### RECEIVED

## COMMONWEALTH OF KENTUCKY BEFORE THE PUBLIC SERVICE COMMISSION

JAN 0 3 2011

PUBLIC SERVICE COMMISSION

In the matter of:

THE APPLICATION OF EAST KENTUCKY NETWORK

LIMITED LIABILITY COMPANY FOR THE ISSUANCE

OF A CERTIFICATE OF PUBLIC CONVENIENCE AND

NECESSITY TO CONSTRUCT A TOWER IN HARLAN

COUNTY, KENTUCKY).

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

In an effort to improve service in Harlan County, East Kentucky Network, LLC pursuant to KRS 278.020 Subsection 1 and 807 KAR 5:001 Section 9 is seeking the Commission's approval to construct a 180 foot self-supporting tower on a tract of land approximately 2300' East of the Junction of Rt. 38 and Ages Creek Road near Ages in Harlan County, Kentucky (36°51'29.61"N 83°14'21.57"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 according to the property valuation administrator's record who reside or own property within 500 feet of the proposed Tower were notified by certified mail return receipt requested of East Kentucky Network, LLC's proposed construction and informed of their right to intervene.

*			

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

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

Notice of the location of the proposed construction is being published in the Harlan Daily Enterprises's December 31, 2010 and January 8, 2011 editions. Enclosed is a copy of that notice in Exhibit 3. The Harlan Daily Enterprise is the newspaper with the largest circulation in Harlan County.

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

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

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

FAA application and Kentucky Airport Zoning Commission confirmation that a permit is not required are included as Exhibit 6.

No Federal Communications Commission approval is required prior to construction of this facility. Once service is established from this tower we must immediately notify the Federal Communications Commission of its operation. Prior approval is needed only if the proposed

facility increases the size of the cellular geographic service area. This cell site will not expand the cellular geographic service area.

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

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

Two notice signs meeting the requirements prescribed by 807 KAR 5:063, Section 1(2), measuring at least two (2) feet in height and four (4) feet in width and containing all required language in letters of required height, have been posted, one at a visible location on the proposed site and one on the nearest public road. The two signs were posted on November 23, 2010 and will remain posted for at least two weeks after filing of this application as specified.

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

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

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

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

Exhibit 12 contains a vertical sketch of the tower supplied by Coleman Engineering.

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

The foregoing document was prepared by the Accounting Department of East Kentucky Network, LLC d/b/a Appalachian Wireless. All related questions or correspondence concerning this filing should be mailed to the attention of Gerald Robinette at East Kentucky Network, LLC d/b/a/ Appalachian Wireless, 101 Technology Trail, Ivel, KY 41642.

SUBMITTED BY:

\_\_\_\_ DATE:\_

Lynn Haney, Compliance Coordinator

APPROVED BY:

DATE:12-28-/C

Gerald Robinette, General Manager

#### **CONTACT INFORMATION:**

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

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

### **Mailing Address:**

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

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	FCC License	
2	Copies of Cell Site Notices to Land Owners	
8	Notification of County Judge Executive and Newspaper Advertisement	
4	Universal Soil Bearing Analysis	
5	Tower Design	
6	FAA Application & Kentucky Airport Zoning Commission Confirmation that a Permit is not required	
7	Audited Financial Statements	
· · · · · · · · · · · · · · · · · · ·	Driving Directions from County Court House and Map to Suitable Scale	
0	Lease Agreement with Deed Description for Proposed Site	
10	Survey of Site Signed/Sealed by Professional Engineer Registered in State of Kentucky	
111	Site Survey Map with Property Owners identified in Accordance with PVA of County	
12	Vertical Profile Sketch of Proposed Tower	

#### **ULS** License

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

Call Sign WQEF975 Radio Service CW - PCS Broadband
Status Active Auth Type Regular

Market
Market MTA044 - Knoxville Channel Block A

**Dates** 

Grant 11/14/2005 Expiration 06/23/2015

Effective 11/11/2009 Cancellation

**Buildout Deadlines** 

1st 2nd

**Notification Dates** 

1st 2nd

Licensee

FRN 0001786607 Type Limited Liability Company

Licensee

East Kentucky Network, LLC d/b/a Appalachian Wireless P:(606)477-2355 101 Technology Trail P:(606)874-7551

Ivel, KY 41642 ATTN Gerald Robinette, Manager

Contact

Lukas, Nace, Gutierrez & Sachs, LLP
Pamela L Gist Esq
8300 Greensboro Drive
McLean, VA 22102

P:(703)584-8665
F:(703)584-8695
E:pgist@fcclaw.com

**Ownership and Qualifications** 

Radio Service Mobile Type

Regulatory Status Common Carrier Interconnected Ye

Alien Ownership

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

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

#### **Basic Qualifications**

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

#### **Tribal Land Bidding Credits**

This license did not have tribal land bidding credits.

#### Demographics

Race

Ethnicity

Gender

**ULS** License

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

#### **Counties in Market Area**

Call Sign

WQEF975

Radio Service CW - PCS Broadband

Α

Market

MTA044 - Knoxville

Channel

Block

Submarket 12 Associated

001850.00000000-001865.00000000 Frequencies 001930.00000000-001945.00000000

(MHz)

Auction

04 - BB PCS A/B

Counties in BTA295 - Middlesboro-Harlan, KY

Return to Market Summary

County, State	FIPS Code	Population†
1 BELL, KY	21013	30060
2 HARLAN, KY	21095	33202
3 LETCHER, KY	21133	25277
4 CLAIBORNE, TN	47025	29862

<sup>†:</sup> Population data is based on 2000 Census.

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

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

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

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

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

#### LIST OF PROPERTY OWNERS

B.O.C. Logging Co. P.O. Box 70 Evarts, KY 40828

Draper Land Company P.O. Box 964 Harlan, KY 40831

Ruby Sargent Ages Creek Road Ages Brookside, KY 40801

Charles & Sandra Sargent Ages Creek Road Ages Brookside, KY 40801

W. G. Sargent Ages Creek Road Ages Brookside, KY 40801

EAST KENTUCKY NETWORK

101 TECHNOLOGY TRAIL

IVEL, KY 41642

PHONE: (606) 874-7550

FAY (606) 874-7551

: INFO@EKN.COM

WEBSITE: WWW.EKN.COM



#### PUBLIC NOTICE

December 23, 2010

B.O.C. Logging Co. P.O. Box 70 Evarts, KY 40828

RE: Public Notice-Public Service Commission of Kentucky (Case No. 2010-00409)

East Kentucky Network, LLC d/b/a Appalachian Wireless has applied to the Public Service Commission of Kentucky for a Certificate of Public Convenience and Necessity to construct and operate a new facility to provide cellular telecommunications service in Harlan County. The facility will include a 180 foot self supporting tower with attached antennas extending upwards, and an equipment shelter located on a tract of land approximately 2200' East of the Junction of Rt. 38 and Ages Creek Road near Ages in Harlan County, Kentucky. A map showing the location of the proposed new facility is enclosed. This notice is being sent to you because you may own property or reside within a 500' 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. 2010-00409 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

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F\*\*\* (606) 874-7551

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WEBSITE: WWW.EKN.COM



#### PUBLIC NOTICE

December 23, 2010

Draper Land Company P.O. Box 964 Harlan, KY 40831

RE: Public Notice-Public Service Commission of Kentucky (Case No. 2010-00409)

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Sincerely,

Lynn Haney

Compliance Coordinator

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EVER (606) 874-7551

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WEBSITE: WWW.EKN.COM



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

#### PUBLIC NOTICE

December 23, 2010

Ruby Sargent Ages Creek Road Ages Brookside, KY 40801

RE: Public Notice-Public Service Commission of Kentucky (Case No. 2010-00409)

East Kentucky Network, LLC d/b/a Appalachian Wireless has applied to the Public Service Commission of Kentucky for a Certificate of Public Convenience and Necessity to construct and operate a new facility to provide cellular telecommunications service in Harlan County. The facility will include a 180 foot self supporting tower with attached antennas extending upwards, and an equipment shelter located on a tract of land approximately 2200' East of the Junction of Rt. 38 and Ages Creek Road near Ages in Harlan County, Kentucky. A map showing the location of the proposed new facility is enclosed. This notice is being sent to you because you may own property or reside within a 500' radius of the proposed tower or within a 200' radius of the proposed or existing access road.

