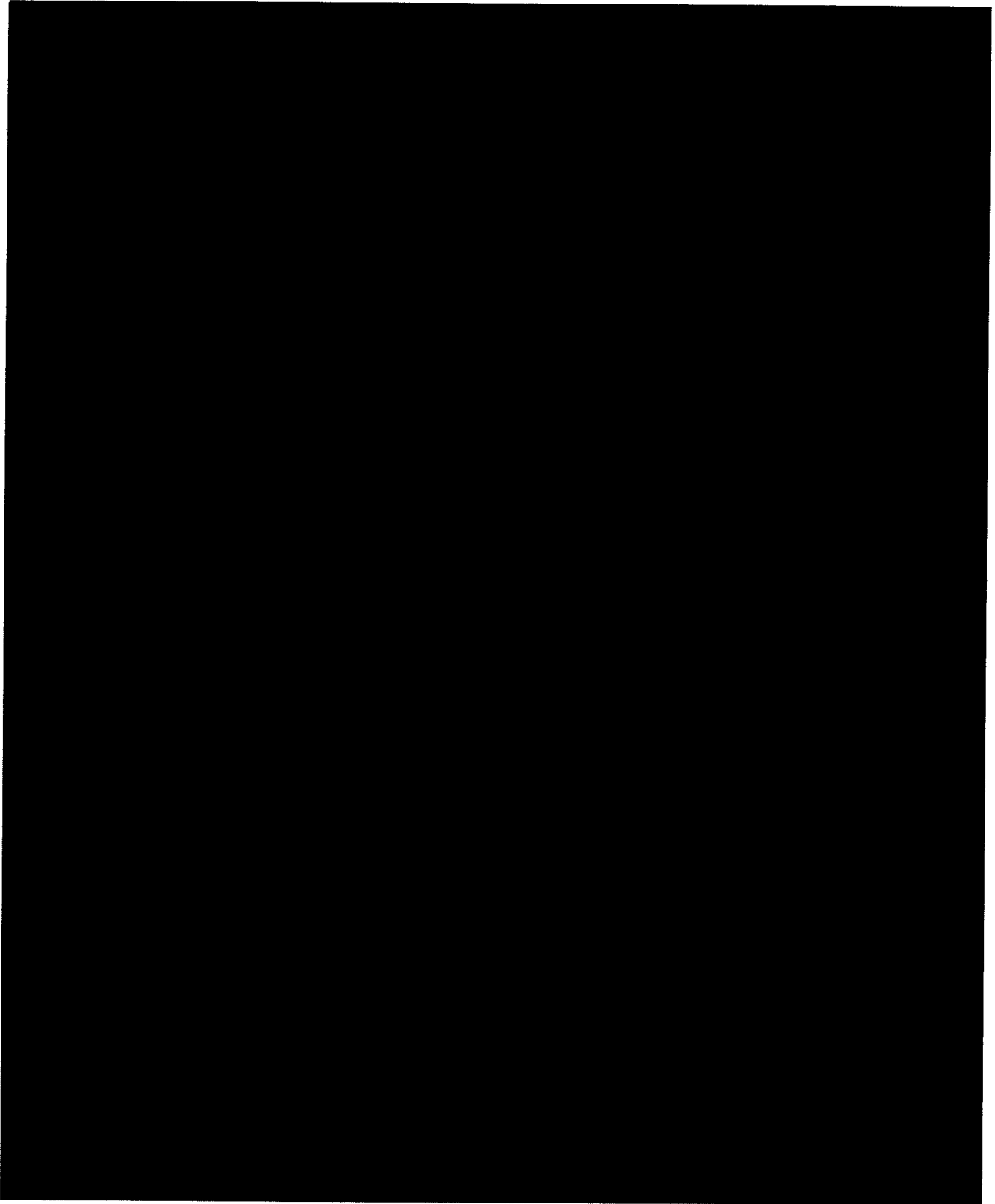


**METRONET HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

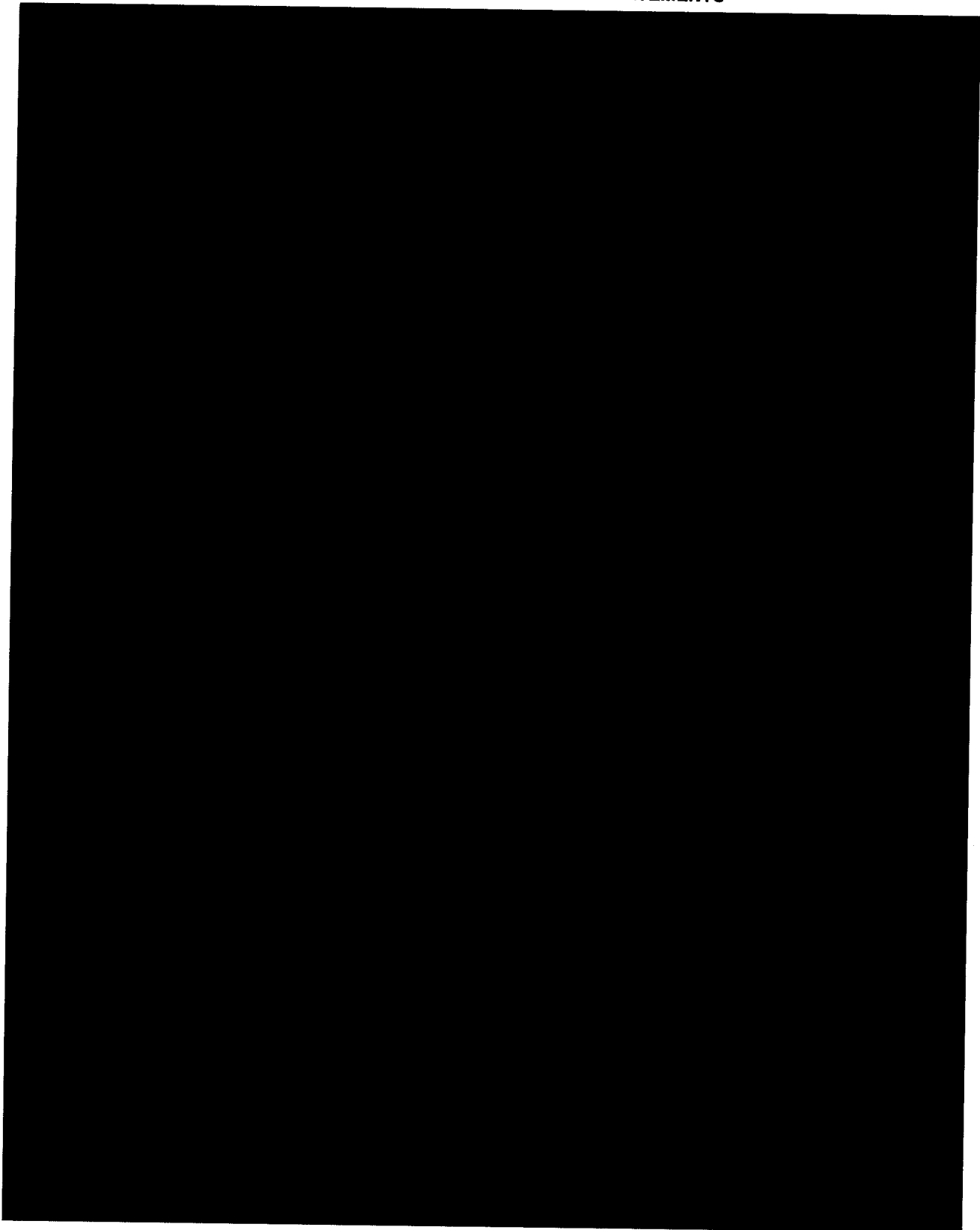




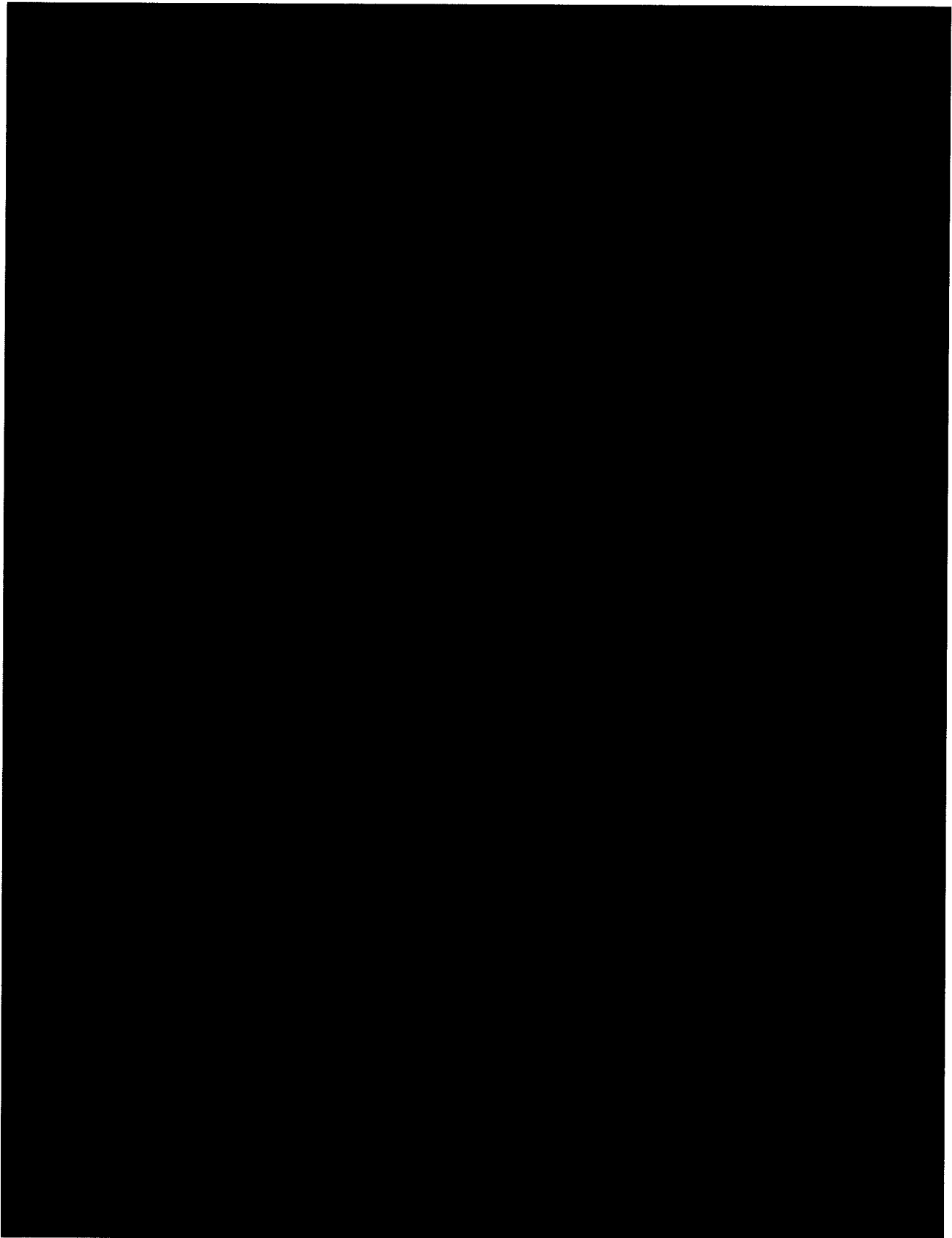
**METRONET HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**



