COMMONWEALTH OF KENTUCKY BEFORE THE PUBLIC SERVICE COMMISSION

In the matter of:

MAR 0 7 2012 PUBLIC SERVICE

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 JACKSON COUNTY, KENTUCKY). COMMISSION

) CASE No 2012-00050

)

)

)

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 Jackson 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 180 foot self-supporting tower on a tract of land located at 59 Hwy 1071, Gray Hawk, Jackson County, Kentucky (37°23'29.41"N 83°55'52.49"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.

RECEIVED

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

Jackson County has no formal local planning unit. In absence of this unit the Jackson 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 Jackson County Sun's March 1st and 8th weekly editions. Enclosed is a copy of that notice in Exhibit 3. The Jackson County Sun is the newspaper with the largest circulation in Jackson 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 World Tower 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	\$ 3	350,000.00
Annual 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 February 14, 2012 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 for the site with deed description.

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: Legun Haney-	_ DATE: <u>2-28-1</u> 2
Lynn Haney, Compliance Coordinator	
A MADI-H	
APPROVED BY: Denal F. Kolumb	DATE: <u>2-28-12</u>

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:

1

ł

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	
Ż	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			
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 Bui	ldout Date				
10/17/1996					
Control Point	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		P:(606)477-23 F:(606)874-75			
Contact					
Lukas, Nace, G Pamela L Gist I 8300 Greensbo McLean, VA 22	pro Drive	P:(703)584-86 F:(703)584-86 E:pgist@fcclaw	95		
Ownership ar	nd Qualifications				
Radio Service Type	Mobile				
Regulatory Sta	tus Common Carrier Interco	nnected Yes			
Alien Owners The Applicant a	hip answered "No" to each of the Alie	n Ownership que	stions.		
Basic Qualific The Applicant a	Basic Qualifications The Applicant answered "No" to each of the Basic Qualification questions.				

)

ł

EXHIBIT II: LIST OF PROPERTY OWNERS:

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

1

<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

Coleman J. & Jelinda Bingham P.O. Box 175 Gray Hawk, KY 40434

Albin & Norma Jean Rose C/O Darlene Payne 30 Adams Ridge Road Clay City, KY 40312

Justin Dewayne Bingham 6265 KY Hwy 1071 Tyner, KY 40486

Dallas & Eileen Isaacs 271 KY Hwy 1071 Tyner, KY 40486

Gary Gilbert P.O. Box 1420 McKee, KY 40447

Charles & Jannis Christian 1 Gary Avenue Lake Placid, FL 33852

Gene & Brenda Ayres P.O. Box 834 Lake Placid, FL 33852



VIA: U.S. CERTIFIED MAIL

PUBLIC NOTICE

February 24, 2012

Coleman J. & Jelinda Bingham P.O. Box 175 Gray Hawk, KY 40434

RE: Public Notice-Public Service Commission of Kentucky (Case No. 2012-00059)

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 Jackson County. The facility will include a 180 foot self supporting tower with attached antennas extending upwards, and an equipment shelter on a tract of land located at 59 Hwy 1071, Gray Hawk, Jackson 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. 2012-00059 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,

Legue Haney

Lynn Haney Compliance Coordinator



VIA: U.S. CERTIFIED MAIL

PUBLIC NOTICE

February 24, 2012

Albin & Norma Jean Rose C/O Darlene Payne 30 Adams Ridge Road Clay City, KY 40312

RE: Public Notice-Public Service Commission of Kentucky (Case No. 2012-00059)

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 Jackson County. The facility will include a 180 foot self supporting tower with attached antennas extending upwards, and an equipment shelter on a tract of land located at 59 Hwy 1071, Gray Hawk, Jackson 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. 2012-00059 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 Compliance Coordinator



PUBLIC NOTICE

February 24, 2012

Justin Dewayne Bingham 6265 KY Hwy 1071 Tyner, KY 40486

RE: Public Notice-Public Service Commission of Kentucky (Case No. 2012-00059)