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

Sincerely,

Lynn Haney

Compliance Coordinator

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F' '606) 874-7551
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#### **PUBLIC NOTICE**

December 23, 2010

Charles & Sandra Sargent Ages Creek Road Ages Brookside, KY 40801

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Sincerely,

Lynn Haney

Compliance Coordinator

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INFO@EKN.COM

V.LOSITE: WWW.EKN.COM



#### PUBLIC NOTICE

December 23, 2010

W. G. Sargent Ages Creek Road Ages Brookside, KY 40801

RE: Public Notice-Public Service Commission of Kentucky (Case No. 2010-00409)

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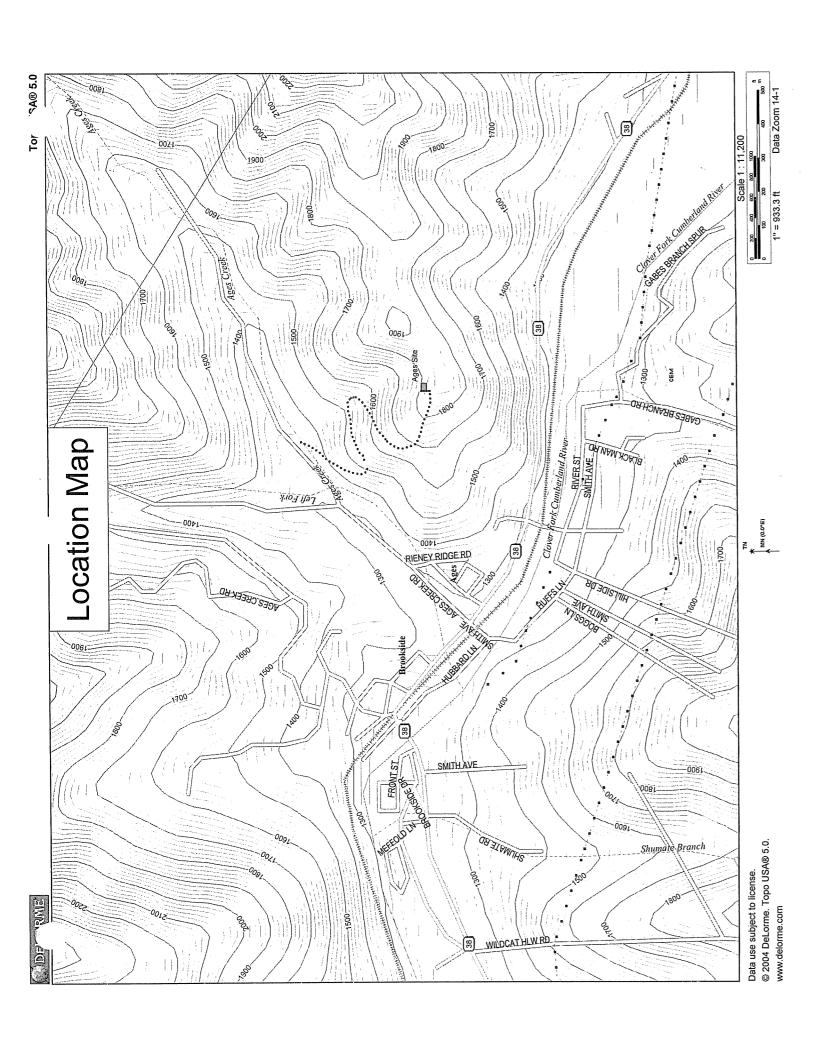
If you have any questions for East Kentucky Network, LLC, please direct them to my attention at the following address: East Kentucky Network, LLC, 101 Technology Trail, Ivel, KY 41642 or call me at 606-791-2375, Ext. 1007.

Sincerely,

Lynn Haney

Compliance Coordinator

*		



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FAX: (606) 874-7551
: INFO@EKN.COM
JTE: WWW.EKN.COM



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

December 23, 2010

Joe Grieshop, Judge Executive P.O. Box 956 Harlan, KY 40831

RE: Public Notice-Public Service Commission of Kentucky (Case No. 2010-00409)

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

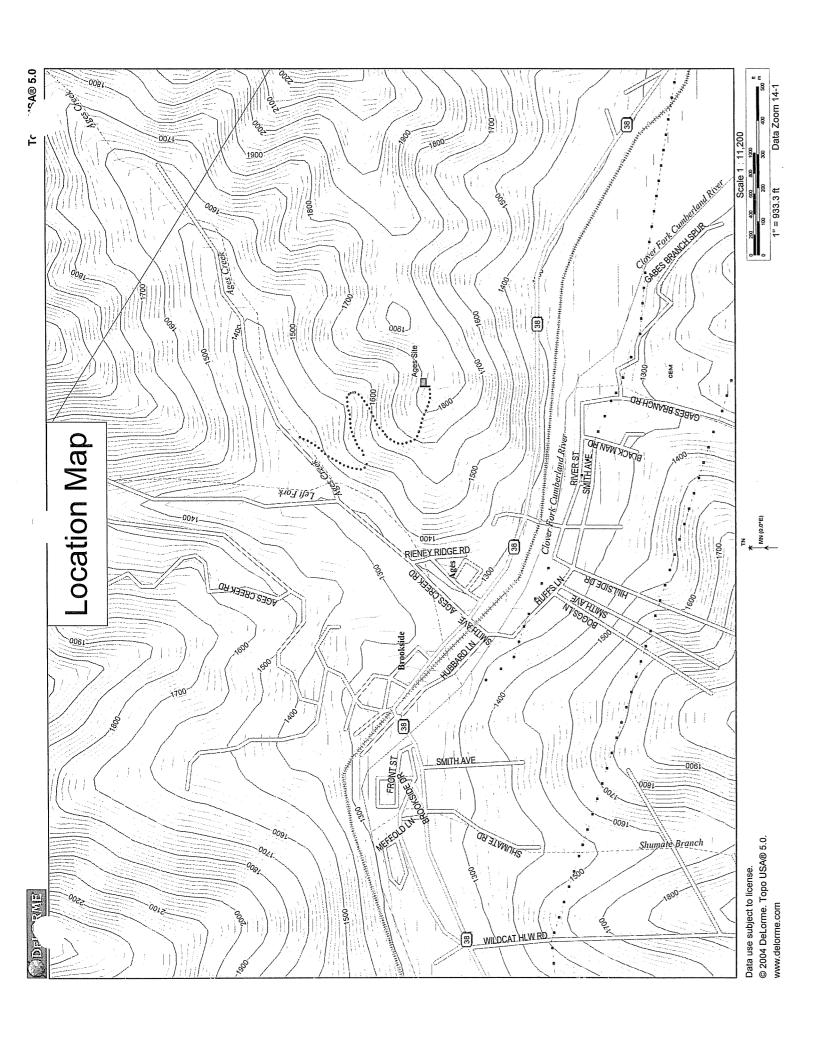
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Sincerely,

Lynn Haney

Compliance Coordinator

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

#### PUBLIC NOTICE:

RE: Public Service Commission of Kentucky (CASE NO. 2010-00409)

Public Notice is hereby given that East Kentucky Network, LLC, dba Appalachian Wireless has applied to the Kentucky Public Service Commission to construct a cellular telecommunications tower on a tract of land located approximately 2200' East of the Junction of Rt. 38 and Ages Creek Road near Ages in Harlan 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. 2010-00409.

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

### WENDELL R. HOLMES, P.G.

424 Pear Street Hazard, KY 41701 (606) 438-7250

November 24, 2010

Ages Tower Site

#### Purpose:

A site assessment was conducted for Appalachian Wireless on a tract of land located in Harlan County near the town of Ages, Kentucky. The site of the proposed tower is now forestland property. 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 at what depth and what type of bedrock material is present at the proposed tower site. A Caterpillar Excavator was used to expose the shale bedrock material. It is approximately 6.70 feet to the shale bedrock. (See attachment for descriptions of materials encountered.)

The terrain in Harlan County is slightly to moderately steep. The tower site is located on a point above the confluence of Ages Creek and the Clover Fork of the Cumberland River, approximately four tenths of a mile northeast of the town of Ages in Harlan County. The shale formation below the tower site is approximately 10.00 feet thick, based on the information obtained from the site investigation and geological maps of the area.

#### Conclusions:

The proposed tower site is located on a point in the area. The shale bedrock on the proposed tower site is part of the Mingo Formation, and is lower to 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 shale bedrock formation.

