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Before the
PUBLIC SERVICE COMMISSION OF KENTUCKY

JAN 13 2003

PUBLIC SERVICE
COMMISSION

IN THE MATTER OF THE INFORMATIONAL FILING OF)
KENTUCKY COMMUNICATIONS LLC)
FOR AUTHORITY TO OPERATE AS A RESELLER OF)
INTEREXCHANGE AND LOCAL EXCHANGE)
TELEPHONE SERVICE THROUGHOUT KENTUCKY)

No. _____

Kentucky Communications, LLC hereby submits the following information in accordance with the provisions of Administrative Case No. 359 and its proposed tariffs in accordance with 807KAR 5:011.

- 1. The Name, post office address, telephone and fax number of the applicant LLC are:

Kentucky Communications, LLC
P. O. Box 627
4687 Catalpa Court
Burlington, Kentucky 41005
Phone: (859) 586-4258
Fax: (859) 586-4271

65166700-0510
22251667-0505
(9500)

- 2. A copy of the company's Articles of Organization attached hereto as **Exhibit - A.**
- 3. The Name, street address, telephone and fax number of the responsibility contact

Person (s) for customer complaints and regulatory issues:

Customer Service Contact:

Jack L. Weis, Managing Partner
4687 Catalpa Court
Burlington, KY 41005
Phone: (859) 586-4258 or Cell (859) 992-3257
Fax: (859) 586-4271

Regulatory Contact:

Sally A. Weis, Partner
4687 Catalpa Court
Burlington, KY 41005
Phone (859) 586-4258
FAX (859) 586-4271

4. A notarized statement that the company has not provided or collected for intrastate service In Kentucky prior to filing its tariff is attached as **Exhibit - B**.
5. The company does not seek authority to provide operator assisted services to traffic aggregators as defined in Administrative Case No. 330.
6. The company's proposed tariffs are attached as **Exhibit - C and -D**.

WHEREFORE, Kentucky Communications LLC requests that the Public Service Commission of the Common Wealth of Kentucky grant authority to engage in the resale of local exchange and inter-exchange telecommunications services to the public in accordance with applicable laws currently in effect or hereafter enacted by the commission.

Respectfully submitted this 10th day of January 2003

Kentucky Communications, LLC

By: Jack L. Weis
Jack L. Weis
Kentucky Communications, LLC
4687 Catalpa CT
Burlington, KY 41005
Phone: (859) 586-4258

Verification of Applicant

STATE OF Kentucky)
) **ss:**
COUNTY OF Boone)

I, Jack L. Weis being duly sworn, state that I am Managing Partner of Kentucky Communications, LLC the applicant herein; that I have reviewed the matters set forth in the Application and Exhibits and the statements contained therein are true to the best of my knowledge, except as to those matters which are stated on information or belief, and as to those matters I believe them to be true.

Kentucky Communications, LLC

By: Jack L. Weis
Jack L. Weis

Sworn to and subscribed before me this 9th day of, January 2003

[Signature]
Notary Public

My Commission Expires 1/26/03

EXHIBIT - A

ARTICLES OF ORGANIZATION

COMMONWEALTH OF KENTUCKY

JOHN Y. BROWN III
SECRETARY OF STATE



0549581.06

Pcraine
LAOO

John Y. Brown III
Secretary of State
Received and Filed
12/09/2002 03:42 PM
Fee Receipt: \$40.00

ARTICLES OF ORGANIZATION

Limited Liability Company

For the purposes of forming a limited liability company in Kentucky pursuant to KRS Chapter 275, the undersigned organizer(s) hereby submit(s) the following Articles of Organization to the Secretary of State for filing:

Article I: The name of the limited liability company is
Kentucky Communications Limited liability Company

Article II: The street address of the limited liability company's initial registered office in Kentucky is
4687 Catalpa Court, Burlington, Kentucky 41005

and the name of the initial registered agent at that office is Jack L. Weis

Article III: The mailing address of the limited liability company's initial principal office is
4687 Catalpa Court, Burlington, Kentucky 41005

Article IV: The limited liability company is to be managed by:

- a manager or managers. (must check one)
- its member(s).

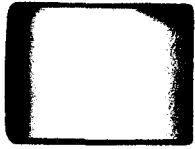
Executed by the Organizer(s) on December 5, 2002

Jack L. Weis
Jack L. Weis

Sally A. Weis
Sally A Weis

Jack L weis

consent to serve as the registered agent on behalf of the company:
Jack L. Weis
Jack L Weis Managing Partner



www.BooneCountyKy.org

**BOONE COUNTY FISCAL COURT
OCCUPATIONAL LICENSE**
P.O. BOX 457 • FLORENCE, KY 41022-0457
EACH BUSINESS LOCATION IS REQUIRED
TO PAY \$25.00 ANNUAL TAX

83289 WC
KENTUCKY COMMUNICATIONS
4687 CATALPA CT
BURLINGTON KY 41005

LICENSE YEAR 2002/2003	EXPIRES JUNE 30 2003
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COUNTY FEE: _____
TOTAL PAID 25.00

**GENERAL BUSINESS CERTIFICATE
LICENSE FEE \$25.00**

DUE ON OR BEFORE JULY 1, 2002

Operating Agreement

Of

Kentucky Communications LLC

A

Kentucky Limited Liability Company

Effective as of (December 5, 2002)

NOTE: THE SALE OR TRANSFER OF INTERESTS IN THIS LIMITED LIABILITY COMPANY IS SUBJECT TO THE RESTRICTIONS SET FORTH IN ARTICLE X OF THIS LIMITED LIABILITY COMPANY AGREEMENT.

This Operating Agreement is made and entered into on December 5, 2002 by and between the Members, whose signatures appear on the signature page hereof.

RECITALS:

Articles of Organization for

Kentucky Communications, Limited Liability Company,

were filed with the Secretary of State of Kentucky on December 5, 2002.

The Members agree as follows:

ARTICLE I

DEFINITIONS

The following terms in this Operating Agreement shall have the following meanings (unless otherwise expressly provided herein);

- (a) **The "Act"** shall mean the Kentucky Limited Liability Company Act at KRS Chapter 275.
- (b) **"Articles of Organization"** shall mean the Articles of Organization of **Kentucky Communications Limited Liability Company**, as filed with the Secretary of State of Kentucky as the same may be amended from time to time.
- (c) **"Capital Account"** as of any given date shall mean the Capital Contribution to the Company by a Member as adjusted up to the date in question pursuant to Article VIII.
- (d) **"Capital Contribution"** shall mean any contribution to the capital of the Company in cash, property or services by a Member whenever made. **"Initial Capital Contribution"** shall mean the initial contribution to the capital of the Company pursuant to this Operating Agreement.
- (e) **"Capital Interest"** shall mean the proportion that a Member's positive Capital Account bears to the aggregate positive Capital Accounts of all Members whose Capital Accounts have positive balances as may be adjusted from time to time.
- (f) **"Code"** shall mean the Internal Revenue Code of 1986 or corresponding provisions of subsequent superseding federal revenue laws.
- (g) **"Company"** shall refer to **Kentucky Communications Limited Liability Company**.
- (h) **"Deficit Capital Account"** shall mean with respect to any Member, the deficit balance, if any, in such Member's Capital Account as of the end of the taxable year, after giving effect to the following adjustments:

(i) credit to such Capital Account any amount which such Member is obligated to restore under Section 1.704-1(b)(2)(ii)(c) of the Treasury Regulations, as well as any addition thereto pursuant to the next to last sentence of Sections 1.704-2(g)(1) and (i)(5) of the Treasury Regulations, after taking into account thereunder any changes during such year in partnership minimum gain (as determined in accordance with Section 1.704-2(d) of the Treasury Regulations) and in the minimum gain attributable to any partner non-recourse debt (as determined under Section 1.704-2(i)(3) of the Treasury Regulations); and

(ii) debit to such Capital Account the items described in Sections 1.704-1(b)(2)(ii)(d)(4), (5) and (6) of the Treasury Regulations.

This definition of Deficit Capital Account is intended to comply with the provisions of Treasury Regulations Section 1.704-1(b)(2)(ii)(d) and 1.704-2, and will be interpreted consistently with those provisions.

- (i) "**Depreciation**" means, for each fiscal year, an amount equal to the depreciation, amortization, or other cost recovery deduction allowable with respect to an asset for such fiscal year, except that if the Gross Asset Value of an asset differs from its adjusted basis for federal income tax purposes at the beginning of such fiscal year, Depreciation shall be an amount which bears the same ratio to such beginning Gross Asset Value as the federal income tax depreciation, amortization, or other cost recovery deduction for such fiscal year bears to such beginning adjusted tax basis; provided, however, that if the adjusted basis for federal income tax purposes of an asset at the beginning of such fiscal year is zero, Depreciation shall be determined with reference to such beginning Gross Asset Value using any reasonable method selected by the Manager(s).
- (j) "**Distributable Cash**" means all cash, revenues and funds received by the Company, less the sum of the following to the extent paid or set aside by the Company: (i) all principal and interest payments on indebtedness of the Company and all other sums paid to lenders; (ii) all cash expenditures incurred incident to the normal operation of the Company's business; (iii) such Reserves as the Managers deem reasonably necessary to the proper operation of the Company's business.
- (k) "**Economic Interest**" shall mean a Member's or Economic Interest Owner's share of one or more of the Company's Net Profits, Net Losses and distributions of the Company's assets pursuant to this Operating Agreement and the Act, but shall not include any right to participate in the management or affairs of the Company, including, the right to vote on, consent to or otherwise participate in any decision of the Members or Managers.
- (l) "**Economic Interest Owner**" shall mean the owner of an Economic Interest who is not a Member.
- (m) "**Entity**" shall mean any general partnership, limited partnership, limited liability company, corporation, joint venture, trust, business trust, cooperative or association or any foreign trust or foreign business organization.

- (n) **“Event of Disassociation”** shall mean the withdrawal, death, retirement, resignation, removal, bankruptcy or dissolution of a member, or the assignment by a Member of such Member's Interest following which the assignee of such interest becomes a Member pursuant to Section 10.4.
- (o) **“Fiscal Year”** shall mean the Company's fiscal year, which shall be January 1 to March 31.
- (p) **“Former Member”** shall mean a member who is deceased or whose actions, conduct or status has resulted in an Event of Disassociation, and therefore such Person is no longer a Member.
- (q) **“Gross Asset Value”** means, with respect to any asset, the asset's adjusted basis for federal income tax purposes, except as follows:
- (i) The initial Gross Asset Value of any asset contributed by a Member to the Company shall be the gross fair market value of such asset, as determined by the contributing Member and the Manager(s), provided that the initial Gross Asset Values of the assets contributed to the Company pursuant to Section 8.1 hereof shall be as set forth in Exhibit 8.1, and provided further that, if the contributing Member is a Manager, the determination of the fair market value of any other contributed asset shall require the consent of the other Members owning a Majority Interest (determined without regard to the Capital Account of such contributing Member);
 - (ii) The Gross Asset Values of all Company assets shall be adjusted to equal their respective gross fair market values, as determined by the Manager(s) as of the following times: (a) the acquisition of an additional interest by any new or existing Member in exchange for more than a de minimis contribution of property (including money); (b) the distribution by the Company to a Member of more than a de minimis amount of property as consideration for a Membership Interest or Economic Interest; and (c) the liquidation of the Company within the meaning of Regulations Section 1.704-1(b)(2)(ii)(g); provided, however, that adjustments pursuant to clauses (a) and (b) above shall be made only if the Manager(s) reasonably determine(s) that such adjustments are necessary or appropriate to reflect the relative economic interests of the Members in the Company;
 - (iii) The Gross Asset Value of any Company asset distributed to any Member shall be adjusted to equal the gross fair market value of such asset on the date of distribution as determined by the distributee and the Manager(s), provided that, if the distributee is a Manager, the determination of the fair market value of the distributed asset shall require the consent of the other Members owning a Majority Interest (determined without regard to the Capital Account of the distributee Member); and
 - (iv) The Gross Asset Values of Company assets shall be increased (or decreased) to reflect any adjustments to the adjusted basis of such assets pursuant to Code Section 734 (b) or Code Section 743(b), but only to the extent that such adjustments are taken into account in determining Capital Accounts pursuant to Regulation Section 1.704-1(b)(2)(iv)(m) and Section 8.3 and subparagraph (iv) under the definition of Net Profits and Net Losses;

provided, however, that Gross Asset Values shall not be adjusted pursuant to this definition to the extent the Manager(s) determine(s) that an adjustment pursuant to subparagraph (ii) of this definition is necessary or appropriate in connection with a transaction that would otherwise result in an adjustment pursuant to this subparagraph (iv).

