# RECEIVED 

# EAST KENTUCKY NETWORK, LLC d/b/a APPALACHIAN WIRELESS 

MAR 182014
PUBLIC SERVICE COMMISSION

# TEETERSVILLE CELLULAR TOWER APPLICATION 

Harlan County, Kentucky
P.S.C. Case \# 2014 -00022

## COMMONWEALTH OF KENTUCKY BEFORE THE PUBLIC SERVICE COMMISSION



In the matter of:

| THE APPLICATION OF EAST KENTUCKY NETWORK | ) |
| :--- | :--- |
| LIMITED LIABILITY COMPANY FOR THE ISSUANCE | ) |
| OF A CERTIFICATE OF PUBLIC CONVENIENCE AND | ) CASE No. 2014-00022 |
| NECESSITY TO CONSTRUCT A TOWER IN HARLAN |  |
| COUNTY, KENTUCKY). |  |

East Kentucky Network, LLC, d/b/a Appalachian Wireless, was granted authorization to provide Personal Communications Service ("PCS") in the Middlesboro-Harlan, KY Basic Trading Area (BTA295) by the Federal Communications Commission (FCC). FCC license is included as Exhibit 1. East Kentucky Network, LLC merger documents were filed with the Commission on February 2, 2001 in Case \# 2001-022.

In an effort to improve service in Harlan County, East Kentucky Network, LLC pursuant to KRS 278.020 Subsection 1 and 807 KAR 5:001 Section 9 is seeking the Commission's approval to construct a 300 foot self-supporting tower on a tract of land located near 4044 West Kentucky Highway 72, Harlan, Harlan County, Kentucky ( $36^{\circ} 48^{\prime} 21.89^{\prime} \mathrm{N} 83^{\circ} 19^{\prime} 37.10^{\prime \prime} \mathrm{W}$ ). A map and detailed directions to the site can be found in Exhibit 8.

Exhibit 2 is a list of all Property owners or residents according to the property valuation administrator's record who reside or own property within 500 feet of the proposed tower in accordance with the Public Valuation Administrator. No other properties are contiguous with East Kentucky Network's property.

Pursuant to 807 KAR 5:063 Section $1(1)(\mathrm{L})$ and Section 1(1)(n)(1) all affected property owners according to the property valuation administrator's record who reside or own property within 500 feet of the proposed Tower were notified by certified mail return receipt requested of East Kentucky Network, LLC's proposed construction and informed of their right to intervene.

They were given the docket number under which this application is filed. Enclosed in Exhibit 2 is a copy of that notification.

Harlan County has no formal local planning unit. In absence of this unit the Harlan County Judge Executive's office was notified by certified mail, return receipt requested of East Kentucky Network Limited Liability Company's proposal and informed of their right to intervene. They were given the docket number under which this application is filed. Enclosed in Exhibit 3 is a copy of that notification.

Notice of the location of the proposed construction will be published in the Harlan Daily Enterprises's February $25^{\text {th }}$ edition. Enclosed is a copy of that notice in Exhibit 3. The Harlan Daily Enterprise is the newspaper with the largest circulation in Harlan County.

A geologist was employed to determine soil and rock types and to ascertain the distance to solid bedrock. The geotechnical report is enclosed as Exhibit 4.

A copy of the tower design information is enclosed as Exhibit 5. The proposed tower has been designed by engineers at Tower Innovations and will be constructed under their supervision. Their qualifications are evidenced in Exhibit 5 by the seal and signature of the registered professional engineer responsible for this project.

The tower will be erected by S \& S Tower Services of St. Albans, West Virginia. S \& S Tower Services has vast experience in the erection of communications towers.

FAA and Kentucky Airport Zoning Commission's applications are included as Exhibit 6.
No Federal Communications Commission approval is required prior to construction of this facility. Once service is established from this tower we must immediately notify the Federal Communications Commission of its operation. Prior approval is needed only if the proposed facility increases the size of the cellular geographic service area. This cell site will not expand the cellular geographic service area.

East Kentucky Network, LLC will finance the subject construction with earned surplus in its General Fund.

| Estimated Cost of Construction | $\$ 350,000.00$ |
| :--- | :--- |
| Annual Operation Expense of Tower | $\$ 12,500.00$ |

Two notice signs meeting the requirements prescribed by $807 \mathrm{KAR} 5: 063$, Section 1(2), measuring at least two (2) feet in height and four (4) feet in width and containing all required language in letters of required height, have been posted, one at a visible location on the proposed site and one on the nearest public road. The two signs were posted on February 5, 2014 and will remain posted for at least two weeks after filing of this application as specified.

Enclosed in Exhibit 9 is a copy of East Kentucky Network LLC's lease agreement with lot description to the site.

The proposed construction site is on a very rugged mountaintop some feet from the nearest structure. Prior to construction the site was wooded.

Due to the steep hillside surrounding the proposed site, the property in close proximity is unsuitable for any type of development. East Kentucky Network LLC's operation will not affect the use of nearby land nor its value. No more suitable site exists in the area. A copy of the search area map is enclosed in Exhibit 8. No other tower capable of supporting East Kentucky Network LLC's load exists in the general area; therefore, there is no opportunity for co-location of our facilities with anyone else.

Enclosed, and filed as Exhibit 10 is a survey of the proposed tower site signed by a Kentucky registered professional engineer.

Exhibit 12 contains a vertical sketch of the tower supplied by Coleman Engineering.
WHEREFORE, Applicant respectfully requests that the PSC accept the foregoing Application for filing, and having met the requirements of KRS [278.020(1), 278.650, and
278.665] and all applicable rules and regulations of the PSC, grant a Certificate of Public Convenience and Necessity to construct and operate the proposed tower.

The foregoing document was prepared by Lynn Haney, Compliance Coordinator for East Kentucky Network, LLC d/b/a Appalachian Wireless. All related questions or correspondence concerning this filing should be mailed to East Kentucky Network, LLC d/b/a/ Appalachian Wireless, 101 Technology Trail, Ivel, KY 41642.

SUBMITTED BY:


DATE:

approved By: UA Hilum DATE:2/20/2014

ATTORNEY:
W. A. Gillum, General Manager


## CONTACT INFORMATION:

W. A. Gillum, General Manager

Phone: (606) 477-2355, Ext. 111
Email: wagillum@ekn.com
Lynn Haney, Compliance Coordinator
Phone: (606) 477-2355, Ext. 1007
Email: lhaney@ekn.com
William S. Kendrick, Attorney
Francis, Kendrick \& Francis
Phone: (606) 886-2812
Email: wkendrick@kih.net
Mailing Addresses:
East Kentucky Network, LLC
d/b/a Appalachian Wireless
101 Technology Trail
Ivel, KY 41642
Francis, Kendrick \& Francis
P.O. Box 268
Prestonsburg, KY ..... 41653

|  | FCC License |
| :---: | :---: |
| E | Copies of Cell Site Notices to Land Owners |
| E | Notification of County Judge Executive and Newspaper Advertisement |
| 4 | Universal Soil Bearing Analysis |
| 5 | Tower Design |
| 5 | FAA \& Kentucky Airport Zoning Commission Applications |
| 7 | Audited Financial Statements |
| - | Driving Directions from County Court House and Map to Suitable Scale |
| O | Lease Agreement for Proposed Site with Legal Description |
| 11 | Survey of Site Signed/Sealed by Professional Engineer Registered in State of Kentucky |
| 15 | Site Survey Map with Property Owners Identified in Accordance with PVA of County |
| 12 | Vertical Profile Sketch of Proposed Tower |

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- 

ULS License

# PCS Broadband License - WQEF975 - East Kentucky Network, LLC d/b/a Appalachian Wireless 

| Call Sign | WQEF975 | Radio Service | CW - PCS Broadband |
| :---: | :---: | :---: | :---: |
| Status | Active | Auth Type | Regular |
| Market |  |  |  |
| Market | MTA044 - Knoxville | Channel Block | A |
| Submarket | 12 | Associated Frequencies (MHz) | $\begin{aligned} & 001850.00000000- \\ & 001865.00000000 \\ & 001930.00000000- \\ & 001945.00000000 \end{aligned}$ |
| Dates |  |  |  |
| Grant | 11/14/2005 | Expiration | 06/23/2015 |
| Effective | 11/02/2013 | Cancellation |  |
| Buildout Deadlines |  |  |  |
| 1st |  | 2nd |  |
| Notification Dates |  |  |  |
| 1st |  | 2nd |  |
| Licensee |  |  |  |
| FRN | 0001786607 | Type | Limited Liability Company |
| Licensee |  |  |  |
| East Kentucky Network, LLC d/b/a Appalachian <br> Wireless $P:(606) 477-235!$ <br> 101 Technology Trail <br> Ivel, KY 41642 <br> ATTN W.A. Gillum, General Manager/CEO |  |  |  |
| Contact |  |  |  |
| Lukas, Nace, Pamela L Gis 8300 Greens McLean, VA | tierrez \& Sachs, LLP sq <br> Drive <br> 02 | $\begin{aligned} & P:(703) 584-866 \\ & F:(703) 584-869 \\ & E: \text { pgist@fcclaw. } \end{aligned}$ | $\begin{aligned} & 65 \\ & 75 \\ & \text { com } \end{aligned}$ |

Ownership and Qualifications

| Radio Service <br> Type | Mobile |  |
| :--- | :--- | :--- |
| Regulatory Status Common Carrier | Interconnected Yes |  |

Alien Ownership
The Applicant answered "No" to each of the Alien Ownership questions.

# ULS License - PCS Broadband License - WQEF975 - East Kentucky Network, LLC d/b/a... Page 2 of 2 

## Basic Qualifications

The Applicant answered "No" to each of the Basic Qualification questions.
Tribal Land Bidding Credits
This license did not have tribal land bidding credits.