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



# WENDELL R. HOLMES, P.G.

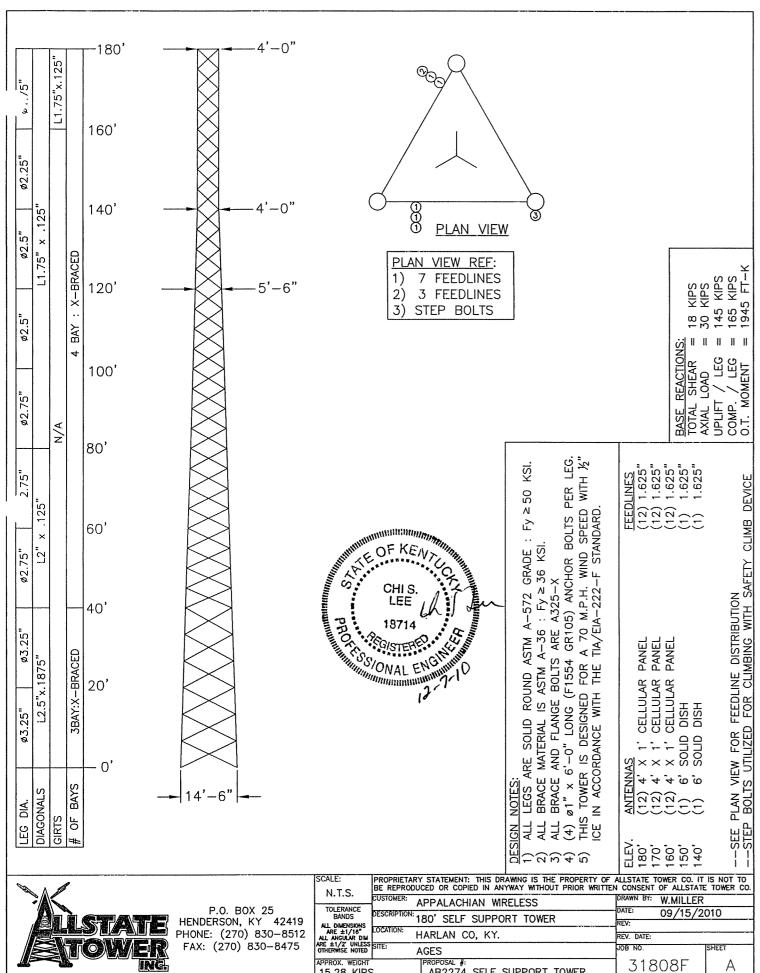
### **424 Pear Street**

Hazard, Ky. 41701

Geologist Log

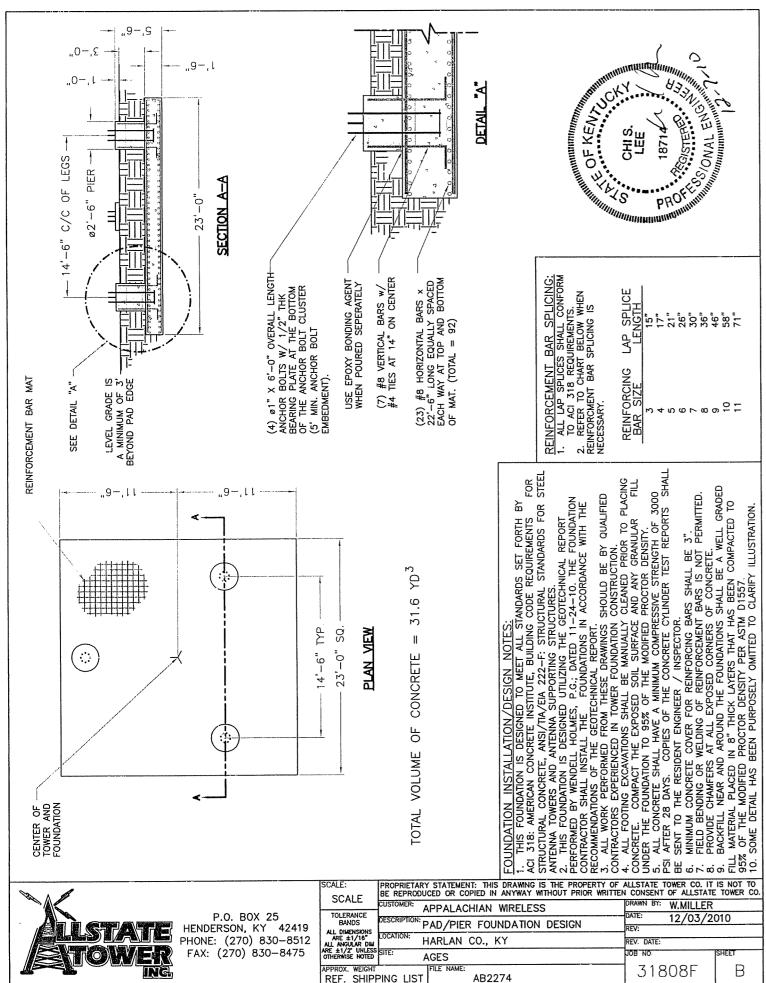
Location: Ages Tower Site

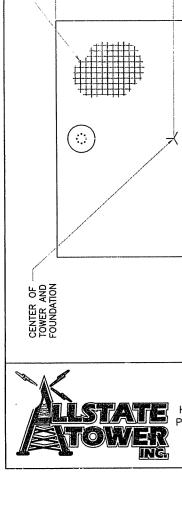
Unit Thickness	Total depth	Strata	Description
0.70′	0.70′	Topsoil	Brown with Plant Fragments
6.00′	6.70′	Shale	Brown, Gray, Broken and Weathered
10.00′	16.70′	Shale	Gray, Layered





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SCALE:		RY STATEMENT: THIS DR						
ļ	CUSTOMER:	APPALACHIAN WR	ELESS		DRAWN BY:	W.MILLER		_
TOLERANCE BANDS ALL DIMENSIONS	DESCRIPTION:	180' SELF SUPPO	RT TOWER		DATE: REV:	09/15/2	010	
ARE ±1/16" ALL ANGULAR DIM		HARLAN CO, KY.			REV. DATE:			_
ARE ±1/2 UNLESS OTHERWISE NOTED	SITE:	AGES			JOB NO.		SHEET	_
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#### Notice of Proposed Construction or Alteration - Off Airport

Project Name: EAST -000162362-10 Sponsor: East Kentucky Network, LLC

Details for Case : Ages

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14/2010 12:06 PM		

#### Lynn Haney

From: Gerald Robinette [grobinette110@ekn.com]

Sent: Tuesday, December 14, 2010 1:11 PM

To: lhaney@ekn.com

**Subject:** FW: 659 - KAZC study request for the proposed Ages

FYI

From: Ali Kuzehkanani [mailto:AKuzehkanani@fcclaw.com]

**Sent:** Tuesday, December 14, 2010 12:41 PM **To:** KYTC Airport Zoning Comm (KYTC) **Cc:** Gerald Robinette; Marty Thacker

Subject: RE: 659 - KAZC study request for the proposed Ages

Thank you

From: KYTC Airport Zoning Comm (KYTC) [mailto:KYTC.AirportZoningComm@ky.gov]

Sent: Tuesday, December 14, 2010 12:40 PM

To: Ali Kuzehkanani

**Subject:** RE: 659 - KAZC study request for the proposed Ages

Importance: Low

Ali,

This <u>does not</u> require a permit from the Kentucky Airport Zoning Commission. The antenna <u>does not</u> exceed any of the highlighted section listed below. Save this email for your records.

Thank you.

Kentucky Airport Zoning Commission John Houlihan, Administrator 90 Airport Road, Building 400 Frankfort, KY 40601 Desk 502.564.0310 Cell 502.330.3955

http://transportation.ky.gov/aviation/kyzoning.html

CONFIDENTIALITY NOTICE: This e-mail message, including any attachments, is for the sole use of the intended recipient(s) and may contain confidential and privileged information. Any unauthorized review, use, disclosure or distribution is prohibited. If you are not the intended recipient, please contact the sender by reply e-mail or call (502) 564-0310 and destroy all copies of the original message.

#### 602 KAR 50:030. Jurisdiction of the Kentucky Airport Zoning Commission.

RELATES TO: KRS 183.861, 183.865, 183.867, 183.870

STATUTORY AUTHORITY: KRS 183.861

NECESSITY, FUNCTION, AND CONFORMITY: KRS 183.867 specifies that the commission has jurisdiction over zoning for all public use and military airports. This administrative regulation defines the areas over which the Kentucky Airport Zoning Commission has jurisdiction for the purpose of zoning in accordance with KRS Chapter 183 and specifics when the owner or person who has control over a structure which encroaches on the jurisdiction of the Kentucky Airport Zoning Commission shall apply

Page 2 of 3

for a permit.

Section 1. The commission has zoning jurisdiction over that airspace over and around the public use and military airports within the Commonwealth which lies above the imaginary surface that extends outward and upward at one (1) of the following slopes:

- (1) 100 to one (1) for a horizontal distance of 20,000 feet from the nearest point of the nearest runway of each public use and military airport with at least one (1) runway 3,200 feet or more in length; or
- (2) Fifty (50) to one (1) for a horizontal distance of 10,000 feet from the nearest point of the nearest runway of each public use and military airport with its longest runway less than 3,200 feet in actual length.
- Section 2. The commission has zoning jurisdiction over the use of land and structures within public use airports within the state.
- Section 3. The commission has jurisdiction from the ground upward within the limits of the primary and approach surfaces of each public use and military airport as depicted on Airport Zoning Maps approved by the Kentucky Airport Zoning Commission.

Section 4. The commission has jurisdiction over the airspace of the Commonwealth that exceeds 200 feet in height above ground level.

Section 5. The owner or person who has control over a structure which penetrates or will penetrate the airspace over which the commission has jurisdiction shall apply for a permit from the commission in accordance with 602 KAR 50:090. (KAV-9-1; 1 Ky.R. 807; eff. 5-14-75; Am. 2 Ky.R. 306; eff. 3-10-76; 5 Ky.R. 599; eff. 3-7-79; 10 Ky.R. 445; eff. 1-4-84; 14 Ky.R. 267; eff. 9-10-87; 19 Ky.R. 800; eff. 11-4-92; 27 Ky.R. 2228; 2774; eff. 4-9-2001.)

From: Ali Kuzehkanani [mailto:AKuzehkanani@fcclaw.com]

Sent: Tuesday, December 14, 2010 12:29 PM

**To:** KYTC Airport Zoning Comm (KYTC) **Cc:** Gerald Robinette; Marty Thacker

Subject: 659 - KAZC study request for the proposed Ages

Dear Madam/Sir:

Forwarded herewith in accordance with KRS 183.990 and Chapter 50 of Title 602 of the Kentucky Administrative Regulations, is an "Application for Permit to Construct or Alter a Structure" (Form TC 56-50) for a 190-foot communications support structure (Ages) proposed near Ages (Harlan), KY. The site is located approximately 0.4 mi (0.6 kilometers) east of Ages (Harlan), KY at geographic coordinates (NAD83) N 36-51-29.6; W 83-14-21.5.