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 Jackson County. The facility will include a 180 foot self supporting tower with attached antennas extending upwards, and an equipment shelter on a tract of land located at 59 Hwy 1071, Gray Hawk, Jackson 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. 2012-00059 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 Compliance Coordinator

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



PUBLIC NOTICE

February 24, 2012

Dallas & Eileen Isaacs 271 KY Hwy 1071 Tyner, KY 40486

RE: Public Notice-Public Service Commission of Kentucky (Case No. 2012-00059)

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 Jackson County. The facility will include a 180 foot self supporting tower with attached antennas extending upwards, and an equipment shelter on a tract of land located at 59 Hwy 1071, Gray Hawk, Jackson 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. 2012-00059 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,

Haner

Lynn Haney Compliance Coordinator



VIA: U.S. CERTIFIED MAIL

PUBLIC NOTICE

February 24, 2012

Gary Gilbert P.O. Box 1420 McKee, KY 40447

RE: Public Notice-Public Service Commission of Kentucky (Case No. 2012-00059)

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 Jackson County. The facility will include a 180 foot self supporting tower with attached antennas extending upwards, and an equipment shelter on a tract of land located at 59 Hwy 1071, Gray Hawk, Jackson 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. 2012-00059 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,

ifer Haney

Lynn Haney Compliance Coordinator



PUBLIC NOTICE

February 24, 2012

Charles & Jannis Christian 1 Gary Avenue Lake Placid, FL 33852

RE: Public Notice-Public Service Commission of Kentucky (Case No. 2012-00059)

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 Jackson County. The facility will include a 180 foot self supporting tower with attached antennas extending upwards, and an equipment shelter on a tract of land located at 59 Hwy 1071, Gray Hawk, Jackson 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. 2012-00059 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,

pur Haney

Lynn Haney Compliance Coordinator



TA: U.S. CERTIFIED MAI

PUBLIC NOTICE

February 24, 2012

Gene & Brenda Ayres P.O. Box 834 Lake Placid, FL 33852

RE: Public Notice-Public Service Commission of Kentucky (Case No. 2012-00059)

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 Jackson County. The facility will include a 180 foot self supporting tower with attached antennas extending upwards, and an equipment shelter on a tract of land located at 59 Hwy 1071, Gray Hawk, Jackson 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. 2012-00059 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,

Eynn Haney

Lynn Haney Compliance Coordinator





VIA: U.S. CERTIFIED MAIL

February 27, 2012

William O. Smith, Judge Executive P.O. Box 175 McKee, KY 40447

RE: Public Notice-Public Service Commission of Kentucky (Case No. 2012-00059)

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 Jackson County. The facility will include a 180 foot self-supporting tower with attached antennas extending upwards, and an equipment shelter on a tract of land located at 59 Hwy 1071, Gray Hawk, Jackson 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 Jackson 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. 2012-00059 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.

N

Sincerely,

Haney

Lynn Haney Compliance Coordinator



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



То:	Jackson County Sun	From:	Lynn Haney	
			Compliance Coordinator	
Email:	tammy@jacksoncountysun.com	Date:	February 27, 2012	
Re:	PUBLIC NOTICE ADVERTISEMENT	Pages:	1 (including this cover)	

Please place the following Public Notice Advertisement in the Jackson County Sun for the next two weeks.

PUBLIC NOTICE:

RE: Public Service Commission of Kentucky (CASE NO. 2012-00059)

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 at 59 Hwy 1071, Gray Hawk, Jackson County, Kentucky. The proposed tower will be a 180 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. 2012-00059.