Demographics
Race
Ethnicity
Gender

```
ULS License
PCS Broadband License - WQEF975 - East Kentucky Network, LLC d/b/a Appalachian Wireless
Market
```

| Call Sign | WQEF975 | Radio Service | CW - PCS Broadband |
| :--- | :--- | :--- | :--- |
| Market | MTA044 - Knoxville | Channel Block | A |
| Submarket | 12 | Associated <br> Frequencies <br> $(M H z)$ | $001850.00000000-001865.00000000$ <br>  <br> Auction |
|  | $04-$ BB PCS A/B |  |  |

Define View: Spectrum and Market Areas

| Spectrum \& Market Area (MHz) | $\mathbf{0 0 1 8 5 0 . 0 0 0 0 0 0 0 0 - 0 0 1 8 6 0 . 0 0 0 0 0 0 0 0}$ |  |  |
| :--- | :--- | :--- | :---: |
|  | $\mathbf{0 0 1 9 3 0 . 0 0 0 0 0 0 0 0 - 0 0 1 9 4 0 . 0 0 0 0 0 0 0 0}$ |  |  |
| Market Areas | Type | Code | Population $\dagger$ |
| Middlesboro-Harlan, KY | BTA | 295 | 114701 |
| All Counties (4) |  |  |  |

Refer to Auctions Cross References of market area types including MTA, BTA, counties, and more. $\dagger$ : Population data is based on 2010 Census.

## EXHIBIT II: LIST OF PROPERTY OWNERS:

## Statement Pursuant to Section 1 (1) (I) 807 KAR 5:063

Section 1 (1)(1) 1. The following is a list of every property owner who according to property valuation administrator's records, owns property within 500 feet of the proposed tower and each have been: notified by certified mail, return receipt requested, of the proposed construction,

Section 1 (1)(I) 2. Every person listed below who, according to the property valuation administrator's records, owns property within 500 feet of the proposed tower has been: Given the Commission docket number under which the application will be processed: and

Section 1 (1)(I) 3. Every person listed below who, according to property valuation administrator's records, owns property within 500 feet of the proposed tower has been: Informed of his right to request intervention.

## LIST OF PROPERTY OWNERS

Harold \& Patricia Sellers
4044 West Kentucky Highway 72
Harlan, KY 40831
Kentucky River Properties, LLC 250 West Main Suite 1823

Lexington, KY 40507

## VIA: U.S. CERTIFIED MAIL

# February 18, 2014 

Harold \& Patricia Sellers
4044 West KY Highway 72
Harlan, KY 40831
RE: Public Notice-Public Service Commission of Kentucky (Case No. 2014-00022)

East Kentucky Network, LLC d/b/a Appalachian Wireless is applying to the Public Service Commission of Kentucky for a Certificate of Public Convenience and Necessity to construct and operate a new facility to provide cellular telecommunications service in Harlan County. The facility will include a 300 foot self supporting tower with attached antennas extending upwards, and an equipment shelter on a tract of land located near 4044 West Kentucky Highway 72, Harlan, Harlan County, Kentucky. A map showing the location of the proposed new facility is enclosed. This notice is being sent to you because you may own property or reside within a $500^{\prime}$ radius of the proposed tower.

The Commission invites your comments regarding the proposed construction. You also have the right to intervene in this matter. The Commission must receive your initial communication within 20 days of the date of this letter as shown above.

Your comments or request for intervention should be addressed to: Executive Director's Office, Public Service Commission of Kentucky, P.O. Box 615, Frankfort, KY 40602. Please refer to Case No. 2014-00022 in your correspondence.

If you have any questions for East Kentucky Network, LLC, please direct them to my attention at the following address: East Kentucky Network, LLC, 101 Technology Trail, Ivel, KY 41642 or call me at 606-477-2355, Ext. 1007.

Sincerely,



Lynn Haney, CPA
Compliance Coordinator
Enclosure 1

## VIA: USS. CERTIFIED MAIL

RE: Public Notice-Public Service Commission of Kentucky (Case No. 2014-00022)

East Kentucky Network, LLC d/b/a Appalachian Wireless is applying to the Public Service Commission of Kentucky for a Certificate of Public Convenience and Necessity to construct and operate a new facility to provide cellular telecommunications service in Harlan County. The facility will include a 300 foot self supporting tower with attached antennas extending upwards, and an equipment shelter on a tract of land located near 4044 West Kentucky Highway 72, Harlan, Harlan County, Kentucky. A map showing the location of the proposed new facility is enclosed. This notice is being sent to you because you may own property or reside within a $500^{\prime}$ radius of the proposed tower.

The Commission invites your comments regarding the proposed construction. You also have the right to intervene in this matter. The Commission must receive your initial communication within 20 days of the date of this letter as shown above.

Your comments or request for intervention should be addressed to: Executive Director's Office, Public Service Commission of Kentucky, P.O. Box 615, Frankfort, KY 40602. Please refer to Case No. 2014-00022 in your correspondence.

If you have any questions for East Kentucky Network, LLC, please direct them to my attention at the following address: East Kentucky Network, LLC, 101 Technology Trail, Ivel, KY 41642 or call me at 606-477-2355, Ext. 1007.

Sincerely,


Lynn Haney, CPA
Compliance Coordinator
Enclosure 1

## Appalachian Wireless Location Map


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## VIA: USS. CERTIFIED MAIL

February 19, 2014
Joe Grieshop, Judge Executive
P.O. Box 956

Harlan, KY 40831
RE: Public Notice-Public Service Commission of Kentucky (Case No. 2014-00022)
East Kentucky Network, LLC d/b/a Appalachian Wireless has applied to the Public Service Commission of Kentucky for a Certificate of Public Convenience and Necessity to construct and operate a new facility to provide cellular telecommunications service in Harlan County. The facility will include a 300 foot self-supporting tower with attached antennas extending upwards, and an equipment shelter on a tract of land located near 4044 West Kentucky Highway 72, Harlan, Harlan County, Kentucky. A map showing the location of the proposed new facility is enclosed. This notice is being sent to you because you are the County Judge Executive of Harlan County.

The Commission invites your comments regarding the proposed construction. You also have the right to intervene in this matter. The Commission must receive your initial communication within 20 days of the date of this letter as shown above.

Your comments and request for intervention should be addressed to: Executive Director's Office, Public Service Commission of Kentucky, P.O. Box 615, Frankfort, KY 40602. Please refer to Case No. 2014-00022 in your correspondence.

If you have any questions for East Kentucky Network, LLC, please direct them to my attention at the following address: East Kentucky Network, LLC, 101 Technology Trail, Ivel, KY 41642 or call me at 606-477-2355, Ext. 1007.

Sincerely,


Lynn Haney, CPA
Compliance Coordinator
Enclosure 1

## Appalachian Wireless Location Map



## Please place the following Public Notice Advertisement in the Harlan Daily Enterprise's Tuesday, February 25, 2014 publication.

## PUBLIC NOTICE:

RE: Public Service Commission of Kentucky (CASE NO. 2014-00022)
Public Notice is hereby given that East Kentucky Network, LLC, dba Appalachian Wireless has applied to the Kentucky Public Service Commission to construct a cellular telecommunications tower on a tract of land located near 4044 West KY Hwy 72, Harlan, Harlan County, Kentucky. The proposed tower will be a 300 foot selfsupporting tower with attached antennas. If you would like to respond to this notice, please contact the Executive Director, Public Service Commission, 211 Sower Boulevard, PO Box 615, Frankfort, Kentucky 40602. Please refer to Case No. 2014-00022.

If you have any questions about the placement of the above mentioned notice, please call me at 606-477-2355, ext. 1007.

Thank you,
Lynn Haney, CPA
Compliance Coordinator

O
$\qquad$

# WENDELL R. HOLMES, P.G. <br> 424 Pear Street <br> Hazard, KY 41701 <br> December 6, 2013 

## Teetersville Tower Site

## Purpose:

A site assessment was conducted for Appalachian Wireless on a tract of land located in Harlan County near Teetersville, Kentucky. The site of the proposed tower is now forestland. The purpose of this investigation was to determine the depth to bedrock and of what type of rock the bedrock consists.

Site Investigation:
The trenching method was used to determine the type of bedrock material at the proposed tower site. A John Deere excavator was used to expose the bedrock material. It is approximately 6.5 feet to the shale bedrock. (See attached page for descriptions of materials encountered.)
The terrain in Harlan County is moderately to very steep. The tower site is located on a ridge 0.50 miles east of the community of Teetersville in Harlan County. The shale formation below the tower site is approximately 10.00 feet thick based on the information obtained from the site investigation and geological maps of the area.

## Conclusions:

The proposed tower site is located on a ridge in the area. The shale bedrock on the proposed tower site is part of the Mingo Formation of the Breathitt Group, and is middle to lower Pennsylvanian in age. Tests were not conducted to determine the load-bearing strength of the bedrock. However, it is apparent that the tower will be constructed on the shale bedrock formation.

The field work for this site was performed by Wendell R. Holmes, using generally accepted methods in the practice of geological science.

Wendell R. Holmes, P.G.


WENDELL R. HOLMES, P.G.
424 Pear Street Hazard, Ky. 41701 (606)438-7250

## Geologist Log

Location: Teetersville Tower Site

| Unit <br> Thickness | Total <br> depth | Strata | Description |
| :---: | :---: | :---: | :---: |
| $3.50^{\prime}$ | $3.50^{\prime}$ | Soil | Gray, Brown with <br> Sandstone and Shale <br> Fragments |
| $2.00^{\prime}$ | $5.50^{\prime}$ | Shale | Gray, Soft, and Broken |
| $0.50^{\prime}$ | $6.00^{\prime}$ | Coal | Black, Soft and <br> Weathered |
| $0.50^{\prime}$ | $6.50^{\prime}$ | Fireclay | Gray and Soft |
| $10.00^{\circ}$ | $16.50^{\circ}$ | Shale | Gray |



## PAD (TOP LAYER)

| REBAR SIZE | REBAR LENGTHS | \# OF REEAR | TOTAL FT. REO'D |
| :---: | :---: | :---: | :---: |
| \#8 GRADE 60 | $27^{\prime}$ | 78 | 2,106 |

PAD (BOTTOM LAYER)

| REEAR SIZE | REGAR LENGTHS | \# DF REBAR | TOTAL FT. RED'D |
| :---: | :---: | :---: | :---: |
| \#8 GRADE 60 | $27^{\prime}$ | 78 | 2,106 |

PIER (veris) (Total for 3 Piers)

| REBAR SIZE | REAAR LENGTHS | \# OF REEAR | TOTAL FT. REO'D |
| :---: | :---: | :---: | :---: |
| \#8 GRADE 60 | $8^{\prime}-5^{\prime \prime}$ | 48 | $404^{\prime}$ |

PIER (lies) (Total for 3 Piers)

| REEAR SIZE | REBAR LENGTHS | \# OF REBAR | TOTAL FT. REQ'D |
| :---: | :---: | :---: | :---: |
| \#4 GRADE 60 | $30^{\prime \prime} \phi$ | 39 | $308^{\prime}$ |

APPROXIMATE CONCRETE REO'D $=62.0 \mathrm{yd}^{3}$
NOTES:


SPLCING Notes:
) Stager all splices.
2) SPLICE CHART IS BASED ON 4000 P5I COHCRETE AHD CLA55 a SPLICE. 3) spluce rebar only when hecessary.