Attached is a copy of the electronic FAA 7460-1 filing. A copy of the final FAA determination will be provided to you as soon as it is issued.

Please let me know if you have any questions or require any additional information.

Thank you in advance for your help in this matter.

Regards

Ali Kuzehkanani

12/20/2010

Director of Engineering Lukas, Nace, Gutierrez & Sachs, LLP 8300 Greensboro Drive, Suite 1200 McLean, VA 22102 Direct (703) 584-8667 Mobile (703) 927-1961

Fax (703) 584-8696 Email <u>ali@fcclaw.com</u> Email <u>akuzehkanani@fcclaw.com</u>

# EAST KENTUCKY NETWORK, LLC DBA APPALACHIAN WIRELESS

#### FINANCIAL REPORT

December 31, 2009

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Jones, Nale & Mattingly PLC

#### INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying balance sheets of East Kentucky Network, LLC, dba Appalachian Wireless as of December 31, 2009 and 2008 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, 2009 and 2008 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.

Jones. Male : Mattingly Pic

Louisville, Kentucky February 26, 2010

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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, 2009 and 2008

ASSETS	2009	2008
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,874,412	\$ 5,145,165
Short-term investments	100,000	100,000
Accounts receivable, less allowance for doubtful		
accounts of \$1,405,597 in 2009 and \$1,054,283 in 2008	7,806,718	6,246,970
Accounts receivable, members (Notes 5 and 6)	87,192	88,078
Inventory	5,699,380	3,053,445
Prepaid expenses	537,143	411,948
Total current assets	\$ 17,104,845	\$ 15,045,606
PROPERTY, PLANT AND EQUIPMENT (Note 3)		
Plant in service:		
General support	\$ 27,455,560	\$ 25,380,330
MTSO equipment	22,282,589	20,505,774
Cell equipment	64,198,981	55,340,782
Paging equipment	3,321,068	3,321,068
Fiber ring	7,675,975	7,429,057
Unfinished plant	3,675,759	1,951,193
	\$128,609,932	\$113,928,204
Less accumulated depreciation	57,070,186	48,072,427
	\$ 71,539,746	\$ 65,855,777
OTHER ASSETS		
Investment in affiliated company, RTFC	\$ 112,712	\$ 112,712
Intangible assets, net of accumulated amortization		·
of \$4,389,605 in 2009 and \$3,707,354 in 2008 (Note 2)	4,578,754	5,261,006
Other	19,712	19,712
	\$ 4,711,178	\$ 5,393,430
	\$ 93,355,769	\$ 86,294,813

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

LIABILITIES AND MEMBERS' EQUITY	2009	2008
CURRENT LIABILITIES Current maturities of long-term debt (Note 3)	\$ 2,685,714	\$ 3,852,381
Accounts payable, member (Notes 5 and 6)	2,033,336 35,206	1,772,238 49,579
Accrued expenses  Deferred revenue, advance billings	1,519,862 2,133,743	1,208,138 1,887,230
Customer deposits  Total current liabilities	574,996 \$ 8,982,857	\$ 9,370,438
LONG-TERM DEBT, less current maturities (Note 3)	\$ 13,559,207	\$ 16,388,735
INTEREST RATE SWAPS (Note 8)	\$ 1,384,261	\$ 2,067,821
MEMBERS' EQUITY	ф. 70. 012 <b>7</b> 0.6	Φ
Members' capital accounts Accumulated other comprehensive (loss)	\$ 70,813,705 (1,384,261) \$ 69,429,444	\$ 60,535,640 (2,067,821) \$ 58,467,819
	Recognition of the state of the	
	\$ 93,355,769	\$ 86,294,813

# STATEMENTS OF INCOME Years Ended December 31, 2009 and 2008

	2009	2008
REVENUE		
Retail	\$ 46,125,449	\$ 40,207,998
Roamer	16,777,789	12,592,115
Long distance	195,754	214,296
Paging	488,500	566,677
Equipment sales, cellular	2,198,961	2,248,939
Equipment sales, paging	93,942	35,777
Other	3,649,814	3,299,759
Total revenue	\$ 69,530,209	\$ 59,165,561
EXPENSES		
Cost of cellular service	\$ 15,223,905	\$ 12,861,903
Cost of paging service	339,051	332,386
Cost of equipment sales, cellular	13,508,510	11,656,367
Cost of equipment sales, paging	57,023	56,705
Customer service	1,364,596	1,313,033
Billing	1,657,074	1,383,121
Selling	4,188,213	3,731,205
Maintenance	2,595,663	1,838,940
Utilities	900,421	711,446
Bad debts	473,634	802,158
Cell site rental	244,023	214,620
Taxes and licenses	446,482	965,327
Advertising	3,815,728	2,968,190
General and administrative	3,666,329	3,106,380
Occupancy	632,810	403,800
Depreciation	9,105,095	7,703,016
Amortization	839,546	693,384
Total expenses	\$ 59,058,103	\$ 50,741,981
Income from operations	\$ 10,472,106	\$ 8,423,580
OWNED DIGOVE (EXDENICE)		
OTHER INCOME (EXPENSE)	\$ 31,040	\$ 56,023
Interest income	(1,424,984)	(1,242,505)
Interest expense	7,045,378	6,680,698
Universal Service Fund income (Note 7)	\$ 5,651,434	\$ 5,494,216
	Ψ 0,001,101	
Net income	\$ 16,123,540	\$ 13,917,796

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

# STATEMENTS OF MEMBERS' EQUITY Years Ended December 31, 2009 and 2008

	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, 2008 Comprehensive income:	\$10,044,087	\$10,044,087	\$10,044,086	\$10,044,086	\$10,044,086	\$50,220,432
Net income Change in fair value of	2,783,559	2,783,559	2,783,560	2,783,559	2,783,559	13,917,796
interest rate swaps	(299,038)	(299,038)	(299,038)	(299,038)	(299,037)	(1,495,189)
Total comprehensive income	\$ 2,484,521	\$ 2,484,521	\$ 2,484,522	\$ 2,484,521	\$ 2,484,522	\$12,422,607
Capital distributions	(835,044)	. (835,044)	(835,044)	(835,044)	(835,044)	(4,175,220)
Balance, December 31, 2008	\$11,693,564	\$11,693,564	\$11,693,564	\$11,693,563	\$11,693,564	\$58,467,819
Comprehensive income:  Net income  Change in fair value of	3,224,708	3,224,708	3,224,708	3,224,708	3,224,708	16,123,540
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	<u>\$13,885,889</u>	<u>\$13,885,889</u>	\$13,885,888	\$13,885,889	\$69,429,444

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



# STATEMENTS OF CASH FLOWS Years Ended December 31, 2009 and 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 16,123,540	\$ 13,917,796
Adjustments to reconcile net income to net cash provided		
by operating activities:	0.105.005	7 702 017
Depreciation	9,105,095	7,703,016
Amortization	839,546	693,384
Loss (gain) on disposition of property, plant, and equipment Changes in assets and liabilities, net of the effects	82,302	(3,723)
of investing and financing activities:  (Increase) in accounts receivable	(1,559,748)	(1,199,357)
(Increase) in accounts receivable, members	(1,559,746)	(8,275)
	(2,645,935)	(74,188)
(Increase) in inventory (Increase) decrease in prepaid expenses	(125,195)	19,911
Decrease in other assets	(123,193)	969
	261,098	834,045
Increase in accounts payable	(14,373)	4,312
Increase (decrease) in accounts payable, member	311,724	84,489
Increase in accrued expenses	•	•
Increase in deferred revenue, advance billings	246,513	381,239
Increase (decrease) in customer deposits	(25,876)	147,402
Net cash provided by operating activities	\$ 22,599,577	\$ 22,501,020
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	\$ (15,028,659)	\$ (19,196,297)
Proceeds from sale of property, plant and equipment		11,500
Purchase of intangible assets	<b>*</b> •	(1,650,275)
Net cash (used in) investing activities	\$ (15,028,659)	\$ (20,835,072)
Ties dable (about its) May be the second		
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital distributions	\$ (5,845,475)	\$ (4,790,603)
Proceeds from long-term borrowings	10,200,000	8,250,000
Payments on long-term borrowings	(14,196,195)	(1,758,884)
Net cash provided by (used in) financing activities	\$ (9,841,670)	\$ 1,700,513
Net increase (decrease) in cash and cash equivalents	\$ (2,270,752)	\$ 3,366,461
Cash and cash equivalents:		
Beginning	5,145,165	1,778,704
Ending	\$ 2,874,413	\$ 5,145,165
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash payments for interest	\$ 1,431,014	\$ 1,178,953

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.

#### Cash

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.

#### 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.

#### 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.

#### 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.

#### Property, plant and equipment

Property, plant and equipment are recorded at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the assets.

