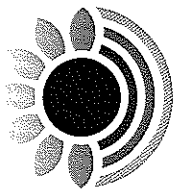


sunflower | BROADBAND

RECEIVED
JUL 06 2009
CITY MANAGERS OFFICE
LAWRENCE, KS

July 6, 2009

Mr. Dave Corliss
City Manager
City of Lawrence
PO Box 708
Lawrence, Kansas 66044

Dear Mr. Corliss,

I am writing to express concern about Lawrence Freenet's operations under its agreements with the City of Lawrence. Specifically, I ask the City to formally investigate the following:

1) Whether Lawrence Freenet's relationship with Community Wireless Communications and Mr. Joshua Montgomery represents a conflict of interest.

2) Whether Lawrence Freenet fraudulently obtained special consideration for use of Lawrence right of way for the construction and operation of a wireless network.

3) Whether Lawrence Freenet is operating as a competitive telecommunications provider.

4) Whether Lawrence Freenet has assigned it rights-of-way access with the City of Lawrence to Community Wireless Communications.

Ultimately we ask the City that if an investigation shows some or all of the items above to be true that the right-of-way agreement with Lawrence Freenet per that agreement be voided.

To address points one and two: As City staff is aware, Lawrence Freenet is a not-for-profit 501(c)(4) founded by Mr. Joshua Montgomery. It is our understanding that the not-for-profit community service aspect of this operation was the primary reason that Lawrence Freenet received and continues to receive a substantial discount on right-of-way to operate a wireless network. Lawrence Freenet contracts with a for-profit company it incorporated, Community Wireless Communications, to provide the network, operate the network, support the service and market the service. Mr. Montgomery is an owner of Community Wireless Communications.

Currently Lawrence Freenet is the primary, if not sole, customer of Community Wireless Communications. Likewise Community Wireless Communications is the primary vendor for Lawrence Freenet, receiving approximately 90% of all revenues generated. While Mr. Montgomery claims to no longer be directly involved in Lawrence Freenet he continues to serve as the primary technical consultant. His role includes vendor selection and making the decision to use Community Wireless Communications as the primary vendor for providing the network and most other services.

The above relationship is a clear conflict of interest. Lawrence Freenet and Mr. Montgomery's acknowledgement of this relationship does not lessen this fundamental conflict. As the non-profit status is the basis of Freenet's agreement with the City of Lawrence, conflicts such as this should void that agreement. The attached legal opinion reviewed the business relationship between the two entities and the tax status of Lawrence Freenet.

To address point three: Lawrence Freenet by its own admission expects 90% of its customers to pay for their service at a rate that is on par with other commercial Internet providers. Lawrence Freenet also is actively attempting to obtain commercial fiber customers. In addition, Community Wireless Communications has filed with the FCC and the State of Kansas to provide competitive video services. In those filings Community Wireless Communications lists Lawrence Freenet as a d.b.a. These actions appear to violate the spirit of the agreement with the City and also appear to violate the statutes governing operation of a 501(c)(4). See the attached Cable Community Registration form filed with the Federal Communications Commission on June 8, 2009.

To address point four: Lawrence Freenet has made no secret that Community Wireless Communications owns most if not all of the hardware that is in place under the right-of-way agreement between Lawrence Freenet and the City of Lawrence. This appears to be in direct violation of the agreement. Mr. Montgomery, representing both Lawrence Freenet and Community Wireless Communications, has approached the World Company on several occasions to attempt to sell both the network and the rights under the agreement. It is our understanding that these assets have been represented to other investors and potential investors also. These actions appear to be in direct violation of the agreement with the City of Lawrence.

We are supportive of Lawrence Freenet's stated goal to provide Broadband access to those that cannot afford broadband. Sunflower has provided free and discounted Internet services from the beginning in 1995 and provides a program similar to Lawrence Freenet, but without limits on the numbers served. If for any reason Lawrence Freenet is not able to continue serving its free and discounted customers Sunflower would be committed to working with the City to provide services to those individuals.

In summary, I respectfully ask the City to review all of its agreements with Lawrence Freenet. We ask the City review the conduct of and relationships between the following entities; Lawrence Freenet, Community Wireless Communications, and Mr. Joshua Montgomery. Lastly, we ask that if material violations are found to exist that the current agreements be voided. Thank you for your consideration.

Sincerely,

Rod Kutemeier
General Manager
Sunflower Broadband

enc. Opinion, Webster L. Golden, Atty., Stevens & Brand.
Federal Communications Commission Cable Community Registration FCC Form 322

FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, DC 20554

CABLE COMMUNITY REGISTRATION
FCC Form 322

Approval Date: June 8, 2009 Confirmation Number: CB42371631

KS0766

1. Indicate the name, mailing address, and telephone number of the cable system operator.

Legal Name			FCC Registration No. (FRN)
COMMUNITY WIRELESS COMMUNICATIONS CO.			0018799361
Assumed/ doing business as (dba) name LAWRENCE FREENET			
Mailing Address 4105 W. 6th St.P.O. Box PO BOX 3532	City Lawrence	State KS	Zip Code 66047
Telephone No. ( )	Email (optional)		

2. Indicate whether the operator is an individual, private association, partnership, corporation, or government entity.

Individual ☐ Private Association ☐ Partnership ☐ Corporation ☑ Government Entity ☐

3. Indicate the name, telephone number, and e-mail address (if any) of the person responsible for questions regarding this form.

Name of Contact	Telephone No.	E-mail Address
Joshua Montgomery	(785)831-2086	joshua.montgomery@civicwifi.com

4. Indicate the Physical System Identifier (PSID) if the community will be served by an existing system 021424

5. Provide a date (MM/YYYY) when this community began service. 07/2013

6. Indicate the community name, county, state, and type code of the community from the list provided in the instructions.

Name of Community	County	State	Type Code
LAWRENCE	DOUGLAS	KS	5

7. Indicate the local television broadcast signals (i.e. call signs) to be carried on this system.

NA								

8. Certification

By signing below, the operator also certifies that neither the operator nor any other "party" to the notification is subject to a denial of federal benefits that includes FCC benefits pursuant to Section 5301 of the Anti-Drug Abuse Act of 1988, 21 U.S.C. § 862. For the definition of a "party" for this purpose, see 47 C.F.R. § 1.2002(b).

Type or Print Name	Title
Joshua Montgomery	President
Signature	Date 6/08/2009

WILLFUL FALSE STATEMENTS ON THIS FORM ARE PUNISHABLE BY FINE AND/OR IMPRISONMENT (18 U.S.C. § 1001) AND/OR REVOCATION OF ANY STATION LICENSE (47 U.S.C. § 312 (a) (1)), AND/OR FORFEITURE (47 U.S.C. § 503).

STEVENS & BRAND L.L.P.

ATTORNEYS AT LAW
US BANK TOWER
900 MASSACHUSETTS, SUITE 500
POST OFFICE BOX 189
LAWRENCE, KANSAS 66044-0189
TELEPHONE: (785) 843-0811
FAX: (785) 843-0341

WEBSTER L. GOLDEN
PETER K. CURRAN
WINTON A. WINTER, JR.
EVAN H. ICE
SHERRI E. LOVELAND
MOLLY M. WOOD
CHRISTOPHER F. BURGER*
WESLEY F. SMITH
BRADLEY R. FINKELDEI
MATTHEW H. HOY*

*ADMITTED IN KANSAS AND MISSOURI
**ADMITTED IN KANSAS AND COLORADO

LESLIE M. MILLER
SHANNON C. OURY**
EMILY A. DONALDSON
REBECCA J. WEMPE
PATRICIA E. HAMILTON*

RICHARD B. STEVENS
1899-1991
JOHN W. BRAND
1907-1971
JOHN W. BRAND, JR.
RETIRED

June 29, 2009

Mr. Rod Kutemeier, General Manager
Sunflower Broadband
1 Riverfront Plaza Suite 301
Lawrence, Kansas 66044

Dear Mr. Kutemeier:

You have requested our opinion regarding the tax-exempt status of an organization in the following circumstances. The organization, Lawrence Freenet, Inc. ("Lawrence Freenet") was incorporated in Kansas as a not-for-profit entity. Lawrence Freenet was granted tax-exempt status by the Internal Revenue Service ("IRS") under Internal Revenue Code ("Code") Section 501(c)(4) as an organization "operated exclusively for the promotion of social welfare." In public presentations to the Lawrence City Commission, Lawrence Freenet described itself as "a non-profit community networking project with a goal of providing free internet to the entire Lawrence community." See paragraph 1 of Exhibit 1. Additional social welfare type goals also were presented to the City Commission. Lawrence Freenet's articles of incorporation describe its "primary purpose" as "the provision of free internet access to Kansas communities." See the "Purpose" clause on page 1 of Exhibit 2.

