



415 Hepplewhite Dr.
Johns Creek, GA 30022
770-649-1886 / fax 770-645-6545
www.bodamer.com

November 17, 2016

Executive Director Talina R. Matthews
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40601

RECEIVED

NOV 17 2016

PUBLIC SERVICE
COMMISSION

RE: Gearheart Communications d/b/a Coalfields Telephone Company Authority for Financing Approval

Dear Director Matthews:

Attached for your review is an application for financing authority submitted on behalf of Gearheart Communications d/b/a Coalfields Telephone Company. The company is requesting permission to secure commercial financing to be used for the purposes contained here.

One (1) original application and ten (10) copies are included here.

Please call or email me with any questions.

Sincerely,

A handwritten signature in black ink that reads 'Eileen M Bodamer'.

Eileen M Bodamer
Consultant to Gearheart Communications d/b/a Coalfields Telephone Company

Enc.

Cc (email): James Campbell, CTC
Heather Gearheart, CTC

RECEIVED

NOV 17 2016

PUBLIC SERVICE
COMMISSION

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

In the Matter of:

**THE APPLICATION OF GEARHEART)
COMMUNICATIONS, INC. DBA COALFIELDS)
TELEPHONE COMPANY FOR AUTHORITY TO) Case No. _____
ISSUE INDEBTEDNESS PAYABLE AT PERIODS OF)
MORE THAN TWO (2) YEARS FROM THE DATE)
THEREOF)**

Pursuant to KRS 278.020 and 807 KAR 5:001 Section 18, Gearheart Communications, Inc. dba Coalfields Telephone Company ("CTC") hereby submits this application for authority to issue indebtedness payable at periods of more than two (2) years from the date thereof.

1. Pursuant to **807 KAR 5:001 Section 18(1)(a)** CTC provides the following information as required from Section 14 of the administrative regulations:

a. Contact information for CTC required under **807 KAR 5:001 Section 14(1)**, is as follows:

Gearheart Communications, Inc. dba Coalfields Telephone Company
20 Lanesville Road / P.O. Box 160
Harold, KY 41635-0160
Attn: James Campbell, CFO
Tel: 606-479-6254
Email: jcamp@gearheart.com

b. Pursuant to **807 KAR 5:001 Section 14(2)** CTC states that it is a Kentucky Corporation chartered as a corporation and in good standing. Registration and incorporation documents were provided in Case. 2013-00192 and are unchanged.

c. Information required under **807 KAR 5:001 Sections 14(3) and (4)** are not applicable because the company is neither an LLP or LLC.

3. Pursuant to **807 KAR 5:001 Section 18(1)(b)** CTC provides the following information:

CTC is in independent local exchange carrier ("ILEC") serving approximately 5,500 access lines in the three exchanges of Harold, Wheelwright, and Grethel located in Floyd and Pike counties of eastern Kentucky. Like most ILECs in Kentucky, CTC relies on universal service to support advanced network services.

Coalfields Telephone Company
Application for Approval of Financing Authority

The company was formed through the 1953 purchase of 72 customers served by the Roberts/Olga Telephone Company. It remains managed by the original family who has grown the business to its current size. The company is seeking financing approval to continue its upgrade of services demanded by its customers and not for the purchase of additional telephone exchange areas.

To the extent that additional information regarding the original purchase of the telephone company is expected, the company respectfully requests a waiver of that requirement.

4. Pursuant to **807 KAR 5:001 Section 18(1)(c)** CTC states that it has applied for and received Financing from Bank of America for \$11,000,000. The loan is guaranteed by the assets of the company and is a Line of Credit that converts to a traditional loan.

The Capital Expenditures Line of Credit expires on December 31, 2018. The drawn amount minus principle paid (“net outstandings”) will convert to a term loan on April 1, 2017 and the \$11 million Capital Expenditures Line of Credit Commitment will permanently reduce by net outstandings amount. Draws after April 1, 2017 under the Capital Expenditures Line of Credit for Fiscal Years 2017 and 2018 will convert to a term loan on December 31, 2018. Upon conversion, the term loan will have a ten-year amortization and interest will be assessed at LIBOR + 140 basis points. **Exhibit 1** provides the lender’s term sheet.

5. Pursuant to **807 KAR 5:001 Section 18(1)(d) – (f)**, CTC provides the following information about its financing requirements. **Section 18(1)(g)** does not apply because CTC is not a water district.

On January 8, 2016, CTC submitted an application seeking a Certificate of Public Convenience and Necessity (“CPCN”) to construct and upgrade telecommunications facilities within its certified regulated operating territory. That case was deemed filed on January 28, 2016 and assigned Case 2016-00037.

Pursuant to its CPCN Application, the company requested and received authority to deploy a Fiber-to-the-Premises (“FTTP”) network with the ability to achieve broadband data speeds of up to one gigabit per second (“Gbps”) for 3,862 potential subscribers in the Harold exchange that serves portions of Floyd and Pike counties of Kentucky. In addition, its approved CPCN included the company’s plan to install a new electronic “Softswitch” at the Harold central office, along with supporting equipment and facilities to be deployed throughout CTC’s operating area in the Harold, Grethel and Wheelwright exchanges.

In its application, the company indicated its expectation that it would fund its construction through an “M” loan from the Rural Utility Service (“RUS”) that included \$1,052,000 in interim funding. As further noted in that application, while it had received preliminary loan approval, the company was still finalizing loan documents.

Coalfields Telephone Company
 Application for Approval of Financing Authority

In finalizing the loan documents, RUS identified an intercompany receivable that it required be converted to equity as a condition for executing the loan. While immaterial to its ability to repay the loan, the conversion to equity as required by RUS would have created an immediate tax obligation for the company that made the RUS loan financially infeasible.

Unable to secure RUS financing, the company turned to the commercial lending market and received a Capital Expenditures Line of Credit (“Financing”) from Bank of America for \$11,000,000.

The company intends to use the Financing for four purposes:

- 1) to retire existing debt;
- 2) to fund the projects outlined in its CPCN through 2018;
- 3) to fund the purchase of property and the construction of building to house its new softswitch at a location that is better suited for its network requirements; and
- 4) Miscellaneous capital improvements including land and vehicles and network upgrades.

As summary of its intended use of the funds is shown below and described further in this section.