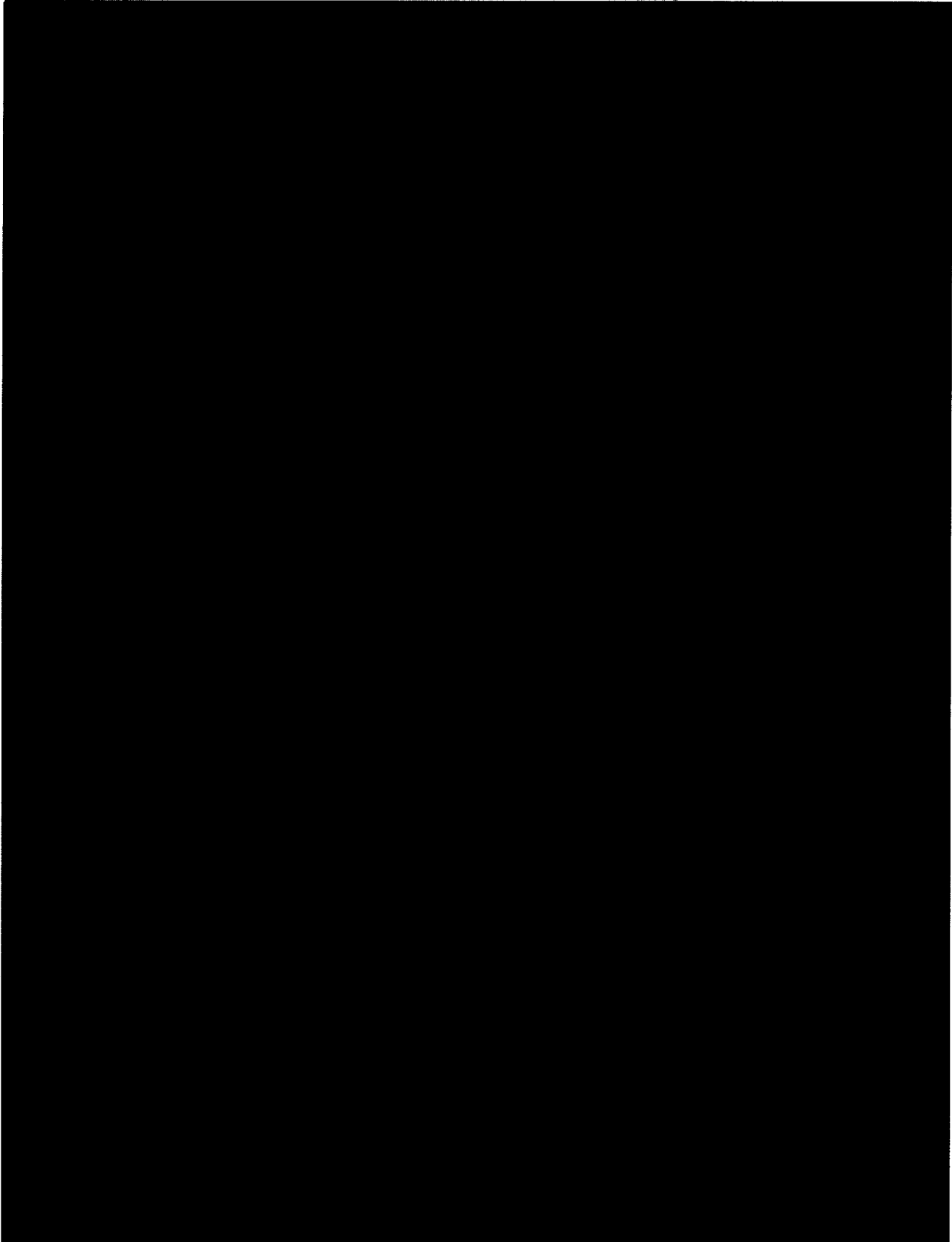
**METRONET HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**



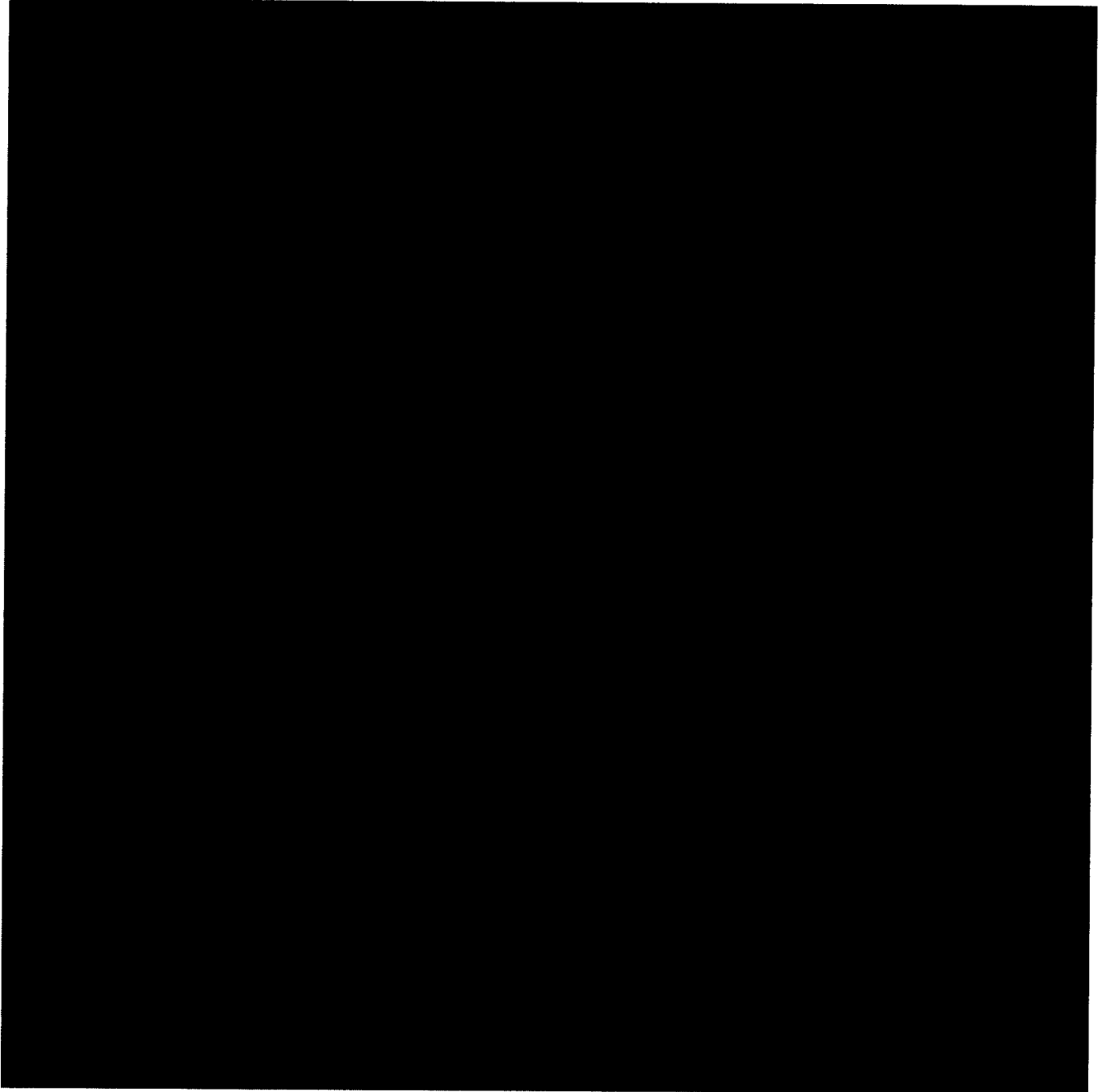
**METRONET HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**



**METRONET HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**



**METRONET HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**



**METRONET HOLDINGS, LLC AND SUBSIDIARIES**

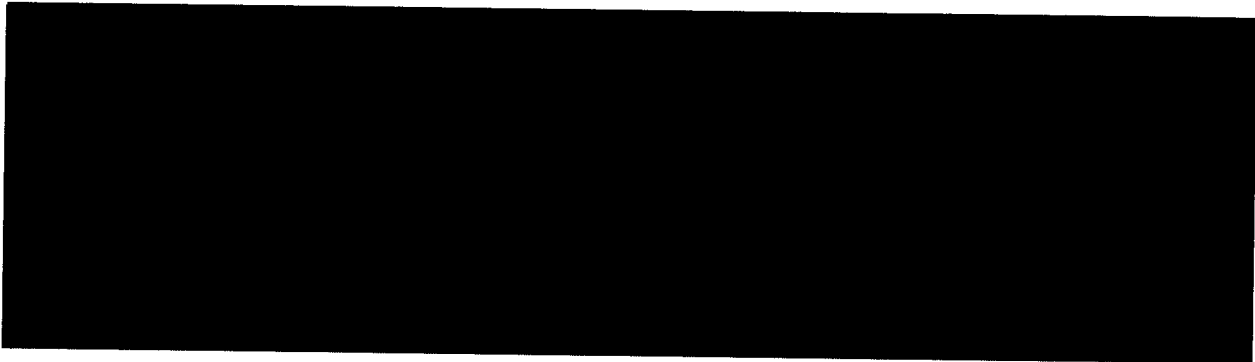
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(17) Commitments**

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ASC 410, Asset Retirement and Environment Obligations requires a liability to be recognized in the period in which (1) a legal obligation to retire a long-lived asset exists, and (2) the fair value of the obligation based on retirement cost and settlement date is reasonably estimable. The Company believes it has a legal obligation to remove the aforementioned equipment and to restore the facilities upon termination of agreements. However, it believes it does not have a reasonable basis by which to assign probabilities to the timing of the potential agreement terminations and, accordingly, cannot reasonably estimate the fair value of the asset retirement obligation.



**SUPPLEMENTAL INFORMATION**



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## INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

To the Members

### METRONET HOLDINGS, LLC AND SUBSIDIARIES

We have audited the consolidated financial statements of Metronet Holdings, LLC and its Subsidiaries, (the "Company") as of and for the year ended September 30, 2017 and have issued our report thereon dated December 20, 2017 which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying supplemental information on pages 24 through 25 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