Approximately nine months after the date of the incorporation of Lawrence Freenet as a not-for-profit entity, Lawrence Freenet incorporated a for-profit subsidiary corporation under the name of Community Wireless Communications Co. ("Community Wireless"). See the "Incorporator Information" on page 2 of Exhibit 3. The public record does not reveal the purpose for the creation of the for-profit subsidiary. However, the corporate annual reports on file for Community Wireless reveal that, as of December 31, 2006, Community Wireless had issued 2,063,256 shares of capital stock, and as of December 31, 2007, it had outstanding a total of 2,438,969 shares of capital stock. See Item 10 on each of Exhibits 4a & b. Based upon financial statements provided by Lawrence Freenet, none of this capital stock appears as an asset on the balance sheet of Lawrence Freenet. See Part IV of the 2007 Form 990 attached as Exhibit 5a and the "Assets" section of the "Independent Auditor's Report" attached as Exhibit 5b.

Accordingly, the record clearly suggests that the issued capital stock of Community Wireless is now owned by private investors and not by Lawrence Freenet.

Subsequent operations of Lawrence Freenet do not appear to have been consistent with the original description made to the City Commission and, presumably, to the IRS. Instead of providing free internet to the entire Lawrence community, Lawrence Freenet now describes itself as providing internet access to its customers on a subscription-fee basis, subject only to the stated commitment to dedicate ten percent of its subscription fees to providing internet access to families and children who could not otherwise afford it. See Exhibits 6 & 7. In its promotional materials, Lawrence Freenet has described itself as competing with Sunflower Broadband. See Exhibit 7.

Based upon the foregoing information, you have requested our opinion as to whether such an organization, operating as so described, would continue to qualify for tax-exempt status under Code Section 501(c)(4). The relevant portion of that Code section provides for "organizations not organized for profit but operated exclusively for the promotion of social welfare." This Code section contains the further express limitation that this section "shall not apply to an entity unless no part of the net earnings of such entity inures to the benefit of any private . . . individual."

Treasury Regulations promulgated under Code Section 501(c)(4) provide that, in order to be exempt under this Code Section, an organization must not be organized or operated for profit (see 1.501(c)(4)-1(a)(1)(i)) and must be operated exclusively for the promotion of social welfare (see 1.501(c)(4)-1(a)(1)(ii)). An organization is defined as being operated for the promotion of social welfare if it "is primarily engaged in promoting in some way the common good and general welfare of the people of the community." 1.501(c)(4)-1(a)(2)(i).

The nature of a social welfare organization and the concept of promotion of the common good is best illustrated by prior cases and rulings. The IRS has ruled that a volunteer fire department may qualify as a social welfare organization because of its benefit to the entire community so served. Revenue Ruling 74-361, 1974-2 C.B. 159. However, police and similar benevolent associations do not qualify because their activities are deemed to primarily benefit their members' self interest rather than the promotion of social welfare. Revenue Ruling 81-58, 1981-1 C.B. 331. Similarly, it has been held that an organization that contracted with employers, HMO's, insurance companies, and political organizations as subscribers to provide vision-care services and supplies to the subscribers' employees is not exempt as a social welfare organization because it operated for its subscribers' benefit rather than to benefit the community as a whole. *Vision Service Plan, Inc. v. U.S.*, 2006-1 USTC ¶ 50, 173 (Ed Cal. 2005), Aff'd in Unpub. Dec., 2008-1 USTC ¶ 50, 160 (9th Cir. 2008) cert. denied, No. 08-184 (1-12-09). In that opinion, the Court's analysis included the following:

> In essence, even though there may be aspects of the organization that greatly benefit society, if the majority of the organization's services

> benefit private members, the organization cannot qualify for an exemption under 501(c)(4). Moreover, it has also been held that "[the] presence of a single substantial non-exempt purpose precludes exempt status regardless of the number or importance of the exempt purposes" *Contracting Plumbers*, 588 F.2d at 686. ...The test for qualification under 501(c)(4) is stringent. For instance, in *Commissioner of Internal Revenue v. Lake Forest, Inc.*, 305 F.2d 814 (4th Cir. 1962), the court found that a membership based organization involved in providing housing for veterans did not qualify. The court explained:
>
> > Lake Forest does, of course, furnish housing to a certain group of citizens but it does not do so on a community basis. It is a public spirited but privately devoted endeavor. Its work in part incidentally redounds to society but this is not the social welfare of the tax statute.
>
> *C.I.R. v. Lake Forrest, Inc.*, 305 F.2d 818. The court further explained that classification as "civic" or "social" depends upon the character – as public or private – of the benefits bestowed, of the beneficiary, and of the benefactor.

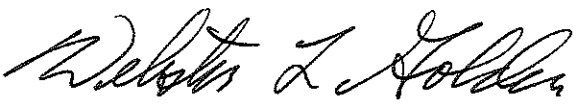
The exempt organization in the present situation is similarly situated. While Lawrence Freenet may have commenced existence with the proper intent to be a social welfare organization, a social welfare component has been reduced to 10% in its present operations. This does not meet the test for qualification as being operated exclusively for the promotion of social welfare.

Moreover, as noted above, the applicable Treasury Regulations provide that, as a separate and independent requirement for exemption, an organization must not be organized or operated for profit. More specifically, the applicable regulation provides that an organization is not operated primarily for the promotion of social welfare if the organization "is carrying on a business with the general public in a manner similar to organizations which are operated for profit." Treas. Reg. Sec. 1.501(c)(4)-1(a)(2)(ii). In this instance, ninety percent of the activity of Lawrence Freenet appears to be operated in a manner similar to organizations which are operated for profit.

As a final independent requirement, the statute itself provides that 501(c)(4) will not apply to any entity if any part of the net earnings of such entity inures to the benefit of any private individual. In this instance, it appears that a substantial part of the revenue of Lawrence Freenet is going to a separate entity that is providing the actual installation services and the internet service. While it appears that Community Wireless is the recipient of that revenue, we do not have present access to Community Wireless's financial statements to confirm that. Should that be confirmed, then this revenue would be going to the potential benefit of that for-profit entity and its private shareholders.

The touchstone in distinguishing between organizations which do and do not qualify under Section 501(c)(4) and applicable regulations and rulings thereunder focuses upon whether the organization provides a benefit to the entire community or is operating a business similar to other for-profit companies. The prohibition on private inurement is a third requirement. In the circumstances at hand, it appears that the organization in question, while perhaps originally established for a valid exempt purpose, namely, to provide free internet and related services to the entire community, may now fail each and every one of the three independent requirements, any one of which would be disqualifying in and of itself. The organization has not restricted its activities to exempt purposes. The organization is being operated in the same or a similar manner as other for-profit companies. Finally, the operations may be producing a benefit to private individuals. The commitment to make a charitable contribution obviously does not convey tax-exempt status in and of itself nor does it override any of the applicable requirements for exempt status.

Very truly yours,
STEVENS & BRAND, L.L.P.



Webster L. Golden
wgolden@stevensbrand.com

WLG:jlw

Exhibit 1

Agreements With Lawrence Freenet

A summary of the City Commission's consideration of agreements with Lawrence Freenet follows:

August 16, 2005

Joshua Montgomery made a presentation to the City Commission, describing Lawrence Freenet as "a non-profit community networking project with the goal of providing free internet to the entire Lawrence community." August 16, 2005 City Commission Minutes, Page 22. Montgomery described Freenet's goals as (1) making information technology available in neighborhoods where it was not available by creating a free broadband network throughout Kansas communities as an alternative to traditional ISPs; (2) looking at solar and wind power to provide power for their equipment; (3) refurbishing surplus computers and distributing them to people who could not otherwise afford them; (4) providing non-profit organizations high speed internet access; and (5) providing homeless individuals with voice mail to assist them in applying for jobs and maintaining contact with family.

Montgomery stated they needed places in town to mount their antennas on light poles, traffic control poles, water towers and multi-story buildings. They also needed office space, and a truck to help with installation of the equipment.