<u>Category</u>	<u>Total Amount</u>
Debt Refinance (Fifth Third Bank)	\$ 1,500,000
CPCN - Case 2016-00037	\$ 5,932,916
2016 Budget Amount	\$ 2,314,974
2017 Budget Amount	\$ 1,800,641
2018 Budget Amount	\$ 1,817,301
New Central Office	\$ 1,945,293
Property	\$ 400,000
Building	\$ 690,293
2nd Story Shell	\$ 200,000
Generators	\$ 655,000
Miscellaneous Capital	\$ 1,597,175
Fiber Node	\$ 640,000
Land and Vehicles	\$ 372,672
Warehouse additions	\$ 118,561
Wheelwright 10M upgrade	\$ 465,942
 Total:	 \$ 10,975,384
Reserve for cost over-runs	\$ 25,000
	<u>\$ 11,000,384</u>

Retirement of Debt

During 2014, the company refinanced a Term Promissory Note in the amount of \$1,667,030 from Fifth Third Bank. The interest rate is equal to the "LIBOR" rate (equal to the "British Bankers Association Interest Rate Settlement") plus 160 basis points, plus or minus a swap interest rate adjustment. This has the effect of making the interest rate fixed to the Company. The effective interest rate decreased from 7.02% to 5.45% and matures during 2018. Substantially all assets are pledged as collateral on the note. The note has been personally guaranteed by Elaine Gearheart, Paul D. and Linda Gearheart, and John and Susan Schmoldt, individually and collectively. \$1,500,000 of the \$11 million line of credit is being used to re-finance the outstanding portion of this obligation.

Implementation of Projects Detailed in Case 2016-00037

As described in its CPCN, the company intends to use the majority of the requested funds to upgrade its network to support high speed data services and IP enable voice services. The total cost of this plan is approximately \$12.3M and carries a tentative completion date of 2022 with its CO conversion slated to complete in early 2017.

Based on its annual capital budget, the company expects that it will be able to fund this project through 2018 using the Financing discussed in this application. Prior to exhaustion of its available funds, the company will assess, with its creditors, whether the continuation and completion of its buildout can be supported by market conditions.

Property Acquisition and Building Construction for Central Office

As outlined in its CPCN, CTC is planning to replace its existing central office switch and deploy fiber throughout its network. In its CPCN budget forecast, the company intended to purchase the CO in year 5 of the project timeline but moved the deployment of the softswitch to the current period. It did so because company's current CO is badly in need of repair and, more critically, located on a steep hill that is on the east side of Highway 23, across from the majority of its outside plant facilities which run on the western side of the same highway. During icy winter months, access to the Harold CO is treacherous, creating unsafe conditions for the company's employees and contractors who have need to enter the building to perform maintenance, repair, and other routine service functions. Connecting the CO to its outside plant facilities requires passing the highway inflating the cost of deploying fiber.

Recognizing that it would be installing a new switch under its approved CPCN, rather than perform the repairs on its current CO that would do nothing to improve on the limitations of its physical location, the company purchased land on the western side of KY Highway 23 a quarter of a mile from its current location and is in the process of building a new central office to house its soft switch and will deploy the switch in the new location as soon as the construction is complete.

Miscellaneous Capital Expenditures

The company included in its Financing approximately \$1.6M for other capital improvements. The largest of those miscellaneous capital expenditures is \$640K spent to upgrade the CTC fiber node to connect with its affiliate East Kentucky Network (“EKN”) ring on a 100G basis. In doing so, the company got access to greater bandwidth necessary to support the growing demand of its broadband subscribers and positioned itself to partner with KY Wired through its EKN contract. Additionally, the company financed \$466K for fiber and DSL cabinets necessary to upgrade its Wheelwright exchange to 10/1 broadband speeds.

The remaining amounts included \$373K for land and vehicle acquisition and \$119K for a warehouse expansion that allowed the construction of a garage.

6. Pursuant to **807 KAR 5:001 Section 18(2)** CTC includes the following exhibits:
- a. Pursuant to **Section 12(1)(a)** the company notes that it had \$5,000,000 or more in gross annual revenue and **Section 12(1)(b)** is not applicable.
 - b. Pursuant to **Section 12 (2)(a)** and **(2)(b)** the company notes that it authorized, issued and has outstanding stock as follows:

Class A voting; 100 shares authorized and issued and outstanding
Class B nonvoting; 10,000 shares authorized; 9,900 shares issued and outstanding
 - c. **Section 12 (2)(c)** through **(e)** are not applicable because the company has no preferred stock, has no mortgages and has not issued any bonds.
 - d. Pursuant to **Section 12 (2)(f)**, the company provides the following information:
During 2014, the company refinanced a Term Promissory Note in the amount of \$1,667,030 from Fifth Third Bank. The interest rate is equal to the LIBOR rate plus 160 basis points, plus or minus a swap interest rate adjustment. This has the effect of making the interest rate fixed to the company. The effective interest rate decreased from 7.02% to 5.45% and the loan matures during 2018.

Substantially all assets are pledged as collateral on the note. The note has been personally guaranteed by Elaine Gearheart, Paul D. and Linda Gearheart, and John and Susan Schmoldt, individually and collectively. \$1,500,000 of the \$11 million line of credit is being used to re-finance the outstanding portion of this obligation. Interest paid in last full fiscal year was \$79,174.
 - e. **Section 12 (2)(g)** is not applicable because the company has not paid any dividends.
 - f. Pursuant to **Section 12 (2)(h)**, **Exhibit 2** contains a detailed income statement and balance sheet for the ten month period ending October 2016, a date within 90 days of

Coalfields Telephone Company
Application for Approval of Financing Authority

the date of this Application. The company notes that its 2015 income statements and balance sheet are on file with the PSC.


Because the company does not maintain 12-month rolling financial statements in a form that would allow it to capture the 12-month period from November 2015 through October 2016, it is impractical for the company to create such statements for this Application. Accordingly, the company requests a waiver of this requirement.

7. To the extent that approval of this Application for Financing Authority requires the Commission to alter or amend its issuance of the Applicant's CPCN issued under 2016-00037, such modification is also requested in this filing.

VERIFICATION

The undersigned, pursuant to KRS 278.300(2), hereby verifies that all of the information contained in the foregoing Application is true and correct to the best of my knowledge, opinion and belief.

Gearheart Communications, Inc.



By: James O. Campbell, CFO

COMMONWEALTH OF KENTUCKY

COUNTY OF Floyd

The foregoing Verification was signed, acknowledged and sworn to before me this 16th of November, 2016 by James O. Campbell of Gearheart Communications, Inc. a Kentucky corporation, on behalf of the corporation.