) all workmanship and materials shall be in accordance with the latest edtions of ACl $3 D 1$ AND ACI31B.
2) THIS FOUNDATION IS DESIGNED TO CONFORM ACI 31B-02 AND ANSI/TIA-222-F STANDARDS UTILIZING THE GEDTECHNCAL SITE ASSESSMENT PREPARED BY WENDELL R. HDLMES. P.G., DATED DECEMBER b, $2 D 13$日edrock is located approximately $6.5^{*}$ Below grade and is aidili t have a net ALLDWABLE GEARING CAPACITY DF AT LEAST 5,DDD P.S.F. SDIL CONDITIONS THAT DIFFER FRON THOSE DESCRIEED IN THE SIIE ASSESMENT SHALL EE EROUGHI TO THE ATTENTION OF THE RESIDENT ENGINEER/IWSPECTOR.
3) ALL CONCRETE SHALL BE $4 D D O$ PSI AT 28 DAYS. CYLINDERS SHALL BE PROPERLY CAST WITH COFIES OF THE TEST REPORTS GOING TO THE RESIDENT ENGINEER/INSPECTOR.
4) ALL ADMIXTURES MUST be added separately into fresh concrete and sufficientily MIXED. A NON-CORROSIVE CONCRETE SET ACCELERATE MAY BE UTILZED IN CDMPLIANCE WITH ASTM 494 TYPE C. A WATER REDUCING ADMIXTURE MAY BE UTIUZED IN COMPLIANCE WITH ASTM 494 TYPE A
5) ALL BACKFILL SHALL 日E PLACED IN 9 INCH LIFTS AND COMPACTED TO A MINIMUM OF 95 PERCENT OF THE STANDARD PRDCTOR MAXIMUM DRY DENSITY AS MEASURED BY ASTM D-69B UNLESS MORE STRINGENT COMPACTION IS REOUIRED BY THE SOIL REPORT.
6) MINIMUM CONCRETE COVER SHALL EE 3 INCHES UNLESS OTHERWISE NDTED.
7) CROWN TOP OF PIER FOR DRAINAGE AND CHAMFER ALL EXPOSED CONCRETE EDGES 1 INCH.
B) SEE TEMPLATE dRAWING \& TEMPLATE dESIGN CHART FDR TOWER LAYDUT DIMENSIONS, USE OF TEMFLATE IS REDUIRED TD INSURE PROPER LOCATION AND ORIENTATION OF ANCHOR BOLTS.

## VERTS

BEND RADIUS PER BEND RADIUS
ACI $31 B-05$
$-24 "]$


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On Friday, Feb 12, 2014 beginning at Gam EST there will be a scheduled maintenance of the

Notice of Proposed Construction or Alteration - Off Airport
Project Name: EAST -000265145-14 Sponsor: East Kentucky Network, LLC

Details for Case: Teetersville
Show Project Summary

Kentucky Transportation Cabinet, Kentucky Alrport Zoning Commission, 200 Mero Street, Frankfort, KY 40622
APPLICATION FOR PERMIT TO CONSTRUCT OR ALTER A STRUCTURE Kentucky Aeronautical Study Number

1. APPLICANT - Name, Address, Telephone, Fax, etc,

East Kentucky Network, LLC
c/o Lukas, Nace, Gutierrez \& Sachs, Chtd
8300 Greensboro Drive, Suite 1200
McLean, VA 22102
T: 703-584-8667 F: 703-584-8692
2. Representative of Appiicant -- Name, Address, Teiephone, Fax

Ali Kuzehkanani
Lukas, Nace, Gutierrez \& Sachs, Chtd
8300 Greensboro Drive, Suite 1200
McLean, VA 22102
T: 703-584-8667 F: 703-584-8692
3. Application for: $\boxtimes$ New Construction $\square$ Alteration $\square$ Existing
4. Duration: $\triangle$ PermanentTemporary (Months $\qquad$ Days $\qquad$
5. Work Schedule: Start 3/1/2014 End 3/15/2014
6. Type: $\triangle$ Antenna Tower $\square$ Crane $\square$ Building $\square$ Power Line $\square$ Landfil $\square$Water Tank $\square$ Othe $\qquad$
7. Marking/Painting and/or Lighting Preferred:
$\square$ Red Lights and Paint
$\square$ White - Medium Intensity
$\square$ Whlte - High Intensity

区 Dual - Red \& Medlum Intensity White
$\square$ Duai - Red \& High Intensity White $\square$ Other $\qquad$
8. FAA Aeronautical Study Number

## 21. Description of Proposal:

The structure will inciude a $300^{\prime}$ tower with top-mounted antennas (overall height of $310^{\prime} \mathrm{AGL}$ ). The ERP will be 500 watts;
22. Has a "NOTICE OF CONSTRUCTION OR ALTERATION" (FAA Form 7460-1) been flled with the Federal Aviation Administration? $\square$ No XYes, When February 10, 2014

CERTIFICATION: I hereby certify that ali the above statements made by me are true, complete and correct to the best of my knowledge and bellef.


PENALTIES: Persons failing to comply with Kentucky Revised Statutes (KRS 183.861 through 183.990) and Kentucky Adminlsirative Regulations (602 KAR 050:Series) are llable for fines and/or imprisonment as set forth In KRS 183.990(3). Non-compliance with Federai Avialion Administratlon Regulations may result in further penalties.

## Commission Action:

$\square$ Chairman, KAZC
$\square$ Administrator, KAZC

Approved
$\square$ Dlsapproved
Date

## EAST KENTUCKY NETWORK, LLC

 DBA APPALACHIAN WIRELESSFINANCIAL REPORT
December 31, 2012

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SUPPLEMENTARY INFORMATION
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## INDEPENDENT AUDITOR'S REPORT

To the Members<br>East Kentucky Network, LLC<br>dba Appalachian Wireless<br>Ivel, Kentucky

We have audited the accompanying financial statements of East Kentucky Network, LLC, dba Appalachian Wireless, which comprise the balance sheets as of December 31, 2012 and 2011, and the related statements of income and comprehensive income, members' equity and cash flows for the years then ended, and the related notes to the financial statements.

## Management's Responsibility for the Financial Statements

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

## Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with 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 financial statements are free from material misstatement.

Arr audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also iucludes 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 fiñancial statements.

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

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of East Kentucky Network, LLC, dba Appalachian Wireless as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Gones. Male: Mattungly PLC
Louisville, Kentucky
February 25, 2013

# EAST KENTUCKY NETWORK, LLC DBA APPALACHIAN WIRELESS 

## BALANCE SHEETS

December 31, 2012 and 2011


The Notes to Financial Statements are an integral part of these statements.

| LIABLITIES AND MEMBERS' EQUITY | 2012 |  | 2011 |  |
| :---: | :---: | :---: | :---: | :---: |
| CURRENT LIABILITIES |  |  |  |  |
| Outstanding checks in excess of bank balance | \$ | 275,186 |  | -- |
| Notes payable (Note 3) |  | 4,000,000 |  | -- |
| Current maturities of long-term debt (Notes 4 and 10) |  | 5,803,572 |  | 2,545,238 |
| Accounts payable |  | 4,628,654 |  | 3,440,389 |
| Accounts payable, members (Notes 6 and 7) |  | 2,408 |  | 33,855 |
| Accrued expenses |  | 1,710,395 |  | 1,909,347 |
| Deferred revenue, advance billings |  | 2,797,246 |  | 2,642,605 |
| Customer deposits |  | 547,104 |  | 539,245 |
| Total current liabilities | \$ | 19,764,565 |  | 11,110,679 |

## LONG-TERM DEBT, less current maturities (Notes 4 and 10)

INTEREST RATE SWAPS (Notes 9 and 10)

| 2,068,730 |  | \$ | 8,104,445 |
| :---: | :---: | :---: | :---: |
| \$ | 577,211 | \$ | 931,120 |
| \$ | 98,500,427 | \$ | 97,685,066 |
|  | (577,211) |  | (931,120) |
|  | 97,923,216 |  | 96,753,946 |

