# EAST KENTUCKY NETWORK, LLC

d/b/a APPALACHIAN WIRELESS

## BEATTYVILLE II CELLULAR TOWER APPLICATION

Lee County, Kentucky P.S.C. Case # 2011-00377

#### COMMONWEALTH OF KENTUCKY BEFORE THE PUBLIC SERVICE COMMISSION

In the matter of:

DEC 09 2011 PUBLIC SERVICE COMMISSION

RECEIVED

THE APPLICATION OF EAST KENTUCKY NETWORK LIMITED LIABILITY COMPANY FOR THE ISSUANCE OF A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO CONSTRUCT A TOWER IN LEE COUNTY, KENTUCKY).

) CASE No 2011-00377

)

)

East Kentucky Network, LLC, d/b/a Appalachian Wireless, was granted authorization to provide cellular service in the KY-10 Cellular Market Area (CMA452) 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 Lee 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 approximately 1.2 miles South Southeast from the town of Beattyville in Lee County, Kentucky (37°33'30.90''N 83°41'34.40''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)(L) and Section 1(1)(n)(1) all affected property owners <u>according to the property valuation administrator's</u> 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.

Lee County has no formal local planning unit. In absence of this unit the Knott 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 was published in the Beattyville Enterprise's December 8<sup>th</sup> and 15<sup>th</sup> weekly editions. Enclosed is a copy of that notice in Exhibit 3. The Beattyville Enterprise is the newspaper with the largest circulation in Lee 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 Allstate Tower, Inc. 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 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\$ 350,000.00Annual Operation Expense of Tower\$ 12,500.00

Two notice signs meeting the requirements prescribed by 807 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 November 1, 2011 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 deed description to the site.

The proposed construction site is on a piece of land previously used for farming, some feet from the nearest structure.

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 the attention of Lynn Haney, East Kentucky Network, LLC d/b/a/ Appalachian Wireless, 101 Technology Trail, Ivel, KY 41642.

SUBMITTED BY: DATE: 12-5-11 Lynn Haney, Compliance Coordinator DATE: 12-5-11 APPROVED BY:

Gerald Robinette, General Manager

#### **CONTACT INFORMATION:**

Gerald Robinette, General Manager Phone: (606) 791-2375, Ext. 110 Email: grobinette110@ekn.com

Lynn Haney, Compliance Coordinator Phone: (606) 791-2375, Ext. 1007 Email: lhaney@ekn.com

#### **Mailing Address:**

East Kentucky Network, LLC d/b/a Appalachian Wireless 101 Technology Trail Ivel, KY 41642

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

#### ULS License

## Cellular License - KNKN809 - East Kentucky Network, LLC d/b/a Appalachian Wireless

Call Sign	KNKN809	Radio Service	CL - Cellular					
Status	Active	Auth Type	Regular					
Market								
Market	CMA452 - Kentucky 10 - Powell	Channel Block	В					
Submarket	0	Phase	2					
Dates								
Grant	08/30/2011	Expiration	10/01/2021					
Effective	08/30/2011	Cancellation						
Five Year Buil	dout Date							
10/17/1996								
<b>Control Point</b>	s							
1	US Route 23, FLOYD, Harold, K P: (606)478-2355	Y						
Licensee								
FRN	0001786607	Туре	Limited Liability Company					
Licensee								
Wireless 101 Technology Ivel, KY 41642	Network, LLC d/b/a Appalachian y Trail obinette, Manager	P:(606)477-23 F:(606)874-75						
Contact								
	pro Drive	P:(703)584-86 F:(703)584-86 E:pgist@fcclaw	95					
Ownership ar	Ownership and Qualifications							
Radio Service Type	Mobile							
Regulatory Sta	tus Common Carrier Interco	nnected Yes						
Alien Owners	hin							

#### Alien Ownership

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

#### **Basic Qualifications**

The Applicant answered "No" to each of the Basic Qualification questions.

#### **EXHIBIT II: LIST OF PROPERTY OWNERS:**

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

<u>Section 1 (1)(1) 1.</u> 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,

<u>Section 1 (1)(1) 2.</u> 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

<u>Section 1 (1)(1) 3.</u> 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

Ronnie & Joyce Begley 579 Davidson Road Beattyville, KY 41311

> Bill Deaton 2950 SW 53<sup>rd</sup> St. Ocala, FL 34471



#### PUBLIC NOTICE

December 5, 2011

Ronnie & Joyce Begley 579 Davidson Road Beattyville, KY 41311

RE: Public Notice-Public Service Commission of Kentucky (Case No. 2011-00377)

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 Lee County. The facility will include a 300 foot self supporting tower with attached antennas extending upwards, and an equipment shelter located on a tract of land approximately 1.2 miles South Southeast from the town of Beattyville in Lee 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' radius of the proposed tower or within a 200' radius of the proposed or existing access road.

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. 2011-00377 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 606-791-2375, Ext. 1007.

Sincerely,

in Haney

Lynn Haney Compliance Coordinator

Enclosure 1



#### VIA: U.S. CERTIFIED MAIL

#### PUBLIC NOTICE

December 5, 2011

Bill Deaton 2950 SW 53rd St. Ocala, FL 34471

RE: Public Notice-Public Service Commission of Kentucky (Case No. 2011-00377)

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 Lee County. The facility will include a 300 foot self supporting tower with attached antennas extending upwards, and an equipment shelter located on a tract of land approximately 1.2 miles South Southeast from the town of Beattyville in Lee 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' radius of the proposed tower or within a 200' radius of the proposed or existing access road.

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.

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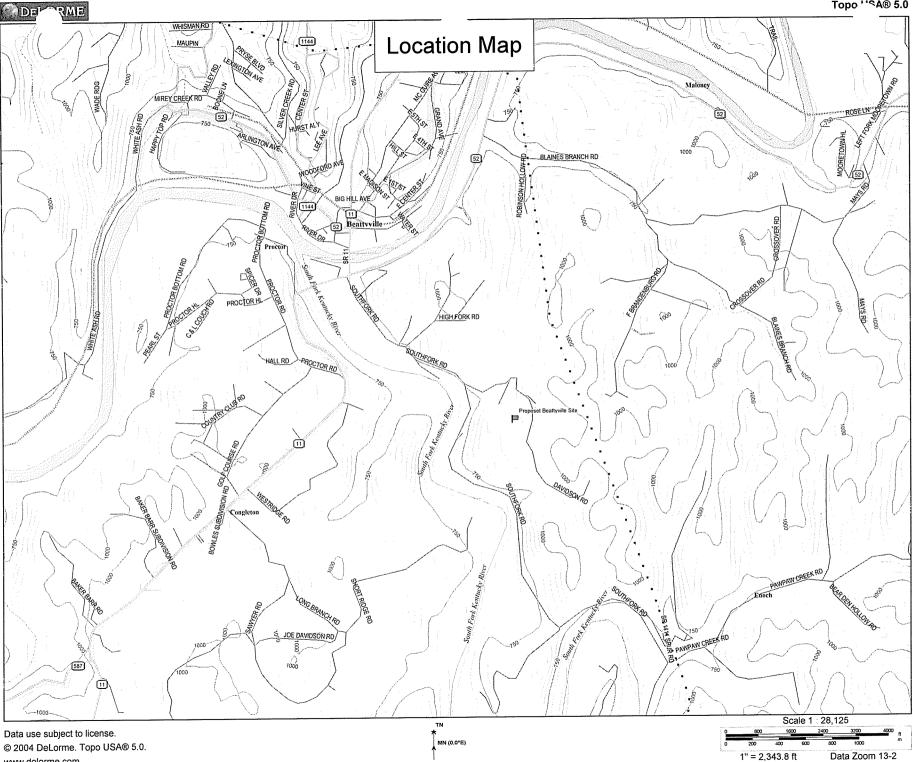
If you have any questions for East Kentucky Network, LLC, please direct them to my attention at the following address: East Kentucky Network, LLC, 101 Technology Trail, Ivel, KY 41642 or call me at 606-791-2375, Ext. 1007.