If the Gross Asset Value of an asset has been determined or adjusted pursuant to subparagraph (i), (ii) or (iv) of this definition, then such Gross Asset Value shall thereafter be adjusted by the Depreciation taken into account with respect to such asset for purposes of computing Net Profits and Net Losses.

- (r) **“Majority Interest** shall mean one or more Membership Interests of Members which taken together exceed 50% of the aggregate of all Membership Interests.
- (s) **“Majority in Interest”** shall mean a Majority Interest and more than 50% in number of the members.
- (t) **“Manager”** shall mean one or more managers. Specifically, **“Manager”** shall mean References to the Manager in the singular or as him, her, it, itself, or other like references shall also, where the context so requires, be deemed to include the plural or the masculine or feminine reference, as the case may be.
- (u) **“Member”** shall mean each of the parties who execute a counterpart of this Operating Agreement as a Member and each of the parties who may hereafter become a Member. To the extent a Manager has purchased Membership Interests in the Company, he will have all the rights of a Member with respect to such Membership Interests, and the term "Member" as used herein shall include a Manager to the extent he has purchased such Membership Interests in the Company. If a Person is a Member immediately prior to the purchase or other acquisition by such Person of an Economic Interest, such Person shall have all the rights of a Member with respect to such purchased or otherwise acquired Membership Interest or Economic Interest, as the case may be. If a Member is an entity such as a limited partnership, corporation or limited liability company, then such entity shall, by resolution, authorize a person to act on behalf of such entity.
- (v) **“Membership Interest”** shall mean a Member's entire interest, quantified in Units, in the Company including such Member's Economic Interest and such other rights and privileges that the Member may enjoy by being a Member, as identified in Article IV and as changed from time to time by the managers, the members, or both.
- (w) **“Net Profits” and “Net losses”** shall mean for each taxable year of the Company an amount equal to the Company's net taxable income or loss for such year as determined for federal income tax purposes (including separately stated items) in accordance with the accounting method and rules used by the Company and in accordance with Section 703 of the Code with the following adjustments:
 - (i) Any items of income, gain, loss and deduction allocated to Members pursuant to Section 9.2 shall not be taken into account in computing Net Profits or Net Losses of this Operating Agreement;

- (ii) Any income of the Company that is exempt from federal income tax and not otherwise taken into account in computing Net Profits and Net Losses (pursuant to this definition) shall be added to such taxable income or loss;
- (iii) Any expenditure of the Company described in Section 705(a)(2)(B) of the Code and not otherwise taken into account in computing Net Profits and Net Losses (pursuant to this definition) shall be subtracted from such taxable income or loss; and
- (iv) In the event the Gross Asset Value of any Company asset is adjusted pursuant to clause (ii) or (iii) of the definition of Gross Asset Value, the amount of such adjustment shall be taken into account as gain or loss from the disposition of such asset for purposes of computing Net Profits and Net Losses;
- (v) Gain or loss resulting from any disposition of any Company asset with respect to which gain or loss is recognized for federal income tax purposes shall be computed with reference to the Gross Asset Value of the asset disposed of, notwithstanding that the adjusted tax basis of such asset differs from its Gross Asset Value;
- (vi) In lieu of the depreciation, amortization and other cost recovery deductions taken into account in computing such taxable income or loss, there shall be taken into account Depreciation for such fiscal year; and
- (vii) To the extent an adjustment to the adjusted tax basis of any Company asset pursuant to Section 734(b) of the Code or Section 743(b) of the Code is required pursuant to Section 1.704-1(b)(2)(iv)(m)(4) of the Treasury Regulations to be taken into account in determining Capital Accounts as a result of a distribution other than in liquidation of a Membership Interest or Economic Interest, the amount of such adjustment shall be treated as an item of gain (if the adjustment decreases the basis of the asset) from the disposition of the asset and shall be taken into account for purposes of computing Net Profits or Net Losses.

- (x) **“Operating Agreement”** shall mean this Operating Agreement as originally executed and as amended from time to time.
- (y) **“Person”** shall mean any individual or Entity, and the heirs, executors, administrators, legal representatives, successors, and assigns of such "Person" where the context so permits.
- (aa) **“Reserves”** shall mean, with respect to any fiscal period, funds set aside or amounts allocated during such period to reserves which shall be maintained in amounts deemed sufficient by the Managers for working capital and to pay taxes, insurance, debt service or other costs or expenses incident to the ownership or operation of the Company's business.
- (bb) **“Selling Member”** shall mean any Member or Economic Interest Owner which sells, assigns, or otherwise transfers for consideration all or any portion of its Membership Interest or Economic Interest.

- (cc) "**Transferring Member**" shall collectively mean a Selling Member and a Gifting Member.
- (dd) "**Treasury Regulations**" shall include proposed, temporary and final regulations promulgated under the Code in effect as of the date of filing the Articles of Organization and the corresponding sections of any regulations subsequently issued that amend or supersede such regulations.
- (ee) "**Unit**" shall mean the basic standard of quantity of measure of Member's Membership Interest in the Company.

ARTICLE II

FORMATION OF COMPANY

2.1 Formation. On **December 5, 2002** the Company was organized as a, Kentucky Limited Liability Company by the execution and deliverance of Articles of Organization to the Kentucky Secretary of State in accordance with and pursuant to the Act.

2.2 Name. The name of the Company is **Kentucky Communications Limited Liability Company.**

2.3 Principal Place of Business. The principal place of business of the Company with-in the State of Kentucky shall be **4687 Catalpa Court Burlington, Kentucky 41005 (Boone County)**. The Company may locate its places of business and registered office at any other place or places as the Manager or Managers may from time to time deem advisable.

2.4 Registered Office and Registered Agent. The Company's initial registered office shall be at the office of its registered agent at **4687 Catalpa Court, Burlington, Kentucky 41005 (Boone County)** and the name of its initial registered agent at such address shall be **Jack L Weis**. The registered office and registered agent may be changed from time to time by filing the address of the new registered office and/or the name of the new registered agent with the Kentucky Secretary of State pursuant to the Act.

2.5 Duration. The Company shall commence as of the date of filing of the Articles of Organization and shall continue until dissolution in accordance with either the provisions of Article XII of this Operating Agreement or the Act.

ARTICLE III

BUSINESS OF COMPANY

3.1 Permitted Businesses The business of the Company shall be:

- (a) To acquire, own, develop, construct, operate, manage, maintain, lease, sell and otherwise deal with Information, Communications, and Entertainment (ICE).

- (b) To accomplish any lawful business whatsoever, or which shall at any time appear conducive to or expedient for the protection or benefit of the Company and its assets;
- (c) To exercise all other powers necessary to, or reasonably connected with, the Company's business which may be legally exercised by limited liability companies under the Act; and
- (d) To engage in all activities necessary, customary, convenient, or incident to any of the foregoing.

ARTICLE IV

NAMES, ADDRESSES AND MEMBERSHIP INTERESTS OF MEMBERS

The names, addresses and respective Membership Interests (in Units) of the Members are as follows:

<u>NAME</u>	<u>ADDRESS</u>	<u>MEMBERSHIP INTEREST</u>	<u>(IN UNITS)</u>
Sally A. Weis	4687 Catalpa Court, Burlington, KY 41005	20%	20,000
Jack L. Weis	4687 Catalpa Court, Burlington, KY 41005	20%	20,000
Michael B. McGraw	100 Woodside Place Ft Thomas, KY 41075	10%	10,000
Kentucky Communications @ 4687 Catalpa Court, Burlington, KY 41005 will retain for sale/distribution to be voted by Sally A Weis and Jack L Weis.		50%	50,000

All changes to this Article IV shall be set forth in attached Exhibit 4.1.

ARTICLE V

RIGHTS AND DUTIES OF THE MANAGER

5.1 Management. The business and affairs of the Company shall be managed by its Manager. The Manager shall direct, manage and control the business of the Company to the best of his ability. Except for situations in which the approval of the members is expressly required by this Operating Agreement or by non-waivable provisions of applicable law, the Manager shall have full and complete authority, power and discretion to manage and control the business, affairs and properties of the Company, to make all decisions regarding those matters and to perform any and all other acts or activities customary or incident to the management of the Company's business. At any time when there is more than one Manager, any one Manager may take any action permitted to be taken by the Managers, unless the approval of more than one of the Managers is expressly required pursuant to this Operating Agreement or the Act.

5.2 Number, Tenure and Qualifications. The Company shall initially have **Three (3)** Managers, as set out in Article I(t). The number of Managers of the Company may be changed from time to time by the affirmative vote of Members holding a majority interest, but in no instance shall there be less than one Manager. The Manager shall hold office until the next annual meeting of Members or until his successor shall have been elected and qualified. The Managers shall be elected annually by the affirmative vote of Members holding a majority interest in the Company. In the event that no person receives the affirmative vote of a majority interest in the Company, the Managers most recently elected or appointed by this Agreement shall serve as Managers for an additional term, and shall so continue to serve as Managers unless and until a successor Manager(s) is/are elected by said majority interest. Managers need not be residents of the State of Kentucky or Members of the Company.

5.3 Certain Powers of Manager.

(a) Without limiting the generality of Section 5.1, the Manager, shall, subject to the restrictions contained in Section 5.4, have power and authority, on behalf of the Company:

(i) To acquire property and equipment as the Managers may determine. The fact that a Manager or a Member is directly or indirectly affiliated or connected with any such Person shall not prohibit the Managers from dealing with that Person;

(ii) To borrow money for the Company from banks, other lending institutions, the Managers, Members, or affiliates of the Managers or Members on such terms as the Managers deem appropriate, subject to the provisions of Section 13.17 of this Agreement and in connection therewith, to hypothecate, encumber and grant security interests in the assets of the Company to secure repayment of the borrowed sums. No debt shall be contracted or liability incurred by or on behalf of the Company except by the Managers, or to the extent permitted under the Act, by agents or employees of the Company expressly authorized to contract such debt or incur such liability by the Managers;

(iii) To purchase liability and other insurance to protect the Company's property and business;

(iv) To hold and own any Company real and/or personal properties in the name of the Company;

(v) To invest any Company funds temporarily (by way of example but not limitation) in time deposits, short-term governmental obligations, commercial paper or other investments;

(vi) Upon the affirmative vote of the Members holding a majority interest, to sell or otherwise dispose of all or substantially all of the assets of the Company as part of a single transaction or plan so long as such disposition is not in violation of or a cause of a default under any other agreement to which the Company may be bound, provided, however, that the affirmative vote of the Members shall not be required with respect to any sale or disposition of the Company's assets in the ordinary course of the Company's business;

(vii) To execute on behalf of the Company all instruments and documents, including, without limitation, checks; drafts; notes and other negotiable instruments; mortgages or deeds of trust; security agreements; financing statements; documents providing for

the acquisition, mortgage or disposition of the Company's property; assignments; bills of sale; leases; partnership agreements, operating agreements of other limited liability companies; and any other instruments or documents necessary, in the opinion of the Managers, to the business of the Company;

(viii) To employ accountants, legal counsel, managing agents, management companies or other experts to perform services for the Company and to compensate them from Company funds;

(ix) To enter into any and all other agreements on behalf of the Company, with any other Person for any purpose, in such forms as the Manager may approve; and

(x) To do and perform all other acts as may be necessary or appropriate to the conduct of the Company's business.

