

**WASHINGTON 547 WESTGATE
WESTGATE COMMUNICATIONS, LLC
d/b/a WEAATEL**

Audited Financial Statements

December 31, 2014

**WASHINGTON 547 WESTGATE
WESTGATE COMMUNICATIONS, LLC
d/b/a WEAVTEL**

Audited Financial Statements

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To the Members
Westgate Communications, LLC, d/b/a WeavTel
Chelan, Washington

Report on Financial Statements

We have audited the accompanying financial statements of Westgate Communications, LLC, d/b/a WeavTel (a Limited Liability Company) (the "Company"), which comprise the balance sheet as of December 31, 2014 and the statement of operations, changes in members' deficit and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

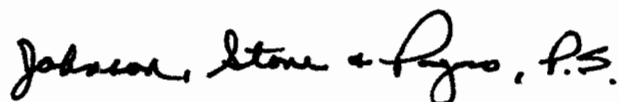
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2014 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has suffered recurring losses from operations and has a net members' capital deficiency, which raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to that matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2015 on our consideration of the Company's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control over financial reporting and compliance.



JOHNSON, STONE & PAGANO, P.S.

April 30, 2015

AUDITED FINANCIAL STATEMENTS

**WASHINGTON 547 WESTGATE
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d/b/a WEAVTEL**

BALANCE SHEET

December 31, 2014

ASSETS

CURRENT ASSETS

Cash	\$	3,474
Telecommunications accounts receivable		49,125
Prepaid expenses		<u>3,240</u>

Total Current Assets 55,839

NONCURRENT ASSETS

Due from related party		6,309
Unamortized debt issuance expense, less accumulated amortization of \$8,000		<u>4,000</u>

Total Noncurrent Assets 10,309

PROPERTY, PLANT AND EQUIPMENT

Telecommunications plant in service		2,230,226
Less allowances for depreciation		<u>1,388,808</u>

Total Telecommunications Plant in Service 841,418

Nonregulated plant		2,823
Less allowances for depreciation		<u>543</u>
		2,280

Telecommunications plant under construction 3,386

Total Property, Plant and Equipment 847,084

TOTAL ASSETS \$ 913,232

The accompanying notes are an integral part of these financial statements.

**WASHINGTON 547 WESTGATE
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d/b/a WEAVTEL**

BALANCE SHEET (Continued)

December 31, 2014

LIABILITIES AND MEMBERS' DEFICIT

CURRENT LIABILITIES

Accounts payable	\$ 506,102
Note payable line of credit	63,599
Taxes, other than income taxes	6,915
Accrued interest payable	557,958
Member notes payable	15,731
Installments on long-term debt due within one year	<u>1,387,564</u>

Total Current Liabilities 2,537,869

LONG-TERM DEBT, less portion classified
as a current liability

306,282

Total Liabilities 2,844,151

MEMBERS' DEFICIT

(1,930,919)

TOTAL LIABILITIES AND MEMBERS' DEFICIT

\$ 913,232

The accompanying notes are an integral part of these financial statements.

**WASHINGTON 547 WESTGATE
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STATEMENT OF OPERATIONS

Year Ended December 31, 2014

OPERATING REVENUES

Local network service revenues	\$ 20,997
Network access service revenues	410,971
Long distance network service revenues	2,994
Miscellaneous revenues	21,379
Uncollectible revenues (deduction)	<u>(274)</u>

Total Operating Revenues 456,067

OPERATING EXPENSES

Plant specific operations	218,373
Plant nonspecific operations	13,390
Depreciation and amortization	166,628
Customer operations	30,794
Corporate operations	116,362
Taxes, other than income taxes	<u>2,938</u>

Total Operating Expenses 548,485

Net Operating Loss (92,418)

FIXED CHARGES 144,660

OTHER INCOME

Nonregulated income	7,990
Debt forgiveness and vendor adjustment	<u>36,748</u>

Total Other Income 44,738

NET LOSS \$ (192,340)

The accompanying notes are an integral part of these financial statements.

**WASHINGTON 547 WESTGATE
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STATEMENT OF CHANGES IN MEMBERS' DEFICIT

Year Ended December 31, 2014

BALANCE AT DECEMBER 31, 2013	\$ (1,738,579)
Net loss	<u>(192,340)</u>
BALANCE AT DECEMBER 31, 2014	<u><u>\$ (1,930,919)</u></u>

The accompanying notes are an integral part of these financial statements.