Sincerely,

Lyn Haney

Lynn Haney Compliance Coordinator

Enclosure 1



www.delorme.com

EAST KENTUCKY NETWORK 101 TECHNOLOGY TRAIL IVEL, KY 41642 PHONE: (606) 874-7550 FAX: (606) 874-7551 ( : INFO@EKN.COM WLDSITE: WWW.EKN.COM

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#### VIA: U.S. CERTIFIED MAIL

December 5, 2011

Steve Mays, Judge Executive P.O. Box G Beattyville, KY 41311

RE: Public Notice-Public Service Commission of Kentucky (Case No. 2011-00377)

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 Lee County. The facility will include a 300 foot self-supporting tower with attached antennas extending upwards, and an equipment shelter located on a tract of land approximately 1.2 miles South Southeast from the town of Beattyville in Lee 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 Lee 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. 2011-00377 in your correspondence.

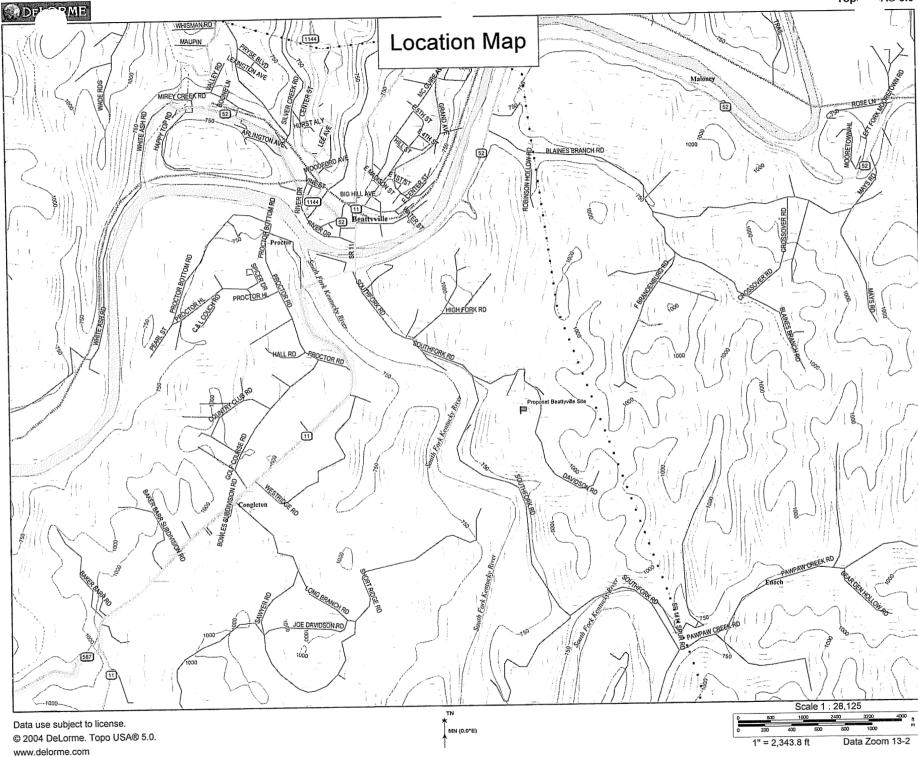
If you have any questions for East Kentucky Network, LLC, please direct them to my attention at the following address: East Kentucky Network, LLC, 101 Technology Trail, Ivel, KY 41642 or call me at 606-791-2375, Ext. 1007.

Sincerely,

Lynn Haney

Lynn Haney Compliance Coordinator

Enclosure



dba Appalachian Wireless 101 Technology Trail Ivel, KY 41642 Phone: 606-874-7550 Fax: 606-791-2225



Re:	PUBLIC NOTICE ADVERTISEMENT	Pages:	1
		Date:	December 5, 2011
	Attn: Ad Manager		Compliance Coordinator/Staff Accountant
To:	The Beattyville Enterprise	From:	Lynn Haney

## Please place the following Public Notice Advertisement in the Beattyville Enterprise for the next two weeks.

#### PUBLIC NOTICE:

RE: Public Service Commission of Kentucky (CASE NO. 2011-00377)

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 approximately 1.2 miles South Southeast from the town of Beattyville in Lee County, Kentucky. The proposed tower will be a 300 foot self-supporting 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. 2011-00377.

If you have any questions about the placement of the above mentioned notice, please call me at 606-791-2375, ext. 1007.

Thank you,

Lynn Haney Compliance Coordinator/ Staff Accountant

#### If you have any problems with this fax, please call 606-791-2375, ext. 1007.

The message above and the information contained in the documents transmitted are confidential and intended only for the person(s) named above. Dissemination, distribution or copying of this communication by anyone other than the person(s) named above is prohibited. If you have received this communication in error, please notify us immediately by telephone and return the original message to us at the address listed above via regular mail. Thank you.

#### Next Generation Communications

#### Lynn Haney

Edmund Shelby [beattyill@bellsouth.net] From: Monday, December 05, 2011 9:57 AM Sent: To: Ihaney@ekn.com Subject: Re: Public Notice Ad Lynn, I have downloaded and the legal ad that is to run in The Beattyville Enterprise on the dates of December 8 & 15, looks good to go. Thanks, Cheryle Walton~Ad Manager --- On Mon, 12/5/11, Lynn Haney </heiner/@ekn.com> wrote: From: Lynn Haney < lhaney@ekn.com> Subject: Public Notice Ad To: beattyill@bellsouth.net Date: Monday, December 5, 2011, 9:50 AM Please place the attached ad in the Beattyville Enterprise and run for 2 weeks. Feel free to contact me if you have any questions. Thank you, Lynn Haney Compliance Coordinator/ Staff Accountant East Kentucky Network, LLC dba Appalachian Wireless (606) 791-2375 ext. 1007 (606) 791-2225 (fax)

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### WENDELL R. HOLMES, P.G. 424 Pear Street Hazard, KY 41701 September 22, 2011

#### **Beattyville Tower Site**

#### Purpose:

A site assessment was conducted for Appalachian Wireless on a tract of land located in Lee County near Beattyville, Kentucky. The site of the proposed tower is now pastureland. 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 Caterpillar excavator was used to expose the bedrock material. It is approximately 8.0 feet to the shale bedrock. (See attached page for descriptions of materials encountered.) The terrain in Lee County is slightly to moderately steep. The tower site is located on a knob east of the confluence of Long Branch and The South Fork of the Kentucky River, approximately one and two tenths miles southeast of Beattyville in Lee 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 high knob in the area. The shale bedrock on the proposed tower site is part of the Breathitt Formation, 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.



