

Board of Directors
Phyllis Cook, President
Loring Barr, Vice-President
Arlie Funk, Secretary
Glen Bradfield, Treasurer
Victoria Dyer
Harold Michael
Gerald Smith
Ervin Wilkins, Jr.
Greg Zirk
Jack Walters, Attorney

AUGUST 2009

Hardy Telecommunications Management and Key Support Staff Biographies

KEY MANAGEMENT STAFF:

Scott Sherman

- *Title:* **General Manager**
- *Tenure w/ Hardy Telecommunications:* **2 Years 4 Months**
- *Tenure in Current Position:* **8 Months** (Joined Hardy as Asst. General Manager)
- *Basic Description of Job Duties:* **Overall responsibility for the management of the company and its subsidiaries. Provide operational, tactical, and strategic guidance to the organization. Report to an elected board of directors.**
- *Key Certifications/Training:* **National Telecommunications Cooperative Association Wireless Committee as well as numerous achievements in former position for a company I worked at for 18 years and started after completing BS in Industrial Engineering.**
- *Former Employment:* **General Manager of a large company division for 6 years. Company had annual sales of \$1 billion dollars. I had P&L responsibility for a manufacturing division of the company that had an annual operating budget of \$84 million per year. Developed and managed a project that produced and operated a facility that was highly state-of-the-art for the industry. Left the company on good terms in order to stay close to home to continue to operate the family farm.**

Derek Barr

- *Title:* **Marketing/Human Resource Director**
- *Tenure w/ Hardy Telecommunications:* **4 Years 7 Months**
- *Tenure in Current Position:* **4 Years 7 Months**
- *Basic Description of Job Duties:* **Oversee all Marketing functions of the company, including advertising and public relations. These include designing newspaper, radio, and other advertising, writing press releases, updating company website, designing and printing brochures and membership materials, designing and writing customer and employee newsletters. In Human Resources, oversee the implementation of company policies and procedures, including conducting training, interviewing and hiring.**
- *Key Certifications/Training:* **National Telecommunications Cooperative Association Marketing Committee, NTCA Key Employee of the Year for 2008 (highest individual honor given by NTCA to non-general managers or boards of directors), NTCA TeleChoice First Place Award for Customer Newsletter (2007, 2008, 2009). College grad with degree in Journalism.**

Donald E. Whetzel

- *Title:* **Controller**
- *Tenure w/ Hardy Telecommunications:* **12 Years 9 Months**
- *Tenure in Current Position:* **9 Years 8 Months**
- *Basic Description of Job Duties:* **Manage all Accounting and Financial operations for the Cooperative.**
- *Key Certifications/Training:* **NECA Member Contact, RUS Telephone Accts Association, USAC Member Contact. College graduate w/ degree in Accounting.**

Jeff Sites

- *Title:* **Facilities/Materials/Safety& Risk Manager**
- *Tenure w/ Hardy Telecommunications:* **9 Years 1 Month**
- *Tenure in Current Position:* **8 Years 1 Month**
- *Basic Description of Job Duties:* **Manage all facilities and materials for the Cooperative, as well as purchase all materials. Also handle all risk insurance and programs, as well as safety compliance.**

- *Key Certifications/Training:* **14 Years Energy Supervisor at a previous employer, Master Electrician Certification (29 years) Level II Refrigeration Certification (15 years) Various Safety Certifications, Various Communications Certifications**

Tracey Ratliff

- *Title:* **Customer Services Director**
- *Tenure w/ Hardy Telecommunications:* **11 Years 4 Months**
- *Tenure in Current Position:* **4 Years 10 Months**
- *Basic Description of Job Duties:* **Oversee ILEC and CLEC offices including customer service; manage existing services; evaluate and aid in implementation of new services; regulatory reporting.**
- *Key Certifications/Training:* **Have been in customer service related fields and operations since completing college for 16+ years.**

KEY TECHNICAL, ENGINEERING, AND FIELD STAFF:

Bill Schmidt

- *Title:* **Technology Director and Central Office Supervisor**
- *Tenure w/ Hardy Telecommunications:* **21 Years 2 Months**
- *Tenure in Current Position:* **21 Years 2 Months**
- *Basic Description of Job Duties:* **Monitoring, Maintenance, Troubleshooting, Updating and Engineering of Digital Switch, Fiber Optic Network, Special Circuits, Digital Line Carriers, Key Systems and Plant Records System as well as assist in the above capacity with the Internet/Broadband Network, Wireless Broadband Network and IT Department.**
- *Key Certifications/Training:* **NECA Special Access Training, DR2D Digital Microwave Radio Training, Nortel Norstar MICS & CICS Key System Training**

