Jones David Andrew
Form 4
January 25, 2018

# FORM 4

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**
**Washington, D.C. 20549**

OMB APPROVAL

| | |
|---|---|
| OMB Number: | 3235-0287 |
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## STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
Jones David Andrew

(Last) (First) (Middle)

1544 WINCHESTER AVENUE

(Street)

ASHLAND, KY 41101

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
COMMUNITY TRUST BANCORP INC /KY/ [CTBI]

3. Date of Earliest Transaction (Month/Day/Year)
01/23/2018

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Executive Vice President

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

| 1.Title of Security (Instr. 3) | 2. Transaction Date (Month/Day/Year) | 2A. Deemed Execution Date, if any (Month/Day/Year) | 3. Transaction Code (Instr. 8) | | 4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5) | | | 5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4) | 6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 7. Nature of Indirect Beneficial Ownership (Instr. 4) |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Code | V | Amount | (A) or (D) | Price | | | |
| Common Stock | 01/23/2018 | | A | | 312 | A | $ 49.3 | 4,236.3217 | D | |
| Common Stock | | | | | | | | 8,133.6683 | I | By: ESOP |
| Common Stock | | | | | | | | 2,186.9131 | I | By: 401(k) |

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

**number.**

**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned**
**(*e.g.*, puts, calls, warrants, options, convertible securities)**

| 1. Title of Derivative Security (Instr. 3) | 2. Conversion or Exercise Price of Derivative Security | 3. Transaction Date (Month/Day/Year) | 3A. Deemed Execution Date, if any (Month/Day/Year) | 4. Transaction Code (Instr. 8) | | 5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5) | | 6. Date Exercisable and Expiration Date (Month/Day/Year) | | 7. Title and Amount of Underlying Securities (Instr. 3 and 4) | | 8. Pri Deriv Secur (Instr |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Code | V | (A) | (D) | Date Exercisable | Expiration Date | Title | Amount or Number of Shares | |
| Option (1) | $ 27.109 (2) | | | | | | | 01/27/2010 | 01/27/2019 | Common Stock | 68.75 (2) | |
| Option (1) | $ 27.109 (2) | | | | | | | 01/27/2011 | 01/27/2019 | Common Stock | 68.75 (2) | |
| Option (1) | $ 27.109 (2) | | | | | | | 01/27/2012 | 01/27/2019 | Common Stock | 68.75 (2) | |
| Option (1) | $ 27.109 (2) | | | | | | | 01/27/2013 | 01/27/2019 | Common Stock | 68.75 (2) | |
| Option (1) | $ 22.809 (3) | | | | | | | 01/26/2011 | 01/26/2020 | Common Stock | 103.25 (3) | |
| Option (1) | $ 22.809 (3) | | | | | | | 01/26/2012 | 01/26/2020 | Common Stock | 103.25 (3) | |
| Option (1) | $ 22.809 (3) | | | | | | | 01/26/2013 | 01/26/2020 | Common Stock | 103.25 (3) | |
| Option (1) | $ 22.809 (3) | | | | | | | 01/26/2014 | 01/26/2020 | Common Stock | 103.25 (3) | |
| Option (4) | $ 32.27 | | | | | | | 01/27/2020 | 01/27/2025 | Common Stock | 10,000 | |

# Reporting Owners

| Reporting Owner Name / Address | Relationships | | | |
|---|---|---|---|---|
| | Director | 10% Owner | Officer | Other |
| Jones David Andrew<br>1544 WINCHESTER AVENUE<br>ASHLAND, KY 41101 | | | Executive Vice President | |

# Signatures

| | |
|---|---|
| David Andrew Jones By: Marilyn T. Justice, Attorney-in-Fact | 01/25/2018 |
| **Signature of Reporting Person | Date |

# Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

**(1)** Right to buy pursuant to Incentive Stock Option Agreement (CTBI 2006 Stock Ownership Incentive Plan)

**(2)** Option previously reported as covering 62.50 shares @$29.82 per share, adjusted to reflect the 10% stock dividend effective 06/02/14.

**(3)** Option previously reported as covering 93.75 shares @$25.09 per share, adjusted to reflect the 10% stock dividend effective 06/02/14.

**(4)** Right to buy pursuant to Non-Qualified Stock Option Agreement (CTBI 2015 Stock Ownership Incentive Plan)

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. dth="171" valign=top style='padding:0in 5.75pt 0in 0in'>

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/s/ Terry W. Thompson

Director

December 22, 2006

Terry W. Thompson

/s/ William P. Moore

Director

December 22, 2006

William P. Moore

/s/ Richard P. Landis

Director

December 22, 2006

Richard P. Landis

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**Report of Independent Registered Public Accounting Firm**

Audit Committee, Board of Directors and Stockholders

SiriCOMM, Inc.

Joplin, Missouri

We have audited the accompanying consolidated balance sheets of SiriCOMM, Inc. as of September 30, 2006 and 2005, and the related consolidated statements of operations, stockholders equity and cash flows for each of the two years in the period ended September 30, 2006. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of SiriCOMM, Inc. as of September 30, 2006 and 2005, and the results of its operations and its cash flows for each of the two years in the period ended September 30, 2006, in conformity with accounting principles generally accepted in the United States of America.

As discussed in *Note 14*, the Company changed its method of accounting for conditional asset retirement obligations in 2006.