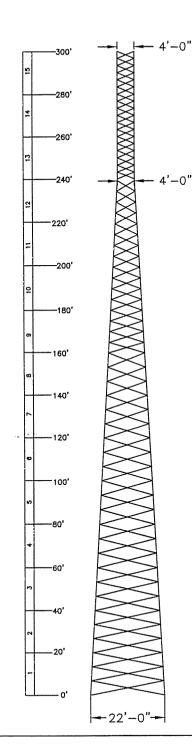
## WENDELL R. HOLMES, P.G.

### 424 Pear Street Hazard, Ky. 41701 (606)438-7250

## Geologist Log

Location: Beattyville Tower Site

Unit Thickness	Total depth	Strata	Description
8.00'	8.00′	Soil	Yellow, Brown with shale & plant fragments
10.00′ +	18.00′ +	Shale	Weathered, Brown and Gray



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	CHIS. LEE 18714	

			MEMBER	INFORMATION		
SECTION	ELEVATION	FACE SIZE	LEG DIA.	DIAGONALS	GIRTS	# OF BAYS
1	0' - 20'	22'-0"	¢4.5″	L3.5" X .25"	N/A	3 – X
2	20' - 40'	20'-6"	ø4.25"	L3.5" X .25"	N/A	3 – X
3	40' - 60'	19'-0"	ø4.25"	L3" X .25"	N/A	3 – X
4	60' - 80'	17'-6"	¢4.25"	L3" X .25"	N/A	3 – X
5	80' - 100'	16'-0"	ø4.0"	L3" X .1875"	N/A	3 – X
6	100' - 120'	14'-6"	ø4.0"	L2.5" X .1875"	N/A	3 – X
7	120' - 140'	13'0"	ø3.75"	L2.5" X .1875"	N/A	3 – X
8	140' - 160'	11'-6"	ø3.75"	L2.5" X .1875"	N/A	3 – X
9	160' - 180'	10'-0"	ø3.5"	L2" X .1875"	N/A	4 – X
10	180' - 200'	8'-6"	ø3.25"	L1.75" X .1875"	N/A	4 – X
11	200' - 220'	7'-0"	ø3.25"	L1.75" X .1875"	N/A	4 – X
12	220' - 240'	5'6"	ø3.0"	L1.75" X .1875"	N/A	4 – X
13	240' - 260'	4'-0"	ø2.75"	S.R75	S.R. ø.875	6 – X
14	260' - 280'	4'-0"	¢2.0"	S.R75	S.R. Ø.75	6 – X
15	280' - 300'	4'-0"	ø1.5"	S.R625	S.R. Ø.75	6 – X

#### ANTENNA INFORMATION

ELEVATION	ANTENNA	LINE
80'	(1) 6' DISH W/O RADOME	(1) 1 5/8"
100'	(1) 6' DISH W/O RADOME	(1) 1 5/8"
120'	(1) 4' DISH W/O RADOME	(1) 1 5/8"
180'	(1) 6' DISH W/O RADOME	(1) 1 5/8"
200'	(1) 8' DISH W/O RADOME	(1) 1 5/8"
220'	(1) 8' DISH W/O RADOME	(1) 1 5/8"
260'	(6) WPA-800102/4CF	(6) 1 5/8"
280'	(12) 840 21240	(12) 1 5/8"
292'	(12) 840 21240	(12) 1 5/8"
300'	(6) WPA-800102/4CF	(6) 1 5/8"

#### DESIGN NOTES:

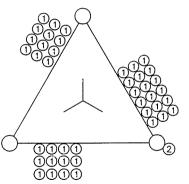
1) ALL LEGS ARE SOLID ROUND ASTM A-572 GRADE : Fy  $\geq$  50 KSI.

- 2) ALL ANGLE MATERIAL IS ASTM A-529 : Fy  $\geq$  50 KSI.
- 3) ALL BRACE AND FLANGE BOLTS ARE A325-X

4) THIS TOWER IS DESIGNED FOR STEP BOLTS UP ONE LEG FOR CLIMBING WITH SAFETY CLIMB DEVICE.

- 5) (6) ø1.125" x 5'-0" LONG (F1554 GR.105) ANCHOR BOLTS PER LEG.
- 6) THIS TOWER IS DESIGNED FOR A 70 M.P.H. BASIC WIND SPEED WITH NO ICE AND A 61MPH BASIC WIND SPEED WITH 0.50" ICE. IN ACCORDANCE WITH THE TIA/EIA-222-G STANDARD.