$\xlongequal{\$ 120,333,722} \xlongequal{\$ 116,900,190}$

## EAST KENTUCKY NETWORK, LLC DBA APPALACHIAN WIRELESS

## STATEMENTS OF INCOME AND COMPREHENSIVE INCOME Years Ended December 31, 2012 and 2011

|  | 2012 | 2011 |
| :---: | :---: | :---: |
| REVENUE |  |  |
| Retail | \$ 56,305,095 | \$ 54,274,185 |
| Roamer | 25,111,532 | 23,098,144 |
| Long distance | 89,777 | 127,117 |
| Equipment sales, cellular | 1,367,159 | 2,656,667 |
| Other | 7,600,397 | 3,474,978 |
| Total revenue | \$ 90,473,960 | \$ 83,631,091 |
| EXPENSES |  |  |
| Cost of cellular service | \$ 19,341,261 | \$ 17,261,240 |
| Cost of equipment sales, cellular | 23,780,445 | 14,694,220 |
| Customer service | 1,636,032 | 1,624,578 |
| Billing | 1,819,521 | 1,861,761 |
| Selling | 6,377,064 | 5,814,292 |
| Maintenance | 3,696,507 | 3,065;832 |
| Utilities | 1,178,897 | 1,117,555 |
| Bad debts | 1,888,831 | 1,083,570 |
| Cell site rental | 466,570 | 372,666 |
| Taxes and licenses | 1,177,597 | 864,670 |
| Advertising | 5,061,129 | 4,322,032 |
| General and administrative | 5,683,526 | 4,357,440 |
| Occipancy | 573,178 | 527,989 |
| Depreciation | 11,243,764 | 9,723,879 |
| Amortization | 625,147 | 484,164 |
| Total expenises | \$84,549,469 | \$ 67,175,888 |
| Income from operations | \$ 5,924,491 | \$ 16,455,203 |
| DISCONTINUED OPERATIONS, HELD FOR SALE, NET (Note 12) |  |  |
| Paging revenue | \$ 257,947 | \$ 325,062 |
| Equipment sales; paging | 23,548 | 34,248 |
| Cost of paging service | $(253,758)$ | $(291,614)$ |
| Cost of equipment sales, paging | $(15,507)$ | $(23,597)$ |
| Depreciation | $(8,738)$ | $(127,289)$ |
| Amortization | $(393,216)$ | $(395,333)$ |
| (Loss) from discontinued operations | \$ (389,724) | \$ (478,523) |
| OTHER INCOME (EXPENSE) |  |  |
| Interest income | 20,960 | \$ 29,774 |
| Interest expense | $(714,050)$ | $(928,325)$ |
| Universal Service Fund income (Note 8) | 7,472,724 | 7,919,934 |
|  | \$ 6,779,634 | \$ 7,021,383 |
| Net income (carried forward) | \$ 12,314,401 | \$ 22,998,063 |

The Notes to Financial Statements are an integral part of these statements.

## EAST KENTUCKY NETWORK, LLC DBA APPALACHIAN WIRELESS

STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (Continued)
Years Ended December 31, 2012 and 2011

|  | 2012 | 2011 |
| :---: | :---: | :---: |
| Net inconie (brought forward) | \$ 12,314,401 | \$ 22,998,063 |
| Other comprehensive income, change in fair value of interest rate swaps | 353,909 | 370,478 |
| Total comprehensive income | \$ 12,668,310 | \$ 23, 368,541 |

The Notes to Financial Statements are an integral part of these statements.

## EAST KENTUCKY NETWORK, LLC DBA APPALACHIAN WIRELESS

STATEMENTS OF MEMBERS' EQUITY
Years Ended December 31, 2012 and 2011

|  | Cellular Services, LLC | Gearhart <br> Communications Company, Inc. | Mountain <br> Tele-communications, Inc. | ThackerGrigsby Telephone Co., Inc. | Peoples Rưral Telephone Cooperative Corporation, Inc. | Total |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Balance; January 1, 2011 | \$16,218,798 | \$16,218,798 | \$16,218,798 | \$16,218,798 | \$16,218,798 | \$81,093,990 |
| Net income | 4,599,613 | 4,599,612 | 4,599,612 | 4,599;613 | 4,599,613 | 22,998,063 |
| Other comprehensive income | 74,096 | 74,096 | 74,096 | 74,096 | 74,096 | 370,480 |
| Capital distribution | (1,541,717) | $(1,541,717)$ | $(1,541,718)$ | $(1,541,717)$ | $(1,541,718)$ | $(7,708,583)$ |
| Balanice, December 31, 2011 | \$19,350,790 | \$19,350,789 | \$19,350,788 | \$19,350,790 | \$19,350,789 | \$96,753,946 |
| Net income | 2,462,880 | 2,462,880 | 2,462,880 | 2,462,880 | 2,462,881 | 12,314,401 |
| Other comprehensive income | 70,782 | 70,782 | 70,782 | 70,783 | 70,782 | 353,909 |
| Capital distribution | $(2,299,807)$ | $(2,299,807)$ | $(2,299,808)$ | $(2,299,808)$ | $(2,299,808)$ | ( $11,499,040$ ) |
| Balance, December 31, 2012 | \$19,584,645 | \$19,584,644 | \$19,584,642 | \$19,584,645 | \$19,584,644 | \$97,923,216 |

The Notes to Financial Statements are an integral part of these statements.

## EAST KENTUCKY NETWORK, LLC DBA APPALACHIAN WIRELESS

STATEMENTS OF CASH FLOWS Years Ended December 31, 2012 and 2011

## CASH FLOWS FROM OPERATING ACTIVITIES

Net income
Adjustments to reconcile net income to net cash provided by operating activities:

Depreciation
Amortization
Loss on disposition of property, plant, and equipment
Changes in assets and liabilities, net of the effects of investing and financing activities:
(Increase) in accounts receivable
(Increase) decrease in accounts receivable, members
(Increase) decrease in inventory
(Increase) in prepaid expenses
Increase in accounts payable
Increase (decrease) in accounts payable, members (Decrease) in accrued expenses Increase in deferred revenue, advance billings Increase (decrease) in customer deposits

Net cash provided by operating activities
CASH FLOWS FROM INVESTING ACTIVITIES
Purchase of property, plant and equipment
Proceeds from sale of property, plant and equipment
Net cash (used in) investing activities
CASH FLOWS FROM FINANCING ACTIVITIES
Capital distiitibutions
Net proceeds on line of credit
Payments on long-term borrowings
Outstanding clecks in excess of bank balance
Net cash (used in) financing activities
Net increase (decrease) in cash and cash equivalents
Cash and cash equivalents:
Beginning
Ending

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION
Cash payments for interest

| 2012 | 2011 |  |
| ---: | ---: | ---: |
| $\$ 12,314,401$ | $\$ 22,998,063$ |  |
|  |  |  |
| $11,252,502$ |  | $9,851,168$ |
| $1,018,363$ |  | 879,497 |
| 180,749 | 440,743 |  |
|  |  |  |
| $(618,095)$ |  | $(1,320,166)$ |
| $(696)$ | 68,507 |  |
| $(3,347,133)$ | $1,045,608$ |  |
| $(52,968)$ | $(218,626)$ |  |
| $1,188,265$ | $1,100,892$ |  |
| $(31,447)$ | 6,148 |  |
| $(198,952)$ | $(60,818)$ |  |
| 154,641 | 188,348 |  |
| 7,859 | $(31,130)$ |  |
|  |  | $\$ 34,948,234$ |


| \$ $(28,574,881)$ | \$ $(17,313,302)$ |
| :---: | :---: |
| - - | 45,000 |
| \$(28,574,881) | \$(17,268,302) |


| $\$(11,499,040)$ | $\$(7,708,583)$ |
| ---: | ---: |
| $4,000,000$ |  |
| $(2,777,381)$ | -- |
| 275,186 |  |
| $\$(10,001,235)$ | $\$(10,618,106)$ |


| $\$(16,708,627)$ | $\$ 7,061,826$ |
| ---: | ---: |
| $18,579,633$ | $11,517,807$ |

$\$ \quad 724,807 \quad \$ \quad 979,424$

The Notes to Financial Statements are an integral part of these statements.

## EAST KENTUCKY NETWORK, LLC DBA APPALACHIAN WIRELESS

## NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

## Nature of operations

East Kentucky Network, LLC, dba Appalachian Wireless, is a Kentucky limited liability company formed by the merger of Appalachian Cellular, LLC, Mountaineer Cellular, LLC and East Kentucky Network, LLC on January 1, 2000. The Company is engaged in cellular telephone communications and paging services to residential and commercial customers located in eastern Kentucky. The Company's five members consist of Cellular Services, LLC; Gearheart Communications Company, Inc.; Mountain Telecommunications, Inc.; Peoples Rural Telephone Cooperative Corporation, Inc.; and Thacker-Grigsby Telephone Co., Inc.

## Use of estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

Cash and cash equivalents
For purposes of the statement of cash flows, the Company considers temporaly investments having original maturities of three months or less to be cash equivalents. The Company maintains its casli balances, which may exceed the federally insured limit, with several financial institutions. These financial institutions have strong credit ratings and management believes that credit risk related to the accounts is minimal.

## Short-term investments

Certificates of deposit having original maturities between three and nine months are classified as short-term investrnents, are carried at cost, which approximates fair value, and are held to maturity. Fair value is determined by quoted prices for similar certificates of deposit in active narkets (Level 2) as defined under U.S GAAP (see Note 10).

Accounts receivable
Accounts receivable are recorded at net realizable value consisting of the carrying anount less an allowance for uncollectible aecounts. The Company uses the allowance method to account for uncollectible accounts receivable balances. Management charges off uncollectible receivables to the allowance when it is determined the amounts will not be realized.

Inventory
Inventory is composed primarily of cellular telephone equipment and accessories purchased for resale during the ordinary course of business. The inventory is valued at the lower of cost or market, cost being determined by the first-in, first-out (FIFO) method.

## NOTES TO FINANCIAL STATEMENTS

Note 1. Sunmary of Significant Accounting Policies (Continued)
Property, plant and equipinent
Property, plant and equipment are recorded at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the assets.

Assets held for sale
Assets held for sale consist primarily of paging equipment and intangible assets related to the Company's paging service.

## Investment

The investment in affiliated company is composed of equity certificates in Rural Telephone Finance Cooperative and is reported at cost.

Intangible assets
The customer lists, non-compete agreements, FCC licenses, bond issuance costs, loan fees and use of name are recorded at cost and are being amortized over the life of the asset by the straight-line method.

## Revenue recognition

Revenue consists primarily of charges for access, airtime, roaming, long distaitee, data and other value-added services provided to the Company's retail customers; charges to other cellular carriers whose customers use the Company's network when roaming; and sales of phones and accessories.

Revenue from cellular service is recognized monthly when earned, phone and accessory sales are recognized at the point of sale, activation fees are recognized when activation of service occurs, and cancellation penalties are recognized at the time of disconnection from service. Deferred revenue consists of monthly access and feature charges billed one month in advance and recognized as revenue the following month.