After a discussion, the Commission "encouraged city staff to cooperate and work with Lawrence Freenet and make City facilities available, as staff believed appropriate." Aug. 16. 2005 City Commission Minutes, Page 28.

October 28, 2005

As part of its consent agenda, the City Commission approved an agreement with Lawrence Freenet for the use of the City's water tower at 19th and Kasold Drive.

February 7, 2006

The Commission approved site plans and agreements with Lawrence Freenet for installation of equipment on City Hall, the Stratford Water Tower, and the 6th and Kasold Water Tower. This was a consent agenda item with no separate discussion.

April 3. 2007

Staff presented a report on the status of a number of requests from Lawrence Freenet to use additional facilities, including the Harper Water Tower and light and traffic control poles. Patrick Knorr, then General Manager of Sunflower Broadband, advised the Commission that his company and other for-profit entities provided free internet access in the community. City Manager advised the Commission that staff was finalizing the Harper Tower lease agreement and a license agreement for a pilot program for street lights on Clinton Parkway.

April 10, 2007

The City Commission authorized the City Manager to enter into a License Agreement with Lawrence Freenet for the installation of equipment on traffic control signals on Clinton Parkway.

April 24, 2007

The City Commission authorized the City Manager to enter into an Agreement with Lawrence Freenet

for the installation of equipment on the Harper Water Tower. The Commission also authorized a license agreement for installation on traffic control signals throughout the City.

AGREEMENTS

The agreements contained a number of standard provisions for the use of City property.

- On October 25, 2005 the City approved an agreement to allow Freenet to install equipment on the City's water tower located at 18th & Kasold Drive. The agreement contained recitals setting forth some of the underlying policy goals or objectives of the City in authorizing the agreements. The recitals read:

  1. The City is the owner of property interests located in the City of Lawrence, Douglas County, Kansas, including, but not limited to Street Rights-of-Way (ROW), park property, City of Lawrence Utility Department structures and facilities – including water towers, City of Lawrence buildings, traffic light poles, other traffic control devices, and other property interests.

  2. Lawrence Freenet, Inc. is a not-for-profit Kansas corporation formed for the purpose of providing free internet access to Kansas communities. To that end, Lawrence Freenet, Inc. wishes to access various City Properties, to locate, mount, and maintain transmitter units in various locations in the City of Lawrence, to provide free internet access to Lawrence residents.

  3. On August 16, 2005, the Lawrence City Commission stated its support for Freenet's goal of increasing internet access for the Lawrence community. The City Commission directed and authorized the preparation of an agreement between the City of Lawrence and Lawrence Freenet, Inc., to use certain City Property as authorized by this Agreement and approved by City staff, for the installation of equipment to provide free internet access to Lawrence citizens.

  4. Accordingly, Lawrence Freenet, Inc. has requested permission from the City to place equipment, transmitters and antennas, on portions of City Property described below, and the City has agreed to provide such space to Lawrence Freenet, Inc., for such purpose, all in accordance with the terms and conditions of this agreement.

  The other key provisions of the agreement are as follows:

  Term. The term of the agreement is five (5) years.

  Consideration. Freenet pays an annual rent of ten dollars ($10.00).

  Use. Freenet may use the City property for installation, operation and maintenance of equipment for a Freenet Access Point. Freenet's use is subordinate to any City use. Freenet must maintain its equipment and relocate it at the request of the City.

  Access to Property. The City will provide access to Lawrence Freenet and that access must be by persons covered under their liability policy.

  Insurance. Freenet must maintain minimum coverage with respect to liability insurance.

  Preservation of City Property. Lawrence Freenet shall not cause any damage to City

property or facilities.

Indemnification. Freenet agrees to indemnify the City for any and all claims arising from its activities on City property.

Termination. The City and Freenet agree to terminate the agreement at any time with at least one year notice.

Default. If Freenet fails to abide by any of the terms of the agreement, the City shall be entitled to give notice of default.

Notice. The parties to the agreement have identified where to send notices under the agreement to.

Utilities. Freenet is responsible for any utility usage for its equipment on City property.

Assignment. Freenet cannot transfer the agreement to another party without the written consent of the City.

Governing Law. Laws of the State of Kansas shall be applied when enforcing or interpreting the agreement.

The Agreement included Exhibit B which set forth Lawrence Freenet's commitment to serve low income households.

- On February 7, 2006 the City approved agreements for Freenet installation of equipment at the following locations: the rooftop of City Hall, the water tower located at 1815 Stratford Road, and the water tower at 3708 W. 6th Street. The recitals and provisions of the agreements are the same as the original agreement. However, the following provisions were added:

Term. The agreement is for five (5) years, but can be extended upon mutual consent of the parties.

Termination. Termination language is added that allows the City Commission to terminate the agreement if the governing body finds that Freenet service is not a value to the community.

Reporting Requirements. New reporting requirements are added. Freenet must provide quarterly reports to the City Manager showing the total number of users serve by Lawrence Freenet the previous quarter and the total number of users receiving free or reduced rate services. On or before March 31 of each year, Lawrence Freenet must submit its IRS Form 990 (copy of Federal Tax Return), its corporate annual report filed with the Kansas Secretary of State, its financial statement for the previous years, and its annual report.

- On April 10, 2007 the City agreed to allow Freenet to install equipment on traffic signal poles at a number of intersections. Key additional provisions from prior Freenet agreements are as follows:

Grant of the License. The license agreement is subject to applicable Historic Resources Commission requirements.

No Representation by the City. The City does not make any representation with respect to

the condition of traffic poles.

Covenants of the Licensee. Lawrence Freenet agrees to adjust or remove immediately its equipment if the City deems it as an emergency or if it determines Freenet equipment is interfering with City operations.

- On April 24, 2007, the City agreed to allow Freenet to install its equipment on the City water tower located at 2100 Harper Street. This agreement added the following provisions:

  Interference. Freenet devices cannot interfere with City/County radio frequencies used on City property.

  Lease Agreement. Freenet must co-locate on Sprint equipment and must execute a lease agreement with Sprint.

The Utilities Department and Lawrence Freenet entered into a cooperative agreement in which Freenet installed video equipment purchased by the City on the City's water towers on Harper, Stratford, Oread, 19th and Kasold and 6th and Kasold. The City pays Freenet $1,200 per year per site or $6,000.00 annually, to receive video service at the water towers.

Exhibit 2

Not for profit articles of incorporation

The name of the corporation:

Lawrence Freenet Inc

File date: 04/11/2005
File time: 22:20:59
Business Entity Number: 6039648

Registered office in Kansas:

3401 W 28th St
Lawrence, Kansas
66047-3252

Name of the resident agent at the registered office:

Lawrence Freenet Inc

Mailing address for official mail:

Lawrence Freenet Inc
3401 W 28th St
Lawrence, KS
66047-3252 USA

The nature or purpose of the business entity:

The purpose of this business entity is to engage in any lawful act or activity for which the entity may be organized under the laws of Kansas.

Lawrence Freenet has as it's primary purpose the provision of free internet access to Kansas communities, as an alternative to traditional broadband ISPs.

This corporation will not have the authority to issue stock. The conditions of the membership are set in the bylaws.

Will the powers of the incorporator(s) terminate upon filing the articles of

incorporation?

Yes

Director(s) Information:

Joshua Montgomery
3401 W 28th St
Lawrence KS
66047 USA

Andrew Brendan Brown
2100 Heatherwood Dr
Apt# D3
Lawrence KS
66047 USA

Expiration date of the corporate existence:

Perpetual

Tax closing month:

December

Incorporator Information:

Joshua Montgomery
3401 W 28th St
Lawrence KS
66047 USA

Andrew Brendan Brown
2100 Heatherwood Dr
Apt# D3
Lawrence KS
66047 USA

I declare under penalty of perjury under the laws of the state of Kansas that the foregoing is true and correct.

Execution date: 04/11/2005

The signature(s) of the incorporator(s):

Joshua Montgomery
Joshua Montgomery

Andrew Brendan Brown
Andrew Brendan Brown

I, Ron Thornburgh, Secretary of State of Kansas, do hereby certify that this is the true and correct copy of the original document filed electronically on 04/11/2005.