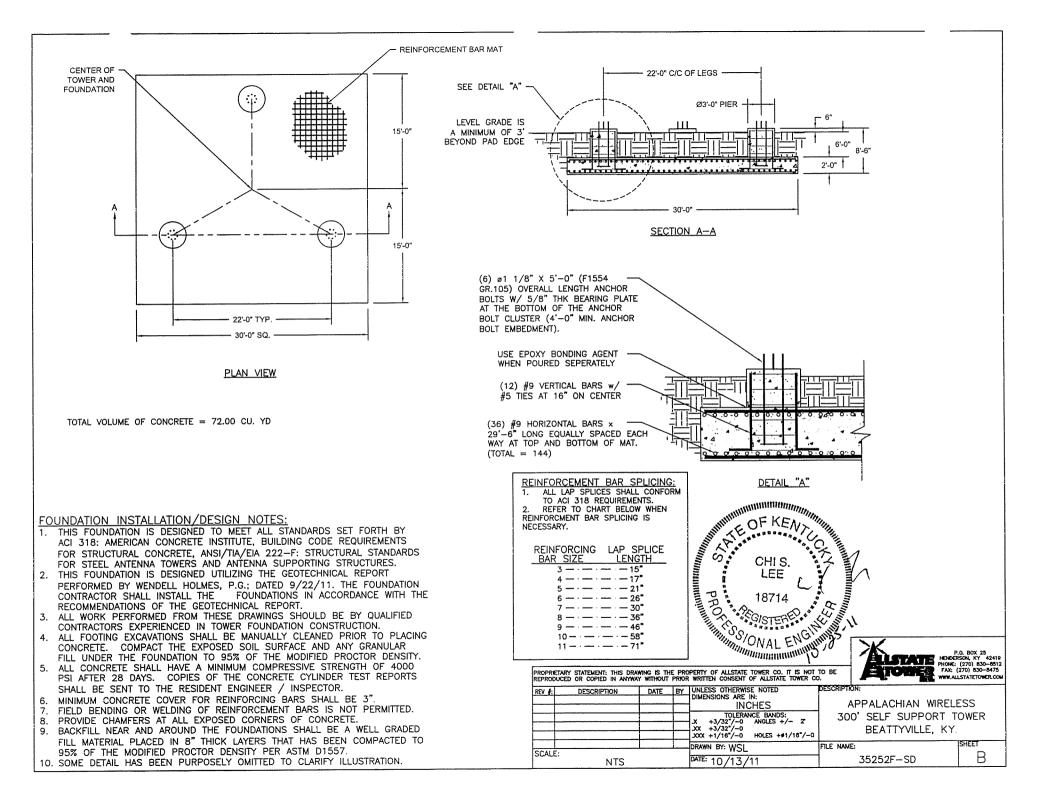
PROPRIETA	KIPS	WING IS TH Y WITHOUT	e pro Prior	PERTY OF ALLSTATE TOWER CO. IT IS NOT WRITTEN CONSENT OF ALLSTATE TOWER C	0.		P.O. BOX 25 ENDERSON, KY 42419 HONE: (270) 830-8512 FAX: (270) 830-8475 MW.ALLSTATETOWER.COM
REY 1:	DESCRIPTION	DATE		UNLESS OTHERWISE NOTED DIMENSIONS ARE IN:	DESCRIPTIC	N:	
				INCHES		TION VIEW & MEMBER I	NFORMATION
				TOLERANCE BANDS: .X +3/32*/-0 ANGLES +/- 2*		PPALACHIAN WIRE	
				.xx +3/32"/-0 .xxx +1/16"/-0 HOLES +#1/16"/-0		AS REQUIRED,	KY
CON F		L	1	DRAWN BY: WSL	FILE NAME	2	SHEET
SCALE:	NTS			DATE: 10/17/11	1	300' SST APP.	A



PLAN VIEW

PLAN	VIEW	REF:
1)	FEEDL	INES
2)	STEP	BOLTS

BASE REACTION	NS:(FACTORED)
TOTAL SHEAR	= 40 KIPS
AXIAL LOAD	= 74 KIPS
UPLIFT / LEG	= 325 KIPS
COMP. / LEG O.T. MOMENT	= 389 KIPS
O.T. MOMENT	= 6911 FT-K



.

**Common Frequency Bands** 

Project Name: EAST -000190580-11

Sponsor: East Kentucky Network, LLC

#### **Details for Case : Beattyville**

Show Project Summary

**Case Status** 

Construction	/ Alteration Information	Structure Summ	ary
		Documents:	11/16/2011 🔁 Beattyville_Site
		Letters:	None
Status:	Accepted	Date Determined:	
ASN:	2011-ASO-7378-OE	Date Accepted:	11/16/2011

#### **Construction / Alteration Information**

Notice Of:	Construction	Structure Type:	Tower
Duration:	Permanent	Structure Name:	Beattyville
if Temporary :	Months: Days:	NOTAM Number:	
Work Schedule - Start:	12/15/2011	FCC Number:	
Work Schedule - End:	12/20/2011	Prior ASN:	

\*For temporary cranes-Does the permanent structure require separate notice to the FAA? To find out, use the Notice Criteria Tool. If separate notice is required, please ensure it is filed. If it is not filed, please state the reason in the Description of Proposal.

State Filing:

**Structure Details** 

Filed with State

#### **ERP** Unit Low Freq **High Freq** Freq Unit ERP 37° 33' 30.90" N Latitude: 698 806 MHz 1000 W 83° 41' 34.40" W jitude: 806 824 500 MHz w NAD83 824 849 MHz 500 W norizontal Datum: 851 866 MHz 500 W Site Elevation (SE): 999 (nearest foot) 869 894 MHz 500 W 310 (nearest foot) Structure Height (AGL): 896 901 MHz 500 W \* If the entered AGL is a proposed change to an 901 902 MHz 7 W existing structure's height include the current 930 931 MHz 3500 W AGL in the Description of Proposal. 931 932 MHz 3500 W 932 932.5 MHz 17 dBW Dual-red and medium intensity **Requested Marking/Lighting:** 935 940 MHz 1000 W Other : MHz 3500 940 941 W **Recommended Marking/Lighting:** 1850 1910 MHz 1640 W 1990 MHz 1640 1930 W N/A New Structure **Current Marking/Lighting:** MHz 2000 2305 2310 W Other: 2345 2360 MHz 2000 W Beattyville **Nearest City: Specific Frequencies Nearest State:** Kentucky **Description of Location:** Approx. 1.1 miles SE of Beattyville On the Project Summary page upload any certified survey. (Lee), KY A new 300' tower with top-mounted **Description of Proposal:** antennas (overall height of 310' AGL).



Federal Aviation Administration

« OE/AAA

Notice of Proposed Construction or Alteration - Off Airport

Kentuckij
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Kentucky Transportation Cabinet, Kentucky Airport Zoning Commission, 200 Mero <b>APPLICATION FOR PERMIT TO CONSTRUCT OR ALTER</b> INSTRUCTIONS INCLUDED				
<ol> <li>APPLICANT Name, Address, Telephone, Fax, etc. East Kentucky Network, LLC c/o Lukas, Nace, Gutierrez &amp; Sachs, Chtd 8300 Greensboro Drive, Suite 1200 McLean, VA 22102 T: 703-584-8667 F: 703-584-8692</li> <li>Representative of Applicant Name, Address, Telephone, Fax Ali Kuzehkanani</li> </ol>	9. Latitude:       37       °       33       30       9       "         10. Longitude:       83       °       41       34       4       "         11. Datum:       ⊠ NAD83       □ NAD27       □ Other			
Lukas, Nace, Gutierrez & Sachs, Chtd 8300 Greensboro Drive, Suite 1200 McLean, VA 22102 T: 703-584-8667 F: 703-584-8692	14. Distance from #13 to Structure:       20.7 mi         15. Direction from #13 to Structure:       East         16. Site Elevation (AMSL):       999.00			
<ol> <li>Application for: X New Construction  Alteration  Existing</li> <li>Duration:  Permanent  Temporary (Months Days)</li> </ol>	17. Total Structure Height (AGL):      310.00 Feet         18. Overall Height (#16 + #17) (AMSL):      1,309.00 Feet			
<ol> <li>Work Schedule: Start <u>12/15/2011</u> End <u>12/20/2011</u></li> <li>Type: Antenna Tower Crane Building Power Line</li> <li>Landfill Water Tank Other</li> </ol>	19. Previous FAA and/or Kentucky Aeronautical Study Number(s):			
<ul> <li>7. Marking/Painting and/or Lighting Preferred:</li> <li>☐ Red Lights and Paint</li> <li>☑ Dual - Red &amp; Medium Intensity White</li> <li>☑ White - Medium Intensity</li> <li>☑ White - High Intensity</li> <li>☑ Other</li> </ul>	<ol> <li>Description of Location: (Attach USGS 7.5 minute Quadrangle Map or an Airport layout Drawing with the precise site marked and any certified survey)</li> <li>Site is located approx. 1.1 miles SE of Bettyville (Lee), KY</li> </ol>			
8. FAA Aeronautical Study Number				
21. Description of Proposal: The structure will include a 300' tower with top-mounted antennas (over				
22. Has a "NOTICE OF CONSTRUCTION OR ALTERATION" (FAA Form 7460-1				
CERTIFICATION: I hereby certify that all the above statements made by me are	true, complete and correct to the best of my knowledge and belief.			
Ali Kuzehkanani/ Dir of Engineering	11/16/2011 Date			
Printed Name and Title Signature Signature PENALTIES: Persons failing to comply with Kentucky Revised Statutes (KRS 18 050:Series) are liable for fines and/or imprisonment as set forth in KRS 183.990(3) in further penalties.	33.861 through 183.990) and Kentucky Administrative Regulations (602 KAR			
Commission Action:	rman, KAZC Administrator, KAZC			
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#### EAST KENTUCKY NETWORK, LLC DBA APPALACHIAN WIRELESS