The Company's sales contracts are considered multiple deliverable arrangements that generally involve delivery and activation of a cellular plione, plus phone service. Each is treated as a separate unit of accounting. Contracts are subject to one to two-year terms and require the customer to pay a cancellation fee if the customer cancels the contract. There is a one-time activation fee and a monthly fee for the ongoing service. All fees are nonrefundable. The Company uses estimated selling price to determine both the selling price of the phone and for the phone service. The phone and activation are delivered first, followed by the phone service (which is provided over the contract period). Delivery and activation of the phone are considered one element because activation is necessary for the functionality of the phone. Revenue from phone service is recognized separately over the life of the service arrangement.

## NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)
Advertising
Advertising costs are expensed as incurred. At December 31, 2012 and 2011, these costs were $\$ 5,061,129$ and $\$ 4,322,032$, respectively.

Income taxes
Under existing provisions of the Internal Revenue Code, the income or loss of a limited liability company is recognized by the members for income tax purposes. Accordingly, no provision for federal income taxes has been provided for in the accompanying financial statements.

The Company's accounting policy provides that a tax expense/benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. Management believes the Company has no uncertain tax positions resulting in an accrual of tax expense or benefit.

The Company recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. The Company did not recognize any interest or penalties during the years ended December 31, 2012 and 2011.

The Company's federal and state income tax returns are subject to possible examination by the taxing authorities until the expiration of the related statutes of limitations on those tax returns. In general, the federal income tax returns have a three year statute of limitations, and the state income tax returns have a four year statute of limitations.

Comprehensive income
Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes the change in fair value of interest rate swaps which is also recognized as a separate component of equity.

Subsequent events
Management has evaluated subsequent events through February 25, 2013, the date the financial statements were available to be issued.

## NOTES TO FINANCIAL STATEMENTS

Note 2. Intangible Assets
Intangible assets used in operations consist of the following at December 31, 2012:

|  | Gross Amount | Accumulated Amortization | Weighted Average Life (in years) |
| :---: | :---: | :---: | :---: |
| FCC licenses | 2,516,664 | $(951,160)$ | 14 |
| Other | 942,271 | (698,316) | 7 |
|  | \$3,458,935 | \$(1,649,476) |  |

Intangible assets used in operations consist of the following at December 31, 2011:

|  | Gross <br> Amount | Accumulated Amortization | Weighted <br> Average <br> Life (in years) |
| :---: | :---: | :---: | :---: |
| FCC licenses | 2,262,647 | (797,226) | 14 |
| Other | 942,271 | $(556,840)$ | 7 |
|  | \$3,204,918 | \$ $(1,354,066)$ |  |

Aggregate amortization expense related to these intangible assets for the years ended December 31, 2012 and 2011 totaled $\$ 295,410$ and $\$ 290,765$, respectively. The following represents the total estimated amortization of intangible assets for each of the succeeding five years:

Year ending December 31:

| 2013 | $\$ 295,000$ |
| :--- | ---: |
| 2014 | 295,000 |
| 2015 | 295,000 |
| 2016 | 275,000 |
| 2017 | 235,000 |

## NOTES TO FINANCIAL STATEMENTS

## Note 3. Notes Payable

On September 9, 2011, the Company entered into a line of credit agreement with Fifth Third Bank that provides for borrowings up to $\$ 12,000,000$. The agreement carries a variable interest rate at monthly LIBOR plus $2.25 \%$ as determined by Fifth Third Securities, Inc ( $2.52 \%$ at $12 / 31 / 12$ ), is secured by assets of the Company, and is due on September 1, 2013. The balance due as of December 31, 2012 and 2011 was $\$ 4,000,000$ and zero, respectively.

## Note 4. Long-Term Debt

Long-term debt consists of the following at December 31:

| Note payable, Fifth Third Bank (a) | \$ | 4,625,000 | \$ 6,116,667 |
| :---: | :---: | :---: | :---: |
| Note payable, Fifth Third Bank (b) |  | 3,247,302 | 4,533,016 |
|  | \$ | 7,872,302 | \$ 10,649,683 |

(a) On February 28, 2006, the Compariy issued $\$ 14,200,000$ in adjustable rate notes to restructure its debt. The notes were issued pursuant to a trust indenture between the Company and U.S. Bank National Association. Ptincipal and interest on the notes were paid from funds drawn by the Trustee under an irrevocable letter of credit issued by Fifth Third Bank. The Notes were collateralized by the assets of the Company and were scheduled to mature on February 1, 2016. The Notes bear interest at a floating interest rate as determined by U.S. Bank National Association ( $4.60 \%$ at $12 / 31 / 08$ ). However, the Company entered into an interest rate swap contract (original notional amount of $\$ 14,200,000$ ) that effectively converted its floating-rate debt into a fixed-rate of $8.02 \%$.

On February 2, 2009, the Company refinanced the remaining $\$ 10,200,000$ of the note with a new note payable that matures November 1,2013 and is collateralized by the assets of the Company. Interest on the note is floating at monthly LIBOR plus $1.75 \%$ as deternined by Fifth Third Securities, Inc. ( $2.02 \%$ at $12 / 31 / 12$ ). The Company also renegotiated the terms of the interest rate swap contract and entered into an interest rate swap contract (original notional amount of $\$ 10,200,000$ ) that effectively converts its floating-rate debt into a fixed rate of $7.46 \%$ (see Note 9). The note is payable in monthly installinents of $\$ 116,667$ plus interest through February 1, 2012 and $\$ 125,000$ plus interest thereafter through November 1,2013 with a balloon payment due at maturity.
(b) On September 1, 2008, the Company borrowed $\$ 9,000,000$ to restructure existing debt, purchase new equipment and upgrade existing equipment. The note was collateralized by the assets of the Company. Interest on the note was floating at monthly LIBOR plus $3.00 \%$ as determined by Fifth Third Securities, Inc ( $3.27 \%$ at $12 / 31 / 12$ ). The Company also entered into an interest rate swap contract (original notional amount of $\$ 9,000,000$ ) that effectively converted its floating-rate debt into a fixed rate of $7.20 \%$ (see Note 9 ). The note was payable in monthly installments of $\$ 107,143$ plus interest with a balloon payment due on September 1, 2013.

## NOTES TO FINANCLAL STATEMENTS

## Note 4. Long-Term Debt (Continued)

On March 31, 2012, the Company refinanced the remaining $\$ 4,318,730$ of the note with a new note payable that matures August 1,2015 and is collateralized by the assets of the Company. Interest on the note is floating at monthly LIBOR plus $2.50 \%$ ( $2.77 \%$ at $12 / 31 / 12$ ). The Company also renegotiated the terms of the interest rate swap contract and entered into an interest rate swap contract (original notional amount of $\$ 4,318,730$ ) that effectively converts its floating rate debt into a fixed rate of $6.21 \%$ (see Note 9 ). The note is payable in monthly installments of $\$ 107,143$ plus interest.

Total interest cost for the years ended December 31, 2012 and 2011 was approximately $\$ 714,000$ and $\$ 928,000$, respectively.

Under terms of the Notes, the Company has also agreed, among other things, to limit distributions, to maintain minimum fixed charge coverage ratios, and to maintain minimum debt to earnings ratios. The Company was in violation of certain of these covenants as of December 31, 2012; however, these violations have been waived by the note holder.

Approximate maturities or payments required on principal under note payable agreements for each of the succeeding five years are as follows:

Year ending December 31:

2013
2014
2015
2016
2017


Note 5. Retirement Plans
The Compäny has a multiple-employer $401(\mathrm{k})$ plan for qualifying employees who liave reached twenty-one years of age. Eligible employees are allowed to invest up to $15 \%$ of their compensation and the Company has agreed to match $100 \%$ of the first $3 \%$ of the employees' contribution and $50 \%$ of the employees' contribution between $3 \%$ and $5 \%$. The Company contributed $\$ 156,598$ and $\$ 148,041$ in matching funds for its $401(\mathrm{k})$ plan during the years ended December 31, 2012 and 2011, respectively.

The Company also offers an employer sponsored retirement savings plan for qualified employees who have reached twenty-one years of age. The Company has agreed to contribute $9 \%$ of the eligible employee's compensation, plus an additional $5 \%$ of the original contribution.

The Company contributed $\$ 741,000$ and $\$ 725,318$ to its retirement savings plan during the years ended December 31, 2012 and 2011, respectively.

## NOTES TO FINANCIAL STATEMENTS

Note 6. Related Party Transactions
The Companiy shares personnel with three of its members. The Company paid $\$ 254,438$ and $\$ 383,149$ for shared personnel during the years ended December 31, 2012 and 2011, respectively. The Company also leased offices and warehouse space from three members. The leases are for an unspecified length of time. The annual lease expense related to these leases was $\$ 20,483$ and $\$ 20,858$ for the years ended December 31, 2012 and 2011, respectively.

The Company incurred interconnection, telephone, cable and internet access cliarges from its members aggregating \$818,607 and \$1,329,216 for the years ended December 31, 2012 and 2011, respectively.

The Company leases two cellular tower sites from the officers and majority shareholders of a member. The annual lease expense related to these leases was $\$ 2,400$ for both years ended December 31, 2012 and 2011. The leases are for an unspecified length of time. The Company also pays part of an annual lease for sharing a tower with a member for an annual fee of $\$ 450$. The Company leases cellular tower sites from the parent company of one of its other members. The annual lease expense related to these leases for years ended December 31,2012 and 2011 was $\$ 9,347$ and $\$ 12,463$ respectively. The leases are for five years with options to renew.

Thie Company pays fees to companies owned by its members for advertisement in telephone directories, television and on local billboards. The amount of advertising paid to related parties was $\$ 103,845$ and $\$ 40,120$ for the years ended December 31, 2012 and 2011, respectively.