Ron Thornburgh

Kansas Secretary of State
Memorial Hall, 1st floor - 120 SW 10th Ave. - Topeka, Kansas 66612-1594
phone: (785) 296-4564 - email: kssos@kssos.org - url: www.kssos.org

Exhibit 3

For Profit articles of incorporation

The name of the corporation:

COMMUNITY WIRELESS COMMUNICATIONS Co.

File date: 01/09/2006
File time: 12:43:44
Business Entity Number: 6075089

Registered office in Kansas:

2311 Wakarusa Ave
Lawrence, Kansas
66049-3311

Name of the resident agent at the registered office:

COMMUNITY WIRELESS COMMUNICATIONS Co.

Mailing address for official mail:

Joshua Montgomery
P.O. Box 3532
Lawrence, KS
66046 USA

The nature or purpose of the business entity:

The purpose of this business entity is to engage in any lawful act or activity for which the entity may be organized under the laws of Kansas.

This business entity will have the ability to issue stock.

Total number of shares that the corporation is authorized to issue:

Shares: 1000000
Type: COMMON
Class: A
Value: 0.00/per share

Special designations, powers, rights, limitations or restrictions applicable to any class of stock or any special grant of authority to be given to the board of directors.

NONE

Will the powers of the incorporator(s) terminate upon filing the articles of incorporation?

Yes

Director(s) Information:

Joshua Montgomery
P.O. Box 3532
Lawrence KS
66046 USA

Expiration date of the corporate existence:

Perpetual

Tax closing month:

December

Incorporator Information:

Lawrence Freenet, Inc.
P.O. Box 3532
Lawrence KS
66046 USA

I declare under penalty of perjury under the laws of the state of Kansas that the foregoing is true and correct.

Execution date: 01/09/2006

The signature(s) of the incorporator(s):

Joshua Montgomery
Authorized agent for Lawrence Freenet, Inc.

I, Ron Thornburgh, Secretary of State of Kansas, do hereby certify that this is the true and correct copy of the original document filed electronically on 01/09/2006.

Ron Thornburgh

Kansas Secretary of State
Memorial Hall, 1st floor - 120 SW 10th Ave. - Topeka, Kansas 66612-1594
phone: (785) 296-4564 - email: kssos@kssos.org - url: www.kssos.org

Exhibit 4a

For Profit Corporation Annual Report

Electronically Filed
04/12/2008

1. Corporation Name: COMMUNITY WIRELESS COMMUNICATIONS CO.
2. Business Entity ID No.: 6075089
3. Tax Closing Date: December 2007
4. State of Incorporation: KS
5. Official Mailing Address:
   Matthew DelVecchio, P.O. Box 3532, LAWRENCE KS 66046

6. Location of Principal Office:
   4105 W. 6th St., Lawrence KS 66049

7. Officers

   Matthew DelVecchio - President or equivalent
   4105 W. 6th ST. Lawrence, KS 66049

8. Directors

   Joshua Montgomery - PO Box 3532 Lawrence, KS 66049

9. Nature and Kind of Business
   "To engage in any lawful act or activity for which the entity may be organized under the laws of Kansas."

   To provide wireless internet access

10. Total number of shares of capital stock issued: 2438969

11. Does this corporation hold more than 50% equity ownership in any other business entity on file with the Kansas Secretary of State? No

12. Does this corporation own or lease land in Kansas suitable for use in agriculture? No

Federal Employer Identification Number (FEIN): 830444041

I declare under penalty of perjury pursuant to the laws of the state of Kansas that the foregoing is true and correct.

Executed on the 12 of April, 2008

Signature of authorized Officer: Matthew Del Vecchio

Title/Position of the signer: President
Contact phone number: 7853714214
E-mail: matthew.delvecchio@civicwifi.com

Exhibit 46

For Profit Corporation Annual Report

Electronically Filed
05/17/2007

1. Corporation Name: COMMUNITY WIRELESS COMMUNICATIONS CO.
2. Business Entity ID No.: 6075089
3. Tax Closing Date: December 2006
4. State of Incorporation: KS
5. Official Mailing Address:
   Joshua Montgomery, P.O. Box 3532, LAWRENCE KS 66046

6. Location of Principal Office:
   4105 W. 6th St., Lawrence KS 66049

7. Officers

   Joshua Montgomery - President or equivalent (This officer is also a director)
   4105 W. 6th ST. Lawrence, KS 66049

8. Directors

9. Nature and Kind of Business
   "To engage in any lawful act or activity for which the entity may be organized under the laws of Kansas."

10. Total number of shares of capital stock issued: 2063256

11. Does this corporation hold more than 50% equity ownership in any other business entity on file with the Kansas Secretary of State? No

12. Does this corporation own or lease land in Kansas suitable for use in agriculture? No

Federal Employer Identification Number (FEIN): 83-0444041

I declare under penalty of perjury pursuant to the laws of the state of Kansas that the foregoing is true and correct.

Executed on the 17 of May, 2007

Signature of authorized Officer: Joshua Montgomery

Title/Position of the signer: President
Contact phone number: 7853714214
E-mail: joshua.montgomery@civicwifi.com

Exhibit 5a

Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

▶ The organization may have to use a copy of this return to satisfy state reporting requirements

OMB No 1545-0047

2007

Open to Public Inspection

A For the 2007 calendar year, or tax year beginning , 2007, and ending , 20

B Check if applicable
- ☐ Address change
- ☐ Name change
- ☑ Initial return
- ☐ Termination
- ☐ Amended return
- ☐ Application pending

Please use IRS label or print or type. See Specific Instructions.

C Name of organization
Lawrence Freenet Inc.

Number and street (or P.O. box if mail is not delivered to street address) Room/suite
PO Box 3512

City or town, state or country, and ZIP + 4
Lawrence, KS 66046

D Employer identification number
20 2656113

E Telephone number
(785) 371-4214

F Accounting method: ☑ Cash ☐ Accrual ☐ Other (specify) ▶

• Section 501(c)(3) organizations and 4947(a)(1) nonexempt charitable trusts must attach a completed Schedule A (Form 990 or 990-EZ).

G Website: ▶ **www.lawrencefreenet.org**

H and I are not applicable to section 527 organizations
H(a) Is this a group return for affiliates? ☐ Yes ☑ No
H(b) If "Yes," enter number of affiliates ▶
H(c) Are all affiliates included? ☐ Yes ☐ No (If "No," attach a list. See instructions.)
H(d) Is this a separate return filed by an organization covered by a group ruling? ☐ Yes ☑ No

J Organization type (check only one) ▶ ☑ 501(c) (4) ◀ (insert no.) ☐ 4947(a)(1) or ☐ 527

K Check here ▶ ☐ if the organization is not a 509(a)(3) supporting organization and its gross receipts are normally not more than $25,000. A return is not required, but if the organization chooses to file a return, be sure to file a complete return

I Group Exemption Number ▶

L Gross receipts. Add lines 6b, 8b, 9b, and 10b to line 12 ▶ **164,882.53**

M Check ▶ ☑ if the organization is not required to attach Sch. B (Form 990, 990-EZ, or 990-PF).

Part I Revenue, Expenses, and Changes in Net Assets or Fund Balances (See the instructions.)

