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

Audited Financial Statements

December 31, 2018 and 2017

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JOHNSON STONE & PAGANO, P.S.
CERTIFIED PUBLIC ACCOUNTANTS

1501 Regents Blvd., Suite 100
Fircrest, WA 98466-6060

Independent Auditor's Report

Member
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 sheets as of December 31, 2018 and 2017 and the statements of income, changes in member's deficit and cash flows for the years 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 audits. We conducted our audits 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 audits 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 Company'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, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 11, 2019 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.

JOHNSON, STONE & PAGANO, P.S.

April 11, 2019

AUDITED FINANCIAL STATEMENTS

WASHINGTON 547 WESTGATE
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BALANCE SHEETS

December 31, 2018 and 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash	$ 70,555	$ 60,637
Telecommunications accounts receivable	57,273	35,788
Prepaid expenses		4,993
Due from related party	11,630	5,486
Total Current Assets	139,458	106,904
PROPERTY, PLANT AND EQUIPMENT		
Telecommunications plant in service	2,422,489	2,402,560
Less allowances for depreciation	1,859,006	1,794,209
Total Telecommunications Plant in Service	563,483	608,351
Nonregulated plant	2,823	2,823
Less allowances for depreciation	2,802	2,238
	21	585
Telecommunications plant under construction	112,863	87,557
Total Property, Plant and Equipment	676,367	696,493
TOTAL ASSETS	$ 815,825	$ 803,397

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

WASHINGTON 547 WESTGATE
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BALANCE SHEETS (Continued)

December 31, 2018 and 2017

	2018	2017
LIABILITIES AND MEMBER'S DEFICIT		
CURRENT LIABILITIES		
Accounts payable	$ 78,738	$ 458,409
Taxes, other than income taxes	5,959	5,215
Accrued interest payable		653,318
Deferred revenue	47,399	41,623
Due to member	1,768	1,768
Installments on long-term debt due within one year	122,578	421,398
Total Current Liabilities	256,442	1,581,731
LONG-TERM DEBT, net of debt issuance costs, less portion classified as a current liability	1,430,492	1,164,335
Total Liabilities	1,686,934	2,746,066
MEMBER'S DEFICIT	(871,109)	(1,942,669)
TOTAL LIABILITIES AND MEMBER'S DEFICIT	$ 815,825	$ 803,397

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

WASHINGTON 547 WESTGATE
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STATEMENTS OF INCOME

Years Ended December 31, 2018 and 2017

	2018	2017
OPERATING REVENUES		
Local network service revenues	$ 26,000	$ 18,944
Network access service revenues	633,249	607,661
Long distance network service revenues		702
Miscellaneous revenues	17,281	21,100
Uncollectible revenues		(29)
Total Operating Revenues	676,530	648,378
OPERATING EXPENSES		
Plant specific operations	238,725	238,318
Plant nonspecific operations	7,801	9,063
Depreciation	64,798	134,884
Customer operations	22,969	20,526
Corporate operations	185,207	210,170
Taxes, other than income taxes	5,833	2,936
Total Operating Expenses	525,333	615,897
Net Operating Income	151,197	32,481
FIXED CHARGES	3,025	70,848
OTHER INCOME (EXPENSE)		
Nonregulated expense	(13,364)	(14,700)
Debt forgiveness and vendor adjustment	936,752	63,599
Total Other Income	923,388	48,899
NET INCOME	$ 1,071,560	$ 10,532

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

WASHINGTON 547 WESTGATE
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STATEMENTS OF CHANGES IN MEMBER'S DEFICIT

Years Ended December 31, 2018 and 2017

BALANCE AT DECEMBER 31, 2016	$ (1,953,201)
Net Income	10,532
BALANCE AT DECEMBER 31, 2017	(1,942,669)
Net Income	1,071,560
BALANCE AT DECEMBER 31, 2018	$ (871,109)