## Note 7. Operating Leases

Thie Company lias entered into operating leases with its members and other customers to provide fiber optic transmission capacity and ancillary services. The terms of these leases are for 15 years. Total rental income earned from these operating lease commitments included in the statements of income was $\$ 858,920$ and $\$ 1,016,885$ for the years ended December 31, 2012 and 2011, respectively. Rental income earned from the Company's members from these leases was $\$ 617,218$ and $\$ 846,249$ for the years ended December 31, 2012 and 2011, respectively.

Investments in operating leases are as follows at December 31:

|  | 2012 | 2011 |
| :---: | :---: | :---: |
| Fiber ring | \$ 8,799,036 | \$ 8,143,858 |
| Accumulated depreciation | (4,190,747) | $(3,643,160)$ |
|  | \$ 4,608,289 | \$ 4,500,698 |

The future minimum rental payments expected to be received under these lease agreements for each of the succeeding five years are approximately $\$ 750,000$ each year.

## NOTES TO FINANCLAL STATEMENTS

## Note 7. Operating Leases (Continued)

The Company has also entered into lease agreements to obtain fiber optic transmission and digital microwave transmission services; and to rent retail office facilities. The terms of these leases are between 5 and 15 years. Total rental expense incurred from these operating lease commitments included in the statements of income was $\$ 1,518,640$ and $\$ 1,195,368$ for the yeats ended December 31, 2012 and 2011, respectively. Rental expense incurred from the Company's members from these leases was $\$ 778,599$ and $\$ 464,544$ for the years ended December 31, 2012 and 2011, respectively. The future minimum lease payments required under these lease agreements for each of the succeeding five years are approximately $\$ 1,600,000$ each year.

## Note 8. Eligible Telecommunication Carrier

During 2005, the Company was granted Eligible Telecommunication Carrier (ETC) status by the Kentucky Public Service Commission. As an ETC, the Company receives funding from the federal Universal Service Fund (USF) to support the high cost of providing local telephone service in rural areas. USF payments amounted to $\$ 7,472,724$ and $\$ 7,919,934$ for the years ended December 31, 2012 and 2011, respectively.

## Note 9. Derivative Financial Instruments, Interest Rate Swaps

The Company entered into two interest rate swap contracts with Fifth Third Bank for the purpose of converting floating-rate interest on its long-term debt to fixed rates. The interest rate swap effectively fixed $\$ 10,200,000$ at a rate of $7.46 \%$ until February 1,2016 and fixed $4,318,730$ at a rate of $6.21 \%$ until August 1, 2015.

Under the swap contracts, the Company pays interest at $5.71 \%$ and $3.71 \%$ on the notional amounts and receives interest at LIBOR observed monthly ( $0.27 \%$ at December 31, 2012). The interest rate swaps qualify as, and are designated as, cash flow hedges. The swaps are designed to hedge the risk of changes in interest payments on the notes caused by changes in LIBOR. The notional amounts do not represent actual amounts exchanged by the parties, but instead represent the amounts on which the contracts are based.

The swaps were issued at market terms so that they had no fair value or carrying value at their inception. The carrying amount of the swaps has been adjusted to their fair value at the end of the year, which because of changes in forecasted levels of LIBOR, resulted in reporting a liability for the fair value of the future net payments forecasted under the swaps. The swap contracts permit settlement prior to maturity only through termination by the Company. The settlenent amounts are determined based on forecasted changes in interest rates required under fixed and variable legs of the swaps. The Company believes the settlement amounts are the best representation of the fair value of the swaps and has adjusted their carrying amounts to the settlement amounts at the end of the year.

## NOTES TO FINANCLAL STATEMENTS

Note 9. Derivative Financial Instruments, Interest Rate Swaps (Continued)
The carrying amounts of the swaps are classified as noncurrent since management does not intend to terminate the swaps during 2013. Since the critical terms of the swaps and the notes are approximately the same, the swaps are assumed to be effective as hedges, and none of the changes in fair values are included in income. Accordingly, all of the adjustment of the swaps' carrying amount is reported as other comprehensive income or loss in the accompanying statements of members' equity. If the swaps are terminated early, the corresponding carrying amount would be reclassified into earnings. The Company does not hold or issue interest rate swaps or other financial instruments for trading purposes.

Note 10. Fair Values of Financial Instruments
U.S. GAAP provides a framework for fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The methodology for measuring fair value specifies a three-tier hierarchy of valuation techniques based upon whether the inputs to those valuation tecliniques are based on quoted prices of identical assets or liabilities (Level 1), significant other observable inputs (Level 2), or significant other unobservable inputs that reflect a company's own assumptions of market participant valuation (Level 3).

Financial instruments of the Company that are subject to fair value measurements are limited to short-term investments, long-term debt and interest rate swaps. Fair values of these financial instruments have been valued using a market approach and are measured using Level 2 inputs.

The fair value of short-tern investments approximates its carrying amount due to the shortterm nature of these instruments.

The fair value of long-term debt approximates its carrying amount because its variable rate terms are similar to market terms.

The fair value of the interest rate swaps are based on the approximation of market value derived from proprietary models. This fair value takes into consideration the prevailing interest rate environment and the specific terms and conditions of the derivative financial instrument. The fair value was estimated by comparing the Company's fixed swap rates with the current market rates on identical swaps for the remaining terms. The interest due on each remaining payment date is calculated at the existing swap rate and the current market rate. Fair market value is the present value of the difference between those payment streams. The value represents the estimated exit price the Company would pay to terminate the agreement.

## NOTES TO FINANCIAL STATEMENTS

Note 11. Commitments
On November 4, 2011, the Company entered into an agreement with a vendor to purchase a minimum quantity of phones each year for the next three years. Under the terms of the agreement, among other things, the Company is required to purchase approximately 36,000 phones in addition to spending at least $\$ 200,000$ per year for the next three years on eligible merchandising expenses related to the phones.

As of December 31, 2012, the remaining committed amounts due related to the purchase of the phones approximated the following:


On September 22, 2011, the Company entered into an agreement with Verizon Wireless ("Verizon") to construct and operate its Long Term Evolution ("LTE") technology in geographic territories in the Company's market. Under the terms of the agreement, among other things, the Company is required as part of the initial build-out phase to have the cell sites constructed and fully equipped for provision of LTE Service and ready to commence commercial service no later than December 31, 2013. Following the initial build-out phase, the Company will continue to build out its LTE System in accordance with a plan to be mutually agreed by the Company and Verizon. The estimated cost of the total build-out is approximately $\$ 18,000,000$. As of December 31, 2012, the Company has incurred build-out costs of approximately $\$ 5,500,000$. The agreement expires on June 13, 2019 with an option for a ten year renewal term at the end of the agreement.

In addition, the Company entered into an agreement to lease the spectrum owned by Verizon in order to offer LTE Service. This agreement also expires on June 13, 2019 with an option for a ten year renewal term at the end of the agreement. The lease expense is expected to be approximately $\$ 300,000$ per year

## Note 12. Discontinued Operations, Held for Sale

In July 2012, the Company committed to a plan to discontinue its paging services. The Company is currently continuing to operate its paging services as management is evaluating whether to sell or dispose of the operating segment's assets; Management expects that the sale or disposal of the assets is probable and expected to be completed in 2013. The paging assets meet the criteria for classification as held for sale and have been separately presented in the accompanying balance sheets. The related operating results have been separately presented in the accompanying income statements as discontinued operations, held for sale.

Managenent believes that it is probable that the paging assets are impaired which would result in a loss on an anticipated sale or disposal. However, the amount of the loss cannot be reasonably estimated at this time; therefore, an impairment loss has not been included in the accompanying financial statements.

## NOTES TO FINANCIAL STATEMENTS

## Note 13. Gain Contingency

On September 27, 2012, the Company was awarded approximately $\$ 4,400,000$ by the Federal Communications Commission related to the Mobility Phase One Auction in order to provide coverage and broadband services in certain territories. The award will be disbursed in three separate amounts and is contingent upon the Company demonstrating percentages of completion related to its coverage requirements indicated in the agreement. No amounts have been recorded in the accompanying financial statements.

## INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY INFORMATION

To the Members
East Kentucky Network, LLC
dba Appalachian Wireless
Prestonsburg, Kentucky 41653

We have audited the financicial statements of East Kentucky Network, LLC dba Appalachian Wireless as of December 31, 2012 and 2011, and our report thereon dated February 25, 2013, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2 . Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information found on pages 20 and 21, is presented for purposes of additional analysis and is not a required part of the firtancial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.


Louisville, Kentucky
February 25, 2013

## EAST KENTUCKY NETWORK, LLC <br> DBA APPALACHIAN WIRCLESS

## STATEMENTS OF INCOME AND COMPREHENSIVE INCOME DETAIL

## REVENUE

Retail
Roamer
Long distance
Equipment sales, cellular
Other
Total revenues
EXPENSES
Cost of cellular service
Cost of equipment sales, cellular
Customer service
Billing
Selling
Maintenance
Utilities
Bad debts
Cell site rental
Taxes and licenses
Advertising
General and administrative
Occupancy
Depreciation
Amortization
Total expenses

Income (loss) from operations
DISCONTINUED OPERATIONS, HELD FOR SALE, NET
Paging revenue
Equipment sales, paging
Cost of paging service
Cost of equipment sales, paging
Depreciation
Amortization
(Loss) from discontinued operations


| \$11,404,940 | \$ | 7,077,280 | \$ | -- | \$ 859,041 | \$19,341,261 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| 13,627,656 |  | 8,255,825 |  | -- | 1,896,964 | 23,780,445 |
| 977,297 |  | 606,403 |  | -- | 52,332 | 1,636,032 |
| 1,097,413 |  | 652,638 |  | -- | 69,470 | 1,819,521 |
| 3,645,723 |  | 2,574,883 |  | -- | 156,458 | 6,377,064 |
| 2,144,462 |  | 1,280,977 |  | 69,654 | 201,414 | 3,696,507 |
| 655,763 |  | 389,305 |  | 42,654 | 91,175 | 1,178,897 |
| 1,329,106 |  | 469,835 |  | -- | 89,890 | 1,888,831 |
| 139,272 |  | 178,525 |  | -- | 148,773 | 466,570 |
| 705,940 |  | 308,284 |  | 70,138 | 93,235 | 1,177,597 |
| 3,320,822 |  | 1,512,752 |  | -- | 227,555 | 5,061,129 |
| 3,296,134 |  | 2,055,513 |  | 138,854 | 193,025 | 5,683,526 |
| 186,667 |  | 77,204 |  | 283,875 | 25,432 | 573,178 |
| 5,620,660 |  | 3,914,160 |  | 588,231 | 1,120,713 | 11,243,764 |
| 327,647 |  | 187,638 |  | 13,307 | 96,555 | 625,147 |
| \$48,479,502 | \$ | 29,541,222 | \$ | 1,206,713 | \$ 5,322,032 | \$84,549,469 |