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

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

WENDELL R. HOLMES, P.G. 424 Pear Street Hazard, KY 41701 January 17, 2012

Gray Hawk Tower Site

Purpose:

A site assessment was conducted for Appalachian Wireless on a tract of land located in Jackson County near Gray Hawk, 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 John Deere 27D excavator was used to expose the bedrock material. It is approximately 1.5 feet to the Sandstone bedrock. (See attached page for descriptions of materials encountered.) The terrain in Jackson County is moderately to slightly steep. The tower site is located in a field approximately four tenths of a mile southeast of Gray Hawk, Kentucky in Jackson County just east of Hwy 421. The Sandstone 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 Sandstone bedrock on the proposed tower site is part of the Breathitt Formation, and is middle 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 Sandstone 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: Gray Hawk Tower Site

Unit Thickness	Total depth	Strata	Description
1.50′	1.50′	Soil	Yellow, Brown with plant fragments
10.00' +	11.50' +	Sandstone	Weathered, Brown, Gray and Hard





Î



Notice of Proposed Construction or Alteration - Off Airport

Project Nan	ne: EAST -0001	98064-12	Sponsor: East Ke	ntucky Network, LL	C	Ranginonga jipan kang ng Jang Jang Pangang Kang Pang Pang Pang Pang Pang Pang Pang P	(11>++>+++++++++++++++++++++++++++++++	
			Details for Case : Gray Hawk					
			Show Project Summary					
Case Statı	us	Managa San Ang Kang Kang Kang Kang Kang Kang Kang Ka			an a ann a chuir a chuirean a chuir dhann ann a c			
ASN:	2012-ASO-9	982-OE		Date Accepted:	02/15/2	2012		
Status:	Accepted			Date Determined	1:			
				Letters:	None			
				Documents:	02/15/2	2012 🔂 Gra	iy Hawk	_Survey.p
					Project None	Documents:		
Constructi	ion / Alteratio	n Information		Structure Sum	mary			
Notice Of:		Construction		Structure Type:	Tower			
Duration:		Permanent		Structure Name:	Gray Ha	awk		
if	Temporary :	Months: Days:		NOTAM Number:				
Wo hed	lule - Start:	03/15/2012		FCC Number:				
Work Sched		03/20/2012		Prior ASN:				
State Filing: Structure		Filed with State		Common Frequ	uency Ban	ds		
Latitude:	·····		37° 23' 29.40" N	Low Freq	High Freq	Freq Unit	ERP	ERP U
Longitude:			83° 55' 52.50" W	698 806	806 824	MHz MHz	1000 500	W W
Horizontal D	Datum:		NAD83	824	849	MHz	500	Ŵ
Site Elevatio			1361 (nearest foot)	851	866	MHz	500	W
	eight (AGL):		190 (nearest foot)	869	894	MHz	500 500	W
* If the ente	ered AGL is a pr	roposed change to an		896 901	901 902	MHz MHz	500	W W
-	ucture's height i Description of Pr	include the current ronosal.		930	931	MHz	3500	Ŵ
//02 /// (//0 2		a hoo an		931	932	MHz	3500	W
Requested	Marking/Lightin	g:	None	932 935	932.5 940	MHz MHz	17 1000	dBW W
		Other :		935	940 941	MHz		Ŵ
Recommend	ded Marking/Lig	phting:		1850	1910	MHz	1640	W
Current Mar	rking/Lighting:		N/A New Structure	1930	1990		1640	W
		Other :		2305 2345	2310 2360	MHz MHz		W W
Nearest City	v:		Gray Hawk	2010	2000	,	0	4.4
Ne ^r t Sta	-		Kentucky	Specific Freque	encies			
Des ion	of Location:	age upload any certified survey.	Approx. 0.3 mi ESE of Gray Hawk (Jackson), KY			an the state and the second		
Description	of Proposal:		A new 180' tower with top-mounted antennas (overall height of 190' AGL).					