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#### FINANCIAL REPORT

December 31, 2010

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Jones, Nale & Mattingly PLC

#### INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying balance sheets of East Kentucky Network, LLC, dba Appalachian Wireless as of December 31, 2010 and 2009 and the related statements of income, members' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of East Kentucky Network, LLC, dba Appalachian Wireless as of December 31, 2010 and 2009 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.

Joner. Male & Mattingly Pic.

Louisville, Kentucky February 26, 2011

Certified Public Accountants and Advisors 642 South Fourth Street, Suite 300 Louisville, Kentucky 4020/2 tel: 502.583.0248 fax: 502.589.1680 www.jnmcpa.com

#### EAST KENTUCKY NETWORK, LLC DBA APPALACHIAN WIRELESS

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#### BALANCE SHEETS December 31, 2010 and 2009

ASSETS	2010	2009	
CURRENT ASSETS			
Cash and cash equivalents	\$ 11,517,807	\$ 2,874,412	
Short-term investments (Note 9)	100,000	100,000	
Accounts receivable, less allowance for doubtful			
accounts of \$1,473,291 in 2010 and \$1,405,597 in 2009	8,510,532	7,806,718	
Accounts receivable, members (Notes 5 and 6)	120,279	87,192	
Inventory	5,473,601	5,699,380	
Prepaid expenses	510,762	537,143	
Total current assets	\$ 26,232,981	\$ 17,104,845	
PROPERTY, PLANT AND EQUIPMENT (Note 3)			
Plant in service:			
General support	\$ 29,593,635	\$ 27,455,560	
MTSO equipment	17,622,843	22,282,589	
Cell equipment	62,992,099	64,198,981	
Paging equipment	2,452,567	3,321,068	
Fiber ring	7,802,053	7,675,975	
Unfinished plant	5,813,391	3,675,759	
- manage Prove	\$126,276,588	\$128,609,932	
Less accumulated depreciation	53,217,856	57,070,186	
	\$ 73,058,732	\$ 71,539,746	
OTHER ASSETS	\$ 112,712	\$ 112,712	
Investment in affiliated company, RTFC	D 112,/12	\$ 112,712	
Intangible assets, net of accumulated amortization	2 012 260	4,598,466	
of \$5,075,703 in 2010 and \$4,389,605 in 2009 (Note 2)	<u>3,912,368</u> \$ 4,025,080	¢ 1711170	
	\$ 4,025,080	\$ 4,711,178	
	\$103,316,793	\$ 93,355,769	

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

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LIABILITIES AND MEMBERS' EQUITY	2010	2009	
CURRENT LIABILITIES			
Current maturities of long-term debt (Notes 3 and 9)	\$ 2,685,714	\$ 2,685,714	
Accounts payable	2,339,497	2,033,336	
Accounts payable, members (Notes 5 and 6)	27,707	35,206	
Accrued expenses	1,970,165	1,519,862	
Deferred revenue, advance billings	2,454,257	2,133,743	
Customer deposits	570,375	574,996	
Total current liabilities	liabilities \$ 10,047,715		
LONG-TERM DEBT, less current maturities (Notes 3 and 9)	\$ 10,873,492	\$ 13,559,207	
INTEREST RATE SWAPS (Notes 8 and 9)	\$ 1,301,598	\$ 1,384,261	
MEMBERS' EQUITY			
Members' capital accounts	\$ 82,395,586	\$ 70,813,705	
Accumulated other comprehensive (loss)	(1,301,598)	(1,384,261)	
	\$ 81,093,988	\$ 69,429,444	

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#### STATEMENTS OF INCOME Years Ended December 31, 2010 and 2009

	2010	2009
REVENUE	•	
Retail	\$ 49,761,597	\$ 46,125,449
Roamer	19,899,728	16,777,789
Long distance	150,913	195,754
Paging	402,317	488,500
Equipment sales, cellular	3,194,207	2,613,489
Equipment sales, paging	63,355	93,942
Other	2,975,390	3,203,881
Total revenue	\$ 76,447,507	\$ 69,498,804
EXPENSES		
Cost of cellular service	\$ 14,859,401	\$ 15,223,905
Cost of paging service	361,793	339,051
Cost of equipment sales, cellular	14,723,995	13,508,510
Cost of equipment sales, paging	35,112	57,023
Customer service	1,482,312	1,364,596
Billing	1,730,631	1,657,074
Selling	4,994,147	4,188,213
Maintenance	2,888,565	2,595,663
Utilities	976,530	869,016
Bad debts	732,290	473,634
Cell site rental	294,170	244,023
Taxes and licenses	2,026,428	446,482
Advertising	3,900,531	3,815,728
General and administrative	4,220,443	3,666,329
Occupancy	574,325	632,810
Depreciation	9,808,536	9,105,095
Amortization	852,538	839,546
Total expenses	\$ 64,461,747	\$ 59,026,698
Income from operations	\$ 11,985,760	\$ 10,472,106
OTHER INCOME (EXPENSE)		
Interest income	\$ 25,278	\$ 31,040
Interest expense	(1,028,373)	(1,424,984)
Universal Service Fund income (Note 7)	7,371,103	7,045,378
	\$ 6,368,008	\$ 5,651,434
Net income	<u>\$ 18,353,768</u>	<u>\$ 16,123,540</u>

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

#### EAST KENTUCKY NETWORK, LLC DBA APPALACHIAN WIRELESS

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#### STATEMENTS OF MEMBERS' EQUITY Years Ended December 31, 2010 and 2009