State of Ky, County of Floyd
Signed before me on this 16th day
of Nov, 2016 by James Campbell
Notary Public Mary E. Bush

Mary E. Bush, Notary Public
State at Large, Kentucky
My Commission Expires 10/19/19

Coalfields Telephone Company
Application for Approval of Financing Authority

Based on the foregoing, and in accordance with KRS 278.020, Gearheart Communications, Inc. dba Coalfields Telephone Company respectfully requests that the Commission issue a CPCN for construction of network upgrades in Floyd and Pike Counties, Kentucky.

Respectfully submitted,



Heather M. Gearheart, General Counsel
Gearheart Communications
20 Laynesville Rd.
Harold, KY 41635
606-479-6260
heather@gearheart.com

Gearheart Communications

Financing Discussion



Outline of Terms and Conditions

Borrower(s):	Gearheart Communications, Inc.
Guarantor(s):	Inter Mountain Cable, Inc., Mikrotec CATV, LLC, and all wholly owned subsidiaries. Elaine Gearheart, Paul D. and Linda Gearheart and John and Susan Schmoltdt.
Credit Facility:	\$11.0 Million Capital Expenditures Line of Credit
Purpose:	To refinance existing debt with Fifth Third Bank, finance capital expenditures through FY18 and the construction of a new Central Office building.
Maturity / Repayment:	<p><u>Repayment</u> Line of credit: Interest only. Outstandings will convert to a Term Loan at 4/1/17 and the Capital Expenditures Line of Credit Commitment will permanently reduce by this amount. Draws under the line in FY17 and FY18 will convert to a term loan at 12/31/18. Term Loan: interest plus principal, based on a 10 year amortization.</p> <p><u>Maturity</u> Line of Credit to expire on 12/31/18. Term Loans to expire 10/31/23.</p>
Pricing:	LIBOR + 140 basis points
Upfront Fee:	0.25% (25 basis points) on commitment amount
Security:	First priority liens and security interest in all present and future property and assets of the Borrower, including pledge of Borrower's stock. Real estate will be excluded from collateral.

Gearheart Communications

Financing Discussion



Outline of Terms and Conditions

Financial Covenants:

The following covenants will be tested quarterly:

- Total Net Debt/Adjusted EBITDA <2.0x.
- Fixed Charge Coverage >1.15x. Defined as (Adjusted EBITDA - Maintenance Capital Expenditures - Taxes - Distributions) / (Principal + Interest Expense)

Adjusted EBITDA defined as Net Income + Interest Expense + Taxes + Depreciation & Amortization +/- non-recurring items + Cash Distributions from EKN (not to exceed \$3.0 Million). If Cash Distributions from EKN exceed \$3.0 Million, employee compensation (i.e. bonuses) related to the excess will be added back to Adjusted EBITDA.

Net Debt defined as Total Debt less (the lesser of the amount of cash at the time the ratio is measured or \$10.0 Million) less \$2.0 Million.

Other Covenants/Conditions:

Customary in these types of transactions, including but not limited to:

- Restrictions on Related Party Advances.
- Interest rate swaps with Bank will be cross-collateralized, cross-defaulted and co-terminus with Credit Facilities.

Reporting Requirements include:

- Annual audited financial statements, due within 120 days of year end.
- Quarterly interim financial statements, due within 45 days of year end.
- Annual personal financial statements and tax returns, due within 120 days of year end/15 days after filing.

Deposit Accounts:

Borrower's primary operating and investment accounts will be held at Bank of America.

Conditions Precedent to Closing:

Final due diligence and documentation customary in these types of transactions.

COALFIELDS TELEPHONE COMPANY
ALLOCATED INCOME STATEMENT
For Period Ending:
October 31, 2016

	CURRENT MONTH	PREVIOUS MONTH	PREVIOUS YEAR MONTH	2016 YTD	2015 YTD
OPERATING REVENUES					
LOCAL NETWORK SERVICES					
LOCAL SERVICE ACCESSE	91,383.02	91,532.16	95,746.73	936,033.62	984,874.22
LOCAL SERVICE FEATURES	4,182.31	4,352.61	4,711.66	44,645.18	49,711.21
AREA CALLING SERVICE	12.59	18.33	14.20	237.76	42.94
LATE CHARGE	1,492.12	954.87	474.48	4,919.87	8,876.24
BUNDLE DISCOUNT	18,748.27	18,080.05	8,899.41	140,075.03	60,841.08
LOCAL PRIVATE LINE REVENUE	4,716.52	4,716.52	4,716.52	47,165.20	51,382.96
LOCAL PL REVENUE - KIH	5,858.16	5,858.16	7,392.65	60,302.63	70,048.75
SPECIAL SERVICES	-605.67	-605.67	-605.67	-6,056.70	-5,451.03
LOCAL NON TOLL CHARGES	176.62	214.11	272.73	2,237.30	3,908.60
EAS	0.00	0.00	0.00	0.00	-605.67
ACS-LOCAL TRANSPORT	0.00	0.00	0.00	0.00	0.00
ACS-END OFFICE	0.00	0.00	0.00	0.00	0.00
ACS END OFFICE-PRIOR YEAR	0.00	0.00	0.00	0.00	0.00
TOTAL LOCAL NETWORK SERVICE	125,963.94	125,121.14	121,622.71	1,229,559.89	1,223,629.30
NETWORK ACCESS REVENUE					
INTERST END USER REVENUE	29,376.87	32,186.86	32,307.45	323,147.94	331,286.93
FED LIFELINE ASST CREDIT	-6,197.05	-6,335.67	-6,931.51	-63,764.05	-73,414.55
STATE ASS LIFELINE CREDIT	59.50	66.50	203.00	-1,592.50	1,221.50
FEDERAL USF CHARGE	10,759.62	11,370.09	6,175.56	101,746.77	62,900.27
FEDERAL ACCESS RECOVERY CHARGE	7,794.80	8,670.98	8,590.74	87,104.07	78,683.76
FEDERAL LIFELINE ACCESS RECOVERY CREDIT	0.00	0.00	0.35	1.46	1.60
USF-LIFELINE	6,355.00	6,401.00	7,021.00	64,770.00	59,479.00
USF-LINKUP	0.00	0.00	0.00	0.00	7,419.00
USF-INTERSTATE COMMONLINE SUPPOR	68,140.00	65,547.00	77,368.00	706,019.00	638,221.00
USF - CAF	109,894.00	109,894.00	114,019.00	1,127,815.00	1,065,143.00
NECA ACCESS TRAFFIC SENS	2,262.00	1,178.00	-1,077.00	4,185.00	-4,127.00
PIC CHARGES	0.00	0.00	0.00	0.00	10.00
CABS B & C	0.00	0.00	0.00	0.00	0.00
DIRECT TR TRANSPORT INTRASTATE	23,778.48	23,778.48	23,778.48	237,784.80	246,396.20
DTT INTERSTATE	19,528.62	19,528.62	19,528.62	195,286.20	200,046.90
INTERLATA/INTERSTATE SW ACCESS	8,906.59	8,510.56	11,259.92	96,657.89	135,115.86
INTERLATA/INTRASTATE SW ACCESS	8,395.23	7,873.33	10,047.79	88,321.74	140,730.57
ACCESS CHARGES/BANKRUPTCIES	0.00	0.00	0.00	0.00	0.00
INTERL/INTRASTATE SPECIAL ACCESS	2,174.95	1,717.41	2,471.45	24,548.06	24,714.50
INTRALATA/INTRASTATE SW ACCESS	17,927.15	16,637.41	19,913.44	184,698.32	213,921.79
INTRALATA B & C	0.00	0.00	0.00	0.00	0.00
NECA - USAC	0.00	0.00	0.00	0.00	-31,560.91
INTRALATA SPECIAL ACCESS HICAP	0.00	0.00	0.00	0.00	0.00
CELLULAR INTERCONNECTION ACCESS	0.00	0.00	0.00	0.00	0.00
INTERLATA/INTERSTATE SP ACCESS	56,394.18	56,225.58	78,567.55	606,163.21	740,138.15
OTHER LOCAL EXCHANGE REVENUE	309.40	166.60	166.60	1,808.80	2,173.73
TOTAL NETWORK ACCESS REV.	365,859.34	363,416.75	403,410.44	3,784,701.71	3,838,501.30