Unless authorized to do so by this Operating Agreement or by a Manager or Managers of the Company, no attorney-in-fact, employee or other agent of the Company shall have any power or authority to bind the Company in any way, to pledge its credit or to render it liable pecuniary for any purpose. No Member shall have any power or authority to bind the Company unless the Member has been authorized by the Manager to act as an agent of the Company in accordance with the previous sentence.

5.4 Restrictions on Authority of the Manager(s).

(a) The Manager shall not have the authority to, and covenants and agrees that it shall not, do any of the following acts without the consent of a majority interest of the Membership Interests of the Members:

(i) Cause or permit the Company to engage in any activity that is not consistent with the purposes of the Company as set forth in Section 3.1 hereof;

(ii) Knowingly do any act in contravention of this Operating Agreement;

(iii) Knowingly do any act which would make it impossible to carry on the ordinary business of the Company, except as otherwise provided in this Operating Agreement;

(iv) Assign rights in specific property, for other than a Company purpose;

(v) Knowingly perform any act that would cause the Company to conduct business in a state which has neither enacted legislation which permits limited liability companies to organize in such state nor permits the Company to register to do business in such state as a foreign limited liability company;

(vi) Cause the Company to voluntarily take any action that would cause a bankruptcy of the Company;

(vii) Cause the Company to acquire any equity or debt securities of any Member or any of its Affiliates, or otherwise make loans to any Member or any of its Affiliates;

(viii) Cause a significant change in the nature of the Company's business;

{ix) Cause the Company to admit any additional Members other than pursuant to Article XI hereof;

(x) Sell or otherwise dispose of all or substantially all of the Company's assets other than in the ordinary course of the Company's business, except for a liquidating sale in connection with the dissolution of the Company.

5.5 Standard of Care. The Manager shall perform his duties as Manager in good faith, in a manner he reasonably believes to be in the best interests of the Company, and with such care as an ordinarily prudent person in a like position would use under similar circumstances. A Manager who so performs the duties as Manager shall not have any liability by reason of being or having been a Manager of the Company. The Manager does not, in any way, guarantee the return of the Members' Capital Contributions or a profit for the Members from the operations of the Company. The Manager shall not be liable to the Company or to any Member for any loss or damage sustained by the Company or any Member, unless the loss or damage shall have been the result of fraud, deceit, gross negligence, willful misconduct, breach of this Agreement or a wrongful taking by the Manager. In performing his or her duties, a Manager shall be entitled to rely upon such information, opinions, reports, or statements, including financial statements or other financial data, presented or prepared by (1) any of the Company's other Managers or employees who such Manager reasonably believes are reliable and competent in the matters prepared or presented, or (2) any other Person, including without limitation lawyers or accountants, as to matters which such Manager reasonably believes are within such Person's professional or expert competence.

5.6 Limitation of Liability. A Manager shall not be personally liable to the Company in monetary damages for breach of a duty to the Company unless it is proved by clear and convincing evidence in a court of competent jurisdiction that his or her action or failure to act (1) was not in good faith, (2) was undertaken with deliberate intent to cause injury to the Company or undertaken with reckless disregard for the best interests of the Company, (3) resulted in an improper personal benefit to such Manager or any of his or her Affiliates at the expense of the Company, (4) constituted fraud or deceit, or (5) was a knowing violation of law.

5.7 Indemnification.

(a) The Company shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, (other than an action by or in the right of the Company) by reason of the fact that he or she is or was a Member, Manager, employee or agent of the Company, or is or was serving at the request of the Company as a director, officer, partner, trustee, manager, employee or agent of another corporation, partnership, limited liability company, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him or her in connection with such action, suit or proceeding if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Company, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of *nolo contendere* or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the company, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his or her conduct was unlawful.

(b) The Company shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Company to procure a judgment in its favor by reason of the fact that he or she is or was a Member, Manager, partner, officer, employee or agent of the Company, or is or was serving at the request of the Company as a director, officer, partner, trustee, member, manager, employee or agent of another corporation, partnership, limited liability company, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection with the defense or settlement of such action or suit if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Company.

(c) Expenses (including attorneys' fees) incurred by a Member or Manager in defending any civil, criminal, administrative, or investigative action, suit or proceeding shall be paid by the Company in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such Member or Manager to repay such amount if it shall ultimately be determined that he or she is not entitled to be indemnified by the Company as authorized in this Section. Such expenses (including attorneys' fees) incurred by other employees and agents may be so paid upon such terms and conditions, if any, as the Members deem appropriate.

(d) The indemnification and advancement of expenses provided by, or granted pursuant to, the other subsections of this Section 5.7 shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any law, agreement, vote of Members or Members or otherwise, both as to action in his or her official capacity and as to action in another capacity while holding such office.

(e) The Company shall have power to purchase and maintain insurance on behalf of any person who is or was a Member, Manager, employee or agent of the Company, or is or was serving at the request of the Company as a director, officer, trustee, Member, manager, partner, officer, employee or agent of another corporation, partnership, limited liability company, joint venture, trust or other enterprise against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the Company would have the power to indemnify him or her against such liability under the provisions of this section.

(f) For purposes of this Section, references to "the Company" shall include, in addition to the resulting entity, any constituent entity (including any constituent of a constituent) absorbed in a consolidation or merger with the Company which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, trustees, partners, managers and employees or agents so that any person who is or was a director, officer, partner, trustee, member, manager, employee or agent of such constituent entity, or is or was serving at the request of such constituent entity as a director, officer, trustee, partner, manager, employee or agent of another corporation, partnership, limited liability company joint venture, trust or other enterprise, shall stand in the same position under the provisions of this Section 5.7 with respect to the resulting or surviving entity as he or she would have with respect to such constituent entity if its separate existence had continued.

(g) For purposes of this Section, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to "serving at the request of the Company" shall include any service as a Member, Manager, employee or agent of the Company which imposes duties on, or involves services by, such Member, Manager, employee, or agent with

respect to an employee benefit plan, its participants, or beneficiaries; and a person who acted in good faith and in a manner he or she reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Company" as referred to in this Section 5.7.

(h) The indemnification and advancement of expenses provided by, or granted pursuant to, this Section 5.7 shall continue as to a Person who has ceased to be a Member, Manager, director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

5.8 Managers and Members Have Exclusive Duty to Company. The Manager shall be required to manage the Company as his or her primary function but he or she (and any Manager and/or Member) may have other business interests and may engage in other activities in addition to those relating to the Company. Neither the Company nor any Member shall have any right, by virtue of this Operating Agreement, to share or participate in such other investments or activities of the Manager and/or Member or to the income or proceeds derived therefrom. Neither the Manager nor any Member shall incur any liability to the Company or to any of the Members as a result of engaging in any other business or venture.

5.9 Bank Accounts. The Managers may from time to time open bank accounts in the name of the Company, and the Managers shall be the sole signatory thereon, unless the Managers determine otherwise.

5.10 Resignation. Any Manager of the Company may resign at any time by giving written notice to the Members of the Company. The resignation of any Manager shall take effect upon receipt of notice thereof or at such later time as shall be specified in such notice, and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective. The resignation of a Manager who is also a Member shall not affect the Manager's rights as a Member and shall not constitute a withdrawal of a Member.

5.11 Removal. At a meeting called expressly for that purpose, all or any lesser number of Managers may be removed at any time, with or without cause, by the affirmative vote of Members holding a majority interest. The removal of a Manager who is also a Member shall not affect the Managers rights as a Member and shall not constitute a withdrawal of a Member.

5.12 Vacancies. Any vacancy occurring for any reason in the number of Managers of the Company may be filled by the affirmative vote of a majority of the remaining Managers then in office, provided that if there are no remaining Managers, the vacancy(ies) shall be filled by the affirmative vote of Members holding a Majority Interest. Any Manager's position to be filled by reason of an increase in the number of Managers shall be filled by the affirmative vote of a majority of the Managers then in office or by an election at an annual meeting or at a special meeting of Members called for that purpose or by the Members' unanimous written consent. A Manager elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office and shall hold office until the expiration of such term and until his successor shall be elected and shall qualify or until his earlier death, resignation or removal. A Manager chosen to fill a position resulting from an increase in the number of Managers shall hold office until the next annual meeting of Members and until his successor shall be elected and shall qualify, or until his earlier death, resignation or removal.

5.13 Compensation. The compensation of the Manager shall be fixed from time to time by an affirmative vote of Members holding at least a Majority Interest, and no Manager shall be prevented from receiving such salary by reason of the fact that he is also a Member of the Company.

5.14 Right to Rely on the Manager(s).

(a) Any Person dealing with the Company may rely (without duty of further inquiry) upon a certificate signed by any Manager as to:

(i) The identity of any Manager or any Member;

(ii) The existence or nonexistence of any fact or facts which constitute a condition precedent to acts by any Manager or which are in any other manner genuine to the affairs of the Company;

(iii) The Persons who are authorized to execute and deliver any instrument or document of the Company; or

(iv) Any act or failure to act by the Company or any other matter whatsoever involving the Company or any Member.

ARTICLE VI

RIGHTS AND OBLIGATIONS OF MEMBERS

6.1 Limitation of Liability. Each Member's liability shall be limited as set forth in this Operating Agreement, the Act and other applicable law.

6.2 Company Debt Liability. A Member will not be personally liable for any debts or losses of the Company beyond his respective Capital Contributions except as provided in Section 6.7 herein or as otherwise required by law.

6.3 List of Members. Upon written request of any Member, the Manager shall provide a list showing the names, addresses and Membership Interests and Economic Interests of all Members and Economic Interest Owners.

6.4 Approval of Sale of All Assets. The Members shall have the right, by the affirmative vote of Members holding a majority interest, to approve the sale, exchange or other disposition of all, or substantially all, of the Company's assets (other than in the ordinary course of the Company's business) which is to occur as part of a single transaction or plan.

6.5 Company Books. In accordance with Section 9.9 herein, the Managers shall maintain and preserve, during the term of the Company, and for five (5) years thereafter, all accounts, books, and other relevant Company documents. Upon reasonable request, each Member and Economic Interest Owner shall have the right, during ordinary business hours, to inspect and copy such Company documents at the requesting Member's and Economic Interest Owner's expense.

6.6 Priority and Return of Capital. Except as may be expressly provided in Article IX no Member or Economic Interest Owner shall have priority over any other Member or Economic Interest Owner, either as to the return of Capital Contributions or as to Net Profits, Net Losses or distributions; provided that this Section shall not apply to loans (as distinguished from Capital Contributions) which a Member has made to the Company.