#### Investment

The investment in affiliated company is composed of equity certificates in Rural Telephone Finance Cooperative and is reported at cost, which approximates fair value.

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

#### 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.

#### Recognition of revenue

Cellular service and paging revenues are recognized when earned. Deferred revenue consists of monthly access and feature charges billed one month in advance and recognized as revenue the following month. Revenue from telephones and accessories sold are recognized as revenue upon delivery to the customer.

#### Advertising

Advertising costs are expensed as incurred. At December 31, 2009 and 2008, these costs were \$3,815,729 and \$2,968,190, respectively.

#### Income taxes

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

Management evaluates its potential exposures from tax positions taken that have or could be challenged by taxing authorities. These potential exposures result because taxing authorities may take positions that differ from those taken by management in the interpretation and application of statutes, regulations, and rules. There are no tax positions for which the ultimate deductibility is highly uncertain included in the accompanying financial statements.

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, 2009 and 2008.

#### 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.

#### Comprehensive income

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

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Note 1. Summary of Significant Accounting Policies (Continued)

Subsequent events

Management has evaluated subsequent events through February 26, 2010, the date the financial statements were available to be issued.

Reclassification

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

## Note 2. Intangible Assets

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

	Gross Amount	Accumulated Amortization
Customer lists	\$ 5,363,530	\$ (3,225,882)
Non-compete agreements	220,348	(165,657)
FCC licenses	2,452,368	(717,074)
Use of name	10,000	(6,335)
Other	922,114	(274,657)
	\$ 8,968,360	\$ (4,389,605)

Intangible assets consist of the following at December 31, 2008:

	Gross Amount	Accumulated Amortization
Customer lists	\$ 5,363,530	\$ (2,868,564)
Non-compete agreements	220,348	(150,977)
FCC licenses	2,452,368	(544,730)
Use of name	10,000	(5,669)
Other	922,114	(137,414)
	\$ 8,968,360	\$ (3,707,354)

#### Note 2. Intangible Assets (Continued)

Aggregate amortization expense related to these intangible assets for the years ended December 31, 2009 and 2008 totaled \$682,251 and \$575,586, respectively. The following represents the total estimated amortization of intangible assets for each of the succeeding five years:

#### Year ending December 31:

2010	\$ 680,000
2011	680,000
2012	680,000
2013	660,000
2014	620,000

#### Note 3. Long-Term Debt

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

	2009	2008
Note payable, Fifth Third Bank (a)	\$ 9,033,333	\$ 11,600,000
Line of credit, Fifth Third Bank (b)	• •	
Note payable, Fifth Third Bank (c)	7,211,588	8,641,116
	\$ 16,244,921	\$ 20,241,116

(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 are paid from funds drawn by the Trustee under an irrevocable letter of credit issued by Fifth Third Bank. The Notes are collateralized by the assets of the Company and 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. (1.99% at 12/31/09). 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.

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

- (b) The line of credit agreement with Fifth Third Bank provides for borrowing up to \$2,000,000. The agreement carries a variable interest rate (3.24% at 12/31/09), is secured by the assets of the Company, and is due September 1, 2010.
- (c) On September 1, 2008, the Company borrowed \$9,000,000 to restructure existing debt, purchase new equipment and upgrade dexisting 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 (3.24% at 12/31/09). 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.

Under terms of the Notes, the Company has also agreed, among other things, to maintain minimum debt service coverage and minimum debt to tangible worth ratios. The Company was in violation of certain of these covenants as of December 31, 2009; however, these violations have been waived by the noteholder.

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	\$ 2010
2,685,714	2011
2,769,048	2012
8,104,445	2013
	2014

#### Note 4. Retirement Plans

The Company has a 401(k) plan for qualifying employees who have reached twenty-one years of age. Eligible employees are allowed to invest up to 15% of their compensation and the Company has agreed to match 100% of the first 3% of the employees' contribution and 50% of the employees' contribution between 3% and 5%. The Company contributed \$124,071 and \$112,235 in matching funds for its 401(k) plan during the years ended December 31, 2009 and 2008, 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 \$421,669 and \$371,105 to its retirement savings plan during the years ended December 31, 2009 and 2008, respectively.

#### Note 5. Related Party Transactions

The Company shares personnel with three of its members. The Company paid \$210,990 and \$157,825 for shared personnel during the years ended December 31, 2009 and 2008, respectively. The Company also leased offices and warehouse space from three members. The leases are for an unspecified length of time. The annual lease expense related to these leases was \$20,483 and \$20,301 during the years ended December 31, 2009 and 2008, respectively.

The Company incurred interconnection, telephone, cable and internet access charges from its members aggregating \$1,111,251 and \$1,047,239 for the years ended December 31, 2009 and 2008, respectively.

The Company leases two cellular tower sites from the officers and majority shareholders of a member. The annual lease expense related to these leases was \$2,400 for both years ended December 31, 2009 and 2008. 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, 2009 and 2008 amounted to \$11,700 and \$3,600, 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, 2009 and 2008. 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, 2009 and 2008 was \$45,420 and \$51,872, 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 \$54,522 and \$98,276 for the years ended December 31, 2009 and 2008, respectively.

#### Note 6. Operating Leases

The Company has entered into operating leases with its members and other customers to provide fiber optic transmission capacity and ancillary services. The terms of these leases are for 15 years. Total rental income earned from these operating lease commitments included in the statements of income was \$1,194,626 and \$1,612,227 for the years ended December 31, 2009 and 2008, respectively. Rental income earned from the Company's members from these leases was \$799,054 and \$780,931 for the years ended December 31, 2009 and 2008, respectively.

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#### Note 6. Operating Leases (Continued)

Investments in operating leases are as follows at December 31:

	2009	2008
Fiber ring	\$ 7,675,975	\$ 7,429,057
Accumulated depreciation	(2,623,141)	(2,143,096)
	\$ 5,052,834	\$ 5,285,961

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.

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 \$1,070,826 and \$805,277 for the years ended December 31, 2009 and 2008, respectively. Rental expense incurred from the Company's members from these leases was \$488,725 and \$291,461 for the years ended December 31, 2009 and 2008, respectively. The future minimum lease payments required under these lease agreements for each of the succeeding five years are approximately \$825,000 each year.

#### Note 7. Eligible Telecommunication Carrier

During 2005, the Company was granted Eligible Telecommunication Carrier (ETC) status by the Kentucky Public Service Commission. As an ETC, the Company receives funding from the federal Universal Service Fund (USF) to support the high cost of providing local telephone service in rural areas. USF payments amounted to \$7,045,378 and \$6,680,698 for 2009 and 2008, 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 (0.24% at December 31, 2009). 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.

Note 8. Derivative Financial Instruments, Interest Rate Swaps (Continued)

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.

The carrying amounts of the swaps are classified as noncurrent since management does not intend to terminate the swaps during 2010. 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.



Jones, Nale & Mattingly PLC

# INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY INFORMATION

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

Our audit was made for the purpose of forming an opinion on the basic financial statements for the years ended December 31, 2009 and 2008, taken as a whole. The supplementary information shown on pages 15 and 16 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information for the years ended December 31, 2009 and 2008, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Jones. Male: Mattingly Pic

Louisville, Kentucky February 26, 2010

- 14 -

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

# STATEMENTS OF INCOME DETAIL

	Year Ended December 31, 2009							
	RSA #9	RSA #10	Fiber					
	Appalachian	Mountaineer	Ring	PCS_	Totals			
REVENUE	-							
Retail	\$27,227,441	\$ 17,352,651	\$	\$ 1,545,357	\$46,125,449			
Roamer	12,256,698	4,387,287		133,804	16,777,789			
Long distance	119,708	72,756		3,290	195,754			
Paging	240,506	247,994	~ ~		488,500			
Equipment sales, cellular	1,363,757	751,079		84,125	2,198,961			
Equipment sales, paging	66,723	27,219			93,942			
Other	1,384,703	925,590	1,155,365	184,156	3,649,814			
Total revenue	\$42,659,536	\$ 23,764,576	\$ 1,155,365	\$ 1,950,732	\$69,530,209			
EXPENSES								
Cost of cellular service	\$ 8,635,517	\$ 5,825,794	\$	\$ 762,594	\$15,223,905			
Cost of paging service	160,498	178,553			339,051			
Cost of equipment sales, cellular	7,855,184	4,947,332		705,994	13,508,510			
Cost of equipment sales, paging	35,917	21,106			57,023			
Customer service	862,503	478,603		23,490	1,364,596			
Billing	1,037,351	589,188		30,535	1,657,074			
Selling	2,288,986	1,872,857		26,370	4,188,213			
Maintenance	1,533,903	830,286	56,424	175,050	2,595,663			
Utilities	490,919	289,019	42,536	77,947	900,421			
Bad debts	232,507	267,438		(26,311)	473,634			
Cell site rental	102,587	83,076		58,360	244,023			
Taxes and licenses	222,113	145,361	55,166	23,842	446,482			
Advertising	2,527,103	1,056,900		231,725	3,815,728			
General and administrative	2,173,592	1,145,620	233,211	113,906	3,666,329			
Occupancy	138,973	85,094	383,360	25,383	632,810			
Depreciation	4,582,025	3,286,291	747,918	488,861	9,105,095			
Amortization	288,965	438,924	32,032	79,625	839,546			
Total expenses	\$33,168,643	\$ 21,541,442	\$ 1,550,647	\$ 2,797,371	\$59,058,103			
Income from operations	\$ 9,490,893	\$ 2,223,134	\$ (395,282)	\$ (846,639)	\$10,472,106			
OTHER INCOME (EXPENSE)								
Interest income	\$ 17,504	\$ 10,619	\$ 2,334	\$ 583	\$ 31,040			
Interest expense	(903,773)	(498,651)		(22,560)	(1,424,984)			
Universal Service Fund income	3,522,689	3,522,689			7,045,378			
	\$ 2,636,420	\$ 3,034,657	\$ 2,334	\$ (21,977)	\$ 5,651,434			
Net income (loss)	\$12,127,313	\$ 5,257,791	\$ (392,948)	\$ (868,616)	\$16,123,540			