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

WASHINGTON 547 WESTGATE
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STATEMENTS OF CASH FLOWS

Years Ended December 31, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 1,071,560	$ 10,532
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation of telecommunications plant	64,798	134,884
Depreciation of nonregulated plant	564	565
Debt issuance costs	750	750
Noncash debt foregiveness and vendor adjustment	(936,752)	(63,599)
Net change in operating assets and liabilities		
(Increase) decrease in telecommunications accounts receivable	(21,485)	713
(Increase) decrease in prepaid expenses	4,993	(2,625)
(Increase) decrease in due from related party	(6,144)	7,100
Increase (decrease) in accounts payable	(11,237)	16,733
Increase (decrease) in taxes, other than income taxes	744	(1,136)
Increase (decrease) in accrued interest payable	(85,000)	18,520
Increase in deferred revenue	5,776	6,079
Net Cash Provided by Operating Activities	88,567	128,516
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to telecommunications plant	(45,236)	(81,390)
Net Cash Used by Investing Activities	(45,236)	(81,390)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	(33,413)	(37,358)
Net Cash Used by Financing Activities	(33,413)	(37,358)
NET INCREASE IN CASH	9,918	9,768
Cash at Beginning of Year	60,637	50,869
CASH AT END OF YEAR	$ 70,555	$ 60,637

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

WASHINGTON 547 WESTGATE
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STATEMENTS OF CASH FLOWS (Continued)

Years Ended December 31, 2018 and 2017

	2018	2017
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year		
Interest	$ 87,275	$ 51,578
Noncash operating activity		
Vendor adjustment in accounts payable	$ 368,434	
Forgiveness of accrued interest	$ 568,318	
SUPPLEMENTAL DISCLOSURES OF NONCASH FINANCING AND INVESTING ACTIVITY		
Financed equipment addition		$ 19,415

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

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") and Report and Order, Order and Order on Reconsideration and Further Notice of Proposed Rulemaking ("FCC 16-33") have reformed the universal service and intercarrier compensation systems. These reforms have 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 one member. As an LLC, the member of the Company has 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 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
For purposes of the statements of cash flows, the Company considers cash to be cash in checking and savings accounts.

Debt Issuance Costs
Costs incurred to obtain financing for telecommunications plant additions are capitalized and amortized over the respective loan period. Amortization of debt issuance cost is recorded as fixed charges and totaled $750 for the years ended December 31, 2018 and 2017, respectively. Accumulated amortization as of December 31, 2018 and 2017 totaled $11,000 and $10,250, respectively. The estimated aggregate interest expense for each of the two succeeding years is $750 for the years ending 2019 and $250 for the year ending 2020.

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

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.

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 in the amount by which the carrying amount of the asset exceeds the fair value of the asset. At December 31, 2018 and 2017, management believes that there were no material impairment charges to be recorded as of those dates.

Revenue Recognition, Major Customers and Services
Services provided by the Company include primarily local network, network access services and broadband 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.

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

Revenue Recognition, Major Customers and Services *(Continued)*
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 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 system and intercarrier compensation systems with universal service reform and intercarrier compensation reform. A Connect America Fund ("CAF") 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 were 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.

In July 2015, the FCC froze the National Average Cost per Loop ("NACPL") that serves as the threshold for support calculations of the High Cost Loop Support ("HCLS") revenues in order to satisfy the annual funding cap established in 2015. The actual NACPL compared to the frozen NACPL is just one factor that impacts the Company's HCLS revenues negatively. In 2016, due to continued efforts to meet the overall HCLS funding cap, a pro rata adjustment factor was established. In addition to the pro rata adjustment factor, the Company is subject to the FCC's $250 per line, per month cap. These two items reduced the Company's initial HCLS funding amount in 2018 and 2017.