6.7 Liability of a Member to the Company.

A Member who receives the return in whole or in part of its contribution or any other distribution is liable to the Company only to the extent now or hereafter provided by the Act.

ARTICLE VII

MEETINGS OF MEMBERS

7.1 Annual Meeting. The Members of the Company shall meet annually. The annual meeting of the Members shall be held at such time as shall be determined by resolution of the Managers, commencing with the year (2003), for the purpose of the transaction of such business as may come before the meeting.

7.2 Special Meetings. Special meetings of the Members, for any purpose or purposes, unless otherwise prescribed by statute, may be called by any Manager or by any Member or Members holding at least 10% of the Capital Interests.

7.3 Place of Meetings. The Members may designate any place, either within or outside the State of Kentucky, as the place of meeting for any meeting of the Members. If no designation is made, or if a special meeting be otherwise called, the place of meeting shall be the principal executive office of the Company in the State of Kentucky.

7.4 Notice of Meetings. Except as provided in Section 7.5, written notice stating the place, day and hour of the meeting and the purpose or purposes for which the meeting is called shall be delivered not less than ten nor more than fifty days before the date of the meeting, either personally or by mail, by or at the direction of the Managers or person calling the meeting, to each Member entitled to vote at such meeting. If mailed, such notice shall be deemed to be delivered two calendar days after being deposited in the United States mail, addressed to the Member at its address as it appears on the books of the Company, with postage thereon prepaid.

7.5 Meeting of all Members. If all of the Members shall meet at any time and place, either within or outside of the State of Kentucky, and consent to the holding of a meeting at such time and place, such meeting shall be valid without call or notice, and at such meeting lawful action may be taken.

7.6 Record Date. For the purpose of determining Members entitled to notice of or to vote at any meeting of Members or any adjournment thereof, or Members entitled to receive payment of any distribution, or in order to make a determination of Members for any other purpose, the date on which notice of the meeting is mailed or the date on which the resolution declaring such distribution is adopted, as the case may be, shall be the record date for such determination of Members. When a determination of Members entitled to vote at any meeting of Members has been made as provided in this Section, such determination shall apply to any adjournment thereof.

7.7 Quorum. Members holding a majority interest, represented in person or by proxy, shall constitute a quorum at any meeting of Members. In the absence of a quorum at any such meeting, a majority of the Membership Interests so represented may adjourn the meeting from time to time for a period not to exceed 60 days without further notice. However, if the adjournment is for more than 60 days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each Member of record entitled to vote at the meeting. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally noticed. The Members present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal during such meeting of that number of Membership Interests whose absence would cause less than a quorum.

7.8 Manner of Acting. If a quorum is present, the affirmative vote of Members holding a majority interest shall be the act of the Members, unless the vote of a greater or lesser proportion or number is otherwise required by the Act, by the Articles of Organization, or by this Operating Agreement. Unless otherwise expressly provided herein or required under applicable law, Members who have an interest (economic or otherwise) in the outcome of any particular matter upon which the Members vote or consent may vote or consent upon any such matter and their Capital Interest, vote or consent, as the case may be, shall be counted in the determination of whether the requisite matter was approved by the Members.

7.9 Proxies. At all meetings of Members a Member may vote in person or by proxy executed in writing by the Member or by a duly authorized attorney-in-fact. Such proxy shall be filed with the Managers of the Company before or at the time of the meeting. No proxy shall be valid after eleven months from the date of its execution, unless otherwise provided in the proxy.

7.10 Action by Members Without a Meeting. Action required or permitted to be taken at a meeting of Members may be taken without a meeting if the action is evidenced by one or more written consents describing the action taken, signed by each Member entitled to vote and delivered to the Managers of the Company for inclusion in the minutes or for filing with the Company records. Action taken under this Section is effective when all Members entitled to vote have signed the consent, unless the consent specifies a different effective date. The record date for determining Members entitled to take action without a meeting shall be the date the first Member signs a written consent.

Waiver of Notice. When any notice is required to be given to any Member, a waiver thereof in writing signed by the person entitled to such notice, whether before, at, or after the time stated therein, shall be equivalent to the giving of such notice.

ARTICLE VIII

CONTRIBUTIONS TO THE COMPANY AND CAPITAL ACCOUNTS

8.1 Members' Capital Contributions. Each Member shall contribute such amount as is set forth in Exhibit 8.1 hereto as its share of the Initial Capital Contribution.

Members' Names and Addresses	Members' Capital Contributions	Membership Interest
Sally A. Weis 4687 Catalpa Court, Burlington, KY 41005	\$45,000	45%
Jack L. Weis 4687 Catalpa Court, Burlington, KY 41005	\$45,000	45%
Michael B. McGraw 100 Woodside Place, Ft Thomas, KY 41075	No Capital	10%

8.2 Additional Contributions. Except as set forth in Section 8.1, no Member shall be required to make any Capital Contributions. To the extent approved by the Manager, from time to time, the Members may be permitted to make additional Capital Contributions if and to the extent they so desire, and if the Manager determines that such additional Capital Contributions are necessary or appropriate in connection with the conduct of the Company's business (including without limitation, expansion or diversification), such determination to be based upon a bona fide business purpose and shall be made in good faith. In such event, the Members shall have the opportunity (but not the obligation) to participate in such additional Capital Contributions on a pro rata basis in accordance with their Interests and their respective Membership Interests shall increase as determined by the Manager.

8.3 Capital Accounts.

(a) A separate Capital Account will be maintained for each Member. Each Member's Capital Account will be increased by (1) the amount of money contributed by such Member to the Company; (2) the fair market value of property contributed by such Member to the Company (net of liabilities secured by such contributed property that the Company is considered to assume or take subject to under Section 752 of the Code); (3) allocations to such Member of Net Profits; (4) any items in the nature of income and gain which are specially allocated to the Member pursuant to paragraphs (a), (b), (c), (d), (e), (i) and/or (j) of Section 9.2; and (5) allocations to such Member of income described in Section 705(a)(1)(B) of the Code. Each Member's Capital Account will be decreased by (1) the amount of money distributed to such Member by the Company; (2) the fair market value of property distributed to such Member by the Company (net of liabilities secured by such distributed property that such Member is considered to assume or take subject to under Section 752 of the Code); (3) allocations to such Member of expenditures described in Section 705(a)(2)(B) of the Code; (4) any items in the nature of deduction and loss that are specially allocated to the Member pursuant to paragraphs (a), (b), (c), (d), (e), (f), (i) and/or (a) of Section 9.2; and (5) allocations to the account of such Member of Net Losses.

(b) In the event of a permitted sale or exchange of a Membership Interest or an Economic Interest in the Company, the Capital Account of the transferor shall become the Capital Account of the transferee to the extent it relates to the transferred Membership Interest or Economic Interest in accordance with Section 1.704-1(b)(2)(iv) of the Treasury Regulations.

(c) The manner in which Capital Accounts are to be maintained pursuant to this Section 8.3 is intended to comply with the requirements of Section 704(b) of the Code and the Treasury Regulations promulgated thereunder. If in the opinion of the Company's accountants the manner in which Capital Accounts are to be maintained pursuant to the preceding provisions of this Section 8.3 should be modified in order to comply with Section 704(b) of the Code and the Treasury Regulations thereunder, then notwithstanding anything to the contrary contained in the preceding provisions of this Section 8.3, the method in which Capital Accounts are maintained shall be so modified; provided, however, that any change in the manner of maintaining Capital Accounts shall not materially alter the economic agreement between or among the Members.

(d) Upon liquidation of the Company (or any Member's Membership Interest or Economic Interest or Owner's Economic Interest), liquidating distributions will be made in accordance with the positive Capital Account balances of the Members and Economic Interest Owners, as determined after taking into account all Capital Account adjustments for the Company's taxable year during which the liquidation occurs. Liquidation proceeds will be paid in accordance with Section 12.3(b). The Company may offset damages for breach of this Operating Agreement by a Member or Economic Interest Owner whose interest is liquidated (either upon the withdrawal of the Member or the liquidation of the Company) against the amount otherwise distributable to such Member.

(e) Except as otherwise required in the Act (and subject to Section 8.1 and 8.2), no Member or Economic Interest Owner shall have any liability to restore all or any portion of a deficit balance in such Member's or Economic Interest Owner's Capital Account.

8.4 Withdrawal or Reduction of Members' Contributions to Capital.

(a) A Member shall not receive out of the Company's property any part of its Capital Contribution until all liabilities of the Company, except liabilities to Members on account of their Capital Contributions, have been paid or there remains property of the Company sufficient to pay them.

(b) A Member, irrespective of the nature of its Capital Contribution, has only the right to demand and receive cash in return for its Capital Contribution.

ARTICLE IX

ALLOCATIONS, INCOME TAX, DISTRIBUTIONS, ELECTIONS

9.1 Allocations of Profits and Losses from Operations. The Net Profits and Net Losses of the Company for each fiscal year will be allocated in accordance with each Members' Membership Interest.

9.2 Special Allocations to Capital Accounts and Certain Other Income Tax Allocations. Notwithstanding Section 9.1 hereof:

(a) If there is a net decrease in "partnership (Company) minimum gain" (within the meaning of Treasury Regulations Section 1.704-2(d)) for a fiscal year, then, subject to the last paragraph of this Section 9.2, there shall be allocated to each Member items of income and gain for that year equal to that Member's share of the net decrease in minimum gain (within the meaning of Treasury Regulations Section 1.704-2(g)(2)). The foregoing is intended to be a "minimum gain chargeback" provision as described in Treasury Regulations Section 1.704-2(f) and shall be interpreted and applied in all respects in accordance with that Treasury Regulations Section.

If during a fiscal year there is a net decrease in partner (Member) non-recourse debt minimum gain (as determined in accordance with Treasury Regulations Section 1.704-2(i)(3)), then, in addition to the amounts, if any, allocated pursuant to the preceding paragraph, any Member with a share of that non-recourse debt minimum gain (determined in accordance with Treasury Regulations Section 1.704-2(i)(5)) as of the beginning of the fiscal year shall, subject to the last paragraph of this Section 9.2, be allocated items of income and gain for that year (and, if necessary, for succeeding years) equal to that Member's share of the net decrease in such non-recourse minimum gain. The foregoing is intended to be the "chargeback of partner (Member) non-recourse debt minimum gain" required by Treasury Regulations Section 1.704-2(i)(4) and shall be interpreted and applied in all respects in accordance with Treasury Regulations Section.

The allocations set forth in the two preceding paragraphs of this Section 9.2 shall be subject to (1) the exceptions set forth in Treasury Regulations Section 1.704-2(f)(2) and (f)(3), and (2) any exceptions provided by the Commissioner of the Internal Revenue Service ("Commissioner") pursuant to Treasury Regulations Section 1.704-2(f)(5) (except that if the Company shall have any discretion as to an exception set forth pursuant to Treasury Regulations Section 1.704-2(f)(5), the Managers may exercise such discretion on behalf of the Company), and (3) any exceptions set pursuant to Treasury Regulations Section 1.704-2(i)(4) including exceptions that such Treasury Regulations Section incorporates by reference to those provided pursuant to Treasury Regulations Section 1.704-2(f)(2) and (f)(3) and including exceptions provided by the Commissioner pursuant to the Commissioner's authority provided by analogy to Treasury Regulations Section 1.704-2(f)(5) (and subject to the Manager's exercise of any Company discretion as to these exceptions). The Manager shall, if the application of the minimum gain chargeback requirements would cause a distortion in the economic arrangement among the Members, ask the Commissioner to waive the minimum gain chargeback requirements pursuant to Treasury Regulations Sections 1.704-2(f)(4) and 1.704-2(i)(4).