Matthew Crites

- *Title:* **Outside Plant Manager**
- *Tenure w/ Hardy Telecommunications:* **29 Years 4 Months**
- *Tenure in Current Position:* **8 Years 8 Months**
- *Basic Description of Job Duties:* **Responsible for outside employees that do installations of new subscribers and trouble repairs on existing subscribers. Also responsible for outside contractors or our line crews that build new plant or repair and replace old plant. Responsible for key system installations and repairs.**
- *Key Certifications/Training:* **Completed pole climbing, buried cable fault locating, pay station, co frame wiring, bonding and grounding at Contel School in Lynchburg Va. Alcatel E10-5 digital switch school, Siemens digital switch school on the EWSD, ISDN, CENTREX facilities, and completed The Light Brigade, Fiber Optic Design, Installation & Maintenance Course**

Franklin (Butch) McPherson

- *Title:* **Outside Plant Engineer & Quality**
- *Tenure w/ Hardy Telecommunications:* **10 Years 0 Months**
- *Tenure in Current Position:* **4 Years 7 Months**
- *Basic Description of Job Duties:* **Responsible for engineering and staking of outside plant construction. Obtain right-of-ways and permits for construction. Maintain and update mapping system for all outside plant activities and mapping system. Handle all power and state highways permitting.**
- *Key Certifications/Training:* **Over 40 years in telecommunications with most of it doing outside plant type work and duties including fiber splicing.**

Greg Welch

- *Title:* **Outside Plant Manager – Engineering and Quality**
- *Tenure w/ Hardy Telecommunications:* **21 Years 1 Month**
- *Tenure in Current Position:* **16 Years 1 Month**
- *Basic Description of Job Duties:* **Responsible for all engineering activities related to outside plant (cabling systems). Responsible for outside plant/cable quality and maintenance of all outside plant cabling.**
- *Key Certifications/Training:*

Bobby Armistead

- *Title:* **Projects Manager and Broadband Operations Manager**
- *Tenure w/ Hardy Telecommunications:* **8 Years 1 Month**
- *Tenure in Current Position:* **1 Year 4 Months**
- *Basic Description of Job Duties:* **Administrative & Daily Operational Management for Internet/Broadband/DSL/Internal Networks – New Remote Planning and Project Coordination – backup person for CO – CALEA for Broadband. Monitoring, Troubleshooting, Installing, Turn-up, Testing and Maintenance of Switching and Transmission equipment.**
- *Key Certifications/Training:* **NECA Access Service Request (ASR), NECA Special Access Training, Nortel VOIP Technologies Training, CSSA VOIP Technologies Training, MAPCOM M4 Training, Advanced Fiber Communications UMC 1000 Digital Line Carrier Training, Stromberg Carlson Corp. Digital Central Office Equipment Certifications(DCO), Siemens Digital Central Office Equipment Certifications(EWSD), NTCA Leadership Certifications – Previous to Hardy spent 24 years with Siemens as Field Service Engineer.**

Philip Miller

- *Title:* **Internet Administrator – Core Network & Security**
- *Tenure w/ Hardy Telecommunications:* **9 Years 3 Months**
- *Tenure in Current Position:* **9 Years 3 Months**
- *Basic Description of Job Duties:* **Maintain Core Network, Internet Backbone, Router's, Dial Concentrators, Maintain Switching & Fiber network for Remote Facilities, Customer Support, PC Troubleshooting, Maintain Office PC's & Network**
- *Key Certifications/Training:*

Jimmy Sherman

- *Title:* **Internet Technician**
- *Tenure w/ Hardy Telecommunications:* **5 Years 11 Months**
- *Tenure in Current Position:* **5 Years 11 Months**
- *Basic Description of Job Duties:* **Install and manage all broadband equipment – wireless and DSL, Cisco switches, DSLAMS and modems. Install broadband in customer homes and business. Set up routers and equipment at customer premises. Monitor network security and track abuse. High-end tech support and remove virus and malware from customer computers.**
- *Key Certifications/Training:* **Networking Essentials (MindLeaders), VoIP Technologies**

Steve Poling

- *Title:* **Projects Engineer**
- *Tenure w/ Hardy Telecommunications:* **11 Months**
- *Tenure in Current Position:* **11 Months**
- *Basic Description of Job Duties:* **Research, design, and install wireless broadband and VoIP systems. Currently managing the installation of soft switch for Hardy. Responsible for doing systems and IT programming for various functional areas in the company. Work with all aspects of the broadband and phone networks as well as fiber network.**

- *Key Certifications/Training:* **Have PhD in mechanical engineering and have worked in various labs including the US Hydrogen Energy lab. Currently hold two US patents and numerous published works. Prior to Hardy, spent five years as manufacturing engineer doing robotics programming and PLC programming as well as numerous design and implementation projects.**

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August 5, 2009

Administrator
Rural Utilities Service
U.S. Department of Agriculture
Washington, DC 20250-1500

Assistant Secretary
National Telecommunications and Information Administration
U.S. Department of Commerce
Washington, DC 20230

RE: Hardy Telecommunications, Inc.