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

Revenue Recognition, Major Customers and Services *(Continued)*
In September 2016, the FCC implemented a budget control mechanism ("BCM") for rate-of-return telecommunication carriers designed to ensure that federal support disbursements remain within the specified budget of $2 billion. This BCM further reduces HCLS, Safety Net Additive support and Connect American Fund Broadband Loop Support ("CAF BLS"), funding for the Company by approximately $15,000 in 2017, of which approximately $8,700 was refunded in 2018.

Per the FCC Order 18-29, the BCM was refunded for the period of July 2017 to June 2018, and later per FCC order 18-76. Additional BCM amounts are to be refunded for the period of July to December 2018, and the BCM is to be eliminated for the period of January to June 2019. The BCM has been restructured and simplified by the FCC and will be reinstated in July 2019.

Other methods to limit the budget are the new operating expense limitation and a capital investment allowance calculations, none of which impacted the Company.

As part of FCC 16-33 Universal Service Reform ("USF") order, rate-of-return telecommunication carriers were given an option of remaining on a legacy support mechanism that includes broadband data-only service funding or electing a model-based support funding mechanism with an emphasis on broadband obligation deployment to begin implementation February 1, 2017. The Company remains with the legacy support option.

The established rate of return of 11.25% used for interstate pooled settlements and other interstate revenue requirements is to be transitioned over six years to 9.75% by July 2021, by a rate-of-return reduction of .25% each July per FCC order. As of July 2018 and 2017, the rate of return was reduced to 10.5% and 10.75%, respectively.

The Company continues to review the reforms and modifications to the support that the Company receives, and understands that those reforms and modifications could 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.

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

The WUTC implemented a state universal communications service program ("State USF Program") and also replaced the cumulative reduction in support the Company received from the federal CAF. The State USF Program began January 2015 and subsequent annual disbursements comprised of the terminated universal support pool ("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. In 2018, the Company received $94,797 from the State USF Program for the period July 1, 2018 to June 30, 2019, and recorded deferred revenue of $47,399 for the unearned portion. In 2017, the Company received $83,247 from the State USF Program for the period July 1, 2017 to June 30, 2018, and recorded deferred revenue of $41,623 for the unearned portion. The State USF Program is scheduled to last for five program years and will expire June 30, 2019, unless extended by the state.

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 2018 and 2017, the Company negotiated with certain creditors a reduced settlement amount for expenses and loans incurred in previous years. These amounts are included in the statements of income 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 return and taxed at the applicable tax rate of the member and no provision for federal income taxes is recorded in the financial statements.

Reclassifications
Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires 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.

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

Subsequent Events
The management of the Company evaluated for subsequent events and transactions for potential recognition and disclosure through April 11, 2019, the date the financial statements were issued.

NOTE 2 - 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, 2018. At December 31, 2018, 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 3 - TELECOMMUNICATIONS ACCOUNTS RECEIVABLE

The telecommunications accounts receivable balance at December 31 consists of:

	2018	2017
Due from customers and agents	$ 2,270	$ 468
Due from exchange carriers and exchange carrier associations	54,853	35,320
Miscellaneous	150	
	$ 57,273	$ 35,788

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, 2018, 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 4 - 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:

	2018	2017
General support facilities	$ 698,856	$ 698,856
Central office equipment	1,434,488	1,417,347
Cable and wire facilities	289,145	286,357
	$ 2,422,489	$ 2,402,560

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 5 - LONG-TERM DEBT

Long-term debt consists of the following:

	Principal Amount	
	2018	2017
Rural Utilities Service ("RUS") first mortgage notes		
2.0% - due December 2030	$ 505,927	$ 505,927
2.0% - due December 2030	531,829	531,829
2.0% - due December 2030	71,126	71,126
2.0% - due December 2030	231,514	231,514
	1,340,396	1,340,396

NOTE 5 - LONG-TERM DEBT (Continued)