$\$ 6,529,538 \$ 122,080 \$(456,546) \$(270,581) \$ 5,924,491$

| \$ | 152,119 | \$ | 105,828 | \$ | -- | \$ | -- | \$ | 257,947 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | 15,983 |  | 7,565 |  | -- |  | -- |  | 23,548 |
|  | $(112,267)$ |  | (141,491) |  | -- |  | -* |  | $(253,758)$ |
|  | $(9,807)$ |  | $(5,700)$ |  | -- |  | -- |  | $(15,507)$ |
|  | $(2,989)$ |  | (5;749) |  | -- |  | -- |  | $(8,738)$ |
|  | $(72,380)$ |  | $(320,836)$ |  | -- |  | -- |  | $(393,216)$ |
| \$ | (29,341) | $\$$ | $(360,383)$ | \$ | -- | \$ | -- | \$ | $(389,724)$ |

OTHER INCOME (EXPENSE)
Interest income
Interest expense
Universal Service Fund income

Net income (losis)

$\$ 10,570,206 \$ 2,270,675 \$(456,343) \$(70,137) \$ 12,314,401$

Yëar Ended December 31, 2011

| RSA \#9 Appalachian | RSA \#10 Mountaineer |  | Fiber Ring | PCS | Totals |
| :---: | :---: | :---: | :---: | :---: | :---: |
| \$31,312,192 | \$19,759,349 | \$ | -- | \$ 3,202,644 | \$54,274,185 |
| 16,919,770 | 5,798,853 |  | -- | 379,521 | 23,098,144 |
| 83,066 | 41,245 |  | -- | 2,806 | 127,117 |
| 1,591,322 | 870,986 |  | -- | 194,359 | 2,656,667 |
| 1,447,143 | 721,487 |  | 995,032 | 311,316 | 3,474,978 |
| \$51,353,493 | \$27,191,920 | \$ | 995,032 | \$4,090,646 | \$83,631,091 |
| \$10,236,676 | \$6,289,107 | \$ | -- | \$ 735,457 | \$17,261,240 |
| 8,324,786 | 5,308,875 |  | -- | 1,060,559 | 14,694,220 |
| 970,595 | 603,901 |  | -- | 50,082 | 1,624,578 |
| 1,117,986 | 676,319 |  | -- | 67,456 | 1,861,761 |
| 3,276,883 | 2,414,482 |  |  | 122,927 | 5;814,292 |
| 1,836,543 | 1,025,755 |  | 35,451 | 168,083 | 3,065,832 |
| 595,520 | 377,399 |  | 55,554 | 89,082 | 1,117,555 |
| 758,637 | 259,313 |  | -- | 65,620 | 1,083,570 |
| 120,061 | 134,349 |  | -- | 118,256 | 372,666 |
| 524,438 | 239,436 |  | 73,464 | 27,332 | 864,670 |
| 2,678,681 | 1,397,417 |  | - | 245,934 | 4,322,032 |
| 2,520,839 | 1,557,592 |  | 133,587 | 145,422 | 4,357,440 |
| 167,156 | 77,977 |  | 256,326 | 26,530 | 527,989 |
| 4,832,669 | 3,496,451 |  | 555;860 | 838,899 | 9,723,879 |
| 239,040 | 141,383 |  | 11,841 | 91,900 | 484,164 |
| \$38,200,510 | \$23,999,756 | \$ | 1,122,083 | \$ 3,853,539. | \$67,175,888 |
| \$13,152,983 | \$ 3,192,164 | $\$$ | (127,051) | \$ 237,107 | \$16,455,203 |


| \$ | 185,126 | \$ | 139,936 | \$ | -- | \$ | -- | \$ | 325,062 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | 21,833 |  | 12,415 |  | -- |  | -- |  | 34,248 |
|  | $(124,339)$ |  | $(167,275)$ |  | -- |  | -- |  | $(291,614)$ |
|  | $(14,284)$ |  | $(9,313)$ |  | -- |  | -- |  | $(23,597)$ |
|  | $(36,253)$ |  | $(91,036)$ |  | -- |  | -- |  | $(127,289)$ |
|  | $(75,373)$ |  | $(319,960)$ |  | -- |  | -- |  | $(395,333)$ |
| \$ | $(43,290)$ | \$ | $(435,233)$ | \$ | -- | \$ | -- | \$ | $(478,523)$ |


| $\$ 17,634$ | $\$$ | 10,966 | $\$$ | 294 | $\$$ | 880 | $\$$ | 29,774 |
| ---: | ---: | ---: | ---: | ---: | ---: | ---: | ---: | ---: |
| $(555,585)$ | $(342,505)$ | - |  | $(30,235)$ | $(928,325)$ |  |  |  |
| $\frac{4,751,960}{}$ | $\frac{2,930,376}{}$ |  | - |  | 237,598 |  | $7,919,934$ |  |
| $4,214,009$ | $\$ 2,598,837$ | $\$$ | 294 |  | $\$$ | 208,243 | $\$ 7,021,383$ |  |

## EAST KENTUCKY NETWORK, LLC DBA APPALACHIAN WIRELESS

## STATEMENTS OF INCOME AND COMPREHENSIVE INCOME DETAIL (Continued)



Year Ended December 31, 2011

| RSA \#9 Appalachian | RSA \#10 Mountaineer | Fiber <br> Ring |  | PCS |  | Totals |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| \$ 6,816,542 | \$ 4,399,137 | \$ | -- | \$ | 631,778 | \$11,847,457 |
| 676,267 | 437,079 |  | -- |  | 42,526 | 1,155,872 |
| 2,440,298 | 1,471,954 |  | -- |  | 129,386 | 4,041,638 |
| 184,527 | -- |  | -- |  | -- | 184,527 |
| -- | -- |  | -- |  | -- | -- |
| 54,5,15 | -- |  | - - |  | -- | 54,515 |
| 148,505 | 133,237 |  | -- |  | -- | 281,742 |
| 182,700 | -- |  | -- |  | -- | 182,700 |
| 116,428 | -- |  | -- |  | -- | 116,428 |
| 269,914 | -- |  | -- |  | -- | 269,914 |
| -- | -- |  | -- |  | -- | -- |
| $(848,387)$ | $(549,469)$ |  | -- |  | $(72,066)$ | $(1,469,922)$ |
| 178,540 | 130,230 |  | -- |  | 3,833 | 312,603 |
| . -- | 115,510 |  | -- |  | -- | 115,510 |
| -- | 151,429 |  | -- |  | -- | 151,429 |
| 16,827 | --- |  | -* |  | - | 16,827 |
| \$10,236,676 | \$6,289,107 | \$ | $-$ | \$ | 735,457 | \$17,261,240 |


| \$ | 9,298 | \$ | 11,583 | \$ | -- | \$ | -- | \$ | 20,881 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | 37,457 |  | 56,186 |  | -- |  | -- |  | 93,643 |
|  | 24,235 |  | 41,488 |  | -- |  | - |  | 65,723 |
|  | -- |  | 608 |  | -- |  | -- |  | 608 |
|  | -- |  | 1,186 |  | -- |  | -- |  | 1,186 |
|  | 40,482 |  | 38,500 |  | -- |  | -- |  | 78,982 |
|  | 12,485 |  | 8,185 |  | -- |  | -- |  | 20,670 |
|  | 382 |  | 9,539 |  | -- |  | -- |  | 9,921 |
| \$ | 124,339 | \$ | 167,275 | \$ | -- | \$ | -- | \$ | 291,614 |

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## Directions to Teetersville Tower

From the Harlan County Courthouse located at the intersection of First St. and Central St., take Central St. 0.1 mile to the Jct. of Central St. and Hwy 421. Turn left onto Hwy 421 and go 1.2 miles to Hwy 72 . Turn right onto Hwy 72 and continue for 1.6 miles to gravel road on left (sign posted at this location). Turn left onto gravel road and continue for 1 mile. Blue and white ribbons mark the roadway. Sign is posted at site.

Directions were written by:
Marty Thacker
Appalachian Wireless
606-438-2355 Ext 1007 (Office)
606-634-9505 (Cell Phone)
m.thacker@tgtel.com (email)

-


## LEASE AGREEMENT

THIS LEASE AGREEMENT is made and entered into on the $\qquad$ day of September, 2013, with an effective date of October 1, 2013, by and between Harold K. and Patricia A. Sellers of 4044 HWY 72 West, Harlan, Kentucky 40831, LESSORS, and East Kentucky Network, LLC, d/b/a Appalachian Wireless, of 101 Technology Trail, Ivel, Kentucky 41642, LESSEE:

WITNESSETH:
That for and in consideration of the rents and other considerations hereinafter set out and subject to the terms and conditions therefore, Lessors) do hereby lease, let and demise unto Lessee, its successors and assigns, to have and to hold for the term hereinafter set out and subject to the Lessees right to surrender or terminate this Lease and provided hereinafter, the following described premises (Leased Premises), which term shall include all real property, rights and privileges herein granted:

> BEING the same property described by metes and bounds in the description attached hereto and made a part hereof as Exhibit "A", and as shown on the plat dated July 22, 2013, prepared by Kenneth W. Johnson, Licensed Professional Land Surveyor of Coleman Engineering, and attached hereto and made a part hereof as Exhibit "B".