	CURRENT MONTH	PREVIOUS MONTH	PREVIOUS YEAR MONTH	2016 YTD	2015 YTD
LONG DISTANCE NETWORK SERVICE					
TOLL REVENUE CLEARING	523.13	391.23	558.91	1,229.74	6,330.02
TOTAL LONG DISTANCE NET SRV	523.13	391.23	558.91	1,229.74	6,330.02
MISCELLANEOUS REVENUE					
DIRECTORY REVENUE	4,958.70	4,414.67	5,045.43	50,209.72	49,718.59
RENT REVENUE-REGULATED	8,415.58	8,415.58	8,415.58	84,155.80	97,403.80
REGULATED NONRECURRING REVENUE	7,747.88	-1,077.08	12,606.85	52,907.64	-74,115.67
US INTELCO LIDB	5.40	1.05	0.64	11.01	32.36
INTERSTATE CARRIER B & C (AT&T)	731.20	704.46	143.17	5,664.44	2,847.78
INTRASTATE CARRIER B & C (AT&T)	2,064.16	2,143.34	2,292.62	22,082.68	25,712.98
MISC REVENUE POLE ATTACH	472.27	472.27	472.27	4,722.70	4,722.70
TOTAL MISCELLANEOUS REVENUE	24,395.19	15,074.29	28,976.56	219,753.99	106,322.54
UNCOLLECTIBLES					
UNCOLLECTIBLE REVENUE	-1,840.00	-1,840.00	-1,840.00	-18,400.00	-18,400.00
TOTAL UNCOLLECTIBLE REVENUE	-1,840.00	-1,840.00	-1,840.00	-18,400.00	-18,400.00
MTS LOCAL SERVICE ACCESS	0.00	0.00	0.00	0.00	1,035.80
TOTAL OPERATING REVENUE	514,901.60	502,163.41	552,728.62	5,216,845.33	5,157,418.96
OPERATING EXPENSE					
PLANT SPECIFIC OPERATIONS EXPENSES					
MOTOR VEHICLE EXPENSE	1,239.75	1,239.75	1,239.75	12,397.50	12,456.40
OTHER WORK EQUIPMENT	0.00	0.00	0.00	0.00	0.00
LAND/BUILDING EXPENSE	19,875.46	16,492.78	12,792.86	161,872.02	151,690.58
ADMINISTRATIVE UTILITIES	8,247.09	7,863.28	6,687.69	70,109.74	61,520.09
GENERAL PURPOSE COMPUTER RXPENSE	5,383.27	13,612.76	14,124.40	72,732.44	83,537.91
800 DATABASE QUERY EXPENSE	106.74	110.46	114.86	1,338.53	5,185.94
LNP DATABASE QUERY EXPENSE	4,436.98	4,414.44	4,434.13	46,926.99	47,504.53
DIGITAL ELECTRONIC COE	35,234.35	37,711.19	19,362.51	378,476.94	344,289.22
FACILITY COSTS-EKN	6,244.94	8,469.96	5,249.03	62,692.09	70,918.80
FACILITY COSTS	0.00	0.00	0.00	0.00	0.00
COE CIRCUIT COSTS	9,100.00	9,100.00	9,100.00	91,300.71	92,005.63
POLES EXPENSE	479.98	868.25	181.37	3,945.13	5,806.63
POLES EXPENSE POLE ATTACHMENT	3,048.00	3,048.00	2,155.67	30,480.00	21,556.70
AERIAL CABLE EXPENSE	28,139.45	21,409.67	25,521.73	270,497.83	243,019.68
DROP WIRE EXPENSE	842.06	8,511.56	0.00	30,220.95	18,111.85
AERIAL WIRE EXPENSE	248.72	145.22	0.00	2,507.05	3,389.82
TOTAL PLANT SPECIFIC EXP.	122,626.79	132,997.32	100,964.00	1,235,497.92	1,160,993.78

COALFIELDS TELEPHONE COMPANY
ALLOCATED INCOME STATEMENT
For Period Ending:
October 31, 2016