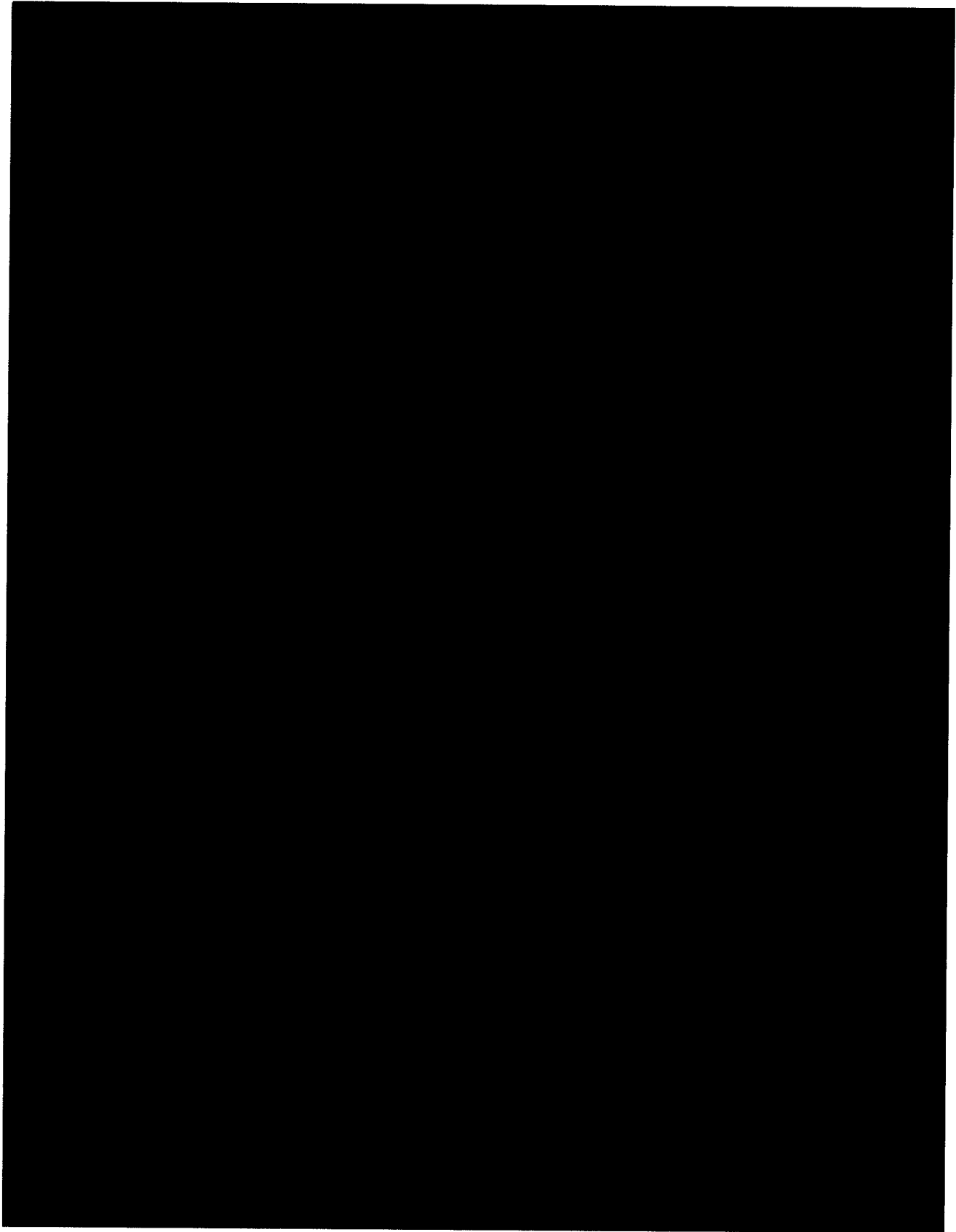
*Mayer Hoffman McCann P.C.*

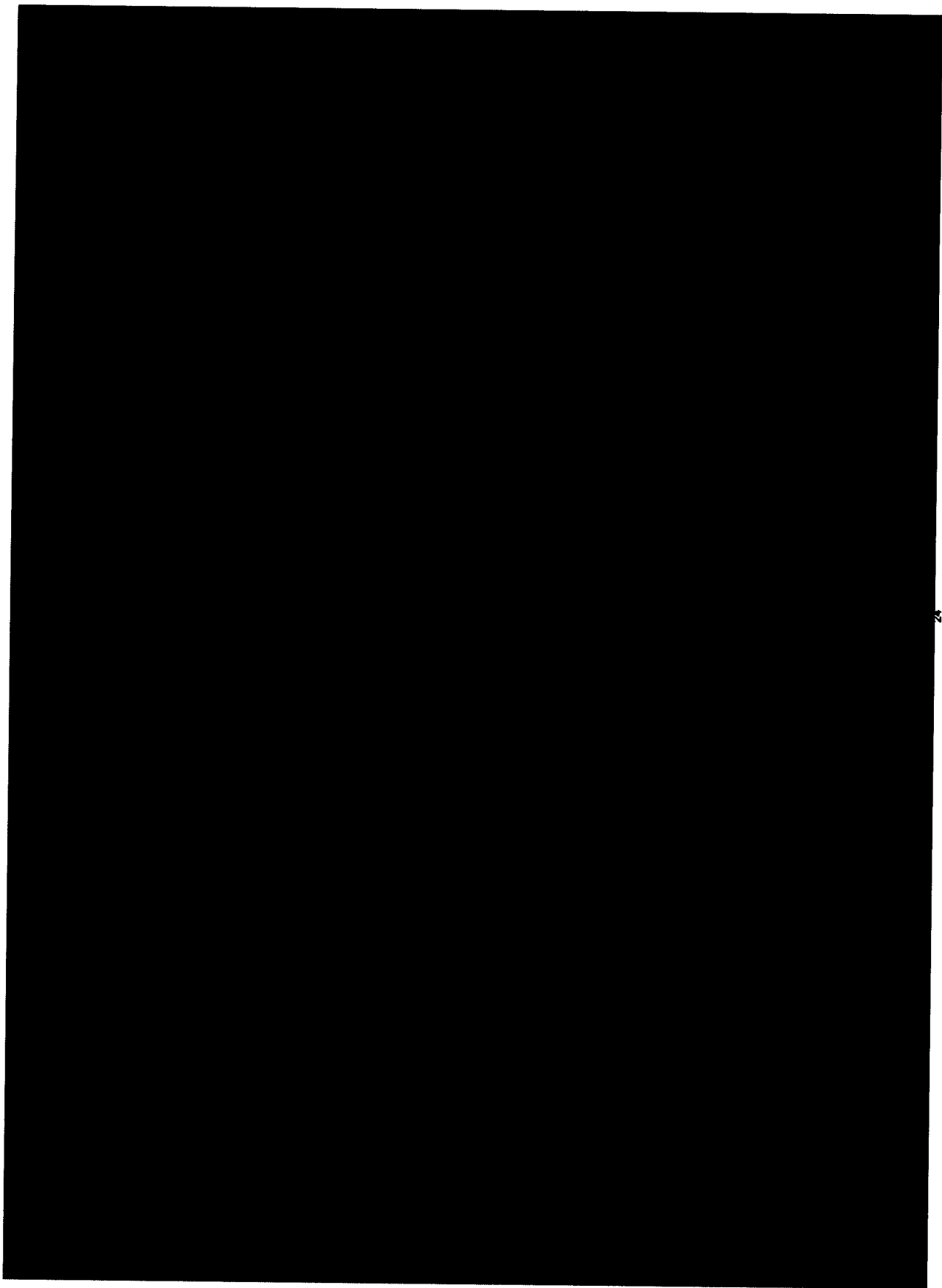
Kansas City, Missouri  
December 20, 2017



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**METRONET HOLDINGS, LLC**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
Years ended September 30, 2016 and 2015





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Main: 816.945.5600 ■ Fax: (816) 897-11280 ■ www.mhmcpa.com

## Independent Auditor's Report

To the Members

**METRONET HOLDINGS, LLC**

### *Report on the Financial Statements*

We have audited the accompanying consolidated financial statements of Metronet Holdings, LLC and its Subsidiaries, which comprise the consolidated balance sheets as of September 30, 2016 and 2015, and the related consolidated statements of operations and comprehensive income, members' capital and cash flows for the years then ended and the related notes to the consolidated financial statements.

### *Management's Responsibilities for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

### *Opinion*

In our opinion, the consolidated financial statements referred to above presents fairly, in all material respects, the financial position of Metronet Holdings, LLC and its Subsidiaries as of September 30, 2016 and 2015, and the results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Mayer Hoffman McCann P.C.*

Kansas City, Missouri  
December 12, 2016



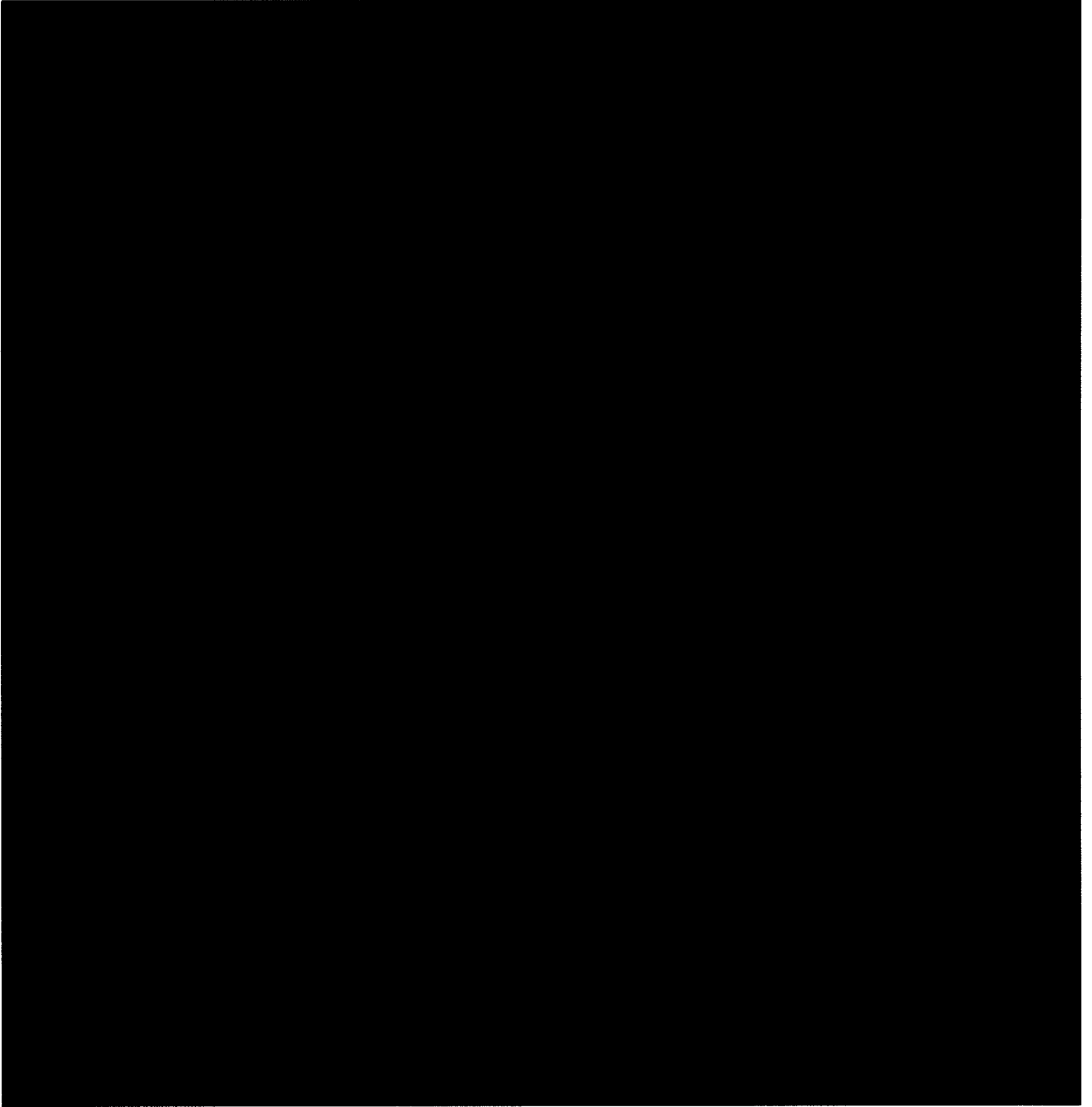
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**METRONET HOLDINGS, LLC**  
**CONSOLIDATED BALANCE SHEETS**