The Lessor grants unto Lessee full and complete right of ingress, egress and regress over roads located upon this property controlled by Lessor to and from the Leased Premises, and the nonexclusive right to use any existing road located on this property. In the event the Lessee desires to relocate all or any portion of an existing roadway or to construct another access road to the Leased Premises, the location of such roadway shall be mutually agreed upon by Lessor and Lessee. Lessor further grants to the Lessee a right of way and easement to construct and maintain and operate telephone and power transmission lines over Lessors remaining property to 176
the Leased Premises for service of the tower and related facilities only, said lines to be located where feasible along the access road to the Leased Premises, with Lessor having input as to location of said power transmission lines in the event Lessee changes the location of its access road. Lessee shall have the right to trim or remove trees, limbs or underbrush which interferes with its access road or power/telephone lines wherever such road and lines are located or may cause damage to the tower if they fall. Lessee shall maintain the existing road with gravel and needed repairs.

This Lease is made on the following terms and conditions:

1. TERM OF LEASE. The term of this lease shall be for a period of five (5) years from the effective date with an allowance of an additional six (6) automatic renewals of five (5) year terms unless Lessee gives Lessor written notice at least sixty (60) days prior to expiration of then said Term that Lessee does not wish to renew.
2. CANCELLATION. Lessee shall have the right to terminate this Lease and abandon the Premises at any time under its sole discretion, upon six (6) month written notice to Lessor of its intention to do so. In the event that Leased Premises fail the process for approval as an acceptable cellular tower site by the Federal Communications Commission or any tests or requirements as required for such approval (the "FCC Process") or approval by the Public Service Commission of Kentucky (the "PSC"), or any other regulatory approval required, then in its sole discretion Lessee may terminate this Lease Agreement upon thirty (30) days written notice to Lessor of such intention. In the event of termination by Lessee, the Lessor shall have no obligation to refund all or any portion of the Leasehold rental payment that has been paid through the date of termination. Upon termination of this Lease, Lessee shall have one hundred eighty (180) days thereafter to remove all structures it has erected upon the Leased Premises, and to reclaim the premises. Rent payment shall continue until said structures are removed.
3. RENTAL. As rental for the Leased Premises, Lessee shall pay Lessor $\$ 500.00$ per month with an increase of $5 \%$ added to the rental payment every five years. Please see table below for scheduled rent payments. If Lessee rents space on the tower located upon this Property to any other Carrier, then Lessee will pay Lessor $10 \%$ of the rent collected. This will be in addition to the regular rent paid to the Lessor. Lessor requests that all payments be paid to

Terry W. Sellers of P.O. Box 1241, Harlan, KY 40831. Please see Exhibit "C" for authorization.

| YEARS | AMOUNT |
| :--- | :--- |
| $1-5$ | $\$ 500.00$ |
| $6-10$ | $\$ 525.00$ |
| $11-15$ | $\$ 551.25$ |
| $16-20$ | $\$ 578.81$ |
| $21-25$ | $\$ 607.75$ |
| $26-30$ | $\$ 638.14$ |
| $31-35$ | $\$ 670.05$ |

4. USE OF PREMISES. Lessee shall have the exclusive rights and privileges of the use of the Leased Premises for the purpose of constructing a tower, buildings, and other related facilities, including, but not limited to telephone lines, coaxial lines, power lines and the installation of any and all other equipment deemed necessary by Lessee to receive and transmit any and all electronic signals in the rural service area now or hereafter to be served by the facility. The parties hereto recognize that technology in the communications field is advancing at a rapid rate and that this site may be used for any other purpose now in the development stage or which may later be developed in the communications industry to carry out the objectives of Lessee, that being to transmit and receive signals and communications by wire, fiber optics, radio and satellite. Lessee shall not use the Leased Premises for purposes other than maintenance or use as a site for communications by the use of methods now or hereafter known.

Lessee agrees to maintain the Leased Premises in a neat and orderly manner.
5. INDEMNITY. Lessee agrees to indemnify and save harmless the Lessor from any liability by virtue of Lessee's activities upon the Leased Premises or in the exercise of any rights and privileges granted herein, specifically including but not limited to any claim, loss, fine, penalty and costs (including reasonable attorney's fees) arising out of any violation of any
environmental laws or regulations. This provision shall survive the termination of the lease. Lessee shall maintain and keep in full force and effect public liability and property damage insurance in an amount of at least One Million Dollars ( $\$ 1,000,000.00$ ). Lessor shall not be held liable for personal injury or property damage on the Leased Premises whether or not associated with Lessee.
6. TAXES. Lessee shall pay all personal property taxes assessed on or any portion of such taxes attributable to the equipment used by Lessee on the Premises. Lessor shall pay when due all real property taxes and all other fees and assessments attributable to the Premises. Lessee shall reimburse the Lessor as additional compensation for any increase in real estate taxes levied against the Lessor (or its successors or assigns) which are directly attributable to or arise as a result of the improvements constructed by the Lessee, its successors or assigns. Payment will be issued after Lessee receives written proof from Lessor that the increase in real estate taxes levied is due to improvements constructed by the Lessee.
7. MISCELLANEOUS PROVISIONS. All notices, demands, or other writings in this Lease Agreement provided to be given, made or sent, or which may be given or made or sent, to either party hereto to the other, shall be deemed to have been fully given or made or sent when made in writing and deposited in the United States Mail, certified and postage prepaid, to Lessor and Lessee at the addresses stated in the caption of this Lease Agreement. Such addresses may be changed by written notice given by such party as above provided.
8. SUCCESSORS AND ASSIGNS. This Lease Agreement shall be binding upon the parties hereto, their heirs, executors, administrators and assigns.

## WITNESS OUR HANDS, the day and year aforesaid.

## LESSORS:



## STATE OF KENTUCKY

## COUNTY OF Floyd

The foregoing Lease Agreement was this 19 day of September, 2013, produced and acknowledged before me by Harold K. Sellers and Patricia A. Sellers, Lessor.


LESSEE:

## EAST KENTUCKY NETWORK, LLC d/b/a APPALACHIAN WIRELESS



ITS: GENERAC MOWAGER

## STATE OF KENTUCKY

 COUNTY OF FLOYDThe foregoing Lease Agreement was this 194 day of September, 2013, produced and acknowledged before me by East Kentucky Network, LLC, dba Appalachian Wireless by Gerald F. Robinette, its General Manager, Lessee.

THIS INSTRUMENT PREPARED BY:

## tramk \%. nave

HON. FRANK K. NALL
ATTORNEY AT LAW
P.O. BOX 1018

PIKEVILLE, KENTUCKY 41502

## DESCRIPTION OF A 0.262 ACRE TRACT FOR APPALACHIAN WIRELESS

Being a certain tract of land located on Kentucky Highway 72 at Teetersville in Harlan County, Kentucky. Being a part of the tract conveyed to Harold K. Sellers and Patricia Sellers at Deed Book 405, Page 305 in the Harlan County Court Clerk's Office and described as follows:

Monuments referred to herein as iron pin (set) is a $5 / 8$ inch rebar, with a plastic cap stamped Johnson PLS 3325. The Basis of Bearings is the Kentucky North 1983 NAD State Plane Coordinate System.

Beginning at an iron pin (set) on center of ridge at coordinates North 1821651.9030 and East 2349772.1487, being the True Point of Beginning;

Thence along said ridge South 15 degrees 16 minutes 07 seconds West, 112.14 feet to an iron pin (set);
Thence leaving said ridge North 74 degrees 47 minutes 37 seconds West, 99.98 feet; Thence North 12 degrees 42 minutes 32 seconds East, 111.00 feet to an iron pin (set); Thence South 75 degrees 28 minutes 41 seconds East, 104.95 feet to True Point of Beginning containing 0.262 acres.

Survey performed by Kenneth W. Johnson, PLS \#3325 on July 22, 2013.




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BTMED
AT $1: 40 \mathrm{AM}$
OCT 082013
HARLAN COUNTY, CLERK
DO $\because$ HOSKINS

## COUNTY OF HARLAN

I, DONNA G. HOSKINS, CLERK OF THE COUNTY IN AND FOR THE COUNTY AND STATE AFORESAID, CERTIFY THAT THE FOREGOING
 LODGED FOR RECORD WHEREUPON THE SAME WITH THE FOREGOING AND THIS CERTIFICATE HAVE DULY RECORDED IN MY OFFICE IN efease BOOK 51 PAGE 1716 WITNESSED MY HAND THIS 8 th DAY OF October 2013.

> DONNA G. HOSKINS, HARLAN COUNTY CLERK

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THE PROPOSED TOWER HAS BEEN LOCATED USING A GEOTRAGER GTR 220 AND POST PROCESSED WITH TRIMBLE SOFTWARE. STATE PLANE COORDINATES NAD 83 KY SOUTH ZONE
 PRECISSION HORIZONTAL $=0.30^{\circ}$ VERTICAL $=0.50^{\circ}$ THIS SURVEY MEETS THE OBSTACLE ACCURACY CODE 1A.
ENGINEER'S CERTIFICATE: I HEREBY CERTIFY THAT THIS DOCUMENT WAS PREPARED BY ME OR UNDER MY DIRECTIONS.


APPALACHIAN WIRELESS<br>101 TECHNOLOGY TRAIL<br>IVEL, KENTUCKY 41642<br>PROPOSED TOWER SITE<br>HAROLD K. SELLERS AND<br>PATRICIA A. SELLERS TRACT AT TEETERSVILLE IN HARLAN COUNTY KENTUCKY



Scale $1^{\prime \prime}=40^{\prime}$

THIS IS A VERTICAL PROFILE SKETCH OF THE TOWER INDICATING THE PROPOSED ANTENNA AND DISH ELEVATIONS. NO DESIGN CRITERIA WAS CONSIDERED IN THE PREPARATION OF THIS DRAWING.


DRAWN BY: KWJ
DATE: 02-24-14
DATE: O2-24-14
JOB: TEETERSVILLE SCALE: $1^{\prime \prime}=40^{\prime}$


# CASE NO: 2014-00022 

CONTAINS<br>LARGE OR OVERSIZED

MAP(S)

RECEIVED ON: March 18, 2014