(b) If during any Fiscal Year of the Company a Member unexpectedly receives an adjustment, allocation or distribution described in Treasury Regulations Section 1.704-1(b)(2)(ii)(d)(4), (5), or (6), which causes or increases a deficit balance in the Deficit Capital Account, there shall be allocated to the Member items of income and gain (consisting of a pro rata portion of each item of Company income, including gross income, and gain for such year) in an amount and manner sufficient to eliminate such deficit balance as quickly as possible. The foregoing is intended to be a "qualified income offset" provision as described in Treasury Regulations Section 1.704-1(b)(2)(ii)(d), and shall be interpreted and applied in all respects in accordance with such Regulation.

(c) If the allocation of any item of loss or deduction for any Fiscal Year pursuant to Section 9.1 above would cause or increase a deficit balance in the Deficit Capital Account of any Member as of the end of such Fiscal Year, then, to the extent the allocation of such item of loss or deduction would have such effect, it shall instead be allocated (i) first, among those Members having positive balances in their Deficit Capital Accounts as of the end of such Fiscal Year in proportion to the positive balances in their respective Deficit Capital Accounts, and (ii) thereafter, as provided in Section 9.1 above.

(d) Notwithstanding anything to the contrary in this Article IX, any item of deduction, loss, or Code Section 705(a)(2)(B) expenditure that is attributable to "partner (Member) non-recourse debt" shall be allocated in accordance with the manner in which the Members bear the economic risk of loss for such debt (determined in accordance with Treasury Regulations Section 1.704-2(i)).

(e) Beginning in the first taxable year in which there are allocations of "non-recourse deductions" (as described in Section 1.704-2(b) of the Treasury Regulations) such deductions shall be allocated to the Members in the same manner as Net Profit or Net Loss is allocated for such period.

(f) In accordance with Section 704(c)(1)(A) of the Code and Section 1.704-1(b)(2)(i) and (iv) of the Treasury Regulations, if a member contributes property with a fair market value that differs from its adjusted basis at the time of contribution, income, gain, loss and deductions with respect to the property shall, solely for federal income tax purposes (and not for Capital Account purposes), be allocated among the Members so as to take account of any variation between the adjusted basis of such property to the Company and its fair market value at the time of contribution.

(g) Pursuant to Section 704(c)(1)(B) of the Code, if any contributed property is distributed by the Company other than to the contributing Member within five years of being contributed, then, except as provided in Section 704(c)(2) of the Code, the contributing Member shall, solely for federal income tax purposes (and not for Capital Account purposes), be treated as recognizing gain or loss from the sale of such property in an amount equal to the gain or loss that would have been allocated to such Member under Section 704(c)(1)(A) of the Code if the property had been sold at its fair market value at the time of the distribution.

(h) In the case of any distribution by the Company to a Member or Economic Interest Owner, such Member or Economic Interest Owner shall, solely for federal income tax purposes (and not for Capital Account purposes), be treated as recognizing gain in an amount equal to the lesser of:

(i) the excess (if any) of (A) the fair market value of the property (other than money) received in the distribution over (B) the adjusted basis of such Member's Membership Interest or Economic Interest Owner's Economic Interest in the Company immediately before the distribution reduced (but not below zero) by the amount of money received in the distribution, or

(ii) the Net Pre-contribution Gain (as defined in Section 737(b) of the Code) of the Member or Economic Interest Owner. The Net Pre-contribution Gain means the net gain (if any) which would have been recognized by the distributee Member or Economic Interest Owner under Section 704(c)(1)(B) of the Code of all property which (1) had been contributed to the Company within five years of the distribution, and (2) is held by the Company immediately before the distribution, had been distributed by the Company to another Member or Economic Interest Owner. If any portion of the property distributed consists of property which had been contributed by the distributee Member or Economic Interest Owner to the Company, then such property shall not be taken into account under this Section 9.2(h) and shall not be taken into account in determining the amount of the Net Pre-contribution Gain. If the property distributed consists of an interest in an Entity, the preceding sentence shall not apply to the extent that the value of such interest is attributable to the property contributed to such Entity after such interest had been contributed to the Company.

(i) All recapture of income tax deductions resulting from sale or disposition of Company property shall be allocated to the Member or Members to whom the deduction that gave rise to such recapture was allocated hereunder to the extent that such Member is allocated any gain from the sale or other disposition of such property.

(j) Any credit or charge to the Capital Accounts of the Members pursuant to Sections 9.2 (a), (b), (c), (d), and/or (e) hereof shall be taken into account in computing subsequent allocations of profits and losses pursuant to Section 9.1, so that the net amount of any items charged or credited to Capital Accounts pursuant to Sections 9.1 and 9.2 (a), (b), (c), (d), and/or (e) and shall to the extent possible, be equal to the net amount that would have been allocated to the Capital Account of each Member pursuant to the provisions of this Article IX if the special allocations required by Sections 9.2 (a), (b), (c), (d), and/or (e) hereof had not occurred.

9.3 Distributions. Except as provided in Section 8.3(d), all distributions of Distributable Cash shall be made to the Members in accordance with their Membership Interests.

9.4 Limitation On Distributions. No distribution shall be declared and paid unless, after the distribution is made, the assets of the Company, valued at fair market value, are in excess of all liabilities of the Company, except liabilities to Members on account of their contributions.

9.5 Accounting Principles. The profits and losses of the Company shall be determined in accordance with accounting principles applied on a consistent basis using the method of accounting. It is intended that the Company will elect those accounting methods which provide the Company with the greatest tax benefits.

9.6 Interest On and Return of Capital Contributions. No Member shall be entitled to interest on its Capital Contribution or to return of its Capital Contribution, except as otherwise specifically provided for herein.

9.7 Loans to Company. Nothing in this Operating Agreement shall prevent any Member or Manager from making secured or unsecured loans to the Company by agreement with the Company.

9.8 Accounting Period. The Company's accounting period shall be January 1 to March 31.

9.9 Records, Audits and Reports. At the expense of the Company, the Manager shall maintain records and accounts of all operations and expenditures of the Company. At a minimum the Company shall keep at its principal place of business the following records:

(a) A current list of the full name and last known business, residence, or mailing address of each Member, Economic Interest Owner and Manager, both past and present;

(b) A copy of the Articles of Organization of the Company and all amendments thereto, together with executed copies of any powers of attorney pursuant to which any amendment has been executed;

(c) Copies of the Company's federal, state, and local income tax returns and reports, if any, or the four most recent years;

(d) Copies of the Company's currently effective written Operating Agreement and copies of any writings required with respect to the Members contributions, obligations to make additional contributions, and rights to distributions.

(e) Copies of any financial statements of the Company for the three most recent years;

(f) Minutes of every annual, special meeting and court-ordered meeting;

(g) Any written consents obtained from Members for actions taken by Members without a meeting.

9.10 Returns and Other Elections. The Manager shall cause the preparation and timely filing of all tax returns required to be filed by the Company pursuant to the Code and all other tax returns deemed necessary and required in each jurisdiction in which the Company does business. Copies of such returns or pertinent information therefrom, shall be furnished to the Members within a reasonable time after the end of the Company's fiscal year.

All elections permitted to be made by the Company under federal or state laws shall be made by the Manager in his sole discretion, provided that the Manager shall make any tax election requested by Member owning a Majority Interest.

ARTICLE X

TRANSFERABILITY

10.1 General. Except as otherwise specifically provided herein neither a Member nor an Economic Interest Owner shall have the right to:

(a) Sell, assign, transfer, exchange or otherwise transfer for consideration, (collectively, "sell" or "sale");

(b) gift, bequeath or otherwise transfer for no consideration whether or not by operation of law, except in the case of bankruptcy (collectively "gift"), all or any part of its Membership Interest or Economic Interest, except with the consent of a Majority in Interest of the Members. Each Member and Economic Interest Owner hereby acknowledges the reasonableness of the restrictions on sale and gift of Membership Interests and Economic Interests imposed by this Operating Agreement in view of the Company purposes and the relationship of the Members and Economic Interest Owners. Accordingly, the restrictions on sale and gift contained herein shall be specifically enforceable. In the event that any Member or Economic Interest Owner pledges or otherwise encumbers any of its Membership Interest or Economic Interest as security for repayment of a liability, any such pledge or hypothecation shall be made pursuant to a pledge or hypothecation agreement that requires the pledgee or secured party to be bound by all the terms and conditions of this Article X.

10.2 Buy-Out of Former Members.

(a) Upon the occurrence of an Event of Disassociation and the consent of a Majority in Interest of the Members other than the Former Member to continue the Company, the Company shall purchase the Interest of such Former Member within 120 days after the Event of Disassociation upon the terms and conditions set forth in this Agreement, unless such Event of Disassociation be the assignment of a Member's Interest consented to by a Majority in Interest of the other Members as provided herein.

(b) The amount paid to a Former Member or the estate thereof for purposes of Paragraph 10.2 (a) shall be the fair market value of such Former Member's Interest. If no agreement can be reached on the fair market value, an appraisal shall be performed by an MA-1 appraiser selected by agreement of the Members holding a majority interest and the Former Member or his representative, within 20 days following the event which requires the appraisal. Cost of this appraisal will be paid by the Former Member. If the Members or the Former Members are unable or do not agree as to a MA-1 appraiser or with the fair market value as determined by the selected MA-1 appraiser, then each shall select an MA-1 appraiser (at their own cost) and the fair market value shall be the average of the two appraisals.

(c) The amount to be paid to such Former Member or the estate thereof for purposes of Paragraph 10.2(a) shall be paid in cash within 120 days after occurrence of such Event of Disassociation or, at the election of the remaining members payment shall be made pursuant to

a note for the purchase price, payable at (?)% fixed interest for a ten not to exceed ten (10) years.

10.3 Restrictions on Transfer and Assignment of a Member's Interest. No Member shall be entitled to assign, convey, sell, transfer, pledge, encumber or in any way alienate all or any part of his Interest, except with the prior written consent of a Majority in Interest of the other Members, which consent may be given or withheld, conditioned or delayed as the Majority in Interest of the Members may determine in their sole discretion. Notwithstanding the foregoing, the spouse, determined as of the execution date of the within Agreement, of a deceased Member, shall become a Member to the extent that the deceased Member's Membership Interest is transferred to such surviving spouse.

10.4 Substitute Members. A transferee shall have the right to become a Substitute Member if (a) the requirements of Sections 10.3 of this Agreement are met, (b) such person executes an instrument satisfactory to a Majority in Interest of the Members accepting and adopting the terms of this Agreement, and (c) such person pays any reasonable expenses in connection with his or her admission as a Substitute Member.

10.5 Effect of Transfer.

(a) Any permitted transfer of all or any portion of a Member's Interest in the Company will take effect on the first day of the month following receipt by the Members of written notice of transfer. Any transferee of an Interest in the Company shall take subject to the restrictions on transfer imposed by this Agreement.

(b) Upon any transfer of a Member's Interest in the Company in violation of this Agreement, the transferee shall have no right to participate in the management of the business and affairs of the Company or to become a Member or to receive any share of profits or other compensation by way of income and the return contributions to which the transferor of such Interest in the Company would otherwise be entitled.