Kentucký	TC 56-50E (Rev. 02/
Kentucky Transportation Cabinet, Kentucky Airport Zoning Commission, 200 Mero	
 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 Representative of Applicant Name, Address, Telephone, Fax 	9. Latitude: 37 ° 23 29 4 " 10. Longitude: 83 ° 55 ′ 52 5 " 11. Datum: ⊠ NAD83 □ NAD27 □ Other
Ali Kuzehkanani Lukas, Nace, Gutierrez & Sachs, Chtd 8300 Greensboro Drive, Suite 1200 McLean, VA 22102 T: 703-584-8667 F: 703-584-8692	London-Corbin Airport - Mageefield 14. Distance from #13 to Structure: 22.5 mi 15. Direction from #13 to Structure: NE 16. Site Elevation (AMSL):
3. Application for: ⊠ New Construction □ Alteration □ Existing 4. Duration: ⊠ Permanent □ Temporary (MonthsDays) 5. Work Schedule: Start3/15/2012End3/20/2012	 17. Total Structure Height (AGL): <u>190.00</u> Feet 18. Overall Height (#16 + #17) (AMSL): <u>1,551.00</u> Feet 19. Previous FAA and/or Kentucky Aeronautical Study Number(s): 20. Description of Location: (Attach USGS 7.5 minute Quadrangle Map or an Airport layout Drawing with the precise site marked and any certified survey) Site is located approx. 0.3 mi ESE of Gray Hawk (Jackson), KY all height of 190' AGL). The ERP will be 500 watts.
22. Has a "NOTICE OF CONSTRUCTION OR ALTERATION" (FAA Form 7460-1)	aktorizania k
CERTIFICATION: I hereby certify that all the above statements made by me are transmitted. Ali Kuzehkanani/ Dir of Engineering Printed Name and Title Signature PENALTIES: Persons failing to comply with Kentucky Revised Statutes (KRS 183	861 through 183,990) and Kentucky Administrative Regulations (602 KAR
Commission Action:	nan, KAZC
Approved Disapproved	Date

TC 56-50E (Rev. 02/05)

:

Same and

No.

Billion .

開わせた

With the

Pro-

No.

hup

Same of

Will States

米市市ドク

State-1

1

BOALD P

)

FINANCIAL REPORT

December 31, 2010

Jones, Nale & Mattingly PLC

CONTENTS

•

<u>liw</u>

1

5770

1981

Pre-

(1991)

1

ļ

(999) (999)

L

किल्लू | ł

)

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS	1
FINANCIAL STATEMENTS	
Balance sheets	2
Statements of income	3
Statements of members' equity	4
Statements of cash flows	5
Notes to financial statements	6-15
INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY INFORMATION	16
SUPPLEMENTARY INFORMATION	
Statements of income detail	17 and 18

Page



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 PLC.

Louisville, Kentucky February 26, 2011

1

)

Certified Public Accountants and Advisors

642 South Fourth Street, Suite 300 Louisville, Kentucky 40202 tel. 502,583,0248 fax: 502,589,1680 www.jnmcpa.com

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)		1
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	7,675,975
	\$126,276,588	\$128,609,932
Less accumulated depreciation	53,217,856	57,070,186 \$ 71,539,746
	\$ 73,058,732	\$ 71,539,746
OTHER ASSETS		<i>*</i> 110 710
Investment in affiliated company, RTFC	\$ 112,712	\$ 112,712
Intangible assets, net of accumulated amortization		
of \$5,075,703 in 2010 and \$4,389,605 in 2009 (Note 2)	3,912,368	4,598,466
	\$ 4,025,080	\$ 4,711,178
	\$103,316,793	\$ 93,355,769

)

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

.

1000

WVQ

.

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	\$ 10,047,715	\$ 8,982,857
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	<u>\$ 1,384,261</u>
MEMBERS' EQUITY		
Members' capital accounts Accumulated other comprehensive (loss)	\$ 82,395,586 (1,301,598) \$ 81,093,988	\$ 70,813,705 (1,384,261) \$ 69,429,444

A COLORADO

ر<u>من</u>

C.F.

State of the local division of the local div

Ē

ļ

107

ह्म

Ľ

١

)

<u>\$103,316,793</u> <u>\$93,355,769</u>

ľ

m

(99)

(Tri

L

南南

)

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.