	CURRENT MONTH	PREVIOUS MONTH	PREVIOUS YEAR MONTH	2016 YTD	2015 YTD
PLANT NONSPECIFIC EXPENSES					
POWER EXPENSE	6,081.89	5,940.17	5,334.41	60,239.54	46,808.81
PROVISIONING EXPENSE	1,975.90	1,749.68	1,620.91	21,974.37	20,842.71
NETWORK ADMIN EXPENSE	0.00	0.00	0.00	0.00	1,277.84
TESTING EXPENSE	11,578.12	11,947.74	11,078.09	118,391.83	114,855.24
PLANT OPER ADMIN EXPENSE	-67.82	67.82	-93.81	-1,645.22	-1,446.32
ENGINEERING EXPENSE	0.00	8,174.25	0.00	9,174.25	1,000.00
ACCESS EXPENSE (USF)	34,843.79	34,843.79	3,005.15	155,453.40	44,656.02
DEPREC TELECOMM PLANT IN SERVICE	130,337.71	129,675.87	101,810.23	1,316,109.81	1,123,116.21
	-----	-----	-----	-----	-----
TOTAL NONSPECIFIC EXPENSE	184,749.59	192,399.32	122,754.98	1,679,697.98	1,351,110.51
	-----	-----	-----	-----	-----
CUSTOMER OPERATIONS EXPENSE					
SALES	6,658.03	6,848.79	7,433.11	73,974.72	72,297.02
PRODUCT ADVERTISING EXPENSE	13,986.48	11,004.50	9,715.67	116,155.06	123,005.45
CALL COMPLETION SERVICE	66.42	85.83	97.92	887.01	886.83
NUMBER SERVICES CDA	811.12	795.97	783.07	8,205.96	7,621.56
CUSTOMER SERVICES	21,886.72	22,251.27	20,325.41	235,822.92	205,314.88
TOLL INVESTIGATION	1,341.54	1,270.52	1,272.83	13,233.44	12,255.94
CABS BILLING EXPENSE	1,394.30	1,937.53	1,845.98	19,946.63	54,891.60
OTHER BILLING & COLLECTIONS	33,794.73	33,545.41	33,235.04	350,761.43	339,876.80
PIC CHANGES	1,042.74	1,027.35	964.79	10,647.15	9,877.08
	-----	-----	-----	-----	-----
TOTAL CUSTOMER OPERATIONS	80,982.08	78,767.17	75,673.82	829,634.32	826,027.16
	-----	-----	-----	-----	-----
CORPORATE OPERATIONS EXPENSE					
EXECUTIVE	441,888.66	137,242.31	138,364.15	3,233,947.31	1,494,651.57
PLANNING	31,403.15	31,469.96	30,142.75	346,650.56	335,635.82
CONSULTING & NON-COMPETE JC	7,500.00	7,500.00	6,250.00	77,500.00	72,750.00
ACCOUNTING & FINANCE	38,622.03	33,043.66	26,904.39	1,132,128.45	304,470.43
NECA ADMIN EXPENSE	2,355.89	2,545.56	1,548.69	18,930.71	18,230.94
REGULATORY AFFAIRS	5,297.81	23,908.90	3,132.20	98,476.05	87,143.99
ANNUAL AUDIT EXPENSE	1,981.04	1,768.36	1,721.70	18,963.71	18,122.64
DATA PROCESSING ADMIN EXPENSE	0.00	0.00	0.00	0.00	0.00
INTRALATA SETTLEMENT EXPENSE	1,160.05	1,042.02	1,012.95	11,018.57	10,458.89
RATING & RECORDING EXPENSE	646.07	1,292.14	646.07	6,558.38	4,616.25
EXTERNAL RELATIONS	4,535.43	4,524.06	4,528.71	45,397.32	51,018.17
HUMAN RESOURCES	5,927.74	4,950.46	5,837.31	66,539.93	62,711.06
PROCUREMENT	2,688.01	2,619.91	2,401.88	33,283.89	24,450.87
OTHER GENERAL & ADMIN EXPENSE	20,113.16	17,407.19	25,881.62	176,850.16	205,218.94
OTHER G & A EXP - GENERAL OFFICE	11,810.07	12,018.18	8,507.51	914,578.96	96,815.91
TAX PENALTIES	0.00	0.00	0.00	10,974.04	0.00
	-----	-----	-----	-----	-----
TOTAL CORPORATE EXPENSE	575,929.11	281,332.71	256,879.93	6,191,798.04	2,786,295.48
	-----	-----	-----	-----	-----

COALFIELDS TELEPHONE COMPANY
ALLOCATED INCOME STATEMENT
For Period Ending:
October 31, 2016

	CURRENT MONTH	PREVIOUS MONTH	PREVIOUS YEAR MONTH	2016 YTD	2015 YTD
OTHER OPERATING INCOME & EXPENSES					
CLEARING					
CLEARING OTHER	0.00	0.00	0.00	0.00	0.00
TOTAL CLEARING	0.00	0.00	0.00	0.00	0.00
OPERATING TAXES					
OPERATING FED & STATE INCOME TAX	145,025.13	235,640.71	199,346.02	2,422,015.72	905,750.54
INCOME TAX EXP ALLOCATE	-97,500.00	-97,500.00	-97,500.00	-975,000.00	-975,000.00
OTHER OPERATING TAX PROPERTY	18,000.00	21,116.00	18,000.00	184,106.61	180,000.00
PROVISIONING FOR DEFERRED TAXES	0.00	0.00	0.00	0.00	0.00
TOTAL OPERATING TAXES	65,525.13	159,256.71	119,846.02	1,631,122.33	110,750.54
TOTAL OPERATING EXPENSE	1,029,812.70	844,753.23	676,118.75	11,567,750.59	6,235,177.47
TOTAL OPERATING NET INCOME	-514,911.10	-342,589.82	-123,390.13	-6,350,905.26	-1,077,758.51