Dear Sir:

We are general counsel for Hardy Telecommunications, Inc. In such capacity, we acted as counsel to the Applicant in connection with its ability to apply to the Broadband Initiatives Program and the Broadband Technology Opportunities Program and in the review of the loan/grant combination agreement, as referenced in the Notice of Funds Availability.

We are of the opinion that:

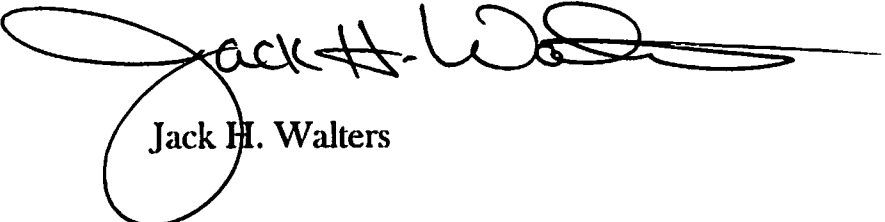
- a) The Applicant is a duly organized and existing Corporation under the laws of the State of West Virginia.
- b) The Applicant has corporate power: (1) to execute and deliver the loan/grant combination agreement; and (2) to perform all acts required to be done by it under said agreement.
- c) No legal proceedings have been instituted or are pending against the Applicant, the outcome of which would adversely affect the Applicant's ability to perform the duties under the loan or loan/grant agreement, or adversely

affect the security to be pledged under the loan agreement, and there are no judgments against the Applicant. There are various liens against some of the Applicant's personal property in favor of the Rural Utilities Service and the Rural Telephone Finance Cooperative only, that might require a lien accommodation so as to not adversely affect the security to be pledged under the loan or loan/agreement; and

- d) The Applicant has the power to own its property and carry out its business as now conducted.

Sincerely yours,

WALTERS, KRAUSKOPF & BAKER



Jack H. Walters

JHW:sm

HARDY TELECOMMUNICATIONS, INC. AND SUBSIDIARY
Lost River, West Virginia

INDEPENDENT AUDITORS' REPORTS
CONSOLIDATED FINANCIAL STATEMENTS
AND
CONSOLIDATING INFORMATION

As of and for the Years Ended
December 31, 2008 and 2007

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Turlington and Company, L.L.P.
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Hardy Telecommunications, Inc. and Subsidiary
Lost River, West Virginia

We have audited the accompanying consolidated balance sheets of Hardy Telecommunications, Inc. and Subsidiary as of December 31, 2008 and 2007, and the related consolidated statements of revenues and expenses, patronage capital, and cash flows for the years then ended. These consolidated financial statements are the responsibility of Hardy Telecommunications, Inc. and Subsidiary's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated 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 Hardy Telecommunications, Inc. and Subsidiary as of December 31, 2008 and 2007, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 13, 2009, on our consideration of Hardy Telecommunications, Inc. and Subsidiary's internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audits.

Turlington and Company, L.L.P.

Lexington, North Carolina
April 13, 2009

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HARDY TELECOMMUNICATIONS, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

	December 31	
	<u>2008</u>	<u>2007</u>
ASSETS		
Current assets:		
Cash and temporary investments	\$ 805,550	\$ 905,533
Accounts receivable (less allowances of \$145,346 and \$63,883, respectively)	565,850	741,752
Materials and supplies	200,723	263,640
Prepayments and deferred charges	72,108	67,282
	<u>1,644,231</u>	<u>1,978,207</u>
Noncurrent assets:		
Investments	1,515,336	1,468,114
Cash value of life insurance		6,999
	<u>1,515,336</u>	<u>1,475,113</u>
Property and equipment:		
Plant in service	29,794,476	28,142,696
Plant under construction	49,172	66,452
	<u>29,843,648</u>	<u>28,209,148</u>
Less, accumulated depreciation	17,794,946	16,122,963
	<u>12,048,702</u>	<u>12,086,185</u>
	<u>\$ 15,208,269</u>	<u>\$ 15,539,505</u>
LIABILITIES AND CAPITALIZATION		
Current liabilities:		
Accounts payable	\$ 190,258	\$ 248,641
Advance billings and payments	302,709	282,519
Current maturities on long-term debt	686,658	629,900
Accrued liabilities	157,375	296,986
	<u>1,337,000</u>	<u>1,458,046</u>
Noncurrent liabilities:		
Long-term debt, less current maturities	6,832,002	7,048,488
Deferred income taxes	57,187	56,791
	<u>6,889,189</u>	<u>7,105,279</u>
	<u>8,226,189</u>	<u>8,563,325</u>
Capitalization:		
Patronage capital	6,982,080	6,976,180
	<u>\$ 15,208,269</u>	<u>\$ 15,539,505</u>