Revenue	1	Contributions, gifts, grants, and similar amounts received:			
	a	Contributions to donor advised funds	1a		
	b	Direct public support (not included on line 1a)	1b	2,263.77	
	c	Indirect public support (not included on line 1a)	1c		
	d	Government contributions (grants) (not included on line 1a)	1d		
	e	Total (add lines 1a through 1d) (cash $ 2,263.77 noncash $)			1e 2,263.77
	2	Program service revenue including government fees and contracts (from Part VII, line 93)			2 141,685.17
	3	Membership dues and assessments			3
	4	Interest on savings and temporary cash investments			4 7.73
	5	Dividends and interest from securities			5
	6a	Gross rents	6a		
	b	Less: rental expenses	6b		
	c	Net rental income or (loss). Subtract line 6b from line 6a			6c
	7	Other investment income (describe ▶)			7
	8a	Gross amount from sales of assets other than inventory	(A) Securities 8a	(B) Other	
	b	Less: cost or other basis and sales expenses	8b		
	c	Gain or (loss) (attach schedule)	8c		
	d	Net gain or (loss). Combine line 8c, columns (A) and (B)			8d
	9	Special events and activities (attach schedule). If any amount is from gaming, check here ▶ ☐			
	a	Gross revenue (not including $ of contributions reported on line 1b)	9a		
	b	Less: direct expenses other than fundraising expenses	9b		
	c	Net income or (loss) from special events. Subtract line 9b from line 9a			9c
	10a	Gross sales of inventory, less returns and allowances	10a 19,484.50		
	b	Less: cost of goods sold	10b 17,451.08		
	c	Gross profit or (loss) from sales of inventory (attach schedule). Subtract line 10b from line 10a			10c 2,033.42
	11	Other revenue (from Part VII, line 103)			11 1,231.36
	12	**Total revenue.** Add lines 1e, 2, 3, 4, 5, 6c, 7, 8d, 9c, 10c, and 11			12 147,231.45
Expenses	13	Program services (from line 44, column (B))			13 94,437.03
	14	Management and general (from line 44, column (C))			14 43,982.74
	15	Fundraising (from line 44, column (D))			15 849.59
	16	Payments to affiliates (attach schedule)			16
	17	**Total expenses.** Add lines 16 and 44, column (A)			17 139,292.36
Net Assets	18	Excess or (deficit) for the year. Subtract line 17 from line 12			18 7,939.09
	19	Net assets or fund balances at beginning of year (from line 73, column (A))			19 4,429.11
	20	Other changes in net assets or fund balances (attach explanation)			20
	21	Net assets or fund balances at end of year. Combine lines 18, 19, and 20			21 12,368.20

For Privacy Act and Paperwork Reduction Act Notice, see the separate instructions. Cat No 11282Y Form **990** (2007)

SCANNED JUN 1 6 2008

RECEIVED MAY 15 2008

24P

Part II Statement of Functional Expenses All organizations must complete column (A). Columns (B), (C), and (D) are required for section 501(c)(3) and (4) organizations and section 4947(a)(1) nonexempt charitable trusts but optional for others. (See the instructions.)

Do not include amounts reported on line 6b, 8b, 9b, 10b, or 16 of Part I.		(A) Total	(B) Program services	(C) Management and general	(D) Fundraising
22a Grants paid from donor advised funds (attach schedule) (cash $ _____ noncash $ _____) If this amount includes foreign grants, check here ▶ ☐	22a				
22b Other grants and allocations (attach schedule) (cash $ _____ noncash $ _____) If this amount includes foreign grants, check here ▶ ☐	22b				
23 Specific assistance to individuals (attach schedule)	23				
24 Benefits paid to or for members (attach schedule)	24				
25a Compensation of current officers, directors, key employees, etc. listed in Part V-A	25a	42,810.00	26,000.00	16,810.00	
b Compensation of former officers, directors, key employees, etc. listed in Part V-B	25b				
c Compensation and other distributions, not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	25c				
26 Salaries and wages of employees not included on lines 25a, b, and c	26	6,090.80		6,090.80	
27 Pension plan contributions not included on lines 25a, b, and c	27				
28 Employee benefits not included on lines 25a – 27	28				
29 Payroll taxes	29	4,759.03	2,365.00	2,394.03	
30 Professional fundraising fees	30				
31 Accounting fees	31	150.00		150.00	
32 Legal fees	32	2,588.11		2,588.11	
33 Supplies	33	2,518.55		1,668.96	849.59
34 Telephone	34	294.75		294.75	
35 Postage and shipping	35	182.70		182.70	
36 Occupancy	36	1,200.00		1,200.00	
37 Equipment rental and maintenance	37	401.01		401.01	
38 Printing and publications	38	37.67		37.67	
39 Travel	39	1,112.48		1,112.48	
40 Conferences, conventions, and meetings	40	238.73		238.73	
41 Interest	41	776.94		776.94	
42 Depreciation, depletion, etc. (attach schedule)	42				
43 Other expenses not covered above (itemize):					
a Bank/Credit Card Fees	43a	4,870.96	4,582.52	288.44	
b Insurance	43b	3,517.51		3,517.51	
c Membership Fees	43c	1,395.80		1,395.80	
d Installation/Monthly Internet Service	43d	68,072.93	68,072.93		
e Marketing	43e	245.36		245.36	
f Miscellaneous	43f	119.93		119.93	
g	43g				
44 **Total functional expenses.** Add lines 22a through 43g. (Organizations completing columns (B)–(D), carry these totals to lines 13–15)	44	139,282.36	99,019.55	39,423.22	849.59

Joint Costs. Check ▶ ☐ if you are following SOP 98-2.
Are any joint costs from a combined educational campaign and fundraising solicitation reported in (B) Program services? ▶ ☐ Yes ☐ No
If "Yes," enter (i) the aggregate amount of these joint costs $ _____; (ii) the amount allocated to Program services $ _____;
(iii) the amount allocated to Management and general $ _____; and (iv) the amount allocated to Fundraising $ _____

Part III Statement of Program Service Accomplishments *(See the instructions.)*

Form 990 is available for public inspection and, for some people, serves as the primary or sole source of information about a particular organization. How the public perceives an organization in such cases may be determined by the information presented on its return. Therefore, please make sure the return is complete and accurate and fully describes, in Part III, the organization's programs and accomplishments.

What is the organization's primary exempt purpose? ▶ **To provide internet service to families below 140% poverty** All organizations must describe their exempt purpose achievements in a clear and concise manner. State the number of clients served, publications issued, etc. Discuss achievements that are not measurable. (Section 501(c)(3) and (4) organizations and 4947(a)(1) nonexempt charitable trusts must also enter the amount of grants and allocations to others.)	Program Service Expenses (Required for 501(c)(3) and (4) orgs., and 4947(a)(1) trusts, but optional for others.)
a **Provide free and low cost internet service to residents of Lawrence, KS** (Grants and allocations $) If this amount includes foreign grants, check here ▶ ☐	**99,019.55**
b (Grants and allocations $) If this amount includes foreign grants, check here ▶ ☐	
c (Grants and allocations $) If this amount includes foreign grants, check here ▶ ☐	
d (Grants and allocations $) If this amount includes foreign grants, check here ▶ ☐	
e Other program services (attach schedule) (Grants and allocations $) If this amount includes foreign grants, check here ▶ ☐	
f **Total of Program Service Expenses** (should equal line 44, column (B), Program services). ▶	**99,019.55**

Part IV Balance Sheets *(See the instructions.)*

Note: *Where required, attached schedules and amounts within the description column should be for end-of-year amounts only*		(A) Beginning of year		(B) End of year
Assets	45 Cash—non-interest-bearing	6,085.31	45	2,881.54
	46 Savings and temporary cash investments		46	
	47a Accounts receivable 47a			
	b Less: allowance for doubtful accounts 47b	(19.98)	47c	(1,424.39)
	48a Pledges receivable 48a			
	b Less: allowance for doubtful accounts 48b		48c	
	49 Grants receivable		49	
	50a Receivables from current and former officers, directors, trustees, and key employees (attach schedule)		50a	
	b Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) (attach schedule)		50b	
	51a Other notes and loans receivable (attach schedule) 51a			
	b Less: allowance for doubtful accounts 51b		51c	
	52 Inventories for sale or use		52	
	53 Prepaid expenses and deferred charges		53	
	54a Investments—publicly-traded securities ▶ ☐ Cost ☐ FMV		54a	
	b Investments—other securities (attach schedule) ▶ ☐ Cost ☐ FMV		54b	
	55a Investments—land, buildings, and equipment: basis 55a			
	b Less: accumulated depreciation (attach schedule) 55b		55c	
	56 Investments—other (attach schedule)		56	
	57a Land, buildings, and equipment: basis 57a			
	b Less: accumulated depreciation (attach schedule) 57b	0	57c	1,197.21
	58 Other assets, including program-related investments (describe ▶)		58	
	59 **Total assets** (must equal line 74). Add lines 45 through 58	6,075.33	59	2,564.36
Liabilities	60 Accounts payable and accrued expenses	1,893.17	60	(9,416.95)
	61 Grants payable		61	
	62 Deferred revenue		62	
	63 Loans from officers, directors, trustees, and key employees (attach schedule)	(246.95)	63	(388.89)
	64a Tax-exempt bond liabilities (attach schedule)		64a	
	b Mortgages and other notes payable (attach schedule)		64b	
	65 Other liabilities (describe ▶)		65	
	66 **Total liabilities.** Add lines 60 through 65	1,646.22	66	(9,803.84)
Net Assets or Fund Balances	**Organizations that follow SFAS 117, check here ▶ ☐ and complete lines 67 through 69 and lines 73 and 74.**			
	67 Unrestricted		67	
	68 Temporarily restricted		68	
	69 Permanently restricted		69	
	Organizations that do not follow SFAS 117, check here ▶ ☑ and complete lines 70 through 74.			
	70 Capital stock, trust principal, or current funds		70	
	71 Paid-in or capital surplus, or land, building, and equipment fund		71	
	72 Retained earnings, endowment, accumulated income, or other funds	4,429.11	72	12,368.20
	73 **Total net assets or fund balances.** Add lines 67 through 69 or lines 70 through 72. (Column (A) must equal line 19 and column (B) must equal line 21)	4,429.11	73	12,368.20
	74 **Total liabilities and net assets/fund balances.** Add lines 66 and 73	6,075.33	74	2,564.36