	CURRENT MONTH	PREVIOUS MONTH	PREVIOUS YEAR MONTH	2016 YTD	2015 YTD
NONOPERATING INCOME & EXPENSE					
OTHER NON-OPERATING INCOME					
DIAL AROUND PAYPHONE COMP	0.00	0.00	0.00	60.00	9.39
INTEREST INCOME	92.16	130.98	0.76	3,864.16	2,895.07
INT INCOME PRG IRREVOC TRUST	575.15	575.15	575.15	5,751.50	5,751.50
DS3's-WINCH/LEX-RECURRING	0.00	0.00	0.00	0.00	0.00
UNREG-FLOYD COUNTY GIG	24,332.00	24,332.00	24,332.00	243,320.00	235,096.04
UNREG-FLOYD COUNTY IMC	-16,242.82	-16,242.82	-16,242.82	-162,428.20	-162,428.20
UNREG JENKINS GIG	1,166.00	1,166.00	1,166.00	11,660.00	27,315.10
UNREG JENKINS CATV	-1,275.00	-1,275.00	-1,275.00	-12,750.00	-12,750.00
UNREG JENKINS CONTRACT	220.00	220.00	220.00	2,200.00	2,200.00
DS3's-WINCH/LEX-NON RECURRING	0.00	0.00	0.00	0.00	0.00
NONREG LEASE REV ST EQPT	1,838.33	1,911.10	2,160.55	20,579.59	19,085.93
DEREGULATED MODEM LEASE	0.00	0.00	0.00	0.00	0.00
NONREGULATED MAINT INSIDE WIRE	10,641.01	10,573.59	10,019.33	106,661.67	100,205.88
NONREGULATED SERVICE CHARGES	559.12	0.00	0.00	609.12	527.50
NONREGULATED SALE OF MATERIALS	780.35	1,890.10	7,040.10	16,651.96	49,998.67
NONREGULATED SALE OF EQUIPMENT	0.00	0.00	0.00	70.99	0.00
NONREGULATED MAINTENANCE EQPT	0.00	0.00	0.00	0.00	0.00
NONREGULATED MISCELLANEOUS REVENUE	13.50	13.50	14.50	330.23	327.02
PAYSTATION COLLECTIONS	0.00	0.00	0.00	0.00	0.00
CTC DSL REVENUE	90,680.62	93,141.03	107,140.87	999,199.13	1,109,068.06
CTC CABLE MODEM REVENUE	0.00	0.00	0.00	38,456.24	0.00
DSL SUBS	0.00	0.00	0.00	0.00	0.00
EMERGENCY 911 SURCHARGE	400.00	528.00	400.00	4,268.00	4,212.00
NONREGULATED RENT REVENUE	2,789.66	2,789.66	1,689.66	22,296.60	18,146.60
LATE CHARGE REVENUE - CABS	266.14	236.24	73.12	1,749.41	717.52
20% NET PROFIT EKN	600,000.00	600,000.00	200,000.00	12,190,000.00	2,858,825.00
EKN ADJUSTMENTS-PRIOR YEARS	0.00	0.00	0.00	0.00	0.00
B & C INCOME ON BUDDLES	4,578.00	4,612.50	4,707.00	46,537.50	48,576.00
BILLBOARD ADVERTISING REVENUE	350.00	350.00	350.00	3,500.00	3,500.00
PAT CAP. DIVIDEND CASH	0.00	0.00	0.00	0.00	0.00
FIBER-DEREGULATED	-3,374.72	-3,374.72	-3,554.71	-34,577.15	-37,916.23
FIBER-NONREG EKN	0.00	9,686.14	9,686.14	87,175.26	96,861.40
PAT CAP. DIVIDEND NONCASH	0.00	0.00	0.00	0.00	0.00
DIVIDEND INCOME-ANPI	0.00	0.00	0.00	0.00	0.00
EKI REVENUE	0.00	0.00	0.00	0.00	0.00
TOTAL NON-OPERATING INCOME	718,389.50	731,263.45	348,502.65	13,595,186.01	4,370,224.25

COALFIELDS TELEPHONE COMPANY
ALLOCATED INCOME STATEMENT
For Period Ending:
October 31, 2016

	CURRENT MONTH	PREVIOUS MONTH	PREVIOUS YEAR MONTH	2016 YTD	2015 YTD
OTHER NONOPERATING EXPENSES					
CTC DSL CHARGES	50,493.73	50,580.90	49,970.02	504,018.95	495,038.55
CTC CABLE MODEM WHOLESALE CHARGES	0.00	0.00	0.00	-32,591.66	0.00
NONREGULATED RENT EXPENSE	57.63	48.73	0.00	11,668.89	613.24
NONREG DEPREC HLD BLDG RENTAL	1,628.07	1,628.07	1,602.74	16,090.43	16,004.95
NON REG GENERAL ALLOCATOR	0.00	0.00	0.00	0.00	0.00
DEREG PUBLIC PHONE LABOR	0.00	0.00	0.00	0.00	0.00
NONREG ALLOC COMMON COST	0.00	0.00	0.00	0.00	0.00
PAYSTATION EXPENSE	0.00	125.00	0.00	375.00	250.00
UNREG PUBLIC PHONE TERMINAL EQPT	2,937.26	2,879.11	0.00	14,294.05	0.00
DEPRECIATION EXPENSE DEREGULATED	4,119.37	4,119.37	5,695.44	47,497.98	56,350.61
DEREG INSTALLATION/REPAIRS	1,530.49	3,847.75	5,104.39	57,766.91	62,903.63
DEREG INSIDE WIRE CON R	0.00	0.00	0.00	448.85	0.00
NONREG COST OF GOODS SOLD	329.98	329.98	571.97	3,299.80	571.97
DEREG INSTALL/REPAIR INS WIRE	0.00	0.00	0.00	1,047.30	0.00
FED/STATE INCOME TAX NONREG	97,500.00	97,500.00	97,500.00	975,000.00	975,000.00
FED/ST INC TAX NONREG-OTHER	0.00	1,000.00	0.00	2,822.00	-1,180.00
PUBLIC PHONE COLLECT LABOR	0.00	0.00	0.00	0.00	0.00
LOSS ON HALO WIRELESS SETTLEMENT	0.00	0.00	0.00	0.00	0.00
DEREG SALES & ADMIN EXPENSE	0.00	0.00	0.00	0.00	0.00
TOTAL NON-OPERATING EXPENSE	158,596.53	162,058.91	160,444.56	1,601,738.50	1,605,552.95
TOTAL NON-OPERATING INCOME & EXPENSE	559,792.97	569,204.54	188,058.09	11,993,447.51	2,764,671.30
INCOME AVAIL FOR FIXED CHARGES	44,881.87	226,614.72	64,667.96	5,642,542.25	1,686,912.79
INTEREST & RELATED ITEMS					
INT 5/3 PD MONTHLY L-T DEBT	5,838.67	5,732.55	6,274.13	59,464.06	65,437.23
INTEREST FUNDED DEBT RTB	0.00	0.00	0.00	0.00	0.00
ACC INT 5/3 FUNDED DEBT	379.00	379.00	178.00	3,411.00	1,602.00
OTHER INTEREST CUSTOMER DEPOSITS	0.00	0.00	151.45	1,124.74	1,514.50
OTHER INTEREST	17.97	0.12	30.47	3,651.96	1,539.86
TOTAL INTEREST & RELATED ITEMS	6,235.64	6,111.67	6,634.05	67,651.76	70,093.59
NET INCOME	38,646.23	220,503.05	58,033.91	5,574,890.49	1,616,819.20
EBITDA	325,992.15	598,678.74	373,122.39	9,447,078.19	3,786,955.10