(B)

(77)

L

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

	Cellular Services, LLC	Gearhart Communi- cations Company, Inc.	Mountain Tele- communi- cations, Inc.	Thacker- Grigsby Telephone Co., Inc.	Peoples Rural Telephone Coop- erative Corp- oration, Inc.	Total
Balance, January 1, 2009 Comprehensive income: Net income	\$11,693,564	\$11,693,564	\$11,693,564	\$11,693,563	\$11,693,564	\$58,467,819
	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> \$16,218,797	(1,354,378) \$16,218,797	(1,354,377) \$16,218,798	(1,354,378)	(6,771,887)
						<u></u>

•

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

STATEMENTS OF CASH FLOWS Years Ended December 31, 2010 and 2009

	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:	0.000.007	0 105 005
Depreciation	9,808,536	9,105,095
Amortization	852,538	839,546
Loss on disposition of property, plant, and equipment Changes in assets and liabilities, net of the effects	593,729	82,302
of investing and financing activities:	(703 014)	(1 550 740)
(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)	<u>\$ (15,028,659)</u>
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> </u>	<u>\$ 1,431,014</u>

1

î

L

200

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

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.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Inventory

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

P

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.

NOTES TO FINANCIAL STATEMENTS

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

テ

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.

NOTES TO FINANCIAL STATEMENTS

Note 2. Intangible Assets

NO.

L

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

400

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 thereafter 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:

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

Note 4. Retirement Plans

1376.

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

499

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	\$ 7,802,053 (3,120,944)	\$ 7,675,975 (2,623,141)
Accumulated depreciation	\$ 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

I.

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

990) | 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)

/20

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 Gray Hawk Site

From the Courthouse in McKee Kentucky Take route 421 South 6.6 miles to Hwy. 1071. Turn left onto Hwy. 1071 and continue for 300' (Sign is posted @ this point) to paved driveway on left. Turn left onto paved driveway and continue to first gravel road on left. This road will take you to the site. Sign is posted on site.

Directions were written by,

Marty Thacker Appalachian Wireless 606-438-2355 Ext. 111 (office) 606-634-9505 (cell phone) <u>m.thacker@tgtel.com</u> (email)





LEASE AGREEMENT

THIS LEASE AGREEMENT is made and entered into on the _____ day of September , 2011, with a Commencement date of September 1, 2011, by and between Coleman Jeff Bingham and Jelinda Bingham, his wife, of 59 Hwy 1071, P.O. Box 154, Gray Hawk, KY 40434, 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, 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 August 23, 2011, prepared by Kenneth W. Johnson, Licensed Professional Land Surveyor, 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, as described by metes and bounds in the description attached hereto and made a part hereof as Exhibit "C" and as shown on the plat dated August 23, 2011, prepared by Kenneth W. Johnson, Licensed Professional Land Surveyor, and attached hereto and

made a part hereof as Exhibit "D". 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) grant Lessee permission to install a temporary cellular structure on Lessors' property until a permanent structure can be built and placed in service. The location of the temporary structure 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 asphalt and needed repairs.

This Lease is made on the following terms and conditions:

ł

TERM OF LEASE. The term of this lease shall be for a period of five (5) years from the Commencement Date of this Lease Agreement with automatic renewals for five (5) additional five (5) year terms unless Lessee gives Lessor written notice at least sixty (60) days prior to expiration of any given 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: four hundred dollars (\$400) 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 renewed lease term. Please see table below for rent schedule.

<u>Years</u>	<u>Rent</u>
1-5	\$400.00
б-10	\$420.00
11-15	\$441.00
16-20	\$463.05
21-25	\$486.20
26-30	\$510.51

1

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.

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:

Coleman Jeff Bingham Ielinda Bingham

LESSEE:

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

ITS: General Manager

STATE OF **COUNTY OF**

The foregoing Lease Agreement was this <u>7</u> day of <u>September</u>, 20 produced and acknowledged before me by Coleman Jeff Bingham and Jeffnda Ayo, Bingham, his Wife, Lessor(s).

NOTARY PUBLIC COMMISSION EXPIRES: July

STATE OF KENTUCKY COUNTY OF <u>Floyd</u>

(

The foregoing Lease Agreement was this _____ day of <u>September</u>, 20_11, produced and acknowledged before me by Gerald F. Robinette, General Manager on behalf of East Kentucky Network, LLC, dba Appalachian Wireless by, Lessee.