Part IV-A Reconciliation of Revenue per Audited Financial Statements With Revenue per Return *(See the instructions.)*

a	Total revenue, gains, and other support per audited financial statements			a	n/a
b	Amounts included on line a but not on Part I, line 12:				
1	Net unrealized gains on investments	b1			
2	Donated services and use of facilities	b2			
3	Recoveries of prior year grants	b3			
4	Other (specify):	b4			
	Add lines b1 through b4			b	
c	Subtract line b from line a			c	
d	Amounts included on Part I, line 12, but not on line a:				
1	Investment expenses not included on Part I, line 6b	d1			
2	Other (specify):	d2			
	Add lines d1 and d2			d	
e	**Total revenue** (Part I, line 12). Add lines c and d		▶	e	

Part IV-B Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

a	Total expenses and losses per audited financial statements			a	n/a
b	Amounts included on line a but not on Part I, line 17:				
1	Donated services and use of facilities	b1			
2	Prior year adjustments reported on Part I, line 20	b2			
3	Losses reported on Part I, line 20	b3			
4	Other (specify):	b4			
	Add lines b1 through b4			b	
c	Subtract line b from line a			c	
d	Amounts included on Part I, line 17, but not on line a:				
1	Investment expenses not included on Part I, line 6b	d1			
2	Other (specify):	d2			
	Add lines d1 and d2			d	
e	**Total expenses** (Part I, line 17). Add lines c and d		▶	e	

Part V-A Current Officers, Directors, Trustees, and Key Employees (List each person who was an officer, director, trustee, or key employee at any time during the year even if they were not compensated.) *(See the instructions.)*

(A) Name and address	(B) Title and average hours per week devoted to position	(C) Compensation (If not paid, enter -0-.)	(D) Contributions to employee benefit plans & deferred compensation plans	(E) Expense account and other allowances
Adam Mansfield PO Box 3532 Lawrence, KS 66046	Board President 1	-0-		
Andy Brown PO Box 3532 Lawrence, KS 66046	Board Vice President 1	-0-		
Kris Adair PO Box 3532 Lawrence, KS 66046	Board Treasurer 25	16,810.00		
Kevin Kennedy PO Box 3532 Lawrence, KS 66046	Board Member 1	-0-		
Todd Hiatt PO Box 3532 Lawrence, KS 66046	Board Member 1	-0-		
Matt Kuzinski PO Box 3532 Lawrence, KS 66046	Board Member 1	-0-		
Davina Sams PO Box 3532 Lawrence, KS 66046	Director (Employee) 40	26,000.00		

Part V-A Current Officers, Directors, Trustees, and Key Employees *(continued)*

		Yes	No
75a	Enter the total number of officers, directors, and trustees permitted to vote on organization business at board meetings ▶ 6		
b	Are any officers, directors, trustees, or key employees listed in Form 990, Part V-A, or highest compensated employees listed in Schedule A, Part I, or highest compensated professional and other independent contractors listed in Schedule A, Part II-A or II-B, related to each other through family or business relationships? If "Yes," attach a statement that identifies the individuals and explains the relationship(s) 75b		✓
c	Do any officers, directors, trustees, or key employees listed in Form 990, Part V-A, or highest compensated employees listed in Schedule A, Part I, or highest compensated professional and other independent contractors listed in Schedule A, Part II-A or II-B, receive compensation from any other organizations, whether tax exempt or taxable, that are related to the organization? See the instructions for the definition of "related organization." ▶ 75c		✓
d	Does the organization have a written conflict of interest policy? If "Yes," attach a statement that includes the information described in the instructions. 75d	✓	

Part V-B Former Officers, Directors, Trustees, and Key Employees That Received Compensation or Other Benefits (If any former officer, director, trustee, or key employee received compensation or other benefits (described below) during the year, list that person below and enter the amount of compensation or other benefits in the appropriate column. See the instructions.)

(A) Name and address	(B) Loans and Advances	(C) Compensation (if not paid, enter -0-)	(D) Contributions to employee benefit plans & deferred compensation plans	(E) Expense account and other allowances
n/a				

Part VI Other Information *(See the instructions.)*

		Yes	No
76	Did the organization make a change in its activities or methods of conducting activities? If "Yes," attach a detailed statement of each change 76		✓
77	Were any changes made in the organizing or governing documents but not reported to the IRS? If "Yes," attach a conformed copy of the changes. 77		✓
78a	Did the organization have unrelated business gross income of $1,000 or more during the year covered by this return? 78a		✓
b	If "Yes," has it filed a tax return on Form 990-T for this year? 78b		
79	Was there a liquidation, dissolution, termination, or substantial contraction during the year? If "Yes," attach a statement 79		✓
80a	Is the organization related (other than by association with a statewide or nationwide organization) through common membership, governing bodies, trustees, officers, etc., to any other exempt or nonexempt organization? 80a		✓
b	If "Yes," enter the name of the organization ▶ _____ and check whether it is ☐ exempt or ☐ nonexempt		
81a	Enter direct and indirect political expenditures. (See line 81 instructions.) 81a		
b	Did the organization file Form 1120-POL for this year? 81b		✓

Part VI Other Information *(continued)*

			Yes	No
82a	Did the organization receive donated services or the use of materials, equipment, or facilities at no charge or at substantially less than fair rental value?	82a	✓	
b	If "Yes," you may indicate the value of these items here. Do not include this amount as revenue in Part I or as an expense in Part II. (See instructions in Part III.) 82b 3,600.00			
83a	Did the organization comply with the public inspection requirements for returns and exemption applications?	83a	✓	
b	Did the organization comply with the disclosure requirements relating to *quid pro quo* contributions?	83b	✓	
84a	Did the organization solicit any contributions or gifts that were not tax deductible?	84a		✓
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	84b		
85a	*501(c)(4), (5), or (6).* Were substantially all dues nondeductible by members?	85a	✓	
b	Did the organization make only in-house lobbying expenditures of $2,000 or less?	85b	✓	
	If "Yes" was answered to either 85a or 85b, **do not** complete 85c through 85h below unless the organization received a waiver for proxy tax owed for the prior year.			
c	Dues, assessments, and similar amounts from members 85c			
d	Section 162(e) lobbying and political expenditures 85d			
e	Aggregate nondeductible amount of section 6033(e)(1)(A) dues notices 85e			
f	Taxable amount of lobbying and political expenditures (line 85d less 85e) 85f			
g	Does the organization elect to pay the section 6033(e) tax on the amount on line 85f?	85g		
h	If section 6033(e)(1)(A) dues notices were sent, does the organization agree to add the amount on line 85f to its reasonable estimate of dues allocable to nondeductible lobbying and political expenditures for the following tax year?	85h		
86	*501(c)(7) orgs.* Enter: a Initiation fees and capital contributions included on line 12 86a			
b	Gross receipts, included on line 12, for public use of club facilities 86b			
87	*501(c)(12) orgs.* Enter: a Gross income from members or shareholders 87a			
b	Gross income from other sources. (Do not net amounts due or paid to other sources against amounts due or received from them.) 87b			
88a	At any time during the year, did the organization own a 50% or greater interest in a taxable corporation or partnership, or an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? If "Yes," complete Part IX	88a		✓
b	At any time during the year, did the organization, directly or indirectly, own a controlled entity within the meaning of section 512(b)(13)? If "Yes," complete Part XI ▶	88b		✓
89a	*501(c)(3) organizations.* Enter: Amount of tax imposed on the organization during the year under: section 4911 ▶ ; section 4912 ▶ ; section 4955 ▶			
b	*501(c)(3) and 501(c)(4) orgs.* Did the organization engage in any section 4958 excess benefit transaction during the year or did it become aware of an excess benefit transaction from a prior year? If "Yes," attach a statement explaining each transaction	89b		✓
c	Enter: Amount of tax imposed on the organization managers or disqualified persons during the year under sections 4912, 4955, and 4958 ▶			
d	Enter: Amount of tax on line 89c, above, reimbursed by the organization ▶			
e	*All organizations.* At any time during the tax year, was the organization a party to a prohibited tax shelter transaction?	89e		✓
f	*All organizations.* Did the organization acquire a direct or indirect interest in any applicable insurance contract?	89f		✓
g	*For supporting organizations and sponsoring organizations maintaining donor advised funds.* Did the supporting organization, or a fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	89g		
90a	List the states with which a copy of this return is filed ▶			
b	Number of employees employed in the pay period that includes March 12, 2007 (See instructions) 90b			
91a	The books are in care of ▶ Lawrence Freenet Inc. Telephone no. ▶ (785) 371-4214 Located at ▶ 4105 W. 6th Street, Lawrence, KS ZIP + 4 ▶ 66049			
b	At any time during the calendar year, did the organization have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	91b		✓
	If "Yes," enter the name of the foreign country ▶			
	See the instructions for exceptions and filing requirements for **Form TD F 90-22.1**, Report of Foreign Bank and Financial Accounts.			