**Gearheart Communications
dba Coalfields Telephone Co.**

Exhibit 2

	CURRENT PERIOD	LAST YEAR PERIOD	INCREASE/ DECREASE
ASSETS			

CURRENT ASSETS			
CASH AND EQUIVALENTS			
CASH - CHECKING	779,139.95	767,366.55	11,773.40
CASH - TEMPORARY INVESTMENTS	105,000.00	105,000.00	0.00
	-----	-----	-----
TOTAL CASH & EQUIVALENTS	884,139.95	872,366.55	11,773.40
	-----	-----	-----
RECEIVABLES			
A/R CABS	2,002,813.85	1,173,229.69	829,584.16
RTFC COMMITMENT FEE	0.00	0.00	0.00
A/R CABS IMC	3,626,187.36	4,414,148.55	-787,961.19
GLOBAL CROSSING EXPECTED RECOVER	0.00	0.00	0.00
LEASE DEPOSITS	0.00	0.00	0.00
A/R TELECOMMUNICATIONS	220,518.07	116,462.14	104,055.93
A/R UNBILLED TOLL	0.00	637.20	-637.20
A/R RTFC COMMITMENT FEE	7,966.31	14,521.23	-6,554.92
A/R EMPLOYEES	1,342.60	33.26	1,309.34
A/R MTS	1,575,770.97	1,573,002.29	2,768.68
A/R EKN FIBER RING	0.00	0.00	0.00
A/R PLATEAU ENERGY	302,323.88	172,417.53	129,906.35
A/R IMC INC	-691,269.40	-80,360.97	-610,908.43
A/R P.D. & SUSAN	0.00	0.00	0.00
A/R GEARHEART TOURISM FOUNDATION	11,473.80	11,899.60	-425.80
A/R MC LEXINGTON SWITCH	0.00	0.00	0.00
A/R PDNS	8,491,803.61	7,964,367.06	527,436.55
A/R PDNS NOTE RECEIVABLE	0.00	0.00	0.00
A/R PDNS MARKETING SALARIES	0.00	0.00	0.00
A/R PDNS BILLING/CUSTOMER SERVICE	6,979.42	6,355.94	623.48
A/R NTCA INSURANCE	-75,052.62	-70,419.52	-4,633.10
A/R PRG IRREVOCABLE TRUST	440,563.52	422,894.79	17,668.73
A/R APPALACHIAN CELLULAR	-2,332.77	2,332.77	-4,665.54
A/R ECHO	-284.00	-284.00	0.00
A/R ECHO	-4,408.16	-4,002.51	-405.65
A/R AJSPD, LLC.	61,832.14	44,746.74	17,085.40
A/R SGSNPDG, LLC.	2,717,127.89	2,120,401.32	596,726.57
N/R SGSNPDG, LLC.	48,600.00	48,600.00	0.00
INT REC SGSNPDG, LLC.	34,415.00	30,405.50	4,009.50
A/R LINDY WELLS, LLC	727,516.36	611,034.41	116,481.95
A/R LINDY OIL, LLC.	1,655,704.63	1,325,015.50	330,689.13
	-----	-----	-----
TOTAL ACCOUNTS RECEIVABLES	21,159,592.46	19,897,438.52	1,262,153.94
	-----	-----	-----
MATERIALS & SUPPLIES			
MATERIALS & SUPPLIES	109,464.92	107,593.69	1,871.23
MATERIALS & SUPPLIES - EXEMPT	27,635.08	9,339.51	18,295.57
	-----	-----	-----
TOTAL MATERIALS & SUPPLIES	137,100.00	116,933.20	20,166.80
	-----	-----	-----

**Gearheart Communications
dba Coalfields Telephone Co.**

Exhibit 2

	CURRENT PERIOD	LAST YEAR PERIOD	INCREASE/ DECREASE
PREPAYMENTS			
PREPAYMENTS	-700,824.19	-197,195.62	-503,628.57
PREPAID MAINTENANCE	0.00	0.00	0.00
PREPAID MAINTENANCE - SIS	0.00	0.00	0.00
	-----	-----	-----
TOTAL PREPAYMENTS	-700,824.19	-197,195.62	-503,628.57
	-----	-----	-----
TOTAL CURRENT ASSETS	21,480,008.22	20,689,542.65	790,465.57
	-----	-----	-----
NONCURRENT ASSETS			
INVESTMENTS			
INVESTMENT RTB STOCK	0.00	0.00	0.00
RTFC CTCS	89,788.37	89,788.37	0.00
RTFC CTCS (UNADVANCED)	0.00	0.00	0.00
WILD BLUE DISTRIBUTORSHIP	0.00	0.00	0.00
INVESTMENT MOUNTAINEER CELLULAR	0.00	0.00	0.00
INVESTMENT APPALACHIAN WIRELESS	26,975,833.64	22,042,771.04	4,933,062.60
N/P MTN CELL 04/01/2001	0.00	0.00	0.00
N/P RTFC CELL UANADVANCED	0.00	0.00	0.00
N/P RTFC CELL (UNSECURED)	0.00	0.00	0.00
INVEST-EAST KY NETWORK (PROFIT)	0.00	0.00	0.00
TVD BROADBAND SERVICES, LLC	0.00	0.00	0.00
NONREG INVEST. STATION APPARATUS	103,216.26	105,386.59	-2,170.33
NONREG INVESTMENT - LEASED EQUIPMENT	-42,568.99	-43,745.76	1,176.77
NONREG INVEST. CASH LIFE INSURANCE	0.00	0.00	0.00
NONREG INVEST E KY FIBER NETWORK	0.00	0.00	0.00
NONREGULATED LAND	26,430.00	26,430.00	0.00
NONREG HLD BLDG RENTAL	531,098.59	519,839.24	11,259.35
A/D NONREG HLD BLDG RENTAL	-496,301.06	-482,202.35	-14,098.71
NONREGULATED OFFICE EQUIPMENT	9,637.07	9,637.07	0.00
A/D NONREGULATED OFFIC EQUIPMENT	-9,637.07	-9,637.07	0.00
NONREGULATED DSL MODEMS	170,875.64	232,026.35	-61,150.71
NONREGULATED RENTAL HOUSE	0.00	0.00	0.00
A/D DSL MODEMS	-17,955.95	0.00	-17,955.95
A/D NONREG RENTAL HOUSE	0.00	0.00	0.00
NON REG DBS BULDING	192,488.46	192,488.46	0.00
A/D NON REG DBS BUILDING	-64,790.37	-59,593.17	-5,197.20
DBS LAND	27,225.53	27,225.53	0.00
A/D FIBER NETWORK	-379,330.89	-354,366.45	-24,964.44
INVESTMENT-FIBER OPTICS	489,499.18	489,499.18	0.00
	-----	-----	-----
TOTAL INVESTMENTS	27,605,508.41	22,785,547.03	4,819,961.38
	-----	-----	-----
TOTAL NONCURRENT ASSETS	27,605,508.41	22,785,547.03	4,819,961.38
	-----	-----	-----