September 30, 2016 and 2015

**2016**

**2015**



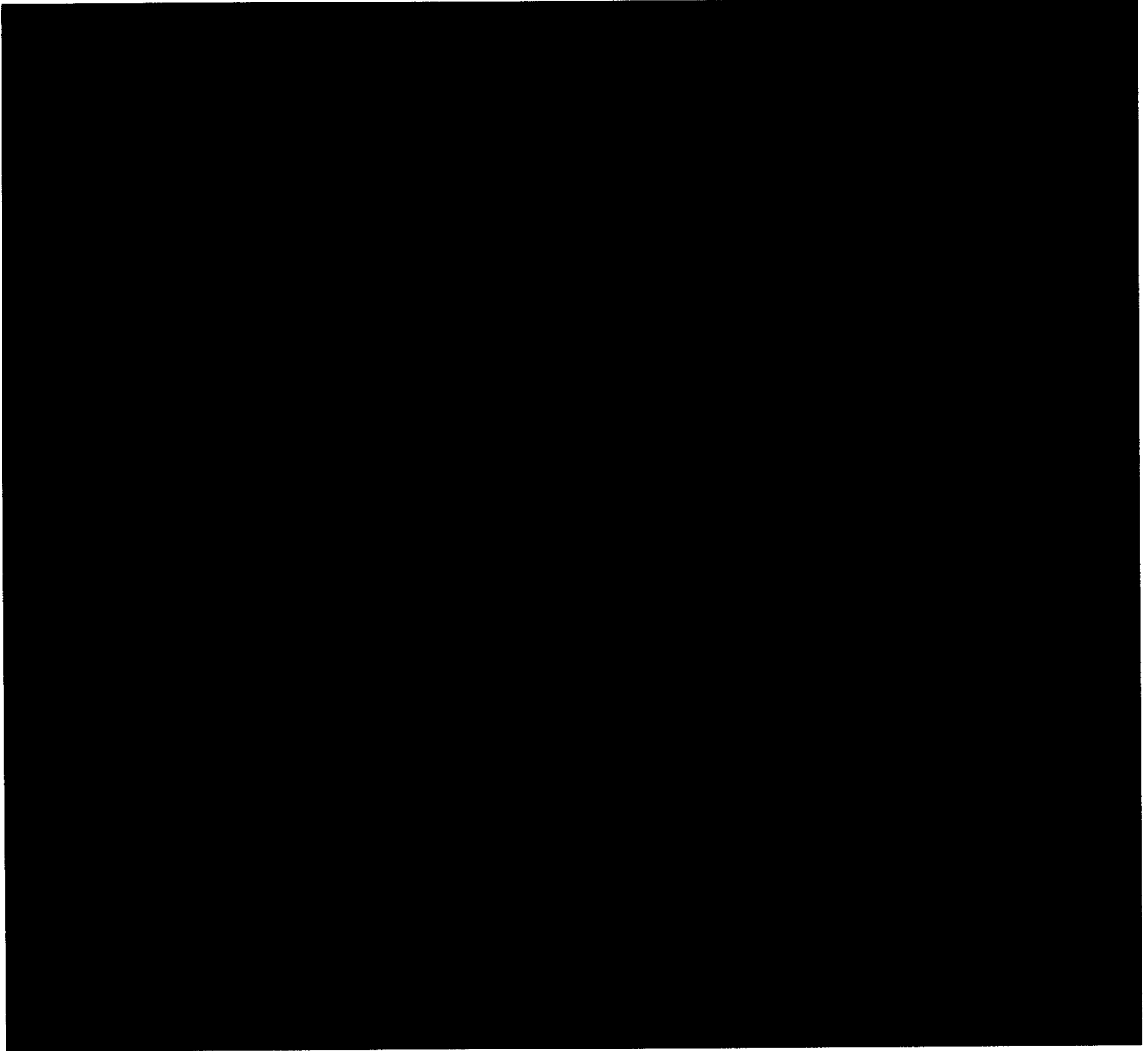
**METRONET HOLDINGS, LLC**

**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME**

Years ended September 30, 2016 and 2015

**2016**

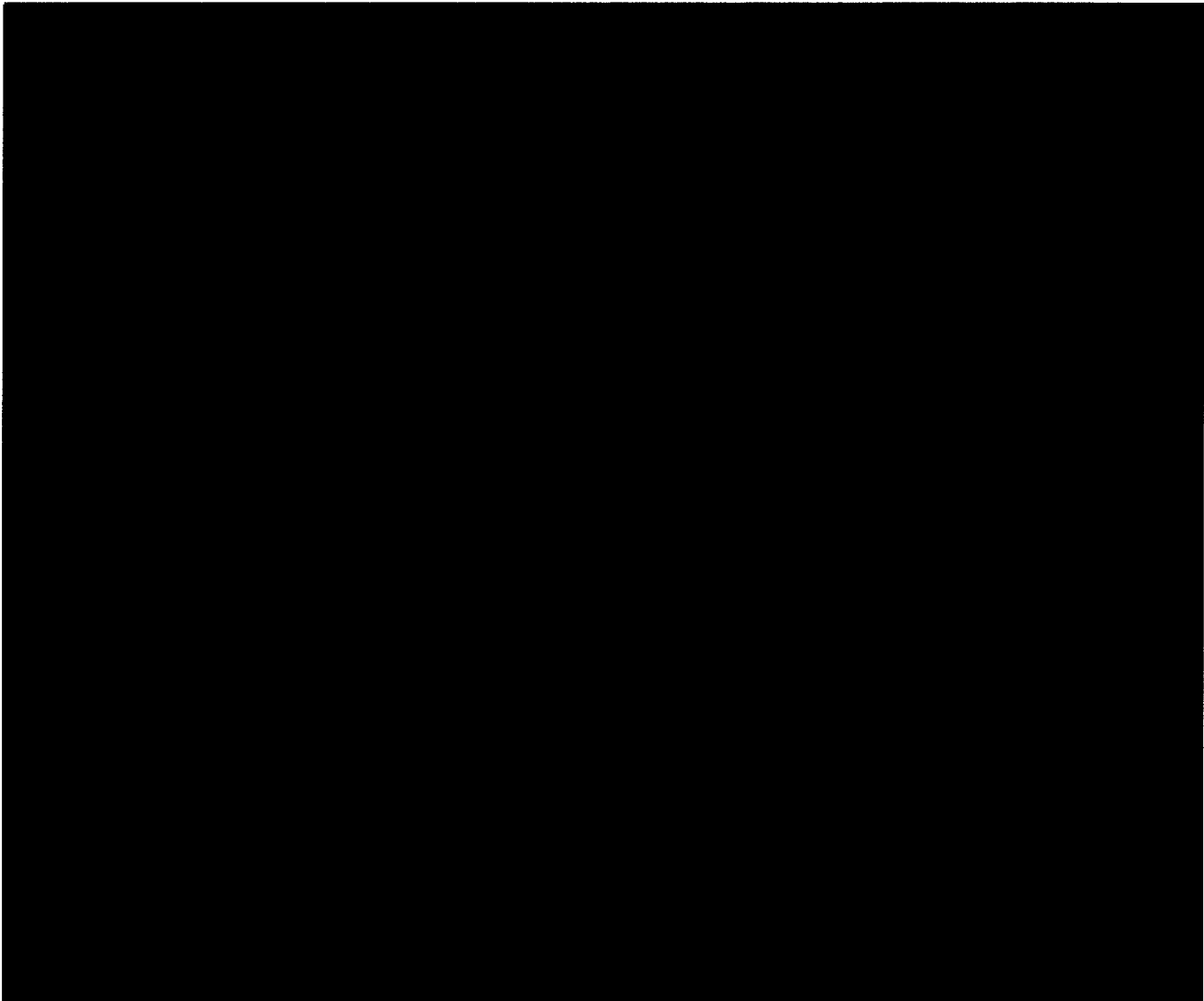
**2015**



See Notes to Consolidated Financial Statements

**METRONET HOLDINGS, LLC**  
**CONSOLIDATED STATEMENTS OF MEMBERS' CAPITAL**

Years ended September 30, 2016 and 2015



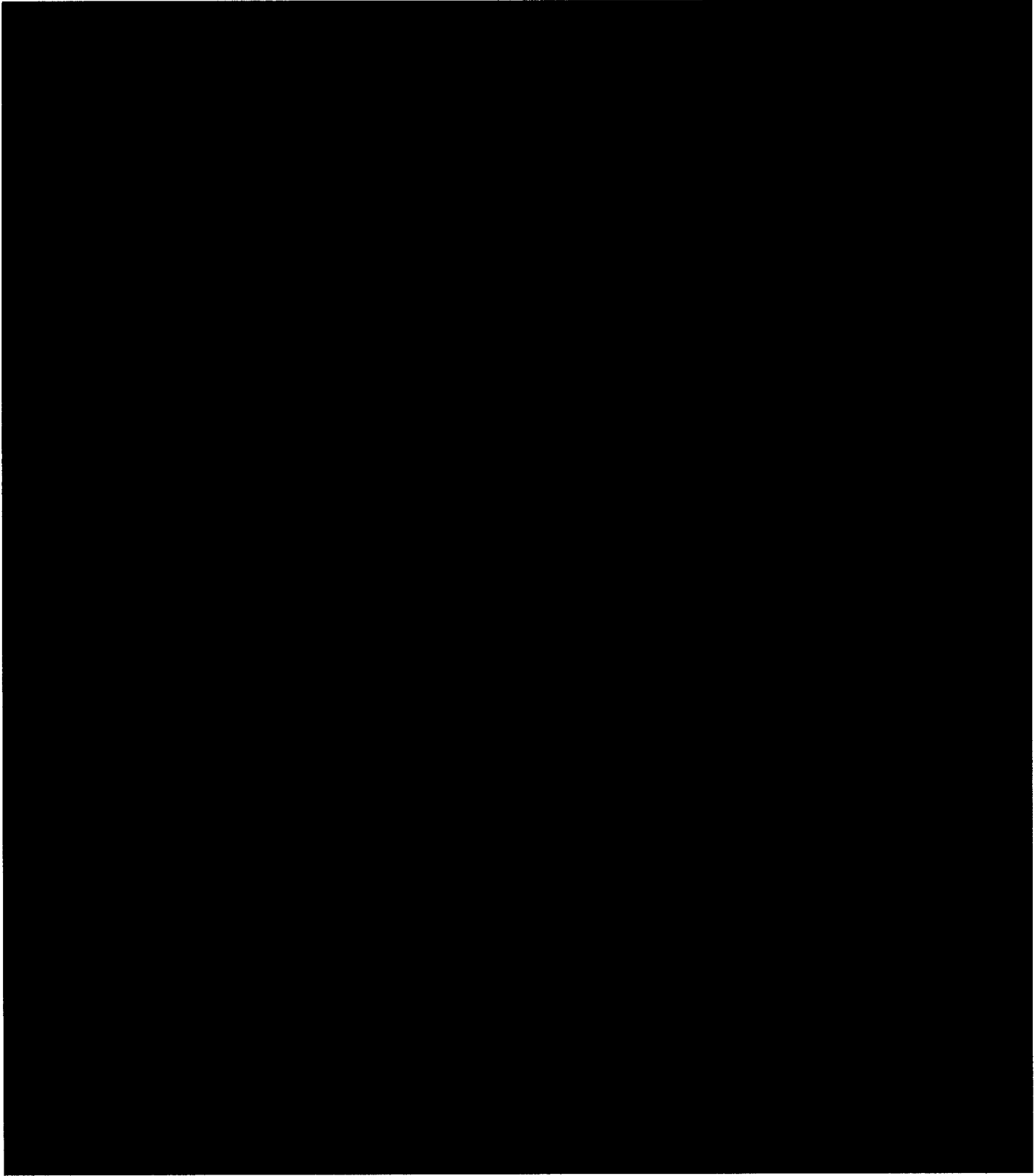
See Notes to Consolidated Financial Statements

**METRONET HOLDINGS, LLC**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

Years ended September 30, 2016 and 2015

2016

2015

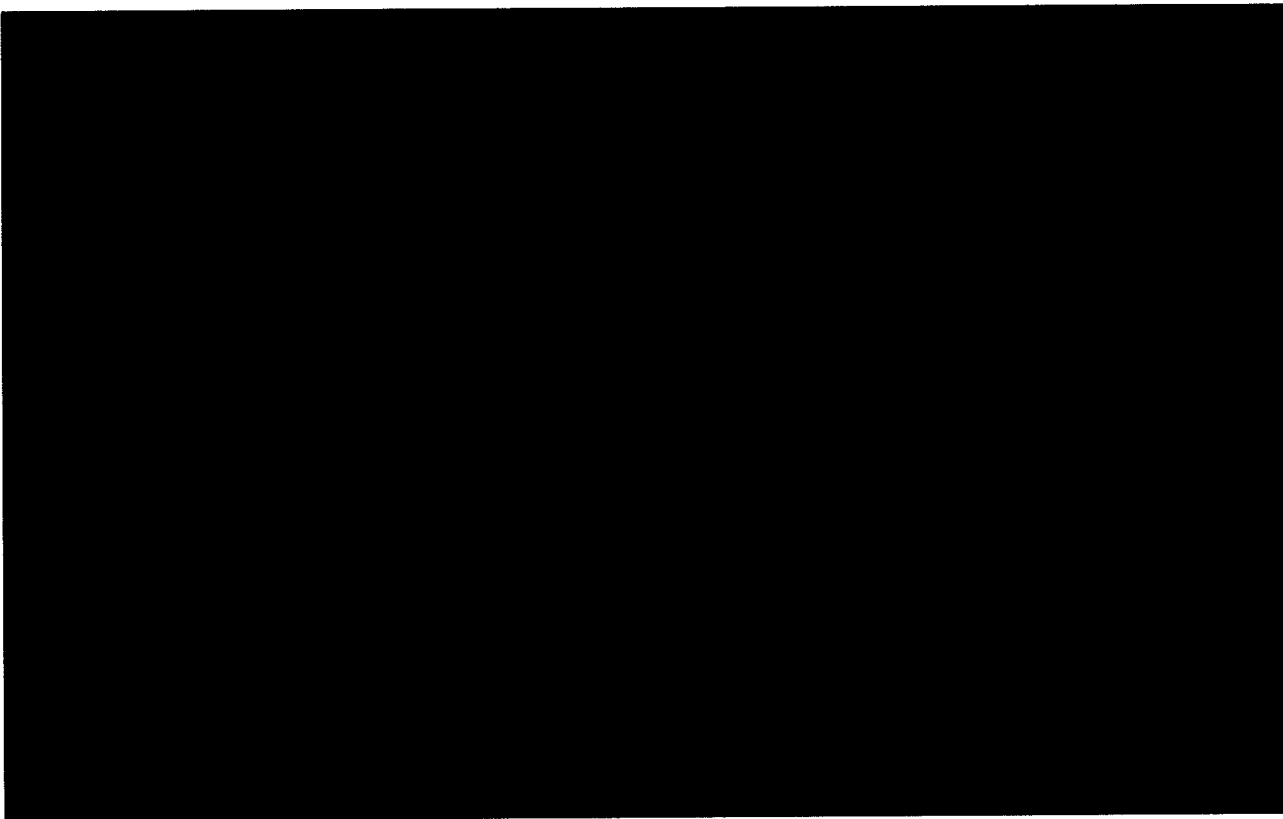


See Notes to Consolidated Financial Statements



METRONET HOLDINGS, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS



(2) Summary of significant accounting policies

**Principles of consolidation** - All significant intercompany accounts and transactions between the Company and its Subsidiaries have been eliminated in the consolidated financial statements.

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

**Business combinations** - The Companies apply the acquisition method of accounting for business acquisitions in accordance with FASB ASC Topic 805, *Business Combinations*. The Companies allocate the purchase prices of business acquisitions based on the fair value of the identifiable tangible and intangible assets, which are measured in accordance with FASB ASC 820, *Fair Value Measurements and Disclosures*.

The difference between the total cost of the acquisition and the sum of the fair values of the acquired tangible and identifiable intangible assets less liabilities is recorded as goodwill. Transaction costs are expensed as incurred. The statements of income include the results of operations for the acquisition from the date of acquisition.