**WASHINGTON 547 WESTGATE
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STATEMENT OF CASH FLOWS

Year Ended December 31, 2014

CASH FLOWS FROM OPERATING ACTIVITIES

Net loss	\$ (192,340)
Adjustments to reconcile net loss to net cash provided by operating activities	
Depreciation of telecommunications plant	165,878
Depreciation of nonregulated plant	543
Amortization of other assets	750
Noncash forgiveness of debt and vendor adjustment	(36,748)
Net change in operating assets and liabilities	
Increase in telecommunications accounts receivable	(15,162)
Increase in prepaid expenses	(3,240)
Increase in accounts payable	14,816
Decrease in taxes, other than income taxes	(5,006)
Increase in accrued interest payable	138,276
Net Cash Provided by Operating Activities	67,767

CASH FLOWS FROM INVESTING ACTIVITIES

Additions to telecommunications plant	(33,384)
Additions to nonregulated plant	(174)
Due from related party	(930)
Net Cash Used by Investing Activities	(34,488)

CASH FLOWS FROM FINANCING ACTIVITIES

Payments on long-term debt	(30,381)
Payments on member notes payable	(1,046)
Net Cash Used by Financing Activities	(31,427)

NET INCREASE IN CASH

1,852

Cash at Beginning of Year

1,622

CASH AT END OF YEAR

\$ 3,474

The accompanying notes are an integral part of these financial statements.

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STATEMENT OF CASH FLOWS (Continued)

Year Ended December 31, 2014

**SUPPLEMENTAL DISCLOSURES OF CASH FLOW
INFORMATION**

Cash paid during the year for:

Interest

\$ 6,384

Noncash financing activity:

Debt forgiveness and vendor adjustment in
accounts payable

\$ 36,748

The accompanying notes are an integral part of these financial statements.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2014

**NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES**

Telephone Industry

Westgate Communications, LLC, d/b/a WeavTel ("the Company") is a local exchange telecommunications company providing local exchange and other telecommunications services to customers in Stehekin, Washington and the surrounding vicinity in north central Washington State. The upper portion of the telecommunications exchange area is in the Chelan National Recreation Area which is regulated by the National Park Service.

The Company is a small rate-of-return carrier. The Federal Communications Commission ("FCC") Report and Order and Further Notice of Proposed Rulemaking, ("FCC 11-161") reformed the universal service and intercarrier compensation systems. These reforms modified the manner in which the Company recovers its telecommunications revenue requirements.

Organization

Westgate Communications, LLC operates as a Washington Limited Liability Company ("LLC") and is comprised of 2 members at December 31, 2014. As an LLC, the members of the Company have limited personal liability for certain obligations or debts of the Company; certain obligations do have personal member guarantees.

Regulation

The Company is subject to the accounting rules and rate regulation policies of the Washington Utilities and Transportation Commission ("WUTC") and the Federal Communications Commission ("FCC") and, adheres to the FCC Uniform System of Accounts for a Class B telephone company as prescribed by the FCC under Part 32.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers cash to be cash in checking and savings accounts.

Unamortized Debt Issuance Expense

Costs incurred to obtain financing for telecommunications plant additions are capitalized and amortized over the respective loan period.

Telecommunications Plant

Telecommunications plant is stated at cost and is depreciated on a straight-line basis for accounting purposes. Lives used for calculating depreciation are in accordance with the rules of the WUTC and are based on the estimated economic useful lives of the assets.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2014

**NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (Continued)**

Telecommunications Plant Retirements

When an asset is retired or otherwise disposed of, the cost of the asset is removed from the asset account and charged to the related allowance for depreciation. Similarly, the cost of removal and salvage proceeds are charged or credited to the allowance for depreciation. Consequently, no gain or loss upon disposition is recognized.

Accounting for the Impairment or Disposal of Long-Lived Assets

The Company periodically reviews its long-lived assets such as property, plant and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell, and depreciation ceases. At December 31, 2014, management believes that there were no material impairment charges to be recorded as of that date, subject to the Company's ability to complete suspended construction projects and to continue as a going concern.

As discussed in Note 2, certain conditions indicate that the Company may be unable to continue as a going concern. In the event that the Company is forced to cease operations and liquidate its assets, material impairment charges may result on the disposal of property, plant and equipment.

Revenue Recognition, Major Customers and Services

Services provided by the Company include primarily local network, long distance network and network access services. In the normal course of the Company's business, certain network access service revenues are subject to out-of-period adjustments. Such adjustments are normal occurrences and are recorded by the Company during the year in which they become determinable.