	Principal Amount 2018	Principal Amount 2017
Great Plains Capital Corporation with no stated interest and monthly payments of $1,720, collateralized by all loan proceeds made to the Company by RUS.	$ 199,353	$ 218,353
Installment note secured by a vehicle, monthly payments of $664, including interest at 4.99%, due January 2020. Paid in full during 2018.		11,116
Installment note secured by equipment, monthly payments of $360, including interest at 4.24%, due September 2022.	14,321	17,618
	1,554,070	1,587,483
Less unamortized debt issuance costs	1,000	1,750
Long-term Debt, Net of Unamortized Debt Issuance Costs	1,553,070	1,585,733
Less principal installments of long-term debt due within one year	122,578	421,398
	$ 1,430,492	$ 1,164,335

At December 31, 2018, maturities on long-term debt for the next five years and thereafter are as follows:

2019	$ 122,578
2020	123,330
2021	125,496
2022	125,522
2023	125,475
Thereafter	931,669
	$ 1,554,070

NOTE 5 - LONG-TERM DEBT (Continued)

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.

Pursuant to the RUS loan agreement dated March 1, 2004, the Company must maintain a TIER of at least 1.42. At December 31, 2018, management believes they meet the TIER requirement.

In August 2018, the Company entered into a Debt Settlement Agreement ("the Agreement") with the RUS to provide for the Company's repayment of the RUS loans. Under the terms of the Agreement the RUS modified the repayment schedule of the loans and reduced the interest rate from 5% to 2%, and the original principal amount of $1,340,396 is due in monthly payments of $10,225 beginning in January 2019 until September 2028 when monthly payments will increase to $11,945. The Agreement extended the due date of the loans from March 2021 to December 2030. The Agreement stated that as long as the Company adheres to the modified repayment schedule, the accrued interest will not be due, therefore the Company has taken into income the unpaid accrued interest of $568,318 included in debt forgiveness and vendor adjustment in the statement of income for the year ended December 31, 2018. During 2018 and 2017, the Company paid $85,000 and $48,500 of accrued interest, respectively.

In the event the Company does not pay in full any monthly installment due on the RUS loans within five days of the date that such payment is due, the RUS may terminate the Agreement without notice. In the event of such termination by RUS, the original amortization schedule for the RUS loan, including all accrued interest at the original interest rate provided under the original loan agreement, shall revert to the amortization schedule on the RUS loans in effect prior to the effective date of the Debt Settlement Agreement.

NOTE 6 - LEASE AND SERVICE AGREEMENTS

The Company leases office space in Chelan, Washington. The lease expires in March 2020. The current monthly payment is $350 per month, with the potential of estimated costs allocable to the premises as noted in the lease.

In February 2019, the Company entered into a lease for office space in Wenatchee, Washington. The term of the lease is for one year expiring in January 2020. The monthly rent is $390 per month.

NOTE 6 - LEASE AND SERVICE AGREEMENTS (Continued)

The Company has a single channel per carrier service agreement with SES World Skies, with a projected termination date of August 2019, 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 $9,200.

Future minimum payments under the terms of the agreements referred to above are as follows:

2019	$ 82,480
2020	1,090
Total	$ 83,570

NOTE 7 - RELATED PARTY TRANSACTIONS

The Company is affiliated with WeavNet, through common ownership. The Company has paid for labor, local and broadband services on behalf of WeavNet in the amount of $11,630 and $5,486 as of December 31, 2018 and 2017, respectively.

The Company owes the member $1,768 on an advance as of December 31, 2018 and 2017, respectively. The member advance is subordinated to the notes payable to Great Plains Capital Corporation and the RUS notes payable.

NOTE 8 - CONTINGENCIES

As noted in Note 1, the FCC established a pro rata expense adjustment factor that is calculated against the actual HCLS distribution to all of the independent telephone companies that receive HCLS funding in order to meet the overall HCLS funding cap. The 2019 estimated pro rata expense adjustment factor is currently approximately 78%. This, along with the FCC's $250 per line, per month cap, will cause a reduction to the Company's 2019 HCLS revenues.