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As discussed in *Note 2*, the Company has suffered recurring losses and negative operating cash flows which raise substantial doubt about its ability to continue as a going concern. Management s plans in regard to these matters are also described in *Note 2*. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

**/s/ BKD, LLP**

Joplin, Missouri

November 17, 2006

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Explanation of Responses:

# SIRICOMM, INC.
# CONSOLIDATED BALANCE SHEETS
# SEPTEMBER 30, 2006 AND 2005

| | 2006 | 2005 |
|---|---|---|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | $ 943,137 | $ 931,787 |
| Accounts receivable | 36,256 | 11,370 |
| Other receivable | 25,500 | - |
| Prepaid expenses and other | 12,965 | 5,923 |
| Total current assets | 1,017,858 | 949,080 |
| Property and Equipment, at cost | | |
| Equipment | 4,021,922 | 2,547,001 |
| Network equipment in progress of installation | 385,054 | 258,326 |
| | 4,406,976 | 2,805,327 |
| Less accumulated depreciation | 1,167,782 | 412,956 |
| | 3,239,194 | 2,392,371 |
| Software, net of amortization | 760,856 | 145,042 |
| Intangible assets, net of amortization | 55,080 | 2,215,593 |
| Total assets | $ 5,072,988 | $ 5,702,086 |
| Liabilities and Stockholders' Equity | | |
| Current Liabilities | | |
| Note payable to bank | $ - | $ 407,346 |
| Accounts payable | 742,309 | 190,221 |
| Accrued salaries | 26,873 | 146,324 |
| Other accrued expenses - network equipment | 185,031 | - |
| Other accrued expenses | 142,328 | 112,083 |
| Deferred revenue | 148,812 | 46,561 |
| Total current liabilities | 1,245,353 | 902,535 |
| Other Long Term Liabilities | | |
| Asset Retirement Obligation | 225,960 | - |
| Total liabilities | 1,471,313 | 902,535 |
| Preferred stock - Series A, cumulative, par value $.001; 500,000 shares authorized; 213,417 shares issued and outstanding; dividend rate of $0.025 per share per quarter commencing March 2004; liquidation preference of $1 per outstanding share cash payment | 293,449 | 272,107 |
| Stockholders' Equity | | |
| Common stock - par value $.001; 50,000,000 shares authorized; issued and outstanding 2006 - 25,054,676 shares, 2005 - 20,092,950 shares | 25,055 | 20,089 |
| Additional paid-in capital | 20,768,645 | 15,063,814 |
| Treasury stock, at cost, common; 2006 - 90,000 shares, 2005 - 0 shares | (90,000) | - |
| Deferred compensation | (261,600) | (631,176) |
| Retained deficit | (17,133,874) | (9,925,283) |

| | 2006 | 2005 |
|---|---|---|
| Total stockholders' equity | 3,308,226 | 4,527,444 |
| Total liabilities and stockholders' equity | $ 5,072,988 | $ 5,702,086 |

See Notes to Consolidated Financial Statements

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# SIRICOMM, INC.
# CONSOLIDATED STATEMENTS OF OPERATIONS
# YEARS ENDED SEPTEMBER 30, 2006 AND 2005

| | 2006 | 2005 |
|---|---|---|
| Revenues | $ 1,057,545 | $ 193,741 |
| Operating Expenses: | | |
| General and administrative | 2,236,919 | 1,180,685 |
| Salaries | 1,631,762 | 1,112,889 |
| Satellite access fees | 999,695 | 383,935 |
| Impairment loss | 1,729,223 | - |
| Depreciation and amortization | 1,278,302 | 752,477 |
| Total operating expenses | 7,875,901 | 3,429,986 |
| Operating loss | (6,818,356) | (3,236,245) |
| Other Income (Expense) | | |
| Interest income | 76,524 | 22,570 |
| Interest expense | (451,032) | (26,593) |
| | (374,508) | (4,023) |
| Net loss before cumulative effect of accounting change | (7,192,864) | (3,240,268) |
| Cumulative effect of accounting change | (15,727) | - |
| Net loss | $ (7,208,591) | $ (3,240,268) |
| Add: Dividends declared on preferred stock | (21,342) | (21,342) |
| Loss available to common shareholders | $ (7,229,933) | $ (3,261,610) |
| Net loss per share, basic and diluted | $ (0.31) | $ (0.18) |
| Weighted average shares, basic and diluted | 23,269,299 | 18,407,888 |