ARTICLE XI

ADDITIONAL MEMBERS

From the date of the formation of the Company, any Person or Entity acceptable to a Majority in Interest of all Members of the Company may become a Member in this Company either by the issuance by the Company of Membership Interests for such consideration as the Members by the vote of a Majority in Interest shall determine, or as a transferee of a Member's Membership Interest or any portion thereof, subject to the terms and conditions of this Operating Agreement. No new Members shall be entitled to any retroactive allocation of losses, income or expense deductions incurred by the Company. The Manager may, at his option, at the time a Member is admitted, close the Company books (as though the Company's tax year had ended) or make pro rata allocations of loss, income and expense deductions to a new Member for that portion of the Company's tax year in which a Member was admitted in accordance with the provisions of Section 706(d) of the Code and the Treasury Regulations promulgated thereunder.

ARTICLE XII

DISSOLUTION AND TERMINATION

12.1 Dissolution.

(a) The Company shall be dissolved upon the occurrence of any of the following events:

(i) by the unanimous written agreement of all Members; or

(ii) upon the death, retirement, resignation, expulsion, bankruptcy or dissolution of a Member or occurrence of any other event which terminates the continued membership of a Member in the Company (a "Withdrawal Event"), unless the business of the Company is continued by the consent of a Majority in Interest of the Remaining Members within 90 days after the Withdrawal Event and there are at least two remaining Members.

(b) As soon as possible following the occurrence of any of the events specified in this Section 12.1 effecting the dissolution of the Company, the appropriate representative of the Company shall execute a certificate of dissolution in such form as shall be prescribed by the Secretary of State that includes the name of the Company and the effective date of its dissolution, and file same with the Secretary of State's office.

(c) If a Member who is an individual dies or a court of competent jurisdiction adjudges him to be incompetent to manage his person or his property, the Member's executor, administrator, guardian, conservator, or other legal representative ("Successor") may exercise all of the Member's rights for the purpose of settling his estate or administering his property, provided, however, that for purposes of Section 10.3, Article XI and Section 12.1 (a)(ii), the Successor shall not be considered a Member and shall have no right to vote, approve or consent to any matter pursuant to such provisions.

(d) Except as expressly permitted in this Operating Agreement, a Member shall not voluntarily resign or take any other voluntary action which directly causes a Withdrawal Event. Unless otherwise approved by Members owning a Majority Interest, a Member who resigns (a "Resigning Member") or whose Membership Interest is otherwise terminated by virtue of a Withdrawal Event, regardless of whether such Withdrawal Event was the result of a voluntary act by such Resigning Member, shall be entitled to receive only those distributions to which such Resigning Member would have been entitled had such Resigning Member remained a Member (and only at such times as such distribution would have been made had such Resigning Member remained a Member). Except as otherwise expressly provided herein, a Resigning Member shall become an Economic Interest Owner. Damages for breach of this Section 12.1(e) shall be monetary damages only (and not specific performance), and such damages may be offset against distributions by the Company to which the Resigning Member would otherwise be entitled.

12.2 Effect of Filing of Certificate of Dissolution. Upon the filing by the Secretary of State of a certificate of dissolution, the Company shall continue its existence until the winding up of its affairs is completed.

12.3 Winding Up, Liquidation and Distribution of Assets.

(a) Upon dissolution, an accounting shall be made by the Company's independent accountants of the accounts of the Company and of the Company's assets, liabilities and operations, from the date of the last previous accounting until the date of dissolution. The Manager(s) shall immediately proceed to wind up the affairs of the Company, unless the remaining Members, by an affirmative vote of the remaining Members holding a majority

interest, direct the managers to continue the business of the Company for a period in order to maximize its value as a going concern for eventual sale.

(b) If the Company is dissolved and its affairs are to be wound up, the Manager(s) shall:

(i) Sell or otherwise liquidate all of the Company's assets as promptly as practicable (except to the extent the Manager(s) may determine to distribute any assets to the Members in kind),

(ii) Allocate any Net Profit or Net Loss resulting from such sales to the Members' and Economic Interest Owners' Capital Accounts in accordance with Article IX hereof,

(iii) Discharge all liabilities of the Company, including liabilities to Members and Economic Interest Owners who are also creditors, to the extent otherwise permitted by law, other than liabilities to Members and Economic Interest Owners for distributions and the return of capital, and establish such Reserves as may be reasonably necessary to provide for contingent liabilities of the Company (for purposes of determining the Capital Accounts of the Members and Economic Interest Owners, the amounts of such Reserves shall be deemed to be an expense of the Company),

(iv) Distribute the remaining assets in the following order:

(1) If any assets of the Company are to be distributed in kind, the net fair market value of such assets as of the date of dissolution shall be determined by independent appraisal or by agreement of the Members. Such assets shall be deemed to have been sold as of the date of dissolution for their fair market value, and the Capital Accounts of the Members and Economic Interest Owners shall be adjusted pursuant to the provisions of Article IX and Section 8.3 of this Operating Agreement to reflect such deemed sale.

(2) The positive balance (if any) of each Member's and Economic Interest Owners Capital Account (as determined after taking into account all Capital Account adjustments for the Company's taxable year during which the liquidation occurs) shall be distributed to the Members, either in cash or in kind, as determined by the Manager(s), with any assets distributed in kind being valued for this purpose at their fair market value. Any such distributions to the Members in respect of their Capital Accounts shall be made in accordance with the time requirements set forth in Section 1.704-1(b)(2)(ii)(b)(2) of the Treasury Regulations.

(c) Notwithstanding anything to the contrary in this Operating Agreement, upon a liquidation within the meaning of Section 1.704-1(b)(2)(ii)(g) of the Treasury Regulations, if any Member has a Deficit Capital Account (after giving effect to all contributions, distributions, allocations and other Capital Account adjustments for all taxable years, including the year during which such liquidation occurs), such Member shall have no obligation to make any Capital Contribution, and the negative balance of such Member's Capital Account shall not be considered a debt owed by such Member to the Company or to any other Person for any purpose whatsoever.

(d) Upon completion of the winding up, liquidation and distribution of the assets, the Company shall be deemed terminated.

(e) The Manager(s) shall comply with any applicable requirements of applicable law pertaining to the winding up of the affairs of the Company and the final distribution of its assets.

12.4 Return of Contribution Non-recourse to Other Members. Except as provided by law or as expressly provided in this Operating Agreement, upon dissolution each Member shall look solely to the assets of the Company for the return of its Capital Contribution. If the Company property remaining after the payment or discharge of the debts and liabilities of the Company is insufficient to return the cash contribution of one or more Members, such Member or Members shall have no recourse against any other Member.

ARTICLE XIII

MISCELLANEOUS PROVISIONS

13.1 Notices. Any notice, demand, or communication required or permitted to be given by any provision of this Operating Agreement shall be deemed to have been sufficiently given or served for all purposes delivered personally to the party or to an executive officer of the party to whom the same is directed or, if sent by registered or certified mail, postage and charges prepaid, addressed to the Member's and/or Company's address, as appropriate, which is set forth in this Operating Agreement. Except as otherwise provided herein, any such notice shall be deemed to be given three days after the date on which the same was deposited in a regularly maintained receptacle for the deposit of United States mail, addressed and sent as aforesaid.

13.2 Books of Account and Records. Proper and complete records and books of account shall be kept or shall be caused to be kept by the Managers in which shall be entered fully and accurately all transactions and other matters relating to the Company's business in such detail and completeness as is customary and usual for businesses of the type engaged in by the Company. Such books and records shall be at all times be maintained at the principal executive office of the Company and shall be open to the reasonable inspection and examination of the Members Economic Interest Owner's or their duly authorized representatives during reasonable business hours.

13.3 Application of Kentucky Law. This Operating Agreement and the application of interpretation hereof, shall be governed exclusively by its terms and by the laws of the Commonwealth of Kentucky, and specifically the Limited Liability Companies Act.

13.4 Waiver of Action for Partition. Each Member and Economic Interest Owner irrevocably waives during the term of the Company any right that it may have to maintain any action for partition with respect to the property of the Company.

13.5 Amendments. This Operating Agreement may not be amended except by the unanimous written agreement of all of the Members.

13.6 Execution of Additional Instruments. Each Member hereby agrees to execute such other and further statements of interest and holdings, designations, powers of attorney and other instruments necessary to comply with any laws, rules or regulations.

13.7 Construction. Whenever the singular number is used in this Operating Agreement and when required by the context, the same shall include the plural and vice versa, and the masculine gender shall include the feminine and neuter genders and vice versa.

13.8 Headings and Pronouns. The headings in this Operating Agreement are inserted for convenience only and are in no way intended to describe, interpret, define, or limit the scope, extent or intent of this Operating Agreement or any provision hereof. All pronouns and only variations thereof shall be deemed to refer to masculine, feminine, or neuter, singular or plural as the identity of the Person or Persons may require.

13.9 Waivers. The failure of any party to seek redress for violation of or to insist upon the strict performance of any covenant or condition of this Operating Agreement shall not prevent a subsequent act, which would have originally constituted a violation, from having the effect of an original violation.

13.10 Rights and Remedies Cumulative. The rights and remedies provided by this Operating Agreement are cumulative and the use of anyone right or remedy by any party shall not preclude or waive the right to use any or all other remedies. Said rights and remedies are given in addition to any other rights the parties may have by law, statute, ordinance or otherwise.

13.11 Severability. If any provision of this Operating Agreement or the application thereof to any person or circumstance shall be invalid, illegal or unenforceable to any extent, the remainder of this Operating Agreement and the application there of shall not be affected and shall be enforceable to the fullest extent permitted by law.

13.12 Heirs, Successors and Assigns. Each and all of the covenants, terms, provisions and agreements herein contained shall be binding upon and inure to the benefit of the parties hereto and, to the extent permitted by this Operating Agreement, their respective heirs, legal representatives, successors and assigns.

13.13 Creditors. None of the provisions of this Operating Agreement shall be for the benefit of or enforceable by any creditors of the Company.

13.14 Counterparts. This Operating Agreement may be executed in counterparts, each of which shall be deemed an original but all of which shall constitute one and the same instrument.

13.15 Rule Against Perpetuities. The parties hereto intend that the Rule Against Perpetuities (and any similar rule of law) not be applicable to any provisions of this Operating Agreement, However, notwithstanding anything to the contrary in this Operating Agreement, if any provision in this Operating Agreement would be invalid or unenforceable because of the Rule Against Perpetuities or any similar rule of law but for this Section 13.15, the parties hereto hereby agree that any future interest which is created pursuant to said provision shall cease if it is not vested within twenty-one years after the death of the survivor of the group composed of (all who are currently Members) and their issue who are living on the date of this Operating Agreement and their issue, if any, who are living on the effective date of this Operating Agreement.

13.16 Investment Representations. The undersigned Members and Economic Interest Owners, if any, understand (1) that the Membership Interests and Economic Interests evidenced by this Operating Agreement have not been registered under the Securities Act of 1933, Kentucky securities laws or any other state securities laws (the "Securities Acts") because the Company is issuing these Membership Interests and Economic Interests in reliance upon the exemptions from the registrations requirements of the Securities Acts providing for issuance of securities not involving a public offering, (2) that the Company has relied upon the fact that the Membership Interests and Economic Interests are to be held by each Member for investment, and (3) that exemption from registrations under the

Securities Acts would not be available if the Membership Interests and Economic Interests were acquired by a Member with a view to distribution.