Network access service revenues, which represent a major portion of the Company's operating revenues, are derived from the provision of exchange access services to interexchange carriers or to an end user of telecommunications services.

Revenues for certain interstate access services are currently received through tariffed access charges filed by the National Exchange Carrier Association ("NECA") with the FCC on behalf of the NECA member companies. These access charges are currently billed by the Company to interstate interexchange carriers and pooled with like-revenues from all NECA member companies. The pooled access charge revenues received by the Company are currently based upon the actual cost of providing interstate access services, plus a return on

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NOTES TO FINANCIAL STATEMENTS

December 31, 2014

**NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (Continued)**

Revenue Recognition, Major Customers and Services (Continued)

the investment dedicated to providing these services. Pooled access charge revenues are estimated at December 31 each year and are subject to adjustment. Such adjustments are normal occurrences and are recorded by the Company during the year in which they occur.

The FCC 11-161 modified and replaced the existing universal service and intercarrier compensation systems, with universal service reform and intercarrier compensation reform. A Connect America Fund has been established to replace all existing high-cost support mechanisms and sets broadband service requirements. Alongside the broadband service rules, reforms to establish a framework to limit reimbursements for excessive capital and operating expenses have been implemented as of July 1, 2012 and phase outs of certain support payments occurred. Intercarrier compensation reform adopts a uniform bill-and-keep framework as the ultimate end state for all telecommunications traffic exchanged with the Company. Intercarrier compensation rates are capped and the disparity between intrastate and interstate terminating end office rates are being brought to parity in two steps as outlined in FCC 11-161. The state's public utilities commissions will be overseeing the modifications to rates in intrastate tariffs. Limits on carriers' total eligible recovery will reflect existing downward trends on intercarrier compensation revenues with declining switching costs and minutes of use.

The Company intends to petition the FCC for a waiver of the limitations placed on the Company in receiving federal universal service support (see Note 2).

The Company continues to review the reforms and modifications to the support that the Company receives and understands that those reforms and modifications will have an adverse effect on the Company's revenues and cash flow. Revenue impacts are subject to change based on future data submissions and further clarification from the FCC.

Revenues for intrastate access services are received through tariffed access charges filed by the Company at the WUTC. Once filed, the tariffed access charges become effective if specifically approved by the WUTC or allowed to become effective by operation of law. The intrastate switched access charges are billed by the Company to intrastate interexchange carriers. Intrastate special access charges are also billed to intrastate interexchange carriers that order such services and, in some cases, to retail customers that order special access services. Before July 1, 2014, the switched access charges associated with carrier common line and state universal service fund were pooled with all Washington Exchange Carrier Association ("WECA") member companies and the Company received a distribution of net revenues based upon the Company's proportionate share of WUTC approved revenue objectives of all participating WECA member companies.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2014

**NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (Continued)**

Revenue Recognition, Major Customers and Services (Continued)

Effective July 1, 2014, the WUTC implemented a state universal communications service program ("State USF Program") that temporarily replaced the terminated universal service support pool ("Traditional USF") administered by WECA and also replaced the cumulative reduction in support the Company received from the federal Connect America Fund ("CAF"). The State USF Program was to begin January 2015 which resulted in a cash flow issue for some of the companies that met the WUTC criteria to be eligible for such support. The WUTC granted a one-time partial distribution in 2014 of the State USF Program equal to the amount the Company received from the Traditional USF for 2012 which for the Company was zero as the Company did not receive traditional USF. Subsequent annual disbursements comprised of the Traditional USF and the disbursement of the cumulative CAF deficit support are scheduled to occur in January of the following State USF Program years, assuming the Company continues to be eligible under the program. The State USF Program year runs from July 1 to June 30, therefore, the Company accrued \$22,410 as a receivable due from the State USF Program for the period July 1, 2014 to December 31, 2014. The Company received \$44,820 in January 2015. The State USF Program is scheduled to last for five program years.

As of July 31, 2014, WECA terminated the pooling of originating carrier common line ("CCL") minutes of use and the Company opted to keep its' existing originating CCL rate, which was allowed by the WUTC to become effective as a matter of law

For some of the services that the Company provides to its customers, the Company relies upon services and facilities supplied to it by other companies. Any material disruption of the services or facilities supplied to the Company by other companies could potentially have an adverse effect upon the Company's operating results.