					Peoples Rural	
		Gearhart	Mountain		Telephone Coop-	
		Communi-	Tele-	Thacker-	erative	
	Cellular	cations	communi-	Grigsby	Corp-	
	Services,	Company,	cations,	Telephone	oration,	
	LLC	Inc.	Inc.	Co., Inc.	Inc.	Total
Balance, January 1, 2009 Comprehensive income:	\$11,693,564	\$11,693,564	\$11,693,564	\$11,693,563	\$11,693,564	\$58,467,819
Net income	3,224,708	3,224,708	3,224,708	3,224,708	3,224,708	16,123,540
Change in fair value of interest rate swaps	136,712	136,712	136,712	136,712	136,712	683,560
Total comprehensive income	\$ 3,361,420	\$ 3,361,420	\$ 3,361,420	\$ 3,361,420	\$ 3,361,420	\$16,807,100
Capital distributions	(1,169,095)	(1,169,095)	(1,169,095)	(1,169,095)	(1,169,095)	(5,845,475)
Balance, December 31, 2009	\$13,885,889	\$13,885,889	\$13,885,889	\$13,885,888	\$13,885,889	\$69,429,444
Comprehensive income: Net income Change in fair value of	3,670,754	3,670,753	3,670,753	3,670,754	3,670,754	18,353,768
interest rate swaps	16,532	16,532	16,533	16,533	16,533	82,663
Total comprehensive income	\$ 3,687,286	\$ 3,687,285	\$ 3,687,286	\$ 3,687,287	\$ 3,687,287	\$18,436,431
Capital distributions Balance, December 31, 2010	(1,354,377) \$16,218,798	<u>(1,354,377)</u> <u>\$16,218,797</u>	(1,354,378) \$16,218,797	(1,354,377) \$16,218,798	(1,354,378) \$16,218,798	(6,771,887) \$81,093,988

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, 2010 and 2009

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	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 18,353,768	\$ 16,123,540
Adjustments to reconcile net income to net cash provided		
by operating activities:	0 000 <i>00 (</i>	
Depreciation	9,808,536	9,105,095
Amortization	852,538	839,546
Loss on disposition of property, plant, and equipment	593,729	82,302
Changes in assets and liabilities, net of the effects		
of investing and financing activities:		
(Increase) in accounts receivable	(703,814)	(1,559,749)
(Increase) decrease in accounts receivable, members	(33,087)	886
(Increase) decrease in inventory	225,779	(2,645,935)
(Increase) decrease in prepaid expenses	26,381	(125,195)
Increase in accounts payable	306,161	261,098
(Decrease) in accounts payable, members	(7,499)	(14,373)
Increase in accrued expenses	450,303	311,724
Increase in deferred revenue, advance billings	320,514	246,513
(Decrease) in customer deposits	(4,621)	(25,876)
Net cash provided by operating activities	\$ 30,188,688	\$ 22,599,576
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	\$ (12,087,691)	\$ (15,028,659)
Net cash (used in) investing activities	\$ (12,087,691)	\$ (15,028,659)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital distributions	\$ (6,771,887)	\$ (5,845,475)
Proceeds from long-term borrowings		10,200,000
Payments on long-term borrowings	(2,685,715)	(14,196,195)
Net cash (used in) financing activities	\$ (9,457,602)	\$ (9,841,670)
Net increase (decrease) in cash and cash equivalents	\$ 8,643,395	\$ (2,270,753)
Cash and cash equivalents:		
Beginning	2,874,412	5,145,165
Ending	<u>\$ 11,517,807</u>	<u>\$ 2,874,412</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION Cash payments for interest (net of capitalized interest of of \$117,887 in 2010 and zero in 2009)	<u>\$ 1,045,454</u>	<u>\$ 1,431,014</u>

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 temporary investments having original maturities of three months or less to be cash equivalents. The Company maintains its cash 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 investments, 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 markets (Level 2) as defined by the Fair Value Measurements Topic of the FASB Accounting Standards Codification (see Note 9).

#### Accounts receivable

Accounts receivable are recorded at net realizable value consisting of the carrying amount less an allowance for uncollectible accounts. 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.

#### Note 1. Summary of Significant Accounting Policies (Continued)

#### Inventory

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Inventory is composed of cellular telephone equipment, paging 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.

#### 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 distance, 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 phone, 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 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.

#### Advertising

Advertising costs are expensed as incurred. At December 31, 2010 and 2009, these costs were \$3,900,531 and \$3,815,728, respectively.

Note 1. Summary of Significant Accounting Policies (Continued)

#### 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, 2010 and 2009.

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 26, 2011, the date the financial statements were available to be issued.

#### Reclassification

Certain amounts presented in the prior period have been restated to conform with the current year presentation.

## Note 2. Intangible Assets

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Intangible assets consist of the following at December 31, 2010:

	Gross Amount	Accumulated Amortization	Weighted Average Life (in years)
Customer lists	\$ 5,363,530	\$ (3,583,198)	15
Non-compete agreements	220,348	(180,336)	15
FCC licenses	2,452,368	(889,418)	14
Use of name	10,000	(7,002)	15
Other	941,825	(415,749)	7
	\$ 8,988,071	\$ (5,075,703)	

Intangible assets consist of the following at December 31, 2009:

	Gross Amount	Accumulated Amortization	Weighted Average Life (in years)
Customer lists	\$ 5,363,530	\$ (3,225,881)	15
Non-compete agreements	220,348	(165,657)	15
FCC licenses	2,452,368	(717,074)	14
Use of name	10,000	(6,335)	15
Other	941,825	(274,658)	7
	\$ 8,988,071	\$ (4,389,605)	

Aggregate amortization expense related to these intangible assets for the years ended December 31, 2010 and 2009 totaled \$686,098 and \$682,251 respectively. The following represents the total estimated amortization of intangible assets for each of the succeeding five years:

Year ending December 31:

2011	\$ 680,000
2012	680,000
2013	660,000
2014	620,000
2015	550,000

#### Note 3. Long-Term Debt

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

	2010	2009
Note payable, Fifth Third Bank (a)	\$ 7,633,333	\$ 9,033,333
Line of credit, Fifth Third Bank (b)		
Note payable, Fifth Third Bank (c)	5,925,873	7,211,588
· · · · · · · · · · · · · · · · · ·	\$ 13,559,206	\$ 16,244,921

(a) On February 28, 2006, the Company 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. Principal 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 determined by Fifth Third Securities, Inc. (2.01% at 12/31/10). 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 8). The note is payable in monthly installments of 116,667 plus interest through February 1, 2012 and 125,000 plus interest through November 1, 2013 with a balloon payment due at maturity.