**Cash and cash equivalents** - The Company considers all liquid investments with original maturities of three months or less to be cash and cash equivalents. At September 30, 2016 and 2015, cash and cash equivalents consisted primarily of money market accounts. At times, balances in these accounts are in excess of federally insured limits. Management monitors the soundness of the institutions involved and feels the Company's risk is negligible. The Company has not experienced any losses in such accounts.

METRONET HOLDINGS, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(2) Summary of significant accounting policies (continued)

**Accounts receivable** - Accounts receivable are stated at the amounts billed to the customers, plus any accrued and unpaid interest. The Company provides an allowance for doubtful accounts, which is based upon a review of the outstanding receivables, historical collection information and existing economic conditions. Accounts receivable are ordinarily due 30 days after the issuance of the invoice. Accounts past due by more than 90 days are considered delinquent. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer.

**Investment securities** - The Company classifies its marketable debt securities as "available for sale." Securities classified as "available for sale" are carried in the financial statements at fair value.

**Property and equipment** - Property and equipment acquisitions are recorded at cost and depreciated over the estimated useful life of each asset. Leasehold improvements are amortized over the shorter of the lease term or the estimated useful lives of the improvements. The Company capitalizes equipment acquisitions greater than \$1,000. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

<u>Assets</u>	<u>Estimated Useful Lives</u>
Switch facilities	5 years
Fiber line	15 years
Real estate and buildings	39 years
Computer equipment	3 years
Software	3 years
Transportation equipment	5 years
Leasehold improvements	3 - 5 years

Property and equipment under construction includes inventory and expenditures for projects primarily related to new fiber optic cable route installation and collocation projects. The Company capitalizes interest costs as a component of construction in progress, based on the weighted average rates paid for long-term borrowings.

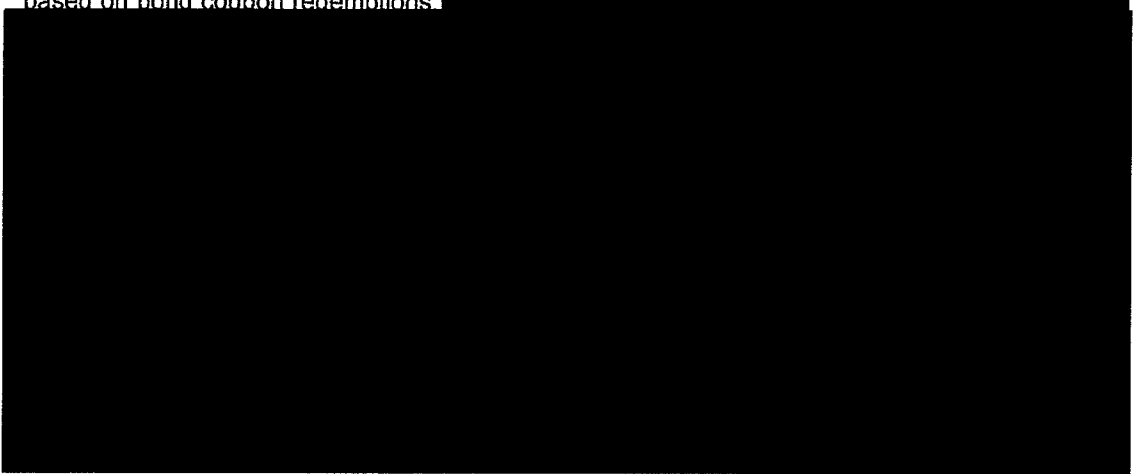
**Long-lived asset impairment** - The Company evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended September 30, 2016 and 2015.

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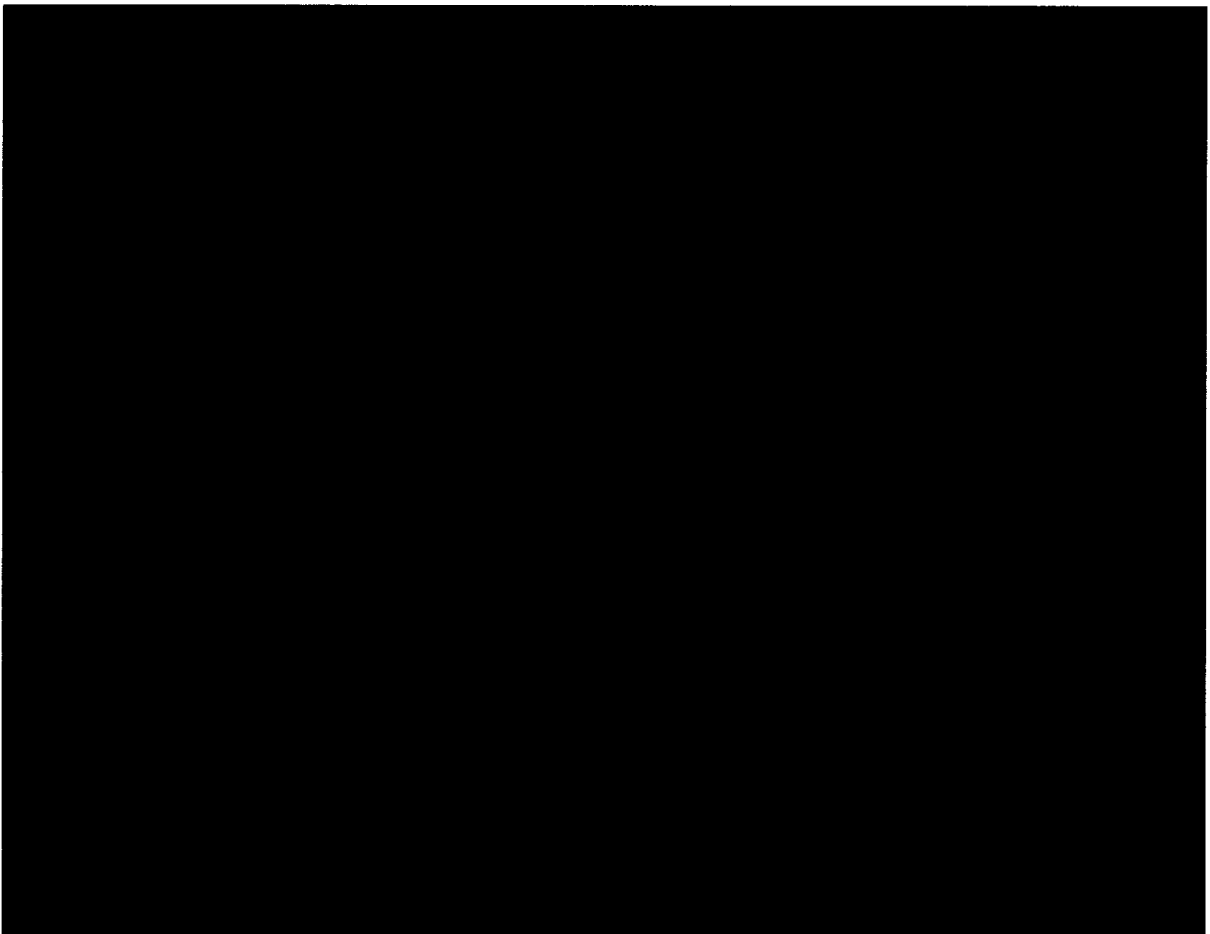
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(2) Summary of significant accounting policies (continued)

**Economic development revenue bonds** - Economic Development Revenue Bonds are classified as held to maturity and carried at amortized cost when management has the positive intent and ability to hold them to maturity. Interest income is realized over the life of the bonds based on bond coupon redemptions.

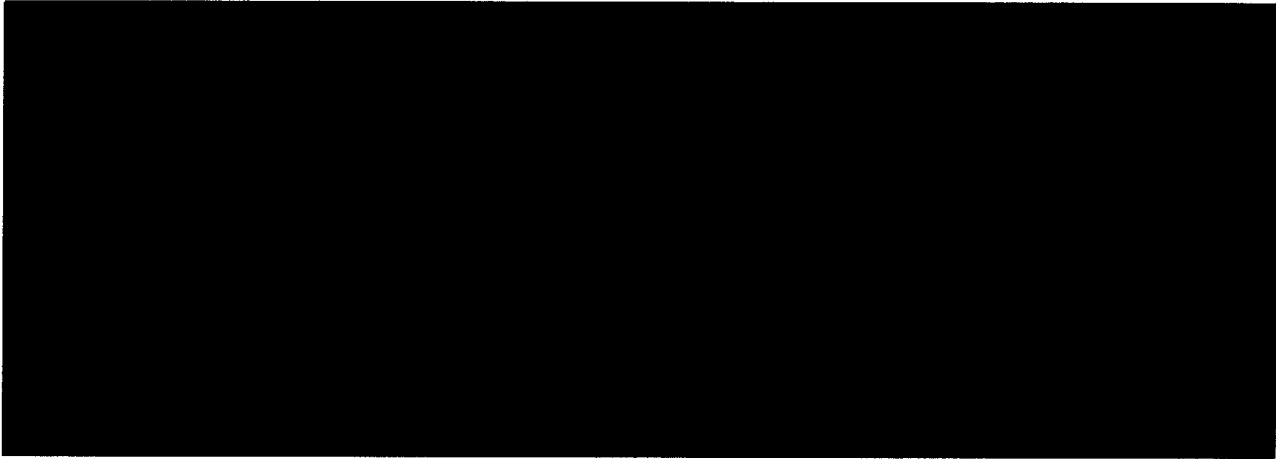


**Goodwill** - Beginning in 2016, the Company adopted the accounting alternative offered to nonpublic entities for the subsequent measurement of goodwill. In accordance with this alternative, the Company amortizes goodwill over ten years on the straight-line basis and only evaluates goodwill for impairment at the entity level when a triggering event occurs.



METRONET HOLDINGS, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS



**Revenue recognition** - Revenues based on a flat fee, derived principally from cable television, local telephone, data communications, internet access service and residential/business broadband service, are billed in advance and recognized in subsequent periods when the services are provided. Revenues based on usage, derived primarily from long-distance services, are recognized monthly as services are provided. Revenue billed to other carriers for use of the Company's fiber lines is recognized on the cash basis, which approximates the accrual basis.

**Taxes collected from customers and remitted to governmental authorities** - Taxes collected from customers and remitted to governmental authorities are presented in the accompanying consolidated statement of operations on a net basis.



METRONET HOLDINGS, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS



(4) Investments

FASB ASC 820, Fair Value Measurements and Disclosures, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

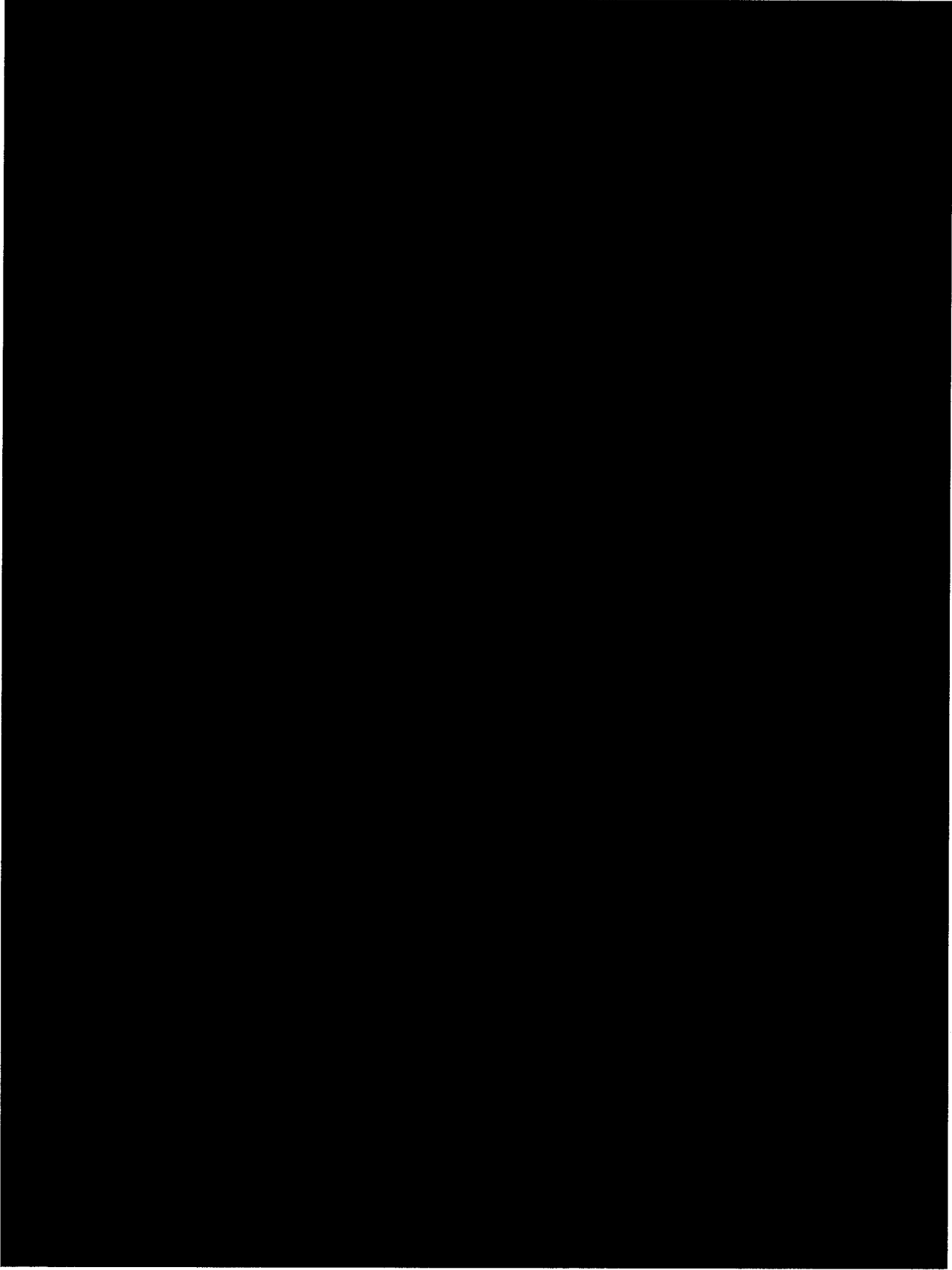
- Level 1            Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.
  