Debt Forgiveness and Vendor Adjustment

In 2014, the Company negotiated with certain creditors a reduced settlement amount for expenses incurred in previous years. These amounts are included in the statements of operations under other income, debt forgiveness and vendor adjustment.

Federal Income Taxes

The Company has elected to be taxed as a partnership under the LLC provisions of the Internal Revenue Code. Therefore, taxable earnings and losses of the Company are flowed through to the Company's member tax returns and taxed at the applicable tax rate of the members and no provision for federal income taxes is recorded in the financial statements.

The Company's federal income tax returns for the tax years ended previous to December 31, 2011 are closed to examination.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2014

**NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (Continued)**

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates and assumptions used in preparing the accompanying financial statements.

Subsequent Events

The management of the Company evaluated for subsequent events and transactions for potential recognition and disclosure through April 30, 2015, the date the financial statements were issued. All such material transactions or disclosures identified have been included in these financial statements.

NOTE 2 - GOING CONCERN

At December 31, 2014, the Company was not in compliance with its financial obligations to the Rural Utilities Service ("RUS"), but is continuing ongoing efforts in conjunction with RUS representatives to renegotiate the interest rate and loan contract. The Company had a net loss of \$192,340 for the year ended December 31, 2014, and has a working capital deficit of \$2,482,030 and members' deficit of \$1,930,919 at December 31, 2014.

In 2015, the Company will be petitioning the FCC for a waiver of the cost cap limitations on receiving federal universal service support. The ability of the Company to continue as a going concern is dependent on a few specific factors, one of which can be resolved by receiving said waiver. The Company will continue to make payments on the Great Plains Capital Corporation outstanding loan and outstanding vendor accounts payable. As disclosed in Note 1 under the caption of Revenue Recognition, Major Customers and Services, the completion of fixed wireless towers and the resulting increase in Company subscribers served will help in mitigating the limitations imposed by FCC 11-161 for reimbursement of what are defined by the FCC as excessive capital and operating expenses.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2014

NOTE 3 - CONCENTRATION OF CREDIT RISK

The Company maintains cash balances at two unrelated financial institutions in north central Washington State, each insured by the Federal Deposit Insurance Corporation up to \$250,000 at December 31, 2014. At December 31, 2014, the Company's cash balances did not exceed the insured amount.

The Company's telecommunications accounts receivable are subject to potential credit risk as they are concentrated in and around Stehekin, Washington, and are unsecured.

NOTE 4 - TELECOMMUNICATIONS ACCOUNTS RECEIVABLE

The telecommunications accounts receivable balance at December 31, 2014 consists of:

Due from customers and agents	\$ 3,297
Due from exchange carriers and exchange carrier associations	<u>45,828</u>
	\$ <u>49,125</u>

The Company extends credit to its business and residential customers based upon a written credit policy. Service interruption is the primary vehicle for controlling losses. Telecommunications accounts receivable are recorded when subscriber bills, carrier access bills, and exchange carrier associations settlement statements are rendered. Certain exchange carrier associations' settlements are subject to out-of-period adjustments and are recorded during the year in which they become determinable. Telecommunications accounts receivable are written off when they are determined to be uncollectible. There are no allowances for doubtful accounts established because management believes all accounts receivable are collectible. As of December 31, 2014, there were no significant outstanding accounts receivable over ninety days or more after the date of the invoice on which they were first billed.

NOTE 5 - TELECOMMUNICATIONS PLANT IN SERVICE AND DEPRECIATION

Telecommunications plant in service is stated at cost. Listed below are the major classes of the telecommunications plant as of December 31, 2014:

General support facilities	\$ 638,794
Central office equipment	1,331,002
Cable and wire facilities	<u>260,430</u>
	\$ <u>2,230,226</u>

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NOTES TO FINANCIAL STATEMENTS

December 31, 2014

NOTE 5 - TELECOMMUNICATIONS PLANT IN SERVICE AND DEPRECIATION
(Continued)

Provision has been made for depreciation of the major classes of the telecommunications plant at straight-line rates as follows:

General support facilities	
Buildings	4.00%
Furniture and office equipment	15.00% - 25.00%
Vehicles and other work equipment	16.00%
Central office equipment	9.00% - 11.19%
Cable and wire facilities	4.55% - 20.40%

Nonregulated Plant

Nonregulated plant is stated at original cost which consists of pay phones which are depreciated at a straight-line rate of 20%.