- (b) The line of credit agreement with Fifth Third Bank provided for borrowings up to \$2,000,000 and was secured by assets of the Company. The agreement carried a variable interest rate at monthly LIBOR plus 3.00% as determined by Fifth Third Securities, Inc. The agreement expired on September 1, 2010 and was not renewed by the Company.
- (c) On September 1, 2008, the Company borrowed \$9,000,000 to restructure existing debt, purchase new equipment and upgrade existing equipment. The note is collateralized by the assets of the Company. Interest on the note is floating at monthly LIBOR plus 3.00% as determined by Fifth Third Securities, Inc (3.26% at 12/31/10). The Company also entered into an interest rate swap contract (original notional amount of \$9,000,000) that effectively converts its floating-rate debt into a fixed rate of 7.20% (see Note 8). The note is payable in monthly installments of \$107,143 plus interest with a balloon payment due on September 1, 2013.

Total interest cost for the years ended December 31, 2010 and 2009 was approximately \$1,146,000 and \$1,425,000, respectively, of which approximately \$118,000 was capitalized in 2010 as part of the construction of a new office building.

#### Note 3. Long-Term Debt (Continued)

Under terms of the Notes, the Company has also agreed, among other things, to limit distributions, to maintain minimum debt service coverage, and to maintain minimum debt to tangible worth ratios.

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:	
2011	\$ 2,685,714
2012	2,769,048
2013	8,104,444
2014	
2015	
	\$ 13,559,206

#### Note 4. Retirement Plans

The Company has a 401(k) plan for qualifying employees who have 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 \$139,405 and \$124,071 in matching funds for its 401(k) plan during the years ended December 31, 2010 and 2009, 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 \$638,293 and \$421,669 to its retirement savings plan during the years ended December 31, 2010 and 2009, respectively.

#### Note 5. Related Party Transactions

The Company shares personnel with three of its members. The Company paid \$251,384 and \$210,990 for shared personnel during the years ended December 31, 2010 and 2009, 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 for both years ended December 31, 2010 and 2009.

The Company incurred interconnection, telephone, cable and internet access charges from its members aggregating \$1,206,230 and \$1,111,251 for the years ended December 31, 2010 and 2009, respectively.

Note 5. Related Party Transactions (Continued)

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, 2010 and 2009. 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. In addition, the Company leases one other site from a company owned by a member. The annual lease expense related to this lease for the years ended December 31, 2010 and 2009 amounted to \$13,350 and \$11,700, respectively. The Company leases cellular tower sites from the parent company of one of its other members. The annual lease expense related to these leases was \$12,463 for both years ended December 31, 2010 and 2009. The leases are for five years with options to renew.

The Company pays commissions to its members for phone sales to customers. The amount of commissions paid to related parties during the years ended December 31, 2010 and 2009 was \$55,035 and \$45,420, respectively.

The 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 \$61,534 and \$54,522 for the years ended December 31, 2010 and 2009, respectively.

#### Note 6. Operating Leases

The Company has 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 \$1,214,408 and \$1,194,626 for the years ended December 31, 2010 and 2009, respectively. Rental income earned from the Company's members from these leases was \$1,008,827 and \$799,054 for the years ended December 31, 2010 and 2009, respectively.

Investments in operating leases are as follows at December 31:

	2010	2009
Fiber ring Accumulated depreciation	\$ 7,802,053 (3,120,944)	\$ 7,675,975 (2,623,141)
	\$ 4,681,109	\$ 5,052,834

The future minimum rental payments expected to be received under these lease agreements for each of the succeeding five years are approximately \$1,200,000 each year.

### Note 6. 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 \$1,055,717 and \$1,070,826 for the years ended December 31, 2010 and 2009, respectively. Rental expense incurred from the Company's members from these leases was \$411,196 and \$488,725 for the years ended December 31, 2010 and 2009, respectively. The future minimum lease payments required under these lease agreements for each of the succeeding five years are approximately \$1,100,000 each year.

### Note 7. Eligible Telecommunication Carrier

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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 \$7,371,103 and \$7,045,378 for 2010 and 2009, respectively.

Note 8. 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 \$9,000,000 at a rate of 7.20% until September 1, 2013.

Under the swap contracts, the Company pays interest at 5.71% and 4.20% on the notional amounts and receives interest at LIBOR observed monthly (0.26% at December 31, 2010). 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 settlement 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.

#### Note 8. 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 2011. 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 9. Fair Values of Financial Instruments

The Fair Value Measurements Topic of the FASB Accounting Standards Codification defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The Fair Value Measurements Topic establishes a fair value hierarchy about the assumptions used to measure fair value and clarifies assumptions about risk and the effect of a restriction on the sale of an asset. The Fair Value Measurements Topic defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. However, in many instances, there are no quoted market prices for the Company's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument. The Fair Value Measurements Topic also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The Fair Value Measurements Topic describes three levels of inputs that may be used to measure fair value:

- Level 1 Quoted prices (unadjusted) or identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.
- Level 2 Significant other observable inputs other than Level 1 prices, such as quoted prices of similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.
- Level 3 Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

#### Note 9. Fair Values of Financial Instruments (Continued)

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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 are measured using Level 2 inputs.

The fair value of short-term investments approximates its carrying amount due to the short-term 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.

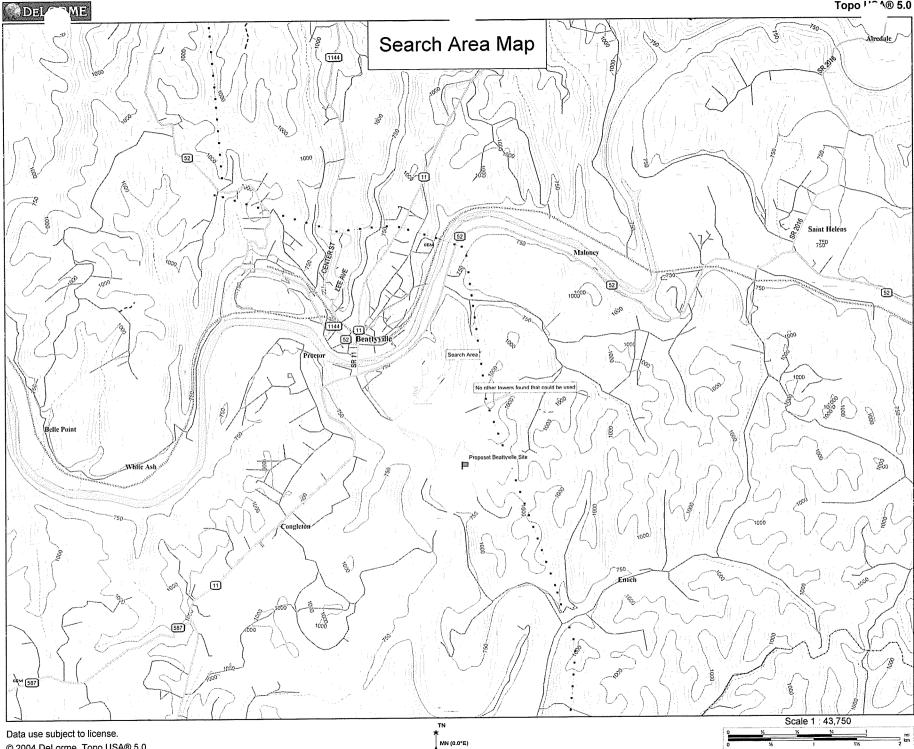
The fair value of the interest rate swaps are based on the approximation of market value derived from proprietary models. This fair value takes into consideration the prevailing interest rate environment and the specific terms and conditions of the derivative financial instrument. The fair value was 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.