**Gearheart Communications
dba Coalfields Telephone Co.**

Exhibit 2

	CURRENT PERIOD	LAST YEAR PERIOD	INCREASE/ DECREASE
PLANT			
PLANT UNDER CONSTRUCTION			
WORK ORDERS	1,992,179.29	870,636.11	1,121,543.18
	-----	-----	-----
TOTAL PLANT UNDER CONSTRUCTION	1,992,179.29	870,636.11	1,121,543.18
	-----	-----	-----
GENERAL SUPPORT ASSETS			
LAND AND SUPPORT	8,452,673.40	7,658,077.70	794,595.70
	-----	-----	-----
TOTAL GENERAL SUPPORT ASSETS	8,452,673.40	7,658,077.70	794,595.70
	-----	-----	-----
CENTRAL OFFIC ASSETS			
DIGITAL SWITCHING	6,702,612.08	5,964,269.57	738,342.51
CIRCUIT EQUIPMENT	398,714.66	398,714.66	0.00
	-----	-----	-----
TOTAL COE ASSETS	7,101,326.74	6,362,984.23	738,342.51
	-----	-----	-----
INFORMATION/TERMINATION ASSETS			
STATION APPARATUS MOBILE PHONE	0.00	0.00	0.00
	-----	-----	-----
TOTAL INFORMATION ASSETS	0.00	0.00	0.00
	-----	-----	-----
CABLE AND WIRE FACILITIES			
CABLE AND WIRE FACILITIES	14,135,029.69	13,445,438.85	689,590.84
	-----	-----	-----
TOTAL CABLE & WIRE FACILITIES	14,135,029.69	13,445,438.85	689,590.84
	-----	-----	-----
INTANGIBLES			
INTANGIBLES	917.14	917.14	0.00
	-----	-----	-----
TOTAL INTANGIBLES	917.14	917.14	0.00
	-----	-----	-----
TOTAL GROSS PLANT	31,682,126.26	28,338,054.03	3,344,072.23
	-----	-----	-----
LESS:			
ACCUMULATED DEPRECIATION	-20,258,151.20	-18,700,098.32	-1,558,052.88
	-----	-----	-----
TOTAL DEPRECIATION	-20,258,151.20	-18,700,098.32	-1,558,052.88
	-----	-----	-----
TOTAL TELEPHONE PLANT	11,423,975.06	9,637,955.71	1,786,019.35
	-----	-----	-----
TOTAL ASSETS	60,509,491.69	53,113,045.39	7,396,446.30
	-----	-----	-----

**Gearheart Communications
dba Coalfields Telephone Co.**

Exhibit 2

	CURRENT PERIOD	LAST YEAR PERIOD	INCREASE/ DECREASE
CURRENT LIABILITIES			
A/P GENERAL	0.00	0.00	0.00
AP TAXES	22,814.46	209,564.88	-186,750.42
A/P BELL/AT&T	372,386.72	174,730.06	197,656.66
DUE FR: HALO	0.00	0.00	0.00
NTSR ESTIMATED 2002 TOTAL	313.68	33.04	280.64
COMPARE TO 5084.18	-114,019.00	-103,298.00	-10,721.00
A/P NORTEL	0.00	0.00	0.00
A/P NECA POTENTIAL OVERTURNINGS	-194,171.00	0.00	-194,171.00
A/P IMC	13,679.95	7,379.05	6,300.90
A/P CLDS	1,628.08	10,697.99	-9,069.91
A/P MIS BILLINGS	-7.98	0.00	-7.98
A/P WAGES/BONUSES	0.00	0.00	0.00
A/ BENEFITS	152,463.85	101,249.55	51,214.30
ACCUM TAX-VA UNEMPLOYMENT INS	-83,879.05	-71,247.19	-12,631.86
N/P VEHICLE	0.00	3,510.26	-3,510.26
CUSTOMER DEPOSITS	142,239.77	153,668.22	-11,428.45
CURRENT MATURITY LONG TERM DEBT	0.00	0.00	0.00
ACCRUED INCOME TAXES	-132,999.28	891,091.54	-1,024,090.82
ACCRUED PROPERTY TAXES	106,291.89	257,555.80	-151,263.91
ACCRUED INTEREST	5,003.09	8,383.56	-3,380.47
ACCRUED AUDIT EXPENSE	-4,750.00	-4,750.00	0.00
ACCRUED INTEREST PAY RTFC LOAN	0.00	0.00	0.00
ACCRUED INT-CELLULAR PAYABLE	0.00	0.00	0.00
ACCRUED JOINT USE RENT	30,624.00	21,220.70	9,403.30
RTFC LINE OF CREDIT	0.00	0.00	0.00
	-----	-----	-----
TOTAL CURRENT LIABILITIES	317,619.18	1,659,789.46	-1,342,170.28
	-----	-----	-----
LONG-TERM DEBT			
N/P FIFTH THIRD	1,179,280.71	1,326,080.71	-146,800.00
LEASE PAYABLE - IBM	0.00	4,529.18	-4,529.18
NOTE PAYABLE - RUS	0.00	0.00	0.00
NOTE PAYABLE - RTFC	0.00	0.00	0.00
	-----	-----	-----
TOTAL LONG-TERM DEBT	1,179,280.71	1,330,609.89	-151,329.18
	-----	-----	-----
OTHER LIABILITIES & DEFERRED CR.			
DEFERRED INCOME TAX	1,712,000.00	1,122,000.00	590,000.00
	-----	-----	-----
TOTAL OTHER LIABILITIES & DEFERRED CR.	1,712,000.00	1,122,000.00	590,000.00
	-----	-----	-----

Gearheart Communications
 dba Coalfields Telephone Co.

Exhibit 2

	CURRENT PERIOD	LAST YEAR PERIOD	INCREASE/ DECREASE
STOCKHOLDERS' EQUITY			
CAPITAL STOCK CLASS A VOTING	10,025.00	10,025.00	0.00
CAPITAL STOCK CLASS B NONVOTING	30,075.00	30,075.00	0.00
TREASURY STOCK CLASS A	-130,423.32	-130,423.32	0.00
TREASURY STOCK CLASS B	-395,044.96	-395,044.96	0.00
STOCK DIVIDEND CUMMALATIVE	-1,242,132.06	-1,242,132.06	0.00
RETAINED EARNING PRIOR	53,453,221.96	49,111,347.90	4,341,874.06
CURRENT YEAR PROFIT/LOSS	5,574,870.18	1,616,798.48	3,958,071.70
	-----	-----	-----
TOTAL STOCKHOLDERS' EQUITY	57,300,591.80	49,000,646.04	8,299,945.76
	-----	-----	-----
 TOTAL LIABILITIES & STOCK EQUITY	 60,509,491.69	 53,113,045.39	 7,396,446.30
	<u>-----</u>	<u>-----</u>	<u>-----</u>