- Level 2            Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in inactive markets; inputs other than quoted market prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
  
- Level 3            Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.



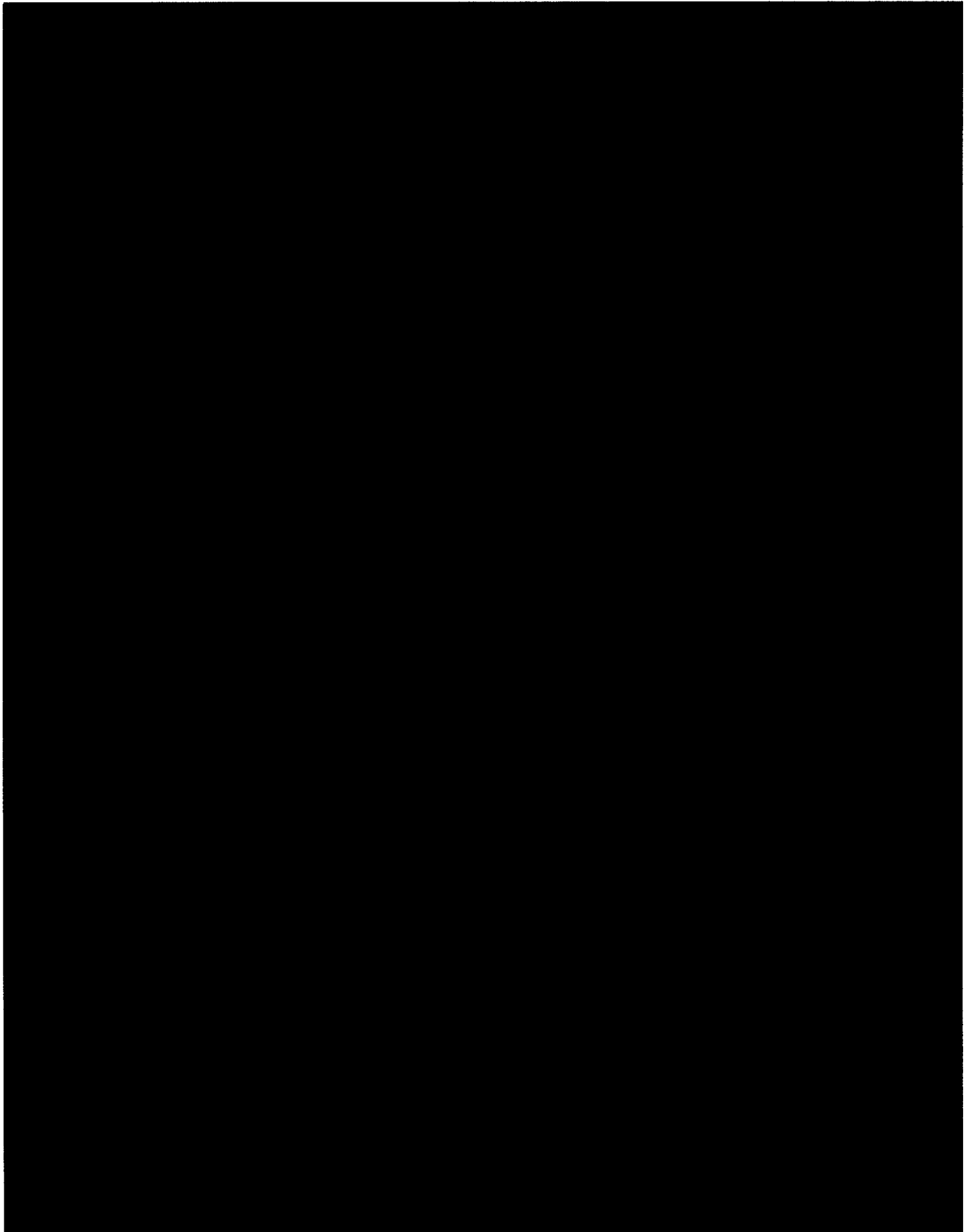
**METRONET HOLDINGS, LLC**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**



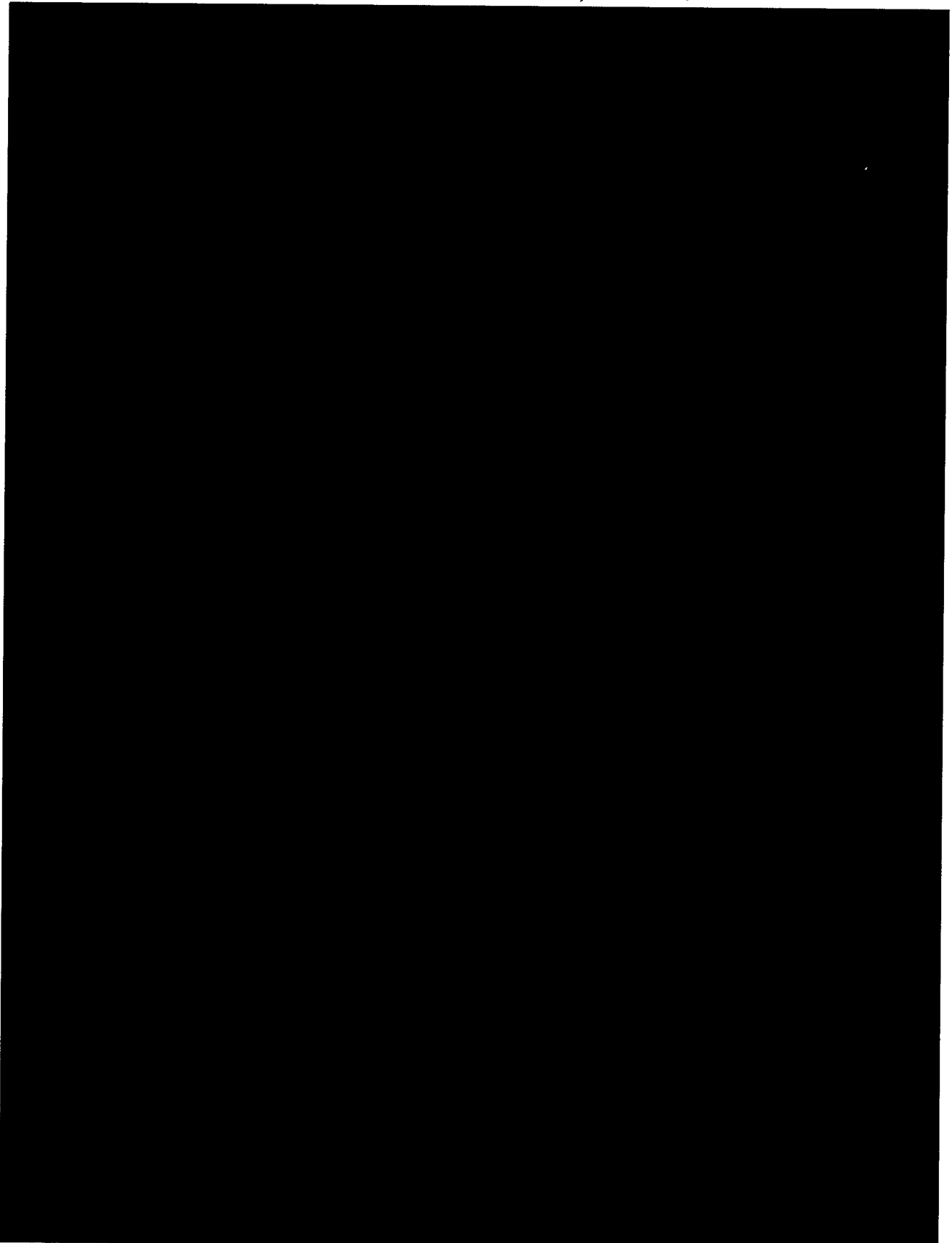
**METRONET HOLDINGS, LLC**

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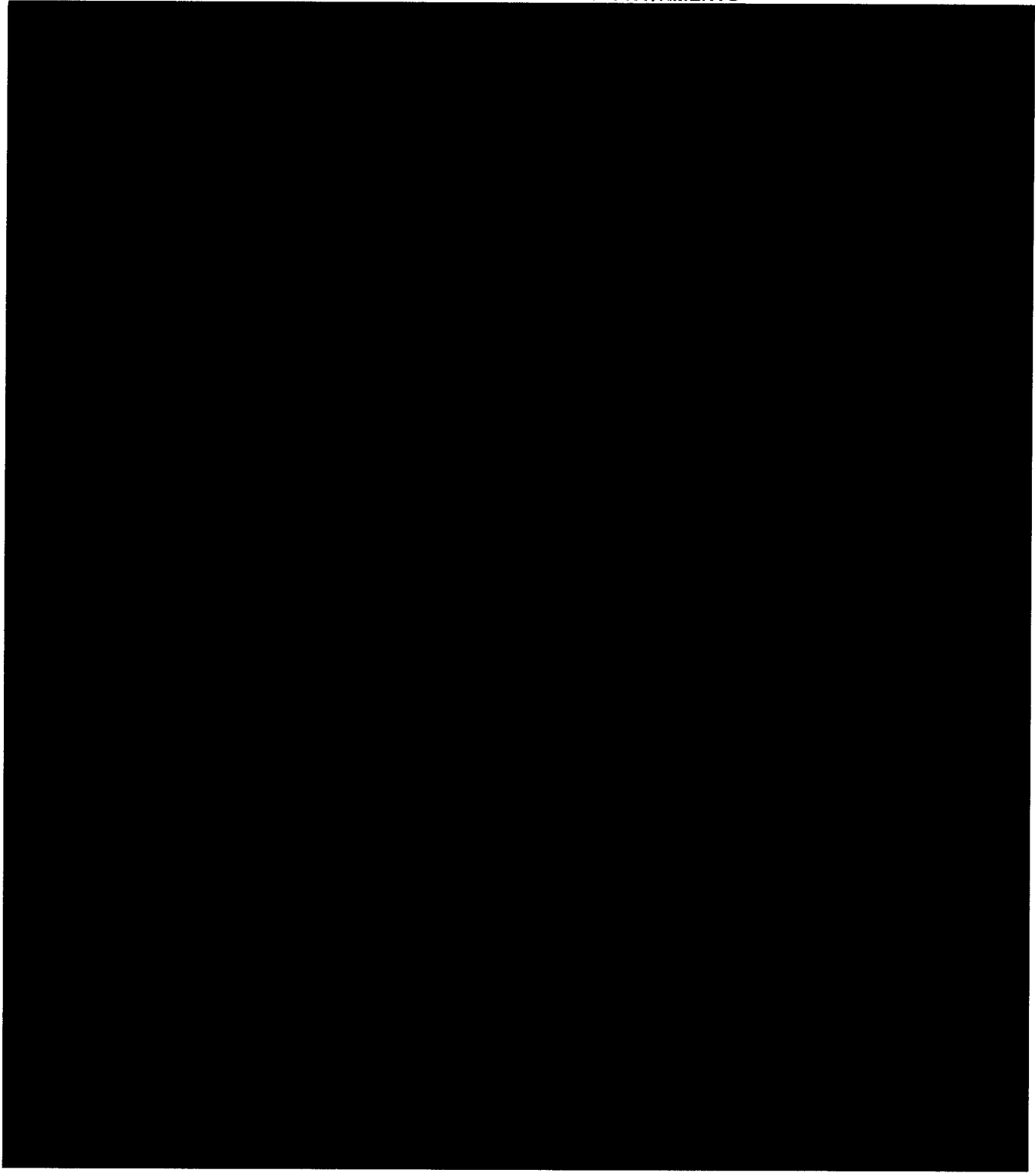
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**