Part VI Other Information *(continued)*

		Yes	No
c	At any time during the calendar year, did the organization maintain an office outside of the United States? If "Yes," enter the name of the foreign country ▶	91c	✓
92	*Section 4947(a)(1) nonexempt charitable trusts filing Form 990 in lieu of Form 1041*—Check here ▶ ☐ and enter the amount of tax-exempt interest received or accrued during the tax year ▶ 92		

Part VII Analysis of Income-Producing Activities *(See the instructions.)*

Note: Enter gross amounts unless otherwise indicated.

		Unrelated business income		Excluded by section 512, 513, or 514		(E) Related or exempt function income
		(A) Business code	(B) Amount	(C) Exclusion code	(D) Amount	
93	Program service revenue:					
a	Internet Service and Installation Fees					141,685.17
b						
c						
d						
e						
f	Medicare/Medicaid payments					
g	Fees and contracts from government agencies					
94	Membership dues and assessments					
95	Interest on savings and temporary cash investments					7.73
96	Dividends and interest from securities					
97	Net rental income or (loss) from real estate:					
a	debt-financed property					
b	not debt-financed property					
98	Net rental income or (loss) from personal property					
99	Other investment income					
100	Gain or (loss) from sales of assets other than inventory					
101	Net income or (loss) from special events					2,043.42
102	Gross profit or (loss) from sales of inventory					476.87
103	Other revenue: a Finance Charges					754.69
b	Late Fees					
c						
d						
e						
104	Subtotal (add columns (B), (D), and (E))					144,967.68
105	**Total** (add line 104, columns (B), (D), and (E)) ▶					144,967.68

Note: *Line 105 plus line 1e, Part I, should equal the amount on line 12, Part I.*

Part VIII Relationship of Activities to the Accomplishment of Exempt Purposes *(See the instructions.)*

Line No. ▼	Explain how each activity for which income is reported in column (E) of Part VII contributed importantly to the accomplishment of the organization's exempt purposes (other than by providing funds for such purposes).
93	Would not be able to provide internet service without charging for providing internet service
95	Interest accrued through banking
102	Equipment required for providing internet service
103	Customers that did not pay in a timely manner were charged finance charges and late fees.

Part IX Information Regarding Taxable Subsidiaries and Disregarded Entities *(See the instructions.)*

(A) Name, address, and EIN of corporation, partnership, or disregarded entity	(B) Percentage of ownership interest	(C) Nature of activities	(D) Total income	(E) End-of-year assets
n/a	%			

Part X Information Regarding Transfers Associated wit

(a) Did the organization, during the year, receive any funds, directly or indir

(b) Did the organization, during the year, pay premiums, dir

Note: *If "Yes" to (b), file Form 8870 and Form 4720 (see ins*

[redacted]

Part XI **Information Regarding Transfers To and From Controlled Entities.** *Complete only if the organization is a controlling organization as defined in section 512(b)(13).*

		Yes	No
106	Did the reporting organization make any transfers to a controlled entity as defined in section 512(b)(13) of the Code? If "Yes," complete the schedule below for each controlled entity.		✓

	(A) Name, address, of each controlled entity	(B) Employer Identification Number	(C) Description of transfer	(D) Amount of transfer
a				
b				
c				
	Totals			

		Yes	No
107	Did the reporting organization receive any transfers from a controlled entity as defined in section 512(b)(13) of the Code? If "Yes," complete the schedule below for each controlled entity.		✓

	(A) Name, address, of each controlled entity	(B) Employer Identification Number	(C) Description of transfer	(D) Amount of transfer
a				
b				
c				
	Totals			

		Yes	No
108	Did the organization have a binding written contract in effect on August 17, 2006, covering the interest, rents, royalties, and annuities described in question 107 above?		✓

Please Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge

KMS Adair — Signature of officer — 5-12-08 — Date

Kris Adair, Treasurer — Type or print name and title

Paid Preparer's Use Only

Preparer's signature	Date	Check if self-employed ▶ ☐	Preparer's SSN or PTIN (See Gen Inst X)
Firm's name (or yours if self-employed), address, and ZIP + 4 ▶		EIN ▶	
		Phone no ▶ ( )	

Exhibit 5b

LAWRENCE FREENET INC.

FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2006

AND

INDEPENDENT AUDITOR'S REPORT

KRISTY TESKA
ENROLLED AGENT

K TAX & FINANCIAL SERVICES
2708 FREEDOM HILL CT.
LAWRENCE, KS 66047

(785) 843-8687

LAWRENCE FREENET INC.

YEAR ENDING DECEMBER 31, 2006

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AUDIT REPORT

To the Board of Directors of Lawrence Freenet Inc.;

I have audited the enclosed statement of assets, liabilities, and equity of Lawrence Freenet Inc. a nonprofit organization as of December 31, 2006 and the related statement of revenues and expenses for the year then ended.

The audit consisted of examining documents and files, asking questions and compiling Quick Books reports. The bank account balances were verified with the Quick Books balance. Accounts receivable was reviewed. Accounts payable balances were verified with the paper file provided by the company. The only fixed assets owned by the company were donated computers.

The nonprofit organization prepares its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In my opinion, the financial statements included in this report present fairly in all material respects the assets, liabilities and equity of Lawrence Freenet Inc. as of December 31, 2006.

Kristy Teska

Kristy Teska
Enrolled Agent

2708 Freedom Hill Ct., Lawrence, KS 66047
(785) 843-8687
ktax@sunflower.com

Lawrence Freenet Inc
Balance Sheet
As of December 31, 2006

	Dec 31, 06
ASSETS	
Current Assets	
Checking/Savings	
Checking Account - Central	2,057.86
Douglas County	732.19
Total Checking/Savings	2,790.05
Accounts Receivable	
1200 - Accounts Receivable	2,360.49
Total Accounts Receivable	2,360.49
Other Current Assets	
1499 - Undeposited Funds	1,083.78
Total Other Current Assets	1,083.78
Total Current Assets	6,234.32
Other Assets	
Computers, Donated	900.00
Total Other Assets	900.00
TOTAL ASSETS	7,134.32
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
2000 - Accounts Payable	13,460.44
Total Accounts Payable	13,460.44
Other Current Liabilities	
Refundable Advances	
Loan From Andrew Brown	150.00
Loan From Joshua Montgomery	-396.35
Loan From Kris Adair	-0.60
Total Refundable Advances	-246.95
2100 - Payroll Liabilities	695.45
Total Other Current Liabilities	448.50
Total Current Liabilities	13,928.94
Total Liabilities	13,928.94
Equity	
1110 - Net Assets	3,024.90
Net Income	-9,819.52
Total Equity	-6,794.62
TOTAL LIABILITIES & EQUITY	7,134.32