RSA #9	RSA #10	led December Fiber	 , 2000				
Appalachian	Mountaineer	Ring	 PCS	Totals			
\$24,574,346	\$15,406,704	\$	\$ 226,948	\$40,207,998			
9,424,434	3,125,657	**	42,024	12,592,115			
131,994	81,285		1,017	214,296			
259,547	307,130			566,677			
1,492,348	689,288		67,303	2,248,939			
20,869	14,908			35,777			
1,005,916	697,829	1,559,075	 36,939	3,299,759			
\$36,909,454	\$20,322,801	\$ 1,559,075	\$ 374,231	\$59,165,561			
\$ 7,464,380	\$ 5,305,238	\$	\$ 92,285	\$12,861,903			
148,346	184,040			332,386			
6,730,198	4,590,695		335,474	11,656,367			
24,309	32,396			56,705			
813,941	496,602	,	2,490	1,313,033			
873,600	505,623		3,898	1,383,121			
2,134,116	1,595,634		1,455	3,731,205			
1,035,157	697,495	39,468	66,820	1,838,940			
391,910	254,462	43,330	21,744	711,446			
491,883	302,032		8,243	802,158			
117,969	81,421		15,230	214,620			
576,748	250,317	121,722	16,540	965,327			
2,084,232	771,388		112,570	2,968,190			
1,802,346	1,056,315	226,927	20,792	3,106,380			
102,054	80,815	208,497	12,434	403,800			
3,939,105	2,891,653	725,234	147,024	7,703,016			
226,578	415,142	22,551	 29,113	693,384			
\$28,956,872	\$19,511,268	\$ 1,387,729	\$ 886,112	\$50,741,981			
7,952,582	\$ 811,533	\$ 171,346	\$ (511,881)	\$ 8,423,580			
\$ 21,154	\$ 31,375	\$ 3,331	\$ 163	\$ 56,023			
(783,129)	(455,419)		(3,957)	(1,242,505)			
3,340,349	3,340,349			6,680,698			
\$ 2,578,374	\$ 2,916,305	\$ 3,331	\$ (3,794)	\$ 5,494,216			

# STATEMENTS OF INCOME DETAIL (Continued)

				Year E	nde	d Decemb	er 3	1 2009	`.	
	R	SA #9	]	RSA #10		Fiber	<u> </u>	1,2007		
	App	alachian		ountaineer		Ring		PCS		Totals
COST OF CELLULAR SERVICE			******						_	
Roamer pass through charges	\$ 5	,678,216	\$	4,262,977	\$		\$	705,222	\$10	0,646,415
SCB interconnection		386,915		225,033		-0.44		8,736		620,684
Local charges	2	,483,054		1,394,735				76,935	;	3,954,724
Harold interconnection		147,008								147,008
Wheelwright interconnection		42,154								42,154
GTE interconnection		82,327		80,758				6,213		169,298
West Liberty interconnection		120,855								120,855
Chapman interconnection		100,023								100,023
Salyersville interconnection		280,492				~ ~				280,492
Bluefield interconnection										
Roanoke interconnection		9,504		~ ~						9,504
Interconnect revenue	(	(804,398)		(509,320)				(36,485)	(	1,350,203)
Fiber ring interconnection		91,884		113,896				1,973		207,753
TGTC interconnection and DS3 charges				160,480						160,480
PRTC interconnection				97,235		~ ~				97,235
West Virginia interconnection		17,483								17,483
	\$ 8,	635,517	\$	5,825,794	\$		\$	762,594	\$1:	5,223,905
COST OF PAGING SERVICE										
Paging maintenance	\$	6,700	\$	3,698	\$		\$		\$	10,398
Salaries and benefits		32,294		48,441						80,735
Tower rent		40,841		51,413						92,254
Telephone expense				329						329
Expanded coverage costs				1,596						1,596
Interconnection charges		35,280		29,613						64,893
Office and billing expense		42,935		30,372						73,307
Other .		2,448		13,091						15,539
	\$	160,498	\$	178,553	\$	• •	\$		\$	339,051

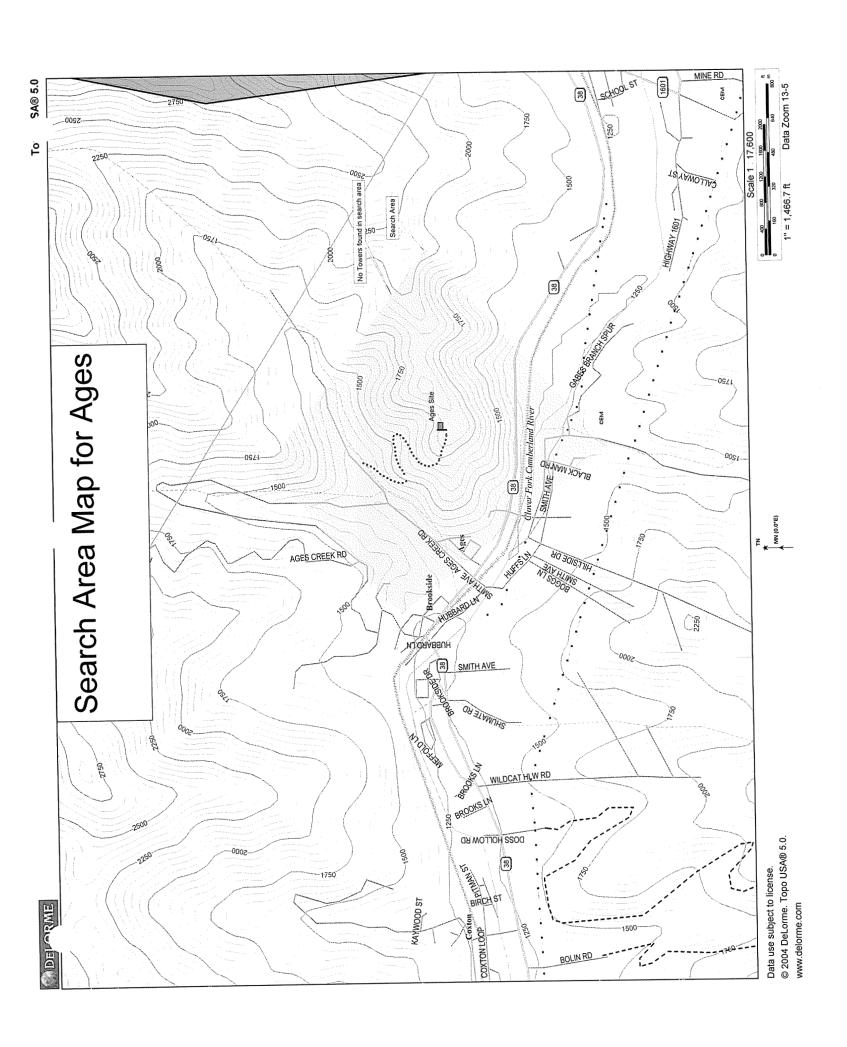
RSA #9	RSA #10	Fiber					
Appalachian	Mountaineer	Ring	* - manufacture of a	PCS	Totals		
4,949,474	\$ 3,595,547	\$	\$	77,604	\$ 8,622,625		
237,395	144,905			532	382,832		
2,401,115	1,387,166	~ -		18,826	3,807,107		
134,062					134,062		
37,412					37,412		
62,621	63,402				126,023		
46,578	***				46,578		
67,775	21,616			161	89,552		
154,146	82,148			658	236,952		
300					300		
13,626	m -m				13,626		
(715,726)	(453,368)			(5,653)	(1,174,747)		
75,602	121,000			157	196,759		
	171,590				171,590		
	171,232				171,232		
7,464,380	\$ 5,305,238	<u> </u>	\$	92,285	\$12,861,903		
256		\$	\$		\$ 640		
30,752	46,129				76,881		
45,095	75,005				120,100		
	131				131		
	998				998		
33,211	28,094				61,305		
38,462	22,945				61,407		
570	10,354				10,924		

# Directions to Ages Tower Site

From the Harlan County Courthouse located at the intersection of first St. and Central St. Take Central Street .1 miles to the Jct. of Central St. and 421. Turn left onto 421 and go .2 miles to Route 38. Turn Left onto Route 38 and continue for 4.8 miles to Ages Creek Rd. Turn Left onto Ages Creek Rd. and Continue for .3 miles to Fence on your right with tower sign posted on it. Follow Blue and White ribbons to the site.