My Commission Expires NOTARY PUBLIC July 14, 2015 **COMMISSION EXPIRES:**



DESCRIPTION OF A 0.251 ACRE TRACT FOR APPALACHIAN WIRELESS

Being part of a certain tract of land located on Kentucky Highway 1071 at Grey Hawk in Jackson County, Kentucky. Being part of the tract conveyed to Coleman Jeff Bingham and Jelinda Bingham at Deed Book 171, Page 452 and Deed Book 195, Page 250 in the Jackson 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. Monuments referred to as iron pipes (found) is a 1inch iron pipe, with no cap. The bearings for this survey is based on a magnetic observation performed on August 16, 2011.

Commencing at an iron pipe (found) in the right-of-way of Kentucky Highway 1071, thence along the line of a 6.1966 acre tract conveyed to Jeff Bingham and Jelinda Bingham at Deed Book 195, Page 250 North 43 degrees 52 minutes 58 seconds West, 669.49 feet to an iron pipe (found);

Thence continuing along the line of said tract North 32 degrees 08 minutes 31 seconds East, 419.42 feet to a point;

Thence South 58 degrees 41 minutes 04 seconds East, 19.39 feet to an iron pin (set), being the True Point of Beginning;

Thence North 58 degrees 41 minutes 04 seconds West, 118.77 feet to an iron pin (set) in fence row;

Thence along said fence row North 41 degrees 55 minutes 56 seconds East, 101.66 feet to a fence corner;

Thence continuing along said fence South 58 degrees 41 minutes 07 seconds East, 100.04 feet to an iron pin (set);

Thence leaving said fence South 31 degrees 18 minutes 47 seconds West, 99.92 feet to the True Point of Beginning containing 0.251 acres.

Survey performed by Kenneth W. Johnson, PLS #3325 on August 18, 2011.



(

-

Exhibit C

DESCRIPTION OF A 20 FOOT WIDE ROADWAY EASEMENT FOR APPALACHIAN WIRELESS

Being part of a certain tract of land located on Kentucky Highway 1071 at Grey Hawk in Jackson County, Kentucky. Being part of the tract conveyed to Coleman Jeff Bingham and Jelinda Bingham at Deed Book 133, Page 552 and Deed Book 195, Page 250 in the Jackson 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. Monuments referred to as iron pipes (found) is a 1inch iron pipe, with no cap. The bearings for this survey is based on a magnetic observation performed on August 16, 2011.

Commencing at an iron pipe (found) in the right-of-way of Kentucky Highway 1071, thence along said right-of-way North 62 degrees 11 minutes 28 seconds East, 19.54 feet to the center of existing driveway the being the True Point of Beginning;

Thence leaving said right-of-way along the center of the existing asphalt driveway for next 6 courses North 29 degrees 35 minutes 54 seconds West, 106.47 feet; Thence North 15 degrees 18 minutes 46 seconds East, 425.57 feet; Thence leaving said asphalt along gravel drive North 22 degrees 43 minutes 14 seconds West, 221.79 feet; Thence North 36 degrees 02 minutes 44 seconds West, 88.42 feet; Thence North 52 degrees 51 minutes 47 seconds West, 66.86 feet; Thence North 43 degrees 24 minutes 33 seconds West, 97.50 feet to the southeastern line of a 0.251 acre tract, witnessed by an iron pin (set) at north 31 degrees 18 minutes 47 seconds east, 16.02 feet;

Description the center line of a 20 foot wide Roadway Easement.

Survey performed by Kenneth W. Johnson, PLS #3325 on August 23, 2011.









PROPOSED TC COLEMAN J. BII JELINDA BI GRAY HAWK IN JACKSON (APPALACHIAN WIRELESS 101 TECHNOLOGY TRAIL IVEL, KENTUCKY 41642 N COUNTY SITE AND OFKENTUCKY