Lawrence Freenet Inc
Profit & Loss
January through December 2006

Accrual Basis

	Jan - Dec 06
Ordinary Income/Expense	
Income	
4030 · Contributions Income	
4070 · Unrestricted	2,185.00
Total 4030 · Contributions Income	2,185.00
4150 · Miscellaneous Income	61.89
4170 · Program Fees	
Equipment Sales	8,768.51
Installation	29,008.39
Internet Service	20,170.35
Labor	381.25
4170 · Program Fees - Other	25.00
Total 4170 · Program Fees	58,353.50
4190 · Reimbursed Expenses	-89.11
Total Income	60,591.28
Cost of Goods Sold	
5000 · Cost of Goods Sold	8,868.12
Total COGS	8,868.12
Gross Profit	51,663.16
Expense	
Seminars	200.00
4000 · Reconciliation Discrepancies	-0.01
6110 · Automobile Expense	40.34
6120 · Bank Service Charges	1,553.11
6180 · Insurance	
6185 · Liability Insurance	900.00
6180 · Insurance - Other	485.00
Total 6180 · Insurance	1,385.00
6200 · Interest Expense	9.51
6230 · Licenses and Permits	42.00
6240 · Miscellaneous	132.63
6250 · Postage and Delivery	188.14
6260 · Printing and Reproduction	72.46
6270 · Professional Fees	
6655 · Consulting	260.50
Total 6270 · Professional Fees	260.50
6290 · Rent	30.00
6340 · Telephone	
Mobile Phone	456.34
Total 6340 · Telephone	456.34
6350 · Travel & Ent	
6370 · Meals	358.10
6360 · Travel	483.80
Total 6350 · Travel & Ent	841.90
6390 · Utilities	12.66
6560 · Office Supplies	221.34
6580 · Payroll Expenses	8,166.28
6670 · Program Expense	
Access Point Installation Subs	30,285.26
Computer Donations	600.00
Internet Service	15,781.99
Network Infrastructure	480.68
Warranty	268.75
Total 6670 · Program Expense	47,416.90
6770 · Supplies	
6780 · Marketing	333.90
6790 · Office	26.00

Lawrence Freenet Inc
Profit & Loss
January through December 2008

Accrual Basis

	Jan - Dec 08
Total 6770 · Supplies	358.90
Total Expense	61,384.89
Net Ordinary Income	-9,721.73
Other Income/Expense	
Other Income	
7030 · Other Income	389.44
Total Other Income	389.44
Other Expense	
8010 · Other Expenses	487.23
Total Other Expense	487.23
Net Other Income	-97.79
Net Income	-9,819.52

LAWRENCE FREENET INC.

YEAR ENDING DECEMBER 31, 2006

Notes to Financial Statements

Lawrence Freenet Inc. is a nonprofit service organization. Its mission is to make internet access available to everyone in Lawrence, KS.

Note 1 - Accounts Receivable:

Accounts receivable transactions are downloaded from two sources and checks are entered as received. Some customers signup and pay their account on-line.

Note 2 - Assets:

During 2006, the only fixed assets owned by the company were donated computers as reflected on the Balance Sheet. All other assets were borrowed or personal property of the employee.

Note 3 – Modified Cash Basis of Accounting:

The financial statements are prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. This basis of accounting differs from generally accepted accounting principles by not tracing accounts receivable and its subsidiary ledger and not accruing accounts receivable and accounts payable.

Note 4 – Related Party Transactions:

Employees and Board Members have loaned or advanced funds to the organization and the funds have been tracked.

Note 5 – Separation of Duties:

The organization is a small nonprofit organization and had one employee in 2006. Due to the limitations of staff, the one employee was responsible for all financial transactions. As the company grows, the financial duties need to be shared so that one person does not have sole responsibility of the receipt process or the payable process.

Note 5 – Income Taxes

The organization is an nonprofit organization and is exempt from Federal income taxes under Internal Revenue Code Section 501(c)(3).

Exhibit 6

Memorandum
City of Lawrence
City Manager's Office

TO: **David L. Corliss, City Manager**

FROM: **Diane Stoddard, Assistant City Manager**

CC: **Cynthia Boecker, Assistant City Manager**
Toni Wheeler, Legal Services Director

Date: **April 2, 2009**

RE: **Freenet Agreement Compliance**

At its meeting on March 24, the City Commission requested that staff review Freenet's compliance with its agreements. Toni Wheeler, Legal Services Director, has provided a memorandum which summarizes the agreements and their general provisions. With regard to providing free or reduced cost service, staff has been unable to locate a specific percentage of free/reduced cost service identified within the agreements. However, the agreements do refer to an exhibit with outlines general goals and guidelines from Freenet for the free service. Also, Freenet's documents have indicated the target for free service is 10% of the subscriber base. Below is a summary of the past year or so of quarterly reports which Freenet provides, along with links to the reports.

Date	Total Subscribers	Free Service Subscribers	% Free
4th Quarter 2008	1207	104	8%
3rd Quarter 2008	1264	112	8%
2nd Quarter 2008	883	103	11%
1st Quarter 2008	991	107	10%
2007 Annual Report			26%

Last year, the City requested Freenet's insurance information. The insurance information as well as an update to 2007 was provided. The insurance certificate provided complied with the requirements at that time. It should be noted that the City has not conducted an audit of any of the reports provided by Freenet. Also, the City has not received the IRS Form 990 or balance sheets for 2008 as of this date.

Exhibit 7

Dear XXXXXXXXX,

My name is Anna, and I'm something of an office Jane-of-all-trades here at Lawrence Freenet. For the past couple of weeks I've been talking to students at the sororities and fraternities on Daisy Hill about a pilot project we'd like to do this summer that would provide cheaper, faster, and more reliable Internet service to the houses. In particular, I've spoken to a few of the women living at the XXXXXX house and have been in email contact with XXXXXXXX, the House Manager, who suggested I contact you.
All of them seem very interested in what we have to offer.

I know you're busy, so here's the deal in a nutshell:
Lawrence Freenet wants to hook up the Daisy Hill houses with a fiber-optic network that would provide the fastest Internet service available for a lot less than the other providers in town. AND we're a socially responsible, local non-profit, which I just think is cool.

And here are the details:

Speed:
The proposed network would provide 1 Gigabit/sec (1,000 Megabit/sec) of business-class Internet connectivity to participating fraternities and sororities. The service would be provided using a fiber-optic cable and would be up to 50 times faster than cable, DSL, T-1 or even T-3 services, and about 10 times faster than the connection in the KU libraries. Right now many students on Daisy Hill spend a lot of time waiting for readings and course materials to load on Blackboard and other websites. We'd like to help them spend less time twiddling their thumbs and more time taking advantage of their educational opportunities.

Reliability:
Fiber optic cable of this type is impervious to the environmental factors (moisture, power outages, etc) that plague cable networks, and a dedicated line like the one we're proposing would also avoid the "rush hour" slow-downs most students experience.

Tech:
We'll provide new network infrastructure for your houses at only the cost it takes for us to install-no hidden fees, no surprises. This will include top quality routing and switching equipment from Cisco Systems as well as comprehensive wireless coverage for the entire property. This equipment will be installed and managed by our network professionals to ensure that the service in your rooms will be both fast and highly reliable.

Cost:
Depending on the size of the house, the monthly fees would range from $500 to $1,300 during the school year. Prices would be reduced by ⅓ during June, July and August, when KU is out of session.

What makes Lawrence Freenet better:
We're a small company with a committed staff, so we save on overhead to provide top-of-the-line service at a TRULY affordable cost. And if XXXXXXXXXX has any

problems with your connection, Josh or Alex will be there right away to get the house back online.

We won't tie you down. Sunflower wants its customers to sign onto a five-year contract for similar connection. At Lawrence Freenet, we just trust that our customers will be satisfied with our service. We'll cut a deal on the price, and we'll leave our equipment in place for as long as you decide to continue paying for your subscription.

What's more, Lawrence Freenet is committed to the community. 10% of our subscription fees go to providing Internet access to families and children who could not otherwise afford it. As a student myself, I can attest to the necessity of Internet access to a modern education.

Please feel free to contact me with any questions you have (the technical stuff I'll forward to my boss Josh, who built this network from the ground up) and let me know if you'd like to set up a meeting at anytime. I hope to talk to you soon!

Dark and dreary as it may be, Happy May Day!!
Anna
anna.hoard2@lawrencefreenet.org
(785) 371-4214 --Lawrence Freenet office

PS. My colleagues and I will be giving a presentation on this proposal at the next Panhellenic Council meeting on Tuesday, May 5 at 7pm.