Accordingly, each Member and Economic Interest Owner hereby confirms to the Company that such Member and Economic Interest Owner is acquiring the Membership Interests and Economic Interests for such own Member's and Economic Interest Owner's account, for investment and not with a view to the resale or distribution thereof. Each Member and Economic Interest Owner agrees not to transfer, sell or offer for sale any of portion of the Membership Interests or Economic Interests unless there is an effective registration or other qualification relating thereto under the Securities Act of 1933 and under any applicable state securities laws or unless the holder of Membership Interests or Economic Interests delivers to the Company an opinion of counsel, satisfactory to the Company, that such registration or other qualification under such Act and applicable state securities laws is not required in connection with such transfer, offer or sale. Each Member and Economic Interest Owner understands that the Company is under no obligation to register the Membership Interests or Economic Interests or to assist such Member or Economic Interest Owner in complying with any exemption from registration under the Acts if such Member or Economic Interest Owner should at a later date, wish to dispose of the Membership Interest or Economic Interest. Furthermore, each Member realizes that the Membership Interests and Economic Interests are unlikely to qualify for disposition under Rule 144 of the Securities and Exchange Commission unless such Member is not an "affiliate" of the Company and the Membership Interest or Economic Interest has been beneficially owned and fully paid for by such Member or Economic Interest Owner for at least three years.

Prior to acquiring the Membership Interests and Economic Interests, each Member and Economic Interest Owner has made an investigation of the Company and its business and have had made available to each such Member and Economic Interest Owner all information with respect thereto which such Member needed to make an informed decision to acquire the Membership Interest or Economic Interest. Each Member and Economic Interest Owner considers herself, himself or itself to be a person possessing experience and sophistication as an investor which are adequate for the evaluation of the merits and risks of such Member's or Economic Interest Owner's investment in the Membership Interest or Economic Interest.

13.17 Certain Transactions.

(a) The Company may enter into a contract, action, or transaction between the Company and one or more of its Members, or Manager or their spouse or any lineal descendant (including adoptive children) or between the Company and any other Person in which one or more of its Members, or Managers or their spouse or any lineal descendant (including adoptive children) are directors, trustees, managers or officers, or have a financial or personal interest, only if either of the following apply:

(i) The material facts as to his, her or their relationship or interest and as to the contract, action, or transaction are disclosed or are known to the Members and Members authorize the contract, action, or transaction by the affirmative vote of a majority of the disinterested Members, even though the disinterested Members constitute less than a quorum of the Members; or

(ii) The contract, action, or transaction is on terms no less favorable than those which could be obtained in an arm's-length transaction with a Person who is not an affiliate of the Company.

(b) Interested Members may be counted in determining the presence of a quorum at a meeting of the Members that authorizes the contract, action, or transaction.

(c) By the affirmative vote of a majority of the Members, and irrespective of any financial or personal interest of any of them, the Members shall have authority to establish reasonable compensation, which may include pension, disability, and death benefits, for services to the Company by Managers.

(d) For purposes of division (a) of this Section 13.17, a Manager is not an interested Manager solely because the subject of the contract, action, or transaction may involve or affect a change in control of the Company or his continuation in office as a Manager of the Company.

(e) One or more interested Members may participate in or vote at a meeting of the Members that authorizes any contract, action, or transaction under this Section 13.17. -

CERTIFICATE

The undersigned hereby agree, acknowledge and certify that that the foregoing Operating Agreement, consisting of (29) pages, excluding the Table of Contents and attached Exhibits, constitutes the Operating Agreement of **Kentucky Communications, Limited Liability Company**, adopted by the Members of the Company as of **December 5, 2002**.

**Kentucky Communications,
A Kentucky Limited Liability Company,**

BY: Jack L. Reis

Member


(etcetera)

EXHIBIT - B

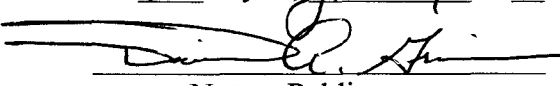
NOTARIZED STATEMENT

AFFIDAVIT

I, **Jack L. Weis**, Managing partner of **Kentucky Communications, LLC** do hereby certify that the Company has not provided or collected for intrastate service in Kentucky prior to filing of this application and tariff.


Jack L. Weis, Managing Partner
Kentucky Communications, LLC

Sworn to and subscribed before me
this 9th day of January 2003


Notary Public

My Commission Expires 1/26/03

EXHIBIT - C

PROPOSED INTEREXCHANGE TARIFF

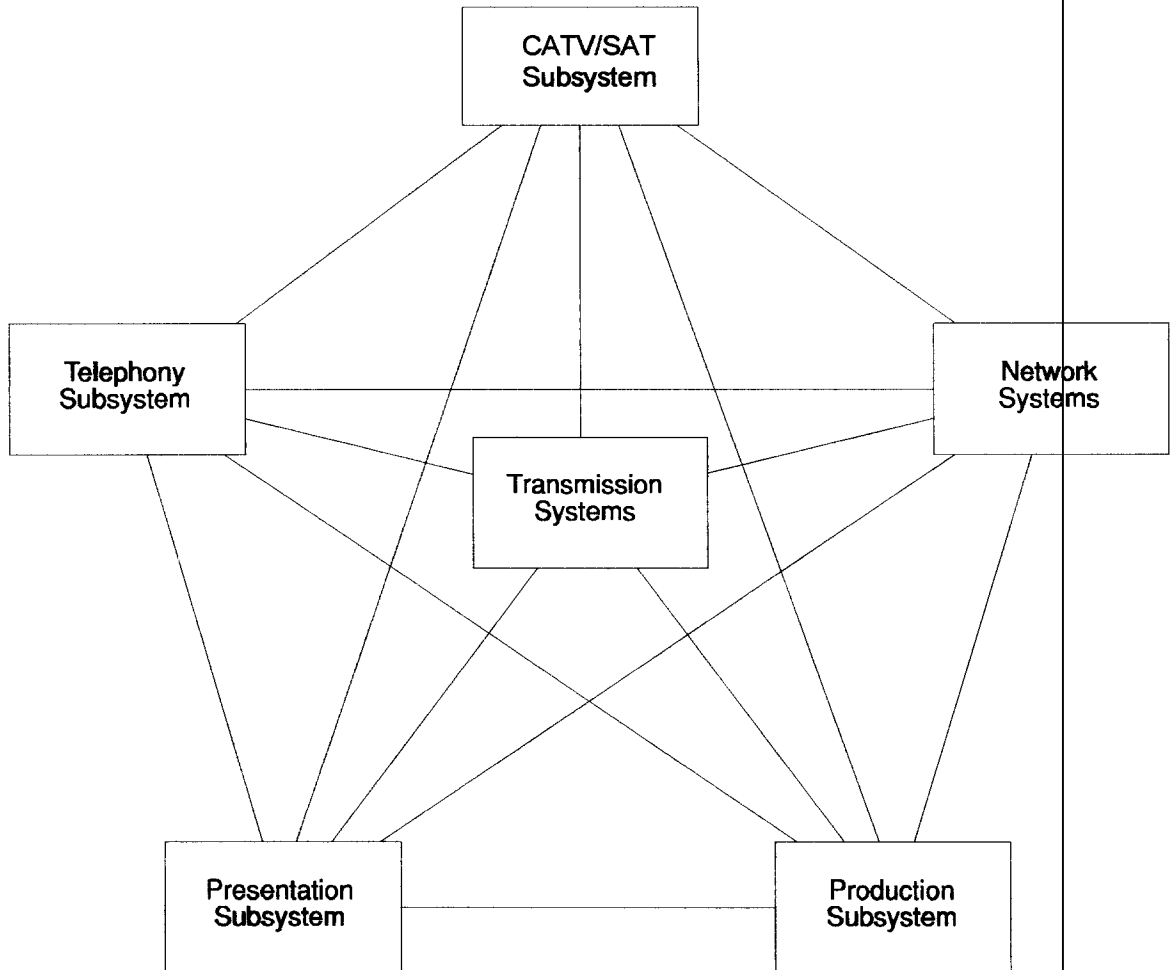
Kentucky Communications, LLC plans to pursue all business opportunities (see Exhibit – D) in all counties within the state of Kentucky boundaries. We intend to start where the largest population of people reside (the triangle of Lexington, Louisville and Northern Kentucky areas) and branch into the other areas as business dictates. Our intent is to place a state of the art facility in the Lexington area within the next calendar year and use this facility as a proof of concept for future sales opportunity (see Exhibit - D for details).

EXHIBIT - D

PROPOSED INTEREXCHANGE TARIFF

Five Year Plan for

KENTUCKY COMMUNICATIONS



MCGRAW BROADCAST COMMUNICATIONS, INC.

DEFINITIONS:

SCALABILITY

The degree to which video and image formats can be combined in systematic proportions for distribution over different communication channels.

EXTENSIBILITY

A design standard ensuring technological advances — and hence future functionality of systems — that can be incorporated over time, thus ensuring against technological obsolescence (forwards and backwards compatibility).

INTEROPERABILITY

A design standard that facilitates easy conversion between formats and easy sharing of digital information across different media.

MISSION STATEMENT

Establish a telecommunications company, including a Network Operations Center , as well as other competitive local exchange carriers throughout the country to accommodate consumers together with an electronic sales and marketing platform to broadcast and interactively communicate content and related service offerings to customers.

STRATEGY

Kentucky Communications will be uniquely suited to capture consumers by systematizing existing telecommunications technologies together. Hereinafter referred to as a **Non-Traditional Broadcast and Presentation System (NTB/PS)**. McGraw Broadcast Communications is an originator of telecommunications systems architecture (*Cloverleaf™*) for non-traditional broadcast and interactive communications; wherefore this application, a service platform, for competitive local exchange carriers can become cheaper, better and faster.

The following points highlight our company strategy:

1. Assist consumers to aggressively merchandize themselves nationally through use of a network operations center (service platform) located in the State of Kentucky.
2. Originate multi-channel configurations for video and data exchange. Establish telecommunications systems accessible to affiliates by fiber optic, microwave and/or satellite from proposed video hub system. Kentucky Communications will utilize Optical Video Interface Devices (OVIDs) for "high resolution" video and special effects specially designed for promotion of products and services.
3. Establish viable and affordable production and post production operations at communications headquarters facility —a Non-Traditional Broadcast and Presentation System (NTB/PS).
4. Aggressively implement the plan throughout the United States and internationally with the utilization of current, state-of-the-art telecommunications technologies.
5. Establish patented technology (USPTO # 5,577,042) and copy rights on the use of the NTB/PS worldwide, requiring other companies to either secure CLEC agreements or develop independent, proprietary systems to meet the demands of consumers.
6. Establish training/marketing programs to familiarize individuals, businesses, professionals and institutions with the capabilities and the flexibility of the NTB/PS for conducting their communications in a true "multi-media" environment.
7. Ascertain global business possibilities for non-traditional broadcast and communication, including its relationship to other data-based communications (Internet).
8. Focus marketing through all effective multiple mono-media communications systems.
9. Foster the *Cloverleaf*™ as a hotbed of entrepreneur spirit in a New World of business and professional cooperation. Emphasis should be placed on electronic services, access to other markets, technologies, and ideas.
10. Develop marketing alliances with affiliates across the United States and internationally for the purposes of establishing connectivity between other "Partners" and/or mature market applications' users.

APPLICATIONS FOR SERVICE (VERTICAL MARKETS)

Future convergence of communication mediums dictates a seamless transfer standard for (multiple) audio, video, and computer (media) systems through a unified environment—an open architecture which is based upon a structured set of system parameters, which in turn, are scaleable, extensible and interoperable—thus ensuring broad application across multiple industries (CATV, Internet, Telco, TV).