NOTE 6 - NOTE PAYABLE LINE OF CREDIT

The Company has a line of credit with Wells Fargo Bank in the amount of \$60,000 with an annual interest rate of 14.5%. As of December 31, 2014, the Company owed \$63,599 and was over the allowed line of credit limit by \$3,599. As of the date of this report, Wells Fargo Bank has requested repayment in full on the line of credit. The line of credit is secured by a guarantee by a member of the Company.

NOTE 7 - LONG-TERM DEBT

Long-term debt consists of the following:

	<u>Principal Amount</u>
Rural Utilities Service (RUS) first mortgage notes	
5.0% - due November 2020	\$ 505,927
5.0% - due November 2020	531,829
5.0% - due November 2020	71,126
5.0% - due November 2020	<u>231,514</u>
	1,340,396
Great Plains Capital Corporation with no interest and monthly payments of \$3,500, collateralized by all loan proceeds made to the Company by RUS	318,953

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NOTES TO FINANCIAL STATEMENTS

December 31, 2014

NOTE 7 - LONG-TERM DEBT (Continued)

	<u>Principal Amount</u>
Installment note secured by a vehicle, monthly payments of \$564, including interest at 4.99%, due January 2020	\$ <u>34,497</u> 1,693,846
Less principal installments of long-term debt due within one year	<u>1,387,564</u> \$ <u><u>306,282</u></u>

The Company is not in compliance with its financial obligation to RUS. The Company must reimburse the construction fund cash account \$184,953. The Company is also not in compliance with various Sections of its Loan Agreement with RUS including but not limited to the Company's maintaining a times interest earned ratio ("TIER") of at least 1.0, becoming current with its obligations to RUS, unallowed distributions of member's deficit, providing timely audited financial statements and related management letters as required by the RUS, and reimbursing the construction fund cash account for the disallowed cash disbursements of \$184,953. Due to the loan violations, the entire RUS debt is classified as current for purposes of the financial statement presentation.

Subsequent to the balance sheet date, the member's repaid the unallowed distributions of member's deficit in April 2015.

RUS could call the loan due to the compliance issues noted above. But in the event that RUS does not call the loan, at December 31, 2014, maturities on long-term debt in the next five years and thereafter are as follows:

2015	\$ 234,564
2016	244,415
2017	254,769
2018	265,653
2019	282,978
Thereafter	<u>411,467</u>
	\$ <u><u>1,693,846</u></u>

Substantially all of the Company's telecommunications plant now owned and hereafter acquired is subject to a first mortgage executed to the RUS. The terms of the mortgage agreement restrict distributions to members, redemptions of member's equity, and investments in affiliated companies. Allowable distributions are based on minimum net worth requirements defined in the agreements.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2014

NOTE 7 - LONG-TERM DEBT (Continued)

In February 2006, the Company defaulted on a loan with Bank of America. The loan was transferred to Great Plains Capital Corporation as of April 2007 with a principal balance of \$512,499. The Company negotiated an interest rate of 5% and received a waiver of the unpaid interest and agreed to \$5,500 monthly payments starting in June 2007.

The loan to Great Plains Capital Corporation became in default in September 2007. On April 5, 2010, the Company negotiated with Great Plains Capital Corporation a new promissory note through a modification agreement ("Agreement"). The Agreement requires monthly payments of \$3,500 per month beginning February 2010, with no interest being paid on the unpaid principal balance. Bank of America also continues to be noted as a secured party to the debt obligation. The principal balance owing as of December 31, 2014 is \$318,953.

NOTE 8 - LEASE AND SERVICE AGREEMENTS

The Company leases office space in Chelan, Washington. The annual lease expired in March 2015 and was renewed for one year to March 2016. The current monthly payment is \$350 per month, with the potential of estimated costs allocable to the premises as noted in the lease.

The Company has a single channel per carrier service agreement with SES World Skies, with a projected termination date of August 2016 as amended. The service agreement has certain bandwidth allocations, service level and power level requirements as defined in the agreement. The agreement requires monthly payments of \$5,700.

NOTE 9 - RELATED PARTY TRANSACTIONS

The Company is affiliated with WeavNet, through common ownership. The Company has paid for equipment and internet services on behalf of WeavNet in the amount of \$6,309 as of December 31, 2014.

Member notes payable are subordinated to the notes payable to Great Plains Capital Corporation and the RUS notes payable and bear interest at the applicable federal rate as determined by the Internal Revenue Service. The Company owes a member \$15,731 as of December 31, 2014.

The spouse of one of the members charged the Company \$4,585 for consulting and management services for the year ended December 31, 2014.