See Notes to Consolidated Financial Statements

# SIRICOMM, INC.
# CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

| | Common Stock | | Additional Paid-in Capital | Deferred Compensation | Accumulated Deficit | Treasury Stock | Total |
|---|---|---|---|---|---|---|---|
| | Shares | Amount | | | | | |
| Balance, September 30, 2004 | 16,255,650 | $ 16,252 | $ 8,379,044 | $ (722,016) | $ (6,685,015) | $ - | $ 988,265 |
| Stock and warrants issued for services | 2,062,000 | 2,062 | 3,996,050 | (210,000) | - | - | 3,788,112 |
| Stock options and warrants exercised | 121,800 | 122 | 206,678 | - | - | - | 206,800 |
| Proceeds from stock issuance | - | | | | | | |
| - net of consideration of $191,379 | 1,653,500 | 1,653 | 2,446,718 | 2,448,371 | | | |
| Vesting of deferred compensation | 300,840 | 300,840 | | | | | |
| Proceeds from issuance of warrants | 56,666 | 56,666 | | | | | |
| Accrued dividends | - | - | (21,342) | - | - | - | (21,342) |
| Net loss for the period | - | - | - | - | (3,240,268) | - | (3,240,268) |
| Balance, September 30, 2005 | 20,092,950 | $ 20,089 | $ 15,063,814 | $ (631,176) | $ (9,925,283) | $ - | $ 4,527,444 |
| Balance, September 30, 2005 | 20,092,950 | $ 20,089 | $ 15,063,814 | $ (631,176) | $ (9,925,283) | $ - | $ 4,527,444 |
| Treasury stock purchased, 90,000 shares | - | - | - | - | - | (90,000) | (90,000) |
| Imputed discount on convertible debt issued | - | - | 76,271 | - | - | - | 76,271 |
| Stock and warrants issued for services | 115,000 | 115 | 184,701 | - | - | - | 184,816 |
| Exercise of options and warrants | 154,463 | 155 | 106,959 | - | - | - | 107,114 |
| Proceeds from stock issue on Feb 8, 2006 net of issue costs of $403,285 | 4,253,478 | 4,257 | 4,483,958 | - | - | - | 4,488,215 |
| Conversion of debt to equity | 438,785 | 439 | 504,164 | - | - | - | 504,603 |
| Fair value of beneficial conversion option and warrants associated with convertible debt | - | - | 344,620 | - | - | - | 344,620 |
| Recognition of warrants earned for software received | - | - | - | 92,000 | - | - | 92,000 |
| Vesting of deferred compensation | - | - | - | 159,576 | - | - | 159,576 |
| Vesting of warrants earned based on network site installations | - | - | 25,500 | 118,000 | - | - | 143,500 |
| Accrued dividends | - | - | (21,342) | - | - | - | (21,342) |
| Net loss for the period | - | - | - | - | (7,208,591) | - | (7,208,591) |
| Balance, September 30, 2006 | 25,054,676 | $ 25,055 | $ 20,768,645 | $ (261,600) | $ (17,133,874) | $ (90,000) | $ 3,308,226 |

See Notes to Consolidated Financial Statements

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# SIRICOMM, INC.
# CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED SEPTEMBER 30, 2006 AND 2005

| | 2006 | 2005 |
|---|---|---|
| Operating Activities | | |
| Net loss | $ (7,208,591) | $ (3,240,268) |
| Items not requiring cash | | |
| Depreciation and amortization | 1,278,302 | 752,477 |
| Write-off imputed discount upon debt conversion | 76,271 | - |
| Fair value of beneficial conversion option and warrants associated with convertible debt | 344,620 | - |
| Stock-based compensation for services | 184,816 | 106,313 |
| Recognition of deferred compensation | 159,576 | 300,840 |
| Change in accounting principle | 15,727 | |
| Accretion | 4,606 | |
| Bandwidth impairment loss | 1,729,223 | |
| Changes in | - | |
| Current assets | (31,928) | (730) |
| Accounts payable | 552,088 | 139,405 |
| Accrued expenses | 100,428 | (56,646) |
| Deferred revenues | 102,251 | 46,561 |
| Net cash flows used in operating activities | (2,692,611) | (1,952,048) |
| Investing Activities | | |
| Software development costs capitalized | (529,743) | (130,274) |
| Purchase of furniture and equipment | (1,338,779) | (977,690) |
| Net cash flows used in investing activities | (1,868,522) | (1,107,964) |
| Financing Activities | | |
| Borrowings under line of credit, net | (407,346) | 285,346 |
| Repayments of notes payable | - | (25,000) |
| Proceeds from related party note | 500,000 | - |
| Purchase of treasury stock | (90,000) | - |
| Proceeds from exercise of stock options and warrants | 81,614 | 206,800 |
| Proceeds from issuance of warrants | - | 56,666 |
| Proceeds from sale of common stock | 4,488,215 | 2,448,371 |
| Net cash flows provided by financing activities | 4,572,483 | 2,972,183 |
| Increase in cash and cash equivalents | 11,350 | (87,829) |
| Cash and cash equivalents, beginning of year | 931,787 | 1,019,616 |
| Cash and cash equivalents, end of year | $ 943,137 | $ 931,787 |
| Supplemental Cash Flows Information | | |
| Cash paid for interest | $ 30,141 | $ 28,282 |
| Fixed asset purchases in accrued expenses at year end | $ 185,031 | - |
| Stock and warrants issued in exchange for services and equipment | $ 25,500 | $ 3,590,000 |
| Stock options issued in exchange for prepaid consulting services | - | $ 91,800 |
| Accrued dividends for Series A preferred stock | $ 21,342 | $ 21,342 |
| Imputed discount for warrants issued with convertible debt | $ 76,271 | - |
| Conversion of debt to equity | $ 504,603 | - |
| Recognition of warrants earned for software received | $ 92,000 | - |

| | 2006 | 2005 |
|---|---|---|
| Recognition of warrants earned for network site installations | $ 143,500 | - |

See Notes to Consolidated Financial Statements

**SiriCOMM, Inc.**

**Notes to Consolidated Financial Statements**

**September 30, 2006 and 2005**

**Note 1: Nature of Operations and Summary of Significant Accounting Policies**

***Nature of Operations***

SiriCOMM, Inc.- Missouri (the Company ), incorporated in the State of Missouri on April 24, 2000, ( SiriCOMM Missouri ) has developed broadband wireless application service technologies intended for use in the transportation industries.

As part of the transaction treated as a reverse merger on November 21, 2002, SiriCOMM, Inc (f/k/a Fountain Pharmaceuticals, Inc.), a Delaware corporation (the Company or SiriCOMM ) completed the acquisition of all the issued and outstanding shares of SiriCOMM, Inc,- a Missouri corporation ( SiriCOMM Missouri ). An aggregate 9,622,562 shares of common stock were issued to SiriCOMM Missouri shareholders. Furthermore, the Company issued 1,922,000 shares to retire $1,000,000 of convertible notes issued by SiriCOMM Missouri.