Directions were written by,

Marty Thacker
Appalachian Wireless
606-438-2355 Ext 111 (office)
606-634-9505 (Cell Phone)
m.thacker@tgtel.com (email)



#### LEASE AGREEMENT

#### W-I-T-N-E-S-S-E-T-H:

That for and in consideration of the rents and other considerations hereinafter set out and subject to the terms and conditions therefore, Lessor does 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 Lessee's 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:

A portion of the property lying on the waters of Ages Creek off Clover Fork of the Cumberland River in Harlan County Kentucky, near the community of Ages. Being a portion of the property conveyed by deed from Patricia L. Housefield Ginn, a single person, of 2125 Washington Street, Columbus, Indiana 47201 to BOC Logging, Inc., P.O. Box 70, Evarts, Kentucky 40828 on August 4, 2003, and recorded in Deed Book 278, Page 404 of the Harlan County Court House.

Unless stated otherwise, any monument referred to herein as "set iron pin with cap" is a set ½" diameter rebar, at least eighteen (18") in length, with a plastic cap stamped "LS-2259". All bearings stated herein are referred to the NAD83 KY South State Plane north. This survey performed by James W. Caudill, LS 2259, on July 24, 2009.

Lot A1
Beginning on a found iron pin marked Is 2991 on a small knob on the ridge between Ages Creek and Clover Fork of

Page 1 of 6

1089

the Cumberland River, said point being established by a prior survey of the property by James D. Noe LS2991, 8/16/03 and being on the line between BOC Logging, Inc. (DB 378, PG 404) and Draper Land Co. (DB 118, PG 579); thence running with the ridge and the line of Draper Land Co. South 47 deg 18 min 52 sec East, 184.52 feet to a set iron pin with cap marked Is2259 on the ridge, South 49 deg 05 min 38 sec East, 80.62 feet to a found iron pin with cap marked Is2991 at base of 16" maple; thence leaving the ridge and the line of Draper Land Co. and severing the land of BOC Logging, Inc. North 70 deg 35 min 08 sec West, 150.78 feet to a set iron pin with cap marked ls2259 2ft above twin 24" poplars on the hillside, North 89 deg 24 min 46 sec West, 109.68 feet to a set iron pin with cap marked Is2559 1' above 16" maple on hillside; thence up the hill North 41 deg 44 min 23 sec West, 78.85 feet to a set iron pin with cap marked Is2259 on the ridge at the line of Draper Land Co.; thence running with the line of Draper Land co. and the ridge North 57 deg 49 min 16 sec East, 127.32 feet to the beginning.

Containing a calculated area of 19415 sq ft or 0.45 acres.

This according to a survey by James W. Caudill PLS #2259, on July 24, 2009.

The Lessor grants unto Lessee full and complete right on ingress, egress and regress over roads located upon this property controlled by Lessor to and from the Leased Premises, and the non-exclusive right to use any existing road located on this property. In the event the Lessee desires to relocate all or any portion of an existing roadway or to construct another access road to the Leased Premises, the location of such roadway shall be mutually agreed upon by Lessor and Lessee. Lessor further grants to the Lessee a right of way and easement to construct and maintain and operate telephone and power transmission lines over Lessor's 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

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having input as to the location of said power transmission lines in the event Lessee changes the location of its access road. Lessee shall have the right to trim or remove trees, limbs or underbrush which interferes with its access road or power/telephone lines wherever such road and lines are located or may damage tower if they fall. Lessee shall help maintain the existing road with gravel and any needed repairs.

This Lease is made on the following terms and conditions:

- 1. **TERM OF LEASE:** The term of this lease shall be for a period of 5 years from the date of this Lease Agreement with the option to renew at the end of said term for an additional seven (7) five (5) year terms, by giving written notice to the Lessee at least sixty (60) days prior to the expiration of said 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) months written notice to Lessor of its intention to do so. In the event of termination by Lessee, the Lessor shall have no obligation to refund all or any portion of the annual Leasehold rental payment that has been paid. Upon termination of this Lease, Lessee shall have one hundred eighty (180) days thereafter to remove all structures it has erected upon the Leased Premises, and to reclaim the premises. Payment shall continue until said structures are removed.
- 3. **RENTAL:** As rental for the Leased Premises, Lessee shall pay to Lessor as follows: \$300.00 per moth for the first five (5) year term to be paid at the start of the Lease total of \$18,000.00. The second five year term will be \$350.00 per month paid in full for the term of five years (\$21,100.00) in the month that the Lease is signed. An

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increase by \$50.00 per month will be added to each term the lease is renewed for the 34d, 4<sup>th</sup>, 5<sup>th</sup>, 6<sup>th</sup> and 7<sup>th</sup> terms. If East Kentucky Networks rents space on this tower to any other carrier, then the Lessor will be paid Twenty (20%) of the rent that East Kentucky Networks collects. This will be in addition to the regular rent paid to the, Each New Five (5) Year term shall be Paid in full Lessor. At the beginning of the New Term, Design R

4. USE OF PREMISES: Lessee shall have the exclusive rights and privileges of the use of the Lease 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 developmental 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 shall have the right to relocate the road to the site at Lessee's expense, at a mutually agreed upon route, so as long as Lessor has the right to use the new road, which use by Lessor shall not interfere with Lessee's use thereof or pose a threat to the security of Lessee's operations or the Leased Premises.

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

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5. **INDEMNITY:** Lessee agrees to indemnify and save harmless the Lessor from any liability by virtue of Lessee's activities upon the Leased Premises or in the exercise of any rights and privileges granted herein, specifically including, but not limited to, any claim, loss, fine, penalty and costs (including reasonable attorney's fees) arising out of any violation of any environmental laws or regulations. This provision shall survive the termination of the lease. Lessee shall maintain and keep in full force and effect public liability and property damage insurance in an amount of at least One Million Dollars (\$1,000,000.00). Lessor shall not be held liable for personal injury or property damage on the Leased Premises whether or not associated with Lessee.

6. **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 address stated in the caption of this Lease Agreement. Such addresses may be changed by written notice given by such party as above provided.

LESSOR:

BOC LOGGING., INC.

BY:

ITS: President

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LESSEE:
EAST KENTUCKY NETWORK, LLC., DBA, APPALACHIAN WIRELESS
BY: Send of Kolunetts
ITS: GENERAL MANAGER
STATE OF KENTUCKY,
COUNTY OF Harlan,
Subscribed and acknowledged to before me by Bengamin Colemans  President of BOC LOGGING, INC., for and on behalf of said corporation, this 12 day of Augus 7,2009.  NOTARY PUBLIC, STATE AT LARGE  My commission expires: Oct. 22 - 2009
STATE OF KENTUCKY,
COUNTY OF Floyd,
Subscribed and acknowledged to before me by Gevald + Robinette as  (reneval Manager of EAST KENTUCKY NETWORK, LLC., DBA,  APPALACHIAN WIRELESS, this 13 day of August, 2009.  NOTARY PUBLIC, STATE AT LARGE  My commission expires: pc/; 22 - 2009
PREPARED BY:  CLINT J. HARRIS 21 BANKERS ALLEY MANCHESTER, KENTUCKY 40962 (606)598-1481

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## DEED DESCRIPTION FOR SUBDIVISION OF

Property of BOC Logging, Inc. P.O. Box 70 Evarts, Ky 40828

July 24, 2009

A portion of the property lying on the waters of Ages Creek off Clover Fork of the Cumberland River in Harlan County Kentucky, near the community of Ages. Being a portion of the property conveyed by deed from Patricia L. Housefield Ginn, a single person, of 2125 Washington Street, Columbus, Indiana 47201 to BOC Logging, Inc. P.O. Box 70, Evarts, Kentucky 40828 on August 4, 2003, and recorded in Deed Book 378 Page 404 of the Harlan County Court House.

Unless stated otherwise, any monument referred to herein as "set iron pin with cap" is a set ½" diameter rebar, at least eighteen (18") in length, with a plastic cap stamped "LS-2259". All bearings stated herein are referred to the NAD83 KY South State Plane north. This survey preformed by James W. Caudill, LS2259, on July 24, 2009.

#### Lot A1

Beginning on a found iron pin marked ls 2991 on a small knob on the ridge between Ages Creek and Clover Fork of the Cumberland River, said point being established by a prior survey of the property by James D. Noe LS2991, 8/16/03 and being on the line between BOC Logging, Inc (DB 378, PG 404) and Draper Land Co. (DB 118, PG 579); thence running with the ridge and the line of Draper Land Co. South 47 deg 18 min 52 sec East, 184.52 feet to a set iron pin with cap marked ls2259 on the ridge, South 49 deg 05 min 38 sec East, 80.62 feet to a found iron pin with cap marked ls2991 at base of 16" maple; thence leaving the ridge and the line of Draper Land Co. and severing the land of BOC Logging, Inc. North 70 deg 35 min 08 sec West, 150.78 feet to a set iron pin with cap marked ls2259 2 ft above twin 24" poplars on the hillside, North 89 deg 24 min 46 sec West, 109.68 feet to a set iron pin with cap marked ls2259 1' above 16" maple on hillside; thence up the hill North 41 deg 44 min 23 sec West, 78.85 feet to a set iron pin with cap marked ls2259 on the ridge at the line of Draper Land Co.; thence running with the line of Draper Land Co. and the ridge North 57 deg 49 min 16 sec East, 127.32 feet to the beginning.