The accompanying notes are an integral part of the consolidated financial statements

HARDY TELECOMMUNICATIONS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF PATRONAGE CAPITAL

	Years Ended December 31	
	2008	2007
Assignable:		
Balances - beginning of years	(\$ 674,863)	(\$ 649,487)
Net margins for the years	179,126	198,295
Assignments	(<u>145,947</u>)	(<u>223,671</u>)
Balances - end of years	(<u>641,684</u>)	(<u>674,863</u>)
Assigned:		
Balances - beginning of years	7,651,043	7,773,139
Assignments	145,947	223,671
Retirements	(<u>173,226</u>)	(<u>345,767</u>)
Balances - end of years	<u>7,623,764</u>	<u>7,651,043</u>
	<u>\$ 6,982,080</u>	<u>\$ 6,976,180</u>

The accompanying notes are an integral part of the consolidated financial statements

HARDY TELECOMMUNICATIONS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF REVENUES AND EXPENSES

	Years Ended December 31	
	2008	2007
Operating revenues:		
Basic local network service	\$ 2,033,281	\$ 1,986,785
Network access and long distance revenue	3,380,393	3,309,324
Other sales and service	1,367,912	1,341,052
Other	213,136	250,732
Less, uncollectible revenues	(107,048)	(32,484)
	<u>6,887,674</u>	<u>6,855,409</u>
 Operating expenses:		
Plant specific operations	1,453,527	1,501,124
Plant nonspecific operations	819,340	642,137
Depreciation	1,756,633	1,895,952
Customer operations	693,350	664,406
Corporate operations	1,576,496	1,531,014
	<u>6,299,346</u>	<u>6,234,633</u>
 Operating income	<u>588,328</u>	<u>620,776</u>
 Nonoperating income (expense):		
Interest income	4,995	29,937
Interest on long-term debt	(421,988)	(437,363)
Allowance for funds used during construction	8,186	2,084
	<u>(408,807)</u>	<u>(405,342)</u>
 Net margins before income taxes	179,521	215,434
 Federal and state income taxes	<u>395</u>	<u>17,139</u>
 Net margins for the years	<u>\$ 179,126</u>	<u>\$ 198,295</u>

The accompanying notes are an integral part of the consolidated financial statements

HARDY TELECOMMUNICATIONS, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2008	2007
Cash flows from operating activities:		
Net margins for the years	\$ 179,126	\$ 198,295
Adjustments to reconcile net margins to net cash provided by operating activities:		
Allowance for doubtful accounts	81,463	(23,878)
Cash value of life insurance	6,999	29,749
Depreciation	1,756,633	1,895,952
Deferred income taxes	395	17,139
Changes in assets and liabilities:		
Accounts receivable	94,439	17,803
Materials and supplies	62,917	(21,038)
Prepayments and deferred charges	(4,826)	(64,666)
Accounts payable	(58,382)	(44,353)
Advance billings and payments	20,190	19,097
Accrued liabilities	(139,611)	81,138
Net cash provided by operating activities	<u>1,999,343</u>	<u>2,105,238</u>
Cash flows from investing activities:		
Extension and replacement of plant	(1,719,150)	(1,234,988)
Other investments	(47,222)	-
Net cash used for investing activities	<u>(1,766,372)</u>	<u>(1,234,988)</u>
Cash flows from financing activities:		
Proceeds from long-term borrowings	472,223	-
Principal payments on long-term debt	(631,951)	(596,814)
Retirements of patronage capital	(173,226)	(345,767)
Net cash used for financing activities	<u>(332,954)</u>	<u>(942,581)</u>
Net decrease in cash	<u>(99,983)</u>	<u>(72,331)</u>
Cash and temporary investments - beginning of years	<u>905,533</u>	<u>977,864</u>
Cash and temporary investments - end of years	<u>\$ 805,550</u>	<u>\$ 905,533</u>
Cash expended during the years for:		
Interest (net of capitalized interest)	<u>\$ 415,120</u>	<u>\$ 435,338</u>
Income taxes	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of the consolidated financial statements

HARDY TELECOMMUNICATIONS, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2008 and 2007

1. Summary of Accounting Policies:

These consolidated financial statements were prepared on the basis of accounting principles generally accepted in the United States of America, with the more significant of the principles used described as follows:

Basis of Consolidation

These consolidated financial statements include the accounts of Hardy Telecommunications, Inc. and its wholly-owned subsidiary, Hardy Net, Inc. (hereinafter referred to collectively as the Corporation). All material intercompany accounts and transactions have been eliminated in consolidation.