The Company commenced its initial product offering of internet access in October 2004 and began revenue generation in December 2004. As the Company is providing services to customers, it no longer considers itself in the development stage.

SiriCOMM Digital Media Group, Inc. was incorporated June 21, 2006 in the state of Delaware. This corporation was formed in anticipation of offering multimedia services via our hot spots. To date, the corporation has not commenced operations.

***Principles of Consolidation***

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries: SiriComm Missouri and SiriComm Digital Media, Inc. All significant intercompany accounts and transactions have been eliminated in consolidation.

***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 could differ from those estimates.

***Cash and Cash Equivalents***

The Company considers all liquid investments with original maturities of three months or less to be cash equivalents. At September 30, 2006 and 2005, cash equivalents consisted primarily of money market accounts with banking institutions. Approximately $700,000 was held in two institutions in excess of federally insured limits as of September 30, 2006.

## SiriCOMM, Inc.

**Notes to Consolidated Financial Statements**

**September 30, 2006 and 2005**

***Accounts Receivable***

Accounts receivable are stated at the amount billed to customers. The Company provides an allowance for doubtful accounts if deemed necessary, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Accounts receivable are ordinarily due 30 days after the issuance of the invoice. Accounts past due more than 120 days are considered delinquent. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer.

***Property and Equipment***

Property and equipment are depreciated over the estimated useful life of each asset. Annual depreciation is primarily computed using straight-line methods.

| **Description** | **Assigned Lives** |
|---|---|
| Equipment | 3-5 years |

***Software***

Costs associated with the planning and design phase of software development, including coding and testing activities necessary to establish technological feasibility, are classified as research and development and expensed as incurred. Once technological feasibility has been determined, costs incurred, including coding, testing and product quality assurance, are capitalized.

Amortization is provided using the straight-line method over the estimated economic life of the software. Amortization commences when a product is available for general resale to customers. Unamortized capitalized costs determined to be in excess of the net realizable value of a product are expensed at the date of such determination. The Company has yet to amortize capitalized costs associated with internally developed software. Amortization expense for software acquired externally was $12,568 and $6,638 for 2006 and 2005, respectively.

***Intangible Assets***

The costs of licenses and satellite bandwidth access acquired are amortized over the estimated useful life of each asset. Annual amortization is computed using the straight-line method.

***Income Taxes***

Deferred tax assets and liabilities are recognized for the tax effects of differences between the financial statement and tax bases of assets and liabilities. A valuation allowance is established to reduce deferred tax assets if it is more likely than not that a deferred tax asset will not be realized. The Company files consolidated income tax returns with its subsidiaries.

***Preferred Stock     Redeemable and Convertible***

The Company authorized 500,000 shares of Series A Cumulative Convertible Preferred Stock (the "Series A Preferred Stock"), par value of $.001 per share, during fiscal year 2004. The shares may be converted to fully-paid and non-assessable shares of Common Stock at the option of the holder at $2.00 per share. The Series A Preferred Stock are redeemable at the option of the holder at any time after December 10, 2006 a redemption price equal to 110% of the stated value, plus an amount per share equal to all accrued and unpaid dividends.

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## SiriCOMM, Inc.

**Notes to Consolidated Financial Statements**

**September 30, 2006 and 2005**

Cumulative preferred dividends in arrears for 2006 and 2005 were $58,690 and $37,348, respectively.

In December 2003, the Company issued an aggregate of 213,417 shares of its Series A Preferred Stock pursuant to the conversion of an aggregate of $200,000 of debt due by the Company.

***Revenue Recognition***

Revenue from the sale of the Company's internet services are recognized ratably based on customer subscription rates and terms. Although Company management has the discretion to provide refunds due to customer cancellations, payments for internet services are generally non-refundable.

***Advertising***

The Company incurred advertising expenses of $78,516 and $41,612 during 2006 and 2005, respectively.

***Net Loss Per Share***

Net loss per share represents the net loss available to common stockholders divided by the weighted average number of common shares outstanding during the year. Diluted earnings per share reflect the potential dilution which could occur if convertible preferred stock, warrants and stock options were converted into common stock. Diluted net loss per share is considered to be the same as basic net loss per share since the effect of the issuance of common stock associated with the convertible stock, warrants and stock options is anti-dilutive.

***Equity Incentive Plan***

At September 30, 2006, the Company has a stock-based equity incentive plan, which is described more fully in Note 8. The Company accounts for this plan under the recognition and measurement principles of APB Opinion No. 25, Accounting for Stock Issued to Employees, and related Interpretations. No stock-based employee compensation cost is reflected in net income, as all options granted under this plan had an exercise price equal to or greater than the market value of the underlying common stock on the grant date.

**SiriCOMM, Inc.**

**Notes to Consolidated Financial Statements**

**September 30, 2006 and 2005**

The following table illustrates the effect on net loss and earnings per share if the Company had applied the fair value provisions of FASB Statement No. 123, Accounting for Stock-Based Compensation, to stock-based employee compensation.

| | Year Ended September 30 2006 | 2005 |
|---|---|---|
| Net loss as reported | $ (7,208,591) | $ (3,240,268) |
| Less: Total stock-based employee compensation cost determined under the fair value based method, net of income taxes | (61,894) | (131,393) |
| Pro forma net income | $ (7,273,485) | $ (3,371,661) |
| Earnings (loss) per share: | | |
| Basic and diluted - as reported | $ (0.31) | $ (0.18) |
| Basic and diluted - pro forma | $ (0.31) | $ (0.18) |

***Reclassifications***

Certain reclassifications have been made to the 2005 financial statements to conform to the 2006 financial statement presentation. These reclassifications had no effect on net earnings.