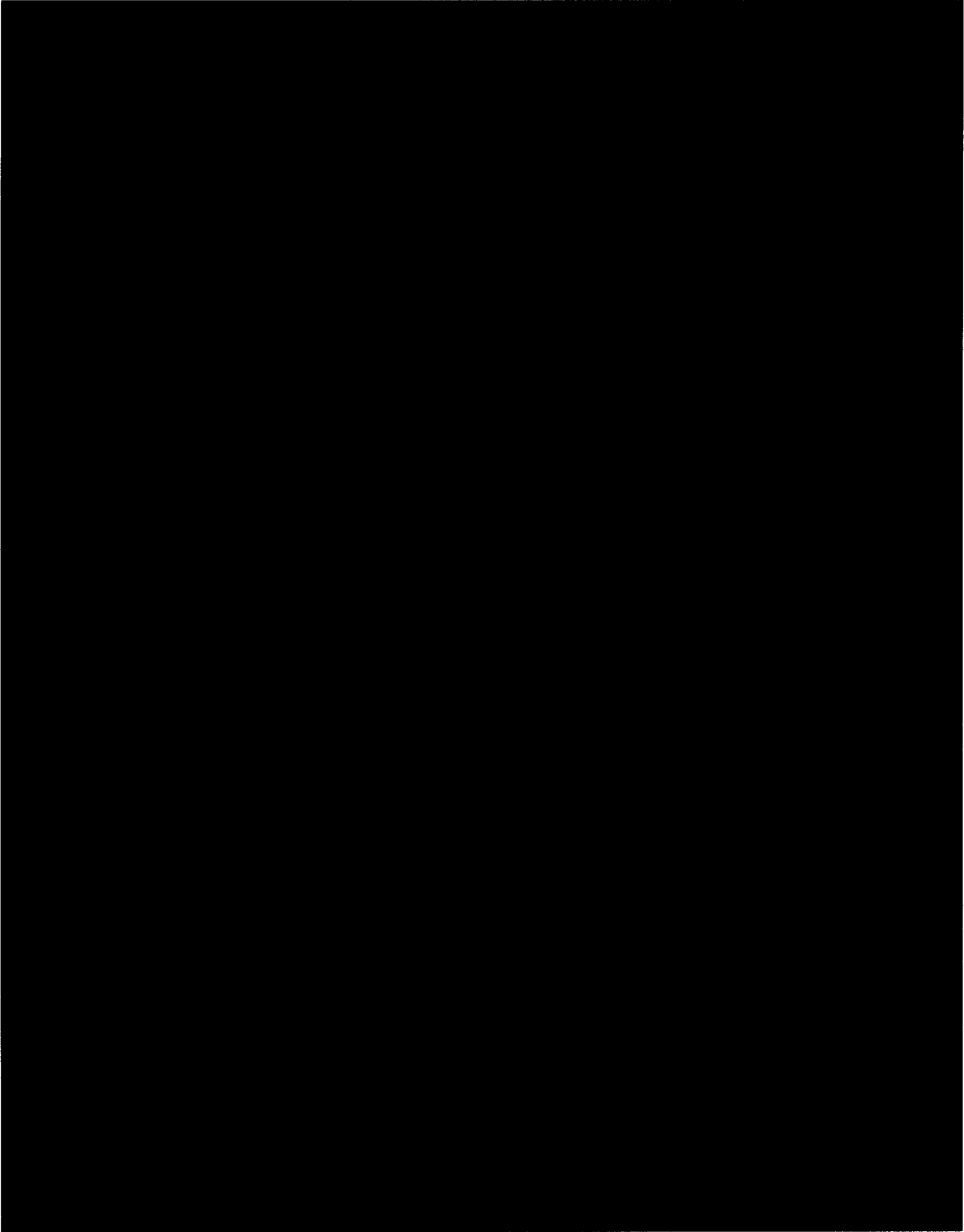
**METRONET HOLDINGS, LLC**

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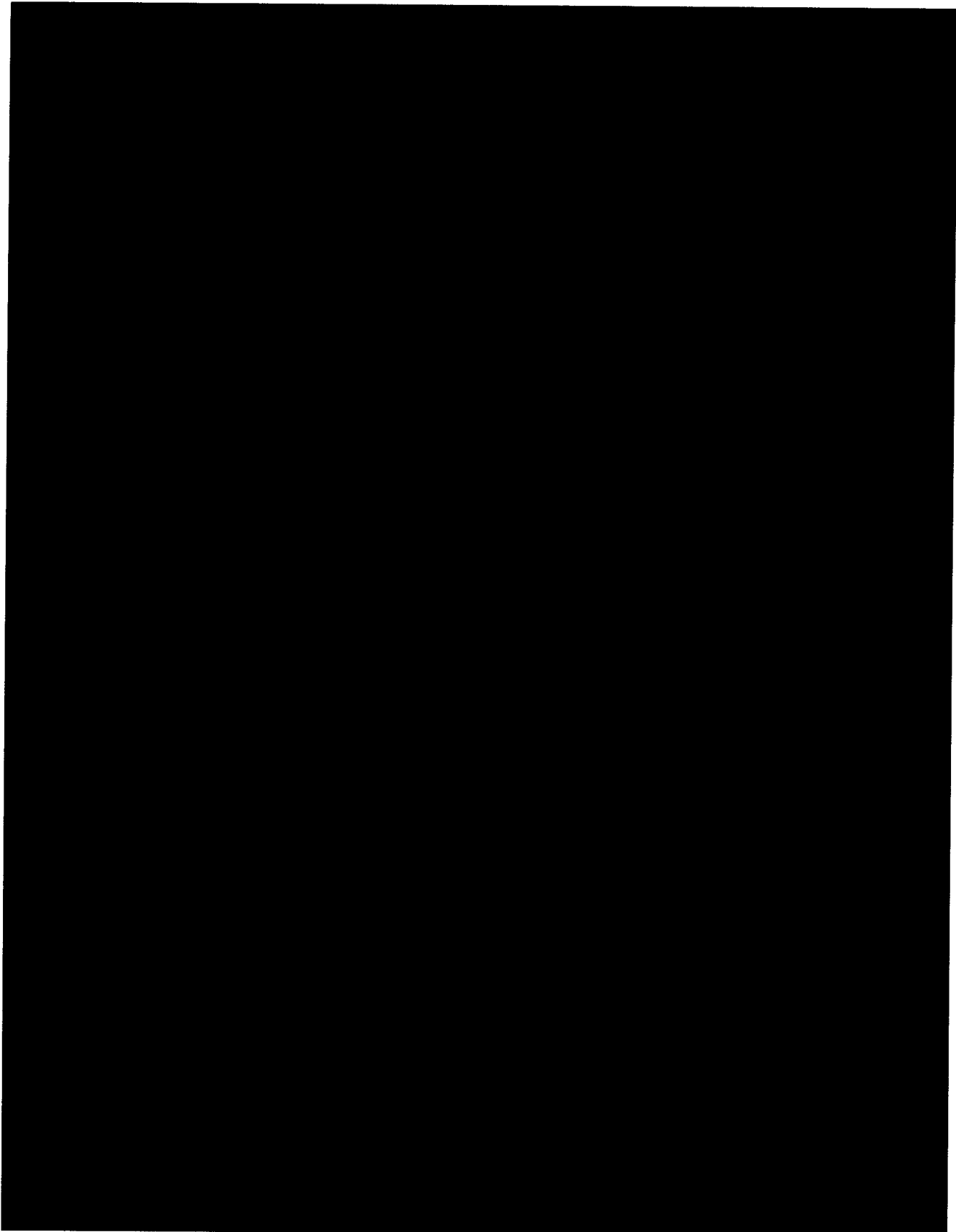
**METRONET HOLDINGS, LLC**

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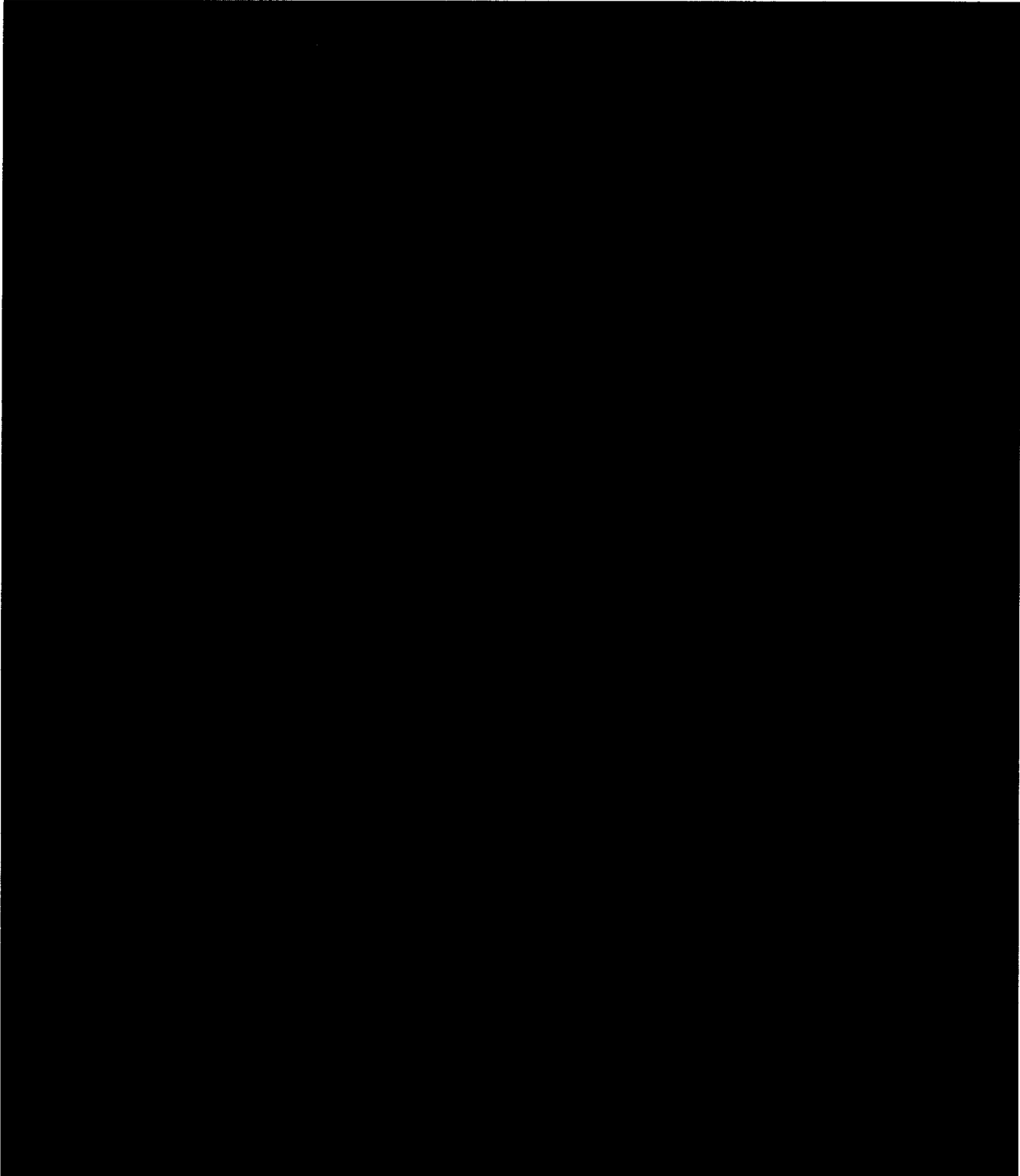
**METRONET HOLDINGS, LLC**