Containing a calculated area of 19415 sq ft or 0.45 acres.

This according to a survey by James Millian PLS, #2259, on July 24, 2009.

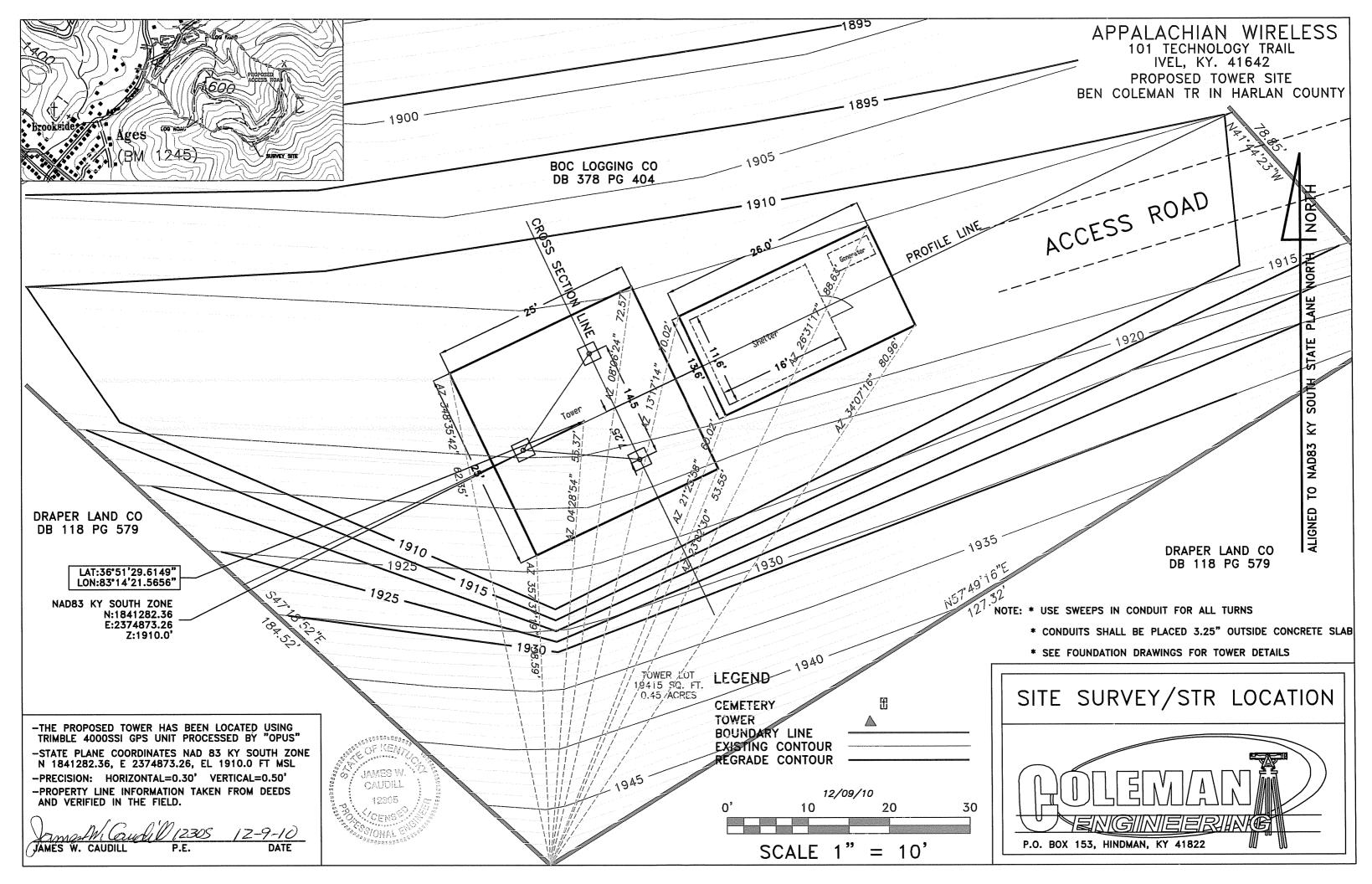
JAMES W. CAUDILL

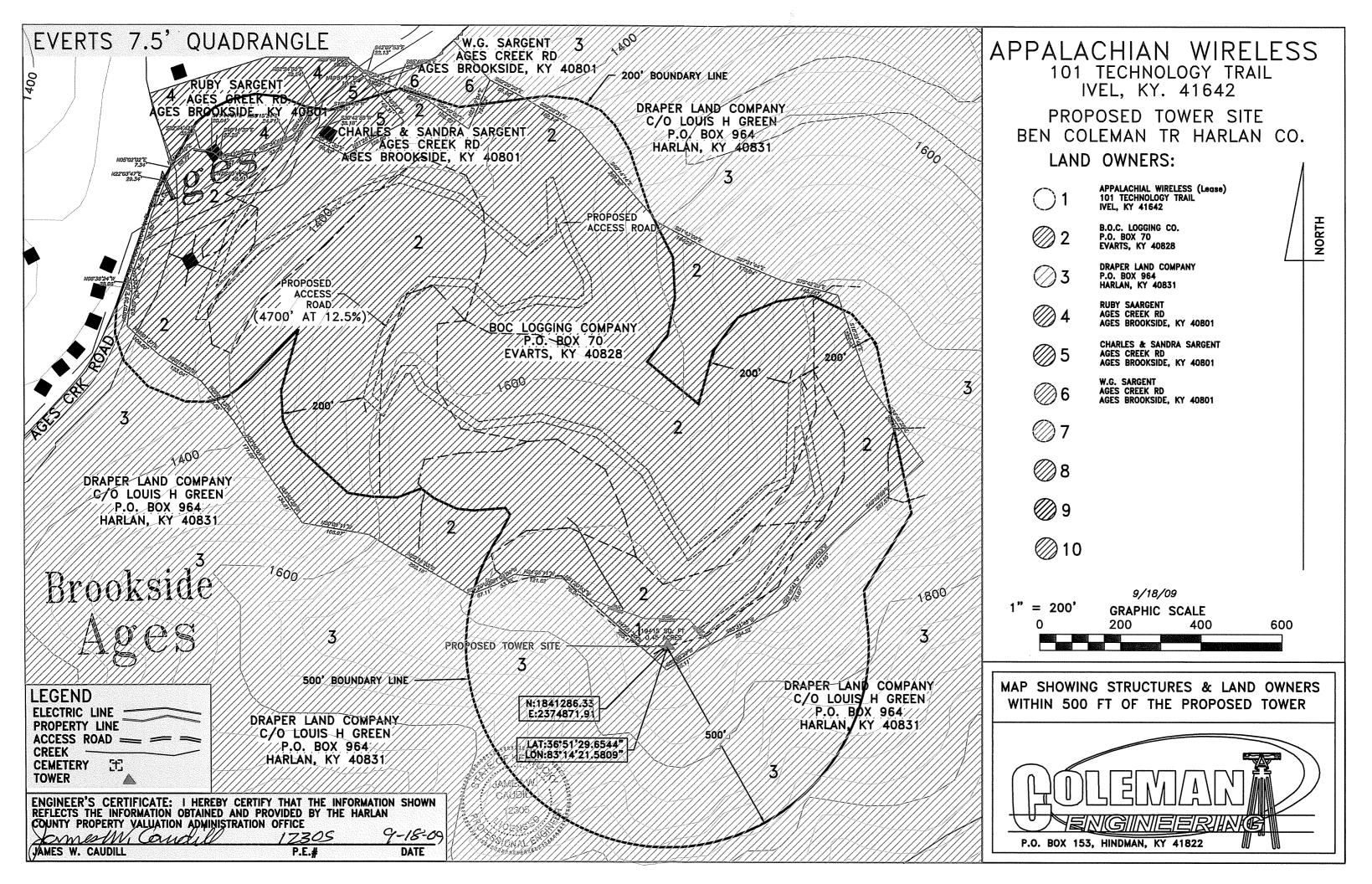
James W. Caudill, PLS #2259

695

STATE OF KENTUCKY COUNTY OF HARLAN

I, WANDA S. CLEM, CLERK OF THE COUNTY IN AND FOR THE
COUNTY AND STATE AFORESAID, CERTIFY THAT THE FOREGOING
Tease agreement, WAS ON THE 1414
DAY OF, 2009. AT <u>10:00</u> β.M.
LODGED FOR RECORD WHEREUPON THE SAME WITH THE FOREGOING
AND THIS CERTIFICATE HAVE DULY RECORDED IN MY OFFICE IN
<u> </u>
WITNESSED MY HAND THIS 10 TH DAY OF Que , 2009.
WANDA S. CLEM, HARLAN COUNTY CLERK
BY: Due Danott
SUE PARROTT





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# TRAIL

COLEMAN **PROPOSED** R Z R AGES TOWER Z HARLAN SITE CO

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BEZ