**Note 2: Management s Consideration of Going Concern Matters**

The Company has incurred losses and negative operating cash flows for several years. The financial statements have been prepared using the going concern basis of accounting. This basis assumes realization of assets and liquidation of liabilities in the ordinary course of business. Since its inception, SiriCOMM has financed its activities primarily from short term loans and the placement of private equity. SiriCOMM has completed all of the 400 sites which were part of its initial network. The Company commenced selling its InTouch internet access in December 2004.

In order to enhance its product offerings, the Company requires funding to continue to build additional sites, develop additional applications and provide working capital. The Company is pursuing financing and additional equity investment, however, there can be no assurances that the Company will be able to raise the additional financing necessary. Although not currently planned, realization of assets in other than the ordinary course of business in order to meet liquidity needs could incur losses not reflected in these financial statements.

**Note 3: Intangible Assets**

Long-lived assets to be held and used are reviewed for impairment at each balance sheet date, or whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. If an indication exists that assets may have suffered an impairment loss, the recoverable amount of the asset is estimated in order to determine the extent of the loss (if any). Determination of recoverability and measurement of an impairment loss for assets management expects to hold and use is based on the fair value of the asset.

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**SiriCOMM, Inc.**

**Notes to Consolidated Financial Statements**

**September 30, 2006 and 2005**

During the fourth quarter, 2006, we determined our intangible asset relating to a contract for prepaid bandwidth may be subject to impairment, due to declining market prices. We compared the cost allocated to the prepaid asset with the cost to purchase bandwidth on the open market and concluded the carrying value of the asset should be reduced to zero and an impairment loss of $1,729,223 recognized as an expense.

The carrying basis and accumulated amortization of recognized intangible assets at September 30, 2006 and 2005 are noted below.

| | 2006 | | 2005 | |
|---|---|---|---|---|
| | **Gross Carrying Amount** | **Accumulated Amortization** | **Gross Carrying Amount** | **Accumulated Amortization** |
| Amortized intangible assets | | | | |
| License to operate hubs | $ 91,800 | $ 36,720 | $ 91,800 | $ 18,360 |
| Bandwidth access | | | 2,520,180 | 378,027 |
| | $ 91,800 | $ 36,720 | $ 2,611,980 | $ 396,387 |

Amortization expense of intangible assets for the years ended December 31, 2006 and 2005 was $531,740 and $396,387, respectively. Estimated amortization expense for each of the remaining three years is:

| | |
|---|---|
| 2007 | $ 18,360 |
| 2008 | 18,360 |
| 2009 | 18,360 |

**Note 4: Line of Credit**

During 2006, the Company closed a line of credit with Southwest Missouri Bank for the purchase of network infrastructure equipment. This note was 80% guaranteed by the US Department of Agriculture and secured by network equipment. This note was further personally guaranteed by SiriCOMM s majority shareholder. The note was a demand note, with monthly payments of accrued interest at an initial rate of 5.5% on the guaranteed portion and 7.0% on the unguaranteed portion plus monthly principal payments of $2,358. Also during 2006, the Company obtained a six month line of credit with Liberty Bank in the amount of $500,000. This note was secured by a certificate of deposit held at Liberty Bank. The note required monthly payments of accrued interest at a rate of 5.25% with payment in full due at the end of the six month term. As of September 30, 2006, this note had matured and the line of credit had been closed.

As of September 30, 2005, the weighted average interest rate on the Company s lines of credit was 5.8%.

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**SiriCOMM, Inc.**

**Notes to Consolidated Financial Statements**

**September 30, 2006 and 2005**

**Note 5: Stockholders Equity**

***Common Stock***

On December 21, 2005, the Company entered into a loan agreement with Sunflower Capital, LLC ( Sunflower ). Sunflower is managed by William P. Moore, a member of the Company s Board of Directors, Audit Committee, Compensation Committee and Executive Committee. The loan was in the principal amount of $500,000 and was evidenced by a Convertible Promissory Note due July 1, 2006. As consideration for Sunflower making the loan, the Company issued to Sunflower a warrant to purchase 200,000 shares of the Company s common stock at $1.26 per share. Upon the closing of the private placement described below the note converted into 438,785 common shares at the rate of $1.15 per unit, and an equivalent number of warrants.

The Company consummated a private placement during 2006 whereby the Company issued 4,692,263 common shares and certain warrants to purchase additional shares. The net proceeds from this placement were $4,992,818. As part of the placement, Sunflower Capital purchased an aggregate of 1,764,872 units, which consisted of a new investment of $1,525,000 and the conversion of the note discussed above.

Also during 2006, 115,000 common shares were issued for various services provided. The total equity value recorded based on these transactions was $184,816.

154,463 warrants and options were exercised in 2006, resulting in total equity recorded of $107,114.

The Company consummated a private placement during 2005 whereby the Company issued 319,000 common shares and certain warrants to purchase additional shares. The net proceeds from this placement were $550,580.

During 2005, the Company consummated the private sale of common stock with Sunflower whereby 1,066,667 shares and a like number of warrants were issued to Sunflower for $1,600,000.

During 2005, the Company received funds from the private sale of its securities to ten investors, including Sunflower. The Company received $401,750 for issuing 267,833 common shares and certain warrants to purchase additional shares.

Additional payments were made for fees associated with the above placements in the amount of $103,959. The fees were recorded as a reduction to the proceeds in Additional Paid in Capital.