<i>APPLICATION DESCRIPTION</i>	<i>BANDWIDTH PROJECTION</i>
Medical Imaging	DS-3 and DS-1
Engineering	DS-3 and DS-1
Architectural	DS-3 and DS-1

Bandwidth (Microwave, Satellite and/or Telephony) can play a significant role in administrative interaction, patient diagnosis, medical image consultation, and education. Engineering and Architectural Applications are very similar in scope—they all require the ability to see high-resolution, high-quality images. However, this modality has limited applicability for extended usage due to capital costs of equipment and the operational limitations of present DS-3 telecommunications environments. On the other hand, the inherent value of the NTB/PS is the option of "discussion in lower resolution," the customer's ability (at any time) to "turn down" the bandwidth for a more affordable transmission cost.

The "parallel" ability to simultaneously receive DS-3 high-scan signal with an embedded compressed signal at the DS-1 level is referred to as "managed bandwidth" or bandwidth which can be modified on demand. Managed bandwidth NTB/PS provides a "real time" environment of lower resolution (face-to-face) discussion for what is being shown (or has been shown) in high resolution.

<i>APPLICATION DESCRIPTION</i>	<i>BANDWIDTH PROJECTION</i>
University/Academia	DS-3, DS-1 and/or OVID

"Distance Learning," with switched access provided by the NTB/PS, would provide a new teaching environment where the instructor can manage (distance) interaction. A New World of "closed circuit" where interactive display of "high resolution" is as vital as "low resolution" (traditional broadcast quality). Other applications for this service include technical discussions and seminars. Were all interested parties not able to attend the event, interconnectivity of the NTB/PS would allow the signal source to be stored, even reformatted into another signal format, and then distributed over a universal communications network for the academic community.

APPLICATIONS FOR SERVICE (VERTICAL MARKETS) CONTINUED

<i>APPLICATION DESCRIPTION</i>	<i>BANDWIDTH PROJECTION</i>
Small Business	DS-1 and Fractional DS-1

For small businesses, the future will include Integrated Services Digital Network (**ISDN**). Success or failure will be predicated on the ability to move information quickly and efficiently across continents. Unfortunately, for the majority of small businesses on the run (in the real world), the cost of maintaining dedicated lines for this service is prohibitive. On the other hand, the NTB/PS will offer an immediate solution—"bandwidth on demand." In fact, our "Hub" would move these services more efficiently and economically for the small business community than any "current offering" by any carrier in the market place today. Furthermore, by spreading service costs for DS-1 over many users, the NTB/PS effectively begins the process of sanctioning the "Application's Entrepreneur" in his/her search for interactive solutions which would plainly lead to more bandwidth demand.

<i>APPLICATION DESCRIPTION</i>	<i>BANDWIDTH PROJECTION</i>
Corporate Services	DS-3, DS-1 and DS-0

Broadband —Integrated Systems Digital Network (**B-ISDN**). Unfortunately, the unique characteristics of applications and the introduction of them into a large corporate culture has been such that most systems (when installed) have fallen far short of their technological promise. The result is generally an awkward conglomeration of isolated systems that do not communicate interactively. What is needed is a truly "integrated" atmosphere where "all" communications can be systematized together. The large corporation is a natural marriage of "many voices" requiring many applications. The NTB/PS entitles everyone access to conduct business in one seamless environment.

<i>APPLICATION DESCRIPTION</i>	<i>BANDWIDTH PROJECTION</i>
Sporting Events/Media Events	DS-3 and/or OVID

Direct broadcast of sporting and media events. Our "PortaVision" provides the finest means for providing wide-screen high resolution to the general public or presentation to a closed circuit audience. Enabling immediate viewing of events locally, or mobile to any location in the world, the NTB/PS is the medium for distribution and presentation of programming.

APPLICATIONS FOR SERVICE (VERTICAL MARKETS) CONTINUED

<i>APPLICATION DESCRIPTION</i>	<i>BANDWIDTH PROJECTION</i>
Public Gateway Services	DS-1 down to DS-0

Direct access to the information superhighway. The world literally reinvents itself every day. Associations, partnerships, and the general public—all users in today's world—can gain entry. More than just information... the NTB/PS utilizes every signal source for access to everything available in the world.

<i>APPLICATION DESCRIPTION</i>	<i>BANDWIDTH PROJECTION</i>
Production Services	DS-3 and DS-0

Remote Transport—a promising application of the NTB/PS can now revolutionize the production and post-production world. Using High Resolution Video CODECs, production companies can literally create a duplicate master of materials (shot daily at remote locations) in real time. Transmitted to production houses located across the country, review and intermediate edit can be made in real-time from material with the same quality as that of today's film masters. Overall, there will be a significant cost reduction to produce films, commercials, and video-based productions.

<i>APPLICATION DESCRIPTION</i>	<i>BANDWIDTH PROJECTION</i>
Commercial Video Services	OVID

Recently, the ideas of video on demand (VOD) and pay per view (PPV) have become "buzzwords" in the Information, Communications & Entertainment (ICE) Industry. The NTB/PS has the capacity to serve this emerging market's need for transport and distribution services. While the signal would be transported from the broadcast center; distribution of "electronic theater" from the Hub would be conducted via relatively low-cost Optical Video Interface Devices (OVIDs).

PROJECTED UTILIZATION AND REVENUES

See Business Plans.

REVENUE GOAL

In the future, no business will exist in the absence of a promotional environment that supports it; but more importantly, no promotional environment will exist without a telecommunications infrastructure that maintains it. Therefore, our goal should be to capture the revenue flow from a nation-wide projected growth to \$10 Trillion GNP by 2007 with telecom growing to \$2 Trillion—20 percent of that total economy (*Telecom Business*, May 2000). We will establish Kentucky Communications as a profitable "venture" by close of the first business year with a marginal return against CLEC investment and demonstrate a high-growth potential (and return) in the second operational year.

MARKET TRAINING STRATEGY

Introduce businesses and professionals to the capabilities of the NTB/PS and various visual-based applications the NTB/PS enables to potential users. This could be done on-line by using the NTB/PS itself as an instructional tool. Additionally, public seminars and trade shows could be scheduled to showcase the NTB/PS's capabilities. Special attention should be directed towards using a gradual approach so that potential clients and system users can digest the concept and "get up to speed." As our network of affiliates is expanded, "national information seminars" could be coordinated as "trade shows" in conjunction with other on-line facilities.

TECHNOLOGICAL EDGE

McGraw Broadcast Communications is committed to the general handling of digital data—in terms of its architecture, hierarchy, coding and decoding, processing, compression, and conversion. Furthermore, the underlying motive for developing this standard is that it also encompasses high-definition and high-resolution imagery. Why? Because we have based our system on the belief that a far more broad-based system will better facilitate a wider range of applications within all facets of our society—including our workplaces and our centers for learning, culture, and entertainment. Recognizing that such a vision will include all forms of picture and data sources we hope to unify as many of these as possible in a manner that still ensures all end-user's needs are met—but with a more simple and flexible system between them-all.

OPERATIONAL GOALS FOR MBC

<p><i>IMMEDIATE</i></p>	<ul style="list-style-type: none"> • Organize and Establish a Network Operations Center • Tool-up for Installation of Baseline Systems
<p><i>6 MONTHS</i></p>	<ul style="list-style-type: none"> • Complete Capacity Plan for Broadcast Center and Affiliates • Full Production/Post Production Capacity for NTB/PS • Complete installation of Baseline Systems
<p><i>6 MONTHS TO 1 YEAR</i></p>	<ul style="list-style-type: none"> • Turn up <i>The Broadcast & Communications Center</i> as a full service telecommunications hub, providing service access from the DS-0 level through DS-3 level • Begin Development of CLEC's throughout the United States
<p><i>1 YEAR TO 3 YEARS</i></p>	<ul style="list-style-type: none"> • Increase Revenue Base • Systems Development for USPTO # 5,577,042 Non-Traditional Broadcast and Presentation System (NTB/PS) • Establish Nationwide Affiliate Network • Develop regional telecommunications hubs in national markets (Los Angeles, San Francisco, Chicago, Atlanta, New York, Orlando and Washington, D.C. are considered primary targets) • Development of an National Telecommunications Service Market Strategy by the beginning of third operational year • Establish an International Market Strategy by the beginning of third operational year
<p><i>3-5 YEARS</i></p>	<ul style="list-style-type: none"> • Have all major market Telecommunications Centers ("Hubs") operational and producing a positive cash flow • Major Systems Upgrade to support expanded telephony services to Affiliates and take advantage of technical improvements to patent for international deployment

GOALS OF MCGRAW BROADCAST COMMUNICATIONS:

GOALS FOR KENTUCKY COMMUNICATIONS:

1. For the **Kentucky Communications** to become pivotal to McGraw Broadcast Communications' vision for a national and international business and professional communications network; to build-out the access to and the use of our strategy for Global Information Infrastructure (GII) for all business and professional organizations worldwide.
2. To build a CLEC organization, supporting a diverse environment for broadcasting entrainment from Personal Computer-based "multi-media" to "full motion" high-resolution video-on-demand.

OPPORTUNITIES FOR BUSINESSMEN & PROFESSIONALS

1. Increased national and international business relationships and subsequent revenues from investment in our Non-Traditional Broadcast and Communications access.
2. Decreased capital investment to establish market awareness of their own products and services. McGraw Broadcast Communications is investing the capital in equipment and deployment, which includes the development of Digital Signal Processors (DSP's), computer systems, OVIDs, and Video Distribution systems. **These systems will bring business opportunity to millions of end users.**
3. Expands each user's national and international telecommunication's capabilities.
4. The CATV and TELCOs have spoken quite a bit recently about their intention to "Think Local, act Global." Club TV can establish this level of service to the marketplace today.

BUSINESS & PROFESSIONAL'S IMMEDIATE SHARE

1. **Kentucky Communications** expands strategic geographical positioning (reach) for organizations requiring advanced telecommunications infrastructure. Satisfies the demand for "distance" business and professional relationships in other parts of the world.
2. **MBC** as your partner (USPTO #5,577,042) for creating a method (B2B) for telecommunications technology to connect to the World's consumer population (B2C).

SUMMARY

In sum, McGraw Broadcast Communications has the expertise and the technology to offer it's investors a true "Information Highway" —a (managed variable bandwidth) network for "advanced" non-traditional broadcast and presentation (NTB/PS). The Company not only combines the systems integration knowledge; but, the design/build experience to accomplish this today, not tomorrow...

This (patented) reasonably priced telecommunications capability will become a powerful trade (and marketing) device for business and professional people throughout the United States and internationally; those who wish to direct their own communications systems through other CLEC's to expand their own world-wide market **presence**. By utilizing the *Cloverleaf*™ anyone can locate new markets, predict market size, discover secondary markets, and establish business and professional creditability, organize trade opportunities, or evaluate the viability of a new product under consideration for worldwide distribution. And it can be done without leaving their hometown —and for far less than they'd typically pay for going somewhere else and doing it themselves.

Think Local Act Global: What is the future for Kentucky Communications and its CLEC's as focal points for "electronic commerce?" Perhaps the truth that everyone knows but no one speaks is; that, while a profitable investment might be a reason, it is never the reason. A louder truth is that competitive reality will become the real reason. The Age of Globalization is finally upon us, and we stand on the verge of another revolution —this one in (worldwide) broadcast and communications.