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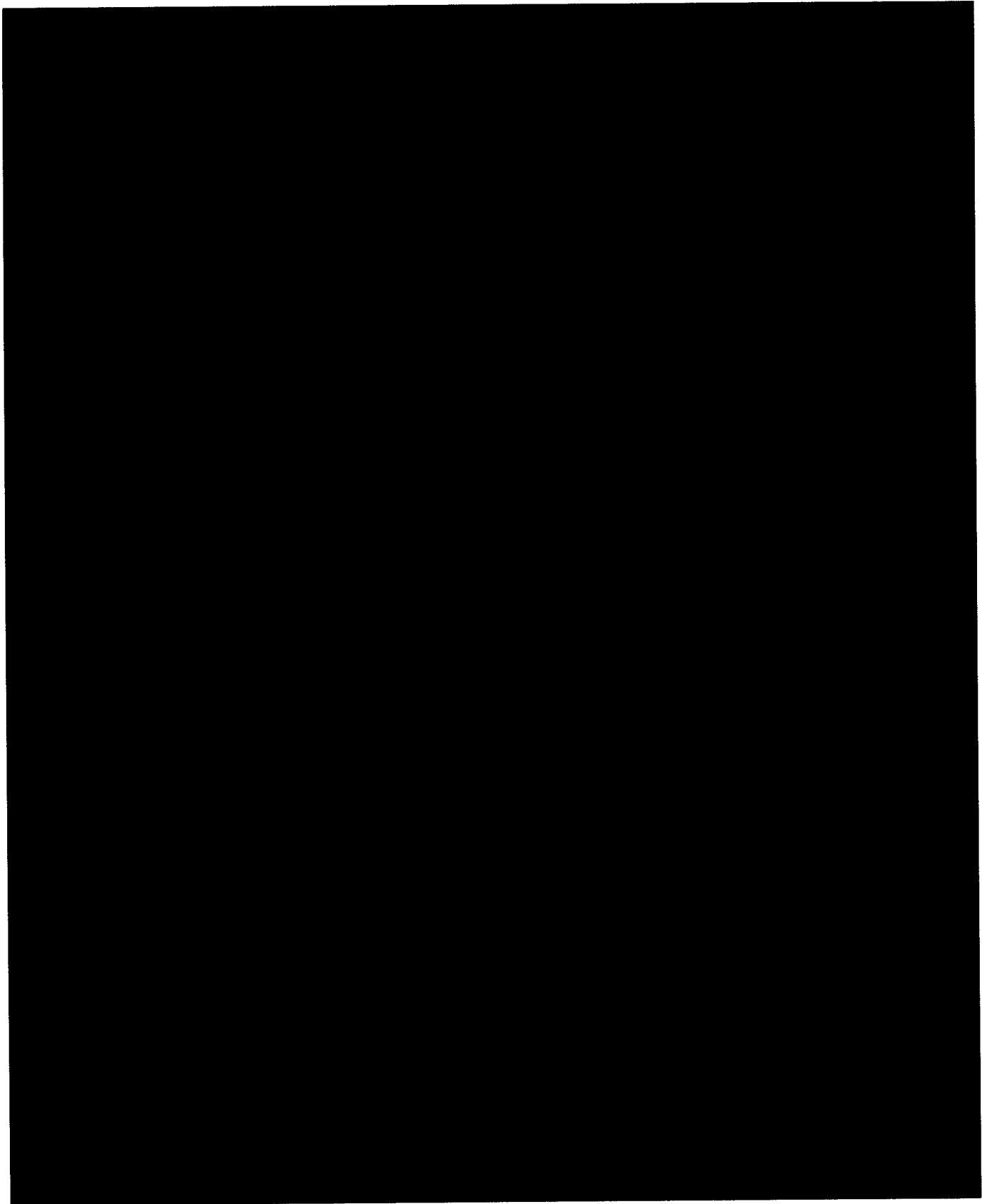
**METRONET HOLDINGS, LLC**

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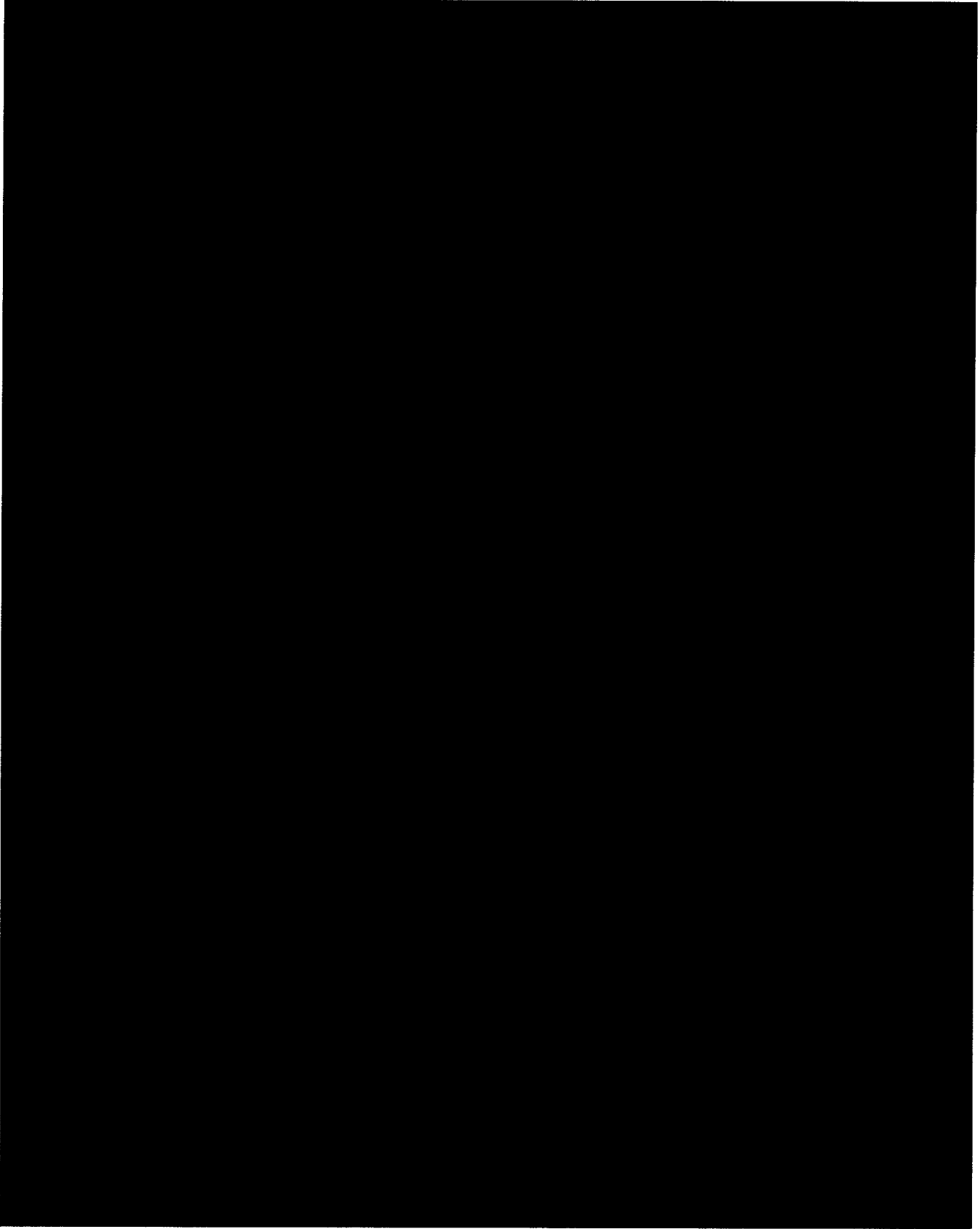
**METRONET HOLDINGS, LLC**

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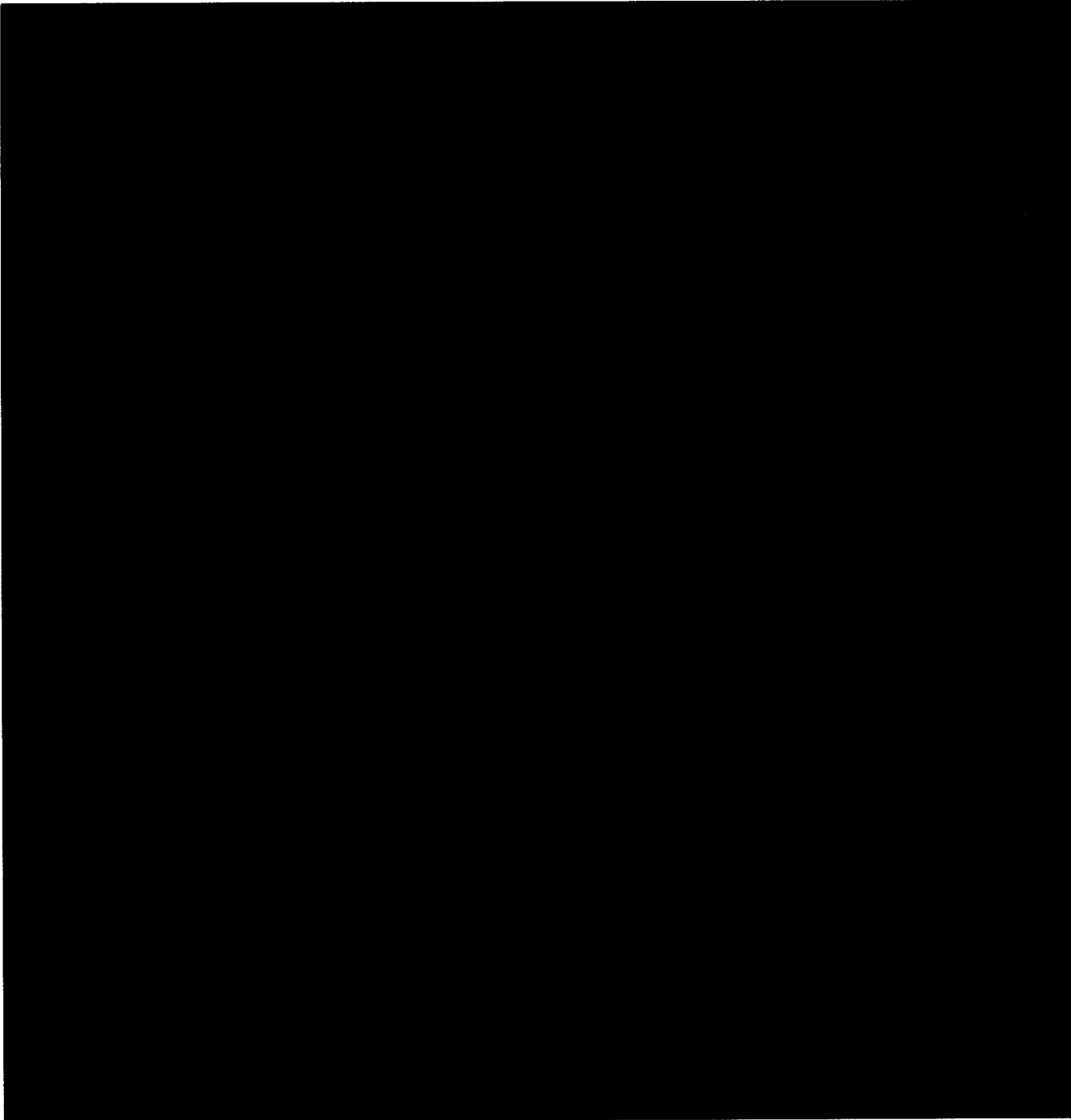
**METRONET HOLDINGS, LLC**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**



METRONET HOLDINGS, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS



(18) Commitments

The Company has entered into numerous collocation agreements that allow it to locate equipment in facilities owned by telecommunication providers. Additionally, the Company is involved in numerous pole attachment agreements, which allows it to extend its fiber optic network.

**METRONET HOLDINGS, LLC**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(18) Commitments (continued)**

Typically, these agreements involve locating multiplexing/muxing equipment (a rack) in local exchange carrier (LEC) central offices. These agreements have specified beginning and ending dates; however, absent notification from either party of the intent to end the agreement, the ten automatically converts to a month-to-month agreement with no specified ending date. These agreements typically require minimal rental payments for the use of the space and are assumed to exist in near perpetuity. Should the Company elect to exit such an agreement, the terms provide that it is responsible for both the removal of the equipment and fiber as well as the cost of returning the space to its original condition.

ASC 410, Asset Retirement and Environment Obligations requires a liability to be recognized in the period in which (1) a legal obligation to retire a long-lived asset exists, and (2) the fair value of the obligation based on retirement cost and settlement date is reasonably estimable. The Company believes it has a legal obligation to remove the aforementioned equipment and to restore the facilities upon termination of agreements. However, it believes it does not have a reasonable basis by which to assign probabilities to the timing of the potential agreement terminations and, accordingly, cannot reasonably estimate the fair value of the asset retirement obligation.