During 2005, the Company entered into a network installation agreement with Sat-Net Communications, Inc. ("Sat-Net"). Pursuant to the agreement, the Company issued to Sat-Net 2,000,000 shares of its common stock and 1,000,000 common stock purchase warrants exercisable for a period of three years at a price of $2.00 per share. The value of the transaction resulted in $3,590,000 in equity being recorded.

Also during 2005, 62,000 common shares were issued for various services provided. The total equity value recorded based on these transactions was $106,312.

**SiriCOMM, Inc.**

**Notes to Consolidated Financial Statements**

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The Company issued an aggregate of 388,961 shares to individuals to convert $388,961 of debt to equity. Among the investors converting their debt was Terry W. Thompson, a director of the Company, who converted $50,600 of debt to common stock. Additionally, the Company issued 40,610 shares to the Company s SEC counsel as payment for $44,000 of legal services rendered to the Company.

***Additional Paid in Capital***

During 2006, an additional $344,620 was recorded due to the beneficial conversion option associated with the conversion of the Sunflower note in the private placement previously described.

During 2005, the Company received $56,666 from William P. Moore, a director, in exchange for warrants to purchase common stock at a future date.

Pursuant to an agreement entered into during 2005, the Company recorded $25,500 and $91,800 in 2006 and 2005, respectively, for the value of options granted as payment for a 5-year license agreement.

***Deferred Compensation***

During 2006, the Company recognized $210,000 of deferred compensation which had been recorded in 2005 in association with the Sat-Net agreement discussed above to account for the value of warrants not vested at the time of issuance.

During 2004, the Company entered into a consulting agreement with Gunner Investments, Inc. for the issuance of 436,000 shares whereby 87,200 shares can be realized annually upon meeting certain performance measurements over a 5-year period. As of September 30, 2006 and 2005, 174,400 and 261,600 shares, respectively, were outstanding but potentially forfeitable if performance measures are not met by the consultant. As of September 30, 2006and 2005, the Company has recorded a deferred compensation in the amount of $261,600 and $421,176 respectively, against equity to account for the potentially forfeitable shares. $159,576 of equity was realized to account for the 87,200 shares that vested during 2006.

***Non-Employee Warrants and Options***

The Company issued non-employee warrants and options during 2006and 2005 for various purposes, including completion of consulting arrangements, private placements, and installation of network assets. Exercise dates of all non-employee warrants and options range from November 2006 to December 2013. A summary of the non-employee warrants and options activity for the years ended September 30, 2006 and 2005 is presented below.

**SiriCOMM, Inc.**

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**September 30, 2006 and 2005**

| | 2006 | | 2005 | |
|---|---|---|---|---|
| | **Warrants** | **Weighted-Average Exercise Price** | **Warrants** | **Weighted-Average Exercise Price** |
| Outstanding, beginning of year | 6,762,573 | $ 2.22 | 3,274,518 | $ 1.89 |
| Granted | 5,376,876 | $ 1.53 | 3,600,855 | $ 2.50 |
| Exercised | (114,800) | $ .59 | (112,800) | $ 1.75 |
| Outstanding, end of year | 12,024,649 | $ 1.93 | 6,762,573 | $ 2.22 |

The following table summarizes information about non-employee warrants and options outstanding at September 30, 2006:

Warrants and Options Outstanding

| Range of Exercise Prices | Number Outstanding | Weighted-Average Remaining Contractual Life | Weighted Average Exercise Price |
|---|---|---|---|
| $.50 - $1.45 | 848,513 | 3.2 years | $.93 |
| $1.50 - $2.00 | 8,343,245 | 2.8 years | $1.70 |
| $2.40 - $2.50 | 1,796,400 | 3.4 years | $2.48 |
| $3.00 - $4.00 | 699,455 | 2.9 years | $3.16 |
| $4.50 - $4.75 | 337,036 | 2.1 years | $4.56 |

**Note 6: Operating Leases**

During 2006, the Company entered into two lease agreements for office space: 5,490 square feet in Joplin, Missouri and 2,472 square feet in Kansas City, Missouri. The Company also entered into an license agreement to use an office suite in Overland Park, Kansas. The lease agreements are both for three year periods and the license agreement is for a 13 month period. Rent expense for 2006 and 2005 was $29,704 and $14,900, respectively.

**SiriCOMM, Inc.**

**Notes to Consolidated Financial Statements**

**September 30, 2006 and 2005**

Our obligations over the next five years are as follows:

| | Operating Leases and Commitments |
|---|---|
| FY2007 | $ 75,368 |
| FY2008 | $ 65,039 |
| FY2009 | $ 25,400 |
| FY2010 | |
| FY2011 | |
| Total Commitments | $165,807 |

**Note 7: Income Taxes**

The provision for income taxes includes these components:

| | 2006 | 2005 |
|---|---|---|
| Taxes currently payable | | |
| Deferred income taxes | | |
| Income tax expense (benefit) | $ 0 | $ 0 |

A reconciliation of income tax expense at the statutory rate to the Company s actual income tax expense is shown below:

| | 2006 | 2005 |
|---|---|---|
| Computed at the statutory rate (34%) | $ (2,450,921) | $ (1,101,691) |
| Increase (decrease) resulting from | | |
| Nondeductible expenses | 465,237 | 72,114 |
| State income taxes | (229,081) | (106,663) |
| Changes in the deferred tax asset valuation allowance | 2,214,765 | 1,136,240 |
| Actual tax expense (benefit) | $ 0 | $ 0 |