# Directions to Beattyville II Site

Starting from the courthouse in Lee County Ky. Take Main St. North .2 miles to Broadway. Turn right onto Broadway and go .1 miles to Hwy. 11. Turn right onto Hwy.11 . After turning right onto Hwy 11 turn left onto Hwy 1411 South and continue for .7 miles to Davidson Rd. Turn left onto Davidson Rd. and continue for .5 miles to the right fork of Davidson Rd. Turn right onto the right fork of Davidson Rd. and continue for .1 miles signs are posted beside Rd. and on the site.

Directions were written by:

Marty Thacker Appalachian Wireless 606-634-9505 Cell Phone 606-785-2203 Office <u>m.thacker@tgtel.com</u> email



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Data Zoom 12-5

1" = 3,645.8 ft

## LEASE AGREEMENT

THIS LEASE AGREEMENT is made and entered into on the <u>25</u> day of <u>May</u>, 2011, with a Commencement Date of June 1, 2011, by and between Ronnie Begley and Joyce Begley, his wife, of 579 Davidson Road, Beattyville, KY 41311, LESSORS, and **East Kentucky Network, LLC, d/b/a Appalachian Wireless**, of 101 Technology Trail, Ivel, Kentucky 41642, LESSEE:

## WITNESSETH:

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That for and in consideration of the rents and other considerations hereinafter set out and subject to the terms and conditions therefore, Lessor(s) 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 28<sup>th</sup> day of March, 2011, prepared by G. Christopher Slone, Licensed Professional Land Surveyor of Summit Engineering, Inc., and attached hereto and made a part hereof as Exhibit B.

The Lessor(s) grant 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(s) and Lessee. Lessor(s) further grant 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 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(s) 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 damage tower if they fall. Lessee shall help 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 twenty-five (25) years from the Commencement Date of this Lease Agreement with an option to renew for an additional twenty-five (25) year term. Lessee shall give Lessor(s) written notice at least ninety (90) days prior to expiration of initial Term if Lessee intends to renew for an additional term.

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(s) 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"), then in

its sole discretion Lessee may terminate this Lease Agreement upon thirty (30) days written notice to Lessor(s) 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 eight (180) days thereafter to remove all structures it has erected upon the Leased Premises, and to reclaim the premises. Payment shall continue until said structures are removed.

3. **RENTAL**. As rental for the Leased Premises, Lessee shall pay Lessor as follows: three hundred dollars (\$300) per month for the first five (5) years of the initial term. After the first five (5) years of the initial term an increase of 5% will be added to the rental payment at each 5 year increment of the initial or renewed lease term. Please see table below for rent schedule.

<u>Years</u>	<u>Rent</u>
1-5	\$300.00
6-10	\$315.00
11-15	\$330.75
16-20	\$347.29
21-25	\$364.65

If renewal option is exercised, rent shall be as listed below:

26-30	\$382.88
31-35	\$402.02
36-40	\$422.12
41-45	\$443.23
46-50	\$465.39

4. WAIVER. A one time special payment of five thousand dollars (\$5,000) will be paid to Lessor(s), once all regulatory approvals have been received by Lessee and prior to the start of construction of the tower site. In exchange for the special payment, Lessor(s) hereby waive any right to bring an action for damages that may result from or may be claimed as a result of the construction of easement and right of way as set out in this Lease Agreement and this waiver shall include, but not be limited to, standing timber or other structures or buildings on the premises.

5. USE OF PREMISES. Lessee shall have the exclusive rights and privileges of the use of the Leased Premises for the purpose of constructing buildings, towers, 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.

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Lessee agrees to maintain the Leased Premises in a neat and orderly manner.

6. **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.

7. 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 attributable to or arise as a result of the improvements constructed by the Lessee, its successors or assigns.

8. 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.

9. 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: Ronnie Begley** Iovce Begley

LESSEE:

EAST KENTUCKY NETWORK, LLC d/b/a APPALACHIAN WIRELESS line BY

ITS: General Manager

STATE OF COUNTY OF

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The foregoing Lease Agreement was this  $25^{\text{M}}$  day of  $\underline{M}_{20}$ , 20<u>11</u>, produced and acknowledged before me by **Ronnie & Joyce Begley**, his Wife, Lessor(s).

NOTARY PUBLIC COMMISSION EXPIRES: 1 - 24 - 13

## STATE OF KENTUCKY COUNTY OF 7/04d

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The foregoing Lease Agreement was this <u>31</u> day of <u>May</u>, 20<u>11</u>, produced and acknowledged before me by East Kentucky Network, LLC, dba Appalachian Wireless by <u>Gerald F. Robinette</u>, its <u>General Manger</u> Lessee.

<u>Vickie</u> Parsley NOTARY PUBLIC COMMISSION EXPIRES: 8/12/12

#### Description Beattyville Tower Site

A certain tract of land located on Davidson Rd. in Beattyville, Lee County, Kentucky, more particularly described as follows:

Unless stated otherwise any monument referred to herein as a Re-Bar and Cap is a set  $\frac{1}{2}$ " steel re-bar eighteen (18") in length, with a yellow plastic cap stamped Summit Engineering, PLS #3967. All bearings stated herein are referred to Kentucky State Plane Coordinate System South Zone. Control Network has Horizontal Datum based on NAD (1983)

beginning at a set Re-Bar and Cap having state plane coordinates of north 2093056.29 and East 2236693.56, said Re-Bar being a new corner to Ronnie & Joyce Begley (DB 111 PG 581) and being located N 86°23'54" W a distance of 134.66' from a wooden fence post, said post being a corner of the parent tract; Thence severing Begley N 86°16'32" W a distance of 99.97' to a set Re-Bar and Cap; Thence S 03°41'58" W a distance of 99.95! to a set Re-Bar and Cap; Thence S 86°14'44" E a distance of 99.94' to a set Re-Bar and Cap; thence N 03°42'59" E a distance of 100.00' to the point of beginning, containing 9992.96 square feet, 0.229 acres more or less according to a survey conducted by personal under direct supervision of Gary Christopher Slone, PLS #3967, with Summit Engineering, Inc. on March 28, 2011 and being part of the same property conveyed to Ronnie & Joyce Begley in Deed which is recorded in Deed Book 111 Page 581 in the records of the Lee County Clerk's office.

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Gary Christopher Slone; PLS #3967

Date 4/04/2011