**SiriCOMM, Inc.**

**Notes to Consolidated Financial Statements**

**September 30, 2006 and 2005**

The tax effects of temporary differences related to deferred taxes shown on the balance sheets were:

| | 2006 | 2005 |
|---|---|---|
| Deferred tax assets | | |
| Stock-based compensation and loan costs | $ | $ 385,842 |
| Accrued salaries | | 44,520 |
| Start-up costs | 112,796 | 111,686 |
| Net operating loss carryforwards | 4,411,694 | 2,355,235 |
| Stock based bandwidth expenses | 95,877 | |
| Impairment of prepaid bandwidth | 605,228 | |
| Other | 7,465 | 17,322 |
| | 5,233,060 | 2,914,605 |
| Deferred tax liabilities | | |
| Depreciation | (250,907) | (64,416) |
| Stock-based bandwidth expenses | | (82,801) |
| Software development costs | (43,713) | (43,713) |
| Network installation expenses | (71,697) | (71,697) |
| | (366,317) | (262,627) |
| Net deferred tax asset (liability) before valuation allowance | 4,866,743 | 2,651,978 |
| Valuation allowance | | |
| Beginning balance | 2,651,978 | 1,515,738 |
| Increase during the period | 2,214,765 | 1,136,240 |
| Ending balance | 4,866,743 | 2,651,978 |
| Net deferred tax asset (liability) | $ 0 | $ 0 |

The Company also has unused tax operating loss carryforwards of approximately $12,600,000 which expire between 2023 - 2026.

**Note 8: Equity Incentive Plan**

***Stock Option Plan***

The Company has adopted a stock option plan under which the Company may grant options that vest immediately to its employees for up to 3,000,000 shares of common stock. Pursuant to the stock option plan, the Company may issue to eligible persons, stock options, stock appreciation rights, restricted stock performance awards and bonus stock until May 15, 2012. The exercise price

SIRICOMM, INC. CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED SEPTEMBER 30, 2006 AN

**SiriCOMM, Inc.**

**Notes to Consolidated Financial Statements**

**September 30, 2006 and 2005**

of each qualified incentive option is greater than or equal to the fair value of the Company s stock on the date of grant. The Company may issue non-qualified options at any price the Board of Directors deems fair. An option s maximum term is 10 years.

A summary of the status of the plan at September 30, 2006 and 2005 and changes during the years then ended is presented below:

| | 2006 | | 2005 | |
|---|---|---|---|---|
| | **Shares** | **Weighted-Average Exercise Price** | **Shares** | **Weighted-Average Exercise Price** |
| Outstanding, beginning of year | 423,500 | $ 1.84 | 306,500 | $ 1.89 |
| Granted | 175,000 | $ 1.25 | 136,000 | $ 1.84 |
| Exercised | 69,000 | $ 1.01 | (9,000) | $ 1.00 |
| Forfeited | 142,500 | $ 2.35 | (10,000) | $ 4.05 |
| Outstanding, end of year | 387,000 | $ 1.53 | 423,500 | $ 1.84 |
| Options exercisable, end of year | 381,000 | $ 1.54 | 418,000 | $ 1.83 |

The fair value of options granted is estimated on the date of the grant using the fair value based method (tri-nomial model) with the following weighted-average assumptions:

| | **2006** | **2005** |
|---|---|---|
| Dividend per share | $ 0 | $ 0 |
| Risk-free interest rate | 2-5% | 2-5% |
| Expected life of options | 1-6 years | 1-6 years |
| Expected volatility | 75% | 75% |
| Weighted-average fair value of options granted during the year (less options both granted and expired in the same year) | $0.44 | $0.78 |

**SiriCOMM, Inc.**

**Notes to Consolidated Financial Statements**

**September 30, 2006 and 2005**

The following table summarizes information about stock options under the plan outstanding at September 30, 2006:

| | Options Outstanding | | | Options Exercisable | |
|---|---|---|---|---|---|
| Range of Exercise Prices | Number Outstanding | Weighted-Average Remaining Contractual Life | Weighted-Average Exercise Price | Number Exercisable | Weighted-Average Exercise Price |
| $.97 | 75,000 | 4.9 years | .97 | 75,000 | $.97 |
| $1.00 1.90 | 267,000 | 7.1 years | 1.26 | 261,000 | $1.26 |
| $4.05 4.50 | 45,000 | 4.6 years | 4.15 | 45,000 | $4.15 |

**Note 9: Related Party Transactions**

As described in Note 5, Sunflower Capital, LLC, purchased certain common stock and warrants of the Company during 2006 and 2005. William P. Moore, managing member of Sunflower, is a member of the Company s Board of Directors, Audit Committee, Compensation Committee and Executive Committee.

**Note 10: Disclosures About Fair Value of Financial Instruments**

The following methods were used to estimate the fair value of financial instruments.

The fair values of certain of these instruments were calculated by discounting expected cash flows, which method involves significant judgments by management and uncertainties. Fair value is the estimated amount at which financial assets or liabilities could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Because no market exists for certain of these financial instruments and because management does not intend to sell these financial instruments, the Company does not know whether the fair values shown below represent values at which the respective financial instruments could be sold individually or in the aggregate.

***Notes Payable and Long-term Debt***

Fair value is estimated based on the borrowing rates currently available to the Company for bank loans with similar terms and maturities.

The following table presents estimated fair values of the Company s financial instruments at September 30, 2006 and 2005.

| | **2006** | | **2005** | |
|---|---|---|---|---|
| | **Carrying Amount** | **Fair Value** | **Carrying Amount** | **Fair Value** |
| Financial assets | | | | |
| Cash and cash equivalents | $943,137 | $943,137 | $931,787 | $931,787 |
| Financial liabilities | | | | |

## SiriCOMM, Inc.

**Notes to Consolidated Financial Statements**

**September 30, 2006 and 2005**

| | | | | |
|---|---|---|---|---|
| Notes payable and long-term debt | $ | $ | $407,346 | $407,346 |

**Significant Estimates and Concentrations**

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

***Asset Retirement Obligations***

The Company has recorded an estimated liability for the fair value of expected cash flows required to reclaim certain property after network sites are no longer in use. Actual costs associated with the harvesting of these sites may be materially different from the estimated costs accrued.

***Equity Incentive Plan***

The Company accounts for compensation costs associated with stock options and warrants issued to non-employees using the fair-value based method prescribed by Financial Accounting Standard No. 123 Accounting for Stock-Based Compensation. The Company uses a trinomial options-pricing model to determine the fair value of these instruments as well as to determine the values of options granted to certain lenders by the principal stockholder. The weighted-average assumptions in determining fair value for both 2006 and 2005 are further outlined in Note 8.

**Note 11: Commitments**

***Employment agreements***

During 2006, the Company had four executive employee agreements with certain officers and directors. At year end, two agreements obligate the Company to pay aggregate compensation of $425,000 annually through August 2008. Two agreements, which were subsequently terminated and described in Note 13, obligated the Company to pay aggregate compensation of $250,000 through 2007.

**Note 12: Subsequent Events**

Subsequent to year end, the Board of Directors gave notice to two Officers that the Company was not renewing their employment agreements. These Officers have remained employees of the Company.

On October 2, 2006, SiriCOMM entered into a consulting agreement with IRG whereby SiriCOMM agreed to issue IRG an aggregate of 300,000 shares in 25,000 share installments commencing October 15, 2006, and 25,000 shares a month for the next 11 months. Through November 17, 2006, the Company has issued 50,000 shares to IRG under this Agreement.

In addition, SiriCOMM, pursuant to the consulting agreement agreed to issue IRG 200,000

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**SiriCOMM, Inc.**

**Notes to Consolidated Financial Statements**

**September 30, 2006 and 2005**

common stock purchase warrants exercisable at $1.50. These warrants are expected to be issued on or about January 3, 2007.

On October 3, 2006, SiriCOMM entered into a separate consulting agreement with IRG, whereby SiriCOMM agreed to issue IRG 328,143 common stock purchase warrants exercisable at $1.00 per share.

On October 16, 2006, SiriCOMM issued 30,000 shares of its common stock to MarketSphere Consulting, Inc. for services rendered to the Company.

On November 6, 2006, the Company s Board of Directors authorized a one-year extension of the expiration date of each of the Company s issued and outstanding warrants.

**Note 13: Asset Retirement Obligation and Change in Accounting Principle**

The Company changed its method of accounting for asset retirement obligations in accordance with FASB Interpretation No. 47, Accounting for Conditional Asset Retirement Obligations. Interpretation No. 47 requires the Company to recognize an asset retirement obligation associated with the retirement of a tangible long-lived asset in the period incurred if a reasonable estimate of a fair value can be made. The associated asset retirement costs are capitalized as a part of the carrying amount of the long-lived asset. The cumulative effect of the change on prior years resulted in a charge to income of $15,727, which is included in income for the year ended September 30, 2006. The effect of the change on the year ended September 30, 2006 was to decrease income before the cumulative effect of the accounting change by $26,588. The pro forma effects of the application of Interpretation No. 47 as if the Statement had been adopted at the beginning of 2005 (rather than 2006) are presented below.

| | **2006** | **2005** |
|---|---|---|
| Net loss before cumulative effect of accounting change | $ (7,192,864) | $ (3,252,402) |

The Company is contractually required to harvest equipment from access sites after the sites are no longer in use. The Company recognized the fair value of the asset retirement obligation and capitalized that cost into the cost of equipment. These costs are depreciated on the straight line basis over the estimated life of the equipment.

The pro forma asset retirement obligation liability balances as if Interpretation No. 47 had been adopted on October 1, 2005 (rather than September 30, 2006) are at follows:

| | **2006** | **2005** |
|---|---|---|
| Pro Forma Amounts of Liability for Asset Retirement | | |

| | 2006 | 2005 |
|---|---|---|
| Obligation, Beginning of Year | $ 107,534 | $ 35,926 |
| Pro Forma Amounts of Liability for Asset Retirement Obligation, End of Year | $ 225,960 | $ 107,534 |

| | |
|---|---|
| October 1, 2005 balance upon adoption of FASB Interpretation 47 | $ 107,534 |
| Liabilities incurred | 113,820 |
| Accretion expense | 4,606 |
| Asset Retirement Obligation, September 30, 2006 | $ 225,960 |

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**SiriCOMM, Inc.**

**Notes to Consolidated Financial Statements**

**September 30, 2006 and 2005**

**Note 14: Future Change in Accounting Principle**

On December 16, 2004, the Financial Accounting Standards Board (FASB) issued FASB Statement No. 123 (revised 2004), *Share-Based Payment,* which is a revision of FASB Statement No. 123, *Accounting for Stock-Based Compensation.* Statement 123(R) supersedes APB Opinion No. 25, *Accounting for Stock Issued to Employees*, and amends FASB Statement No. 95*, Statement of Cash Flows.*

The approach to accounting for share-based payments in Statement 123(R) is similar to the approach described in Statement 123. However, Statement 123(R) *requires* all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values and no longer allows pro forma disclosure as an alternative to financial statement recognition. The Company will be required to adopt Statement 123(R) at the beginning of the first interim or annual reporting period of the first fiscal year beginning after December 15, 2005. Management has estimated that the application of this Statement will not have a material impact on the Company s financial statements.

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