Cash and Temporary Investments

Cash and temporary investments include cash and short-term, highly liquid investments that are readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less qualify as temporary investments.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that continue to remain outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to trade accounts receivable.

Materials and Supplies

Inventories are valued at cost. The average cost method is used to value those items on which perpetual inventory records are kept, and the first-in, first-out method is used to value those items on which no perpetual records are kept.

Investments

Investments, including equity investments where the Corporation's ownership is less than 20%, are carried at cost which approximates fair market value.

HARDY TELECOMMUNICATIONS, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Accounting Policies (Continued):

Plant

Additions to plant consist of all direct construction labor and materials and related construction costs, including administrative, engineering, and general overhead.

The cost of units of property retired, together with their cost of removal, is deducted from accumulated depreciation, and any salvage is added to accumulated depreciation. The cost of related replacement units of property is added to plant.

Repairs to and replacement of items which are less than units of property are charged to expense.

Depreciation

Depreciation of plant in service is computed using the straight-line method.

Pension Plan

Pension costs are accrued and funded in accordance with Statement of Financial Accounting Standards (SFAS) No. 87.

Advertising Costs

The Corporation expenses advertising production costs as they are incurred and advertising communication costs the first time the advertising takes place.

Sales and Communications Taxes

The Corporation collects sales and communications taxes. The amounts received are credited to liability accounts and as payments are made, these accounts are charged. At any point in time, these amounts represent the net amounts owed to taxing authorities for amounts collected but not yet remitted.

Use of Estimates

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

HARDY TELECOMMUNICATIONS, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Accounting Policies (Continued):

FASB Interpretation No. 48

FASB Staff Position (FSP) 48-3 defers the effective date of FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes*, for certain non-public enterprises for fiscal years beginning after December 15, 2008. The Corporation has elected to defer the application of FIN 48 in accordance with FSP 48-3. During the deferral period of the application of FIN 48, the Corporation will continue to evaluate uncertain tax positions utilizing the underlying principles of FAS 109, *Accounting for Income Taxes*, and FAS 5, *Accounting for Contingencies*.

2. Nature of Operations and Concentration of Credit Risk:

Hardy Telecommunications, Inc. is a cooperative telephone company that provides telephone services to its members located in West Virginia. Hardy Telecommunications, Inc. has one wholly-owned subsidiary, Hardy Net, Inc., which provides internet access for its subscribers. The consolidated Corporation's operating revenues consist of local telephone service (29%), network access and long distance services (48%), internet and nonregulated services (20%), and other (3%).

The Corporation places its cash and cash equivalents on deposit with financial institutions in the United States. In October and November 2008, the Federal Deposit Insurance Corporation (FDIC) temporarily increased coverage to \$250,000 for substantially all depository accounts and temporarily provides unlimited coverage for certain qualifying and participating non-interest bearing transaction accounts. The increased coverage is scheduled to expire on December 31, 2009, at which time it is anticipated amounts insured by the FDIC will return to \$100,000. During the years, the Corporation from time to time may have had amounts on deposit in excess of the insured limits. As of December 31, 2008, the Corporation had \$492,600 which exceeded these insured amounts.

3. Plant:

The major classes of plant are summarized as follows:

	<u>2008</u>	<u>2007</u>
Land	\$ 46,590	\$ 40,620
Buildings	2,671,483	2,658,857
Carrier and switching equipment	9,575,481	8,656,702
Outside plant	15,142,519	14,513,285
Furniture and office equipment	726,949	696,270
Vehicles and work equipment	<u>1,631,454</u>	<u>1,576,962</u>
	<u>\$ 29,794,476</u>	<u>\$ 28,142,696</u>

4. Construction Fund (Restricted):

The loan agreement with the Rural Development Utilities Programs (RDUP), formerly Rural Utilities Service (RUS), restricts the use of cash in the RDUP construction fund account to approved construction budget purposes in amounts approved for those purposes. The construction fund cash balance amounted to \$161 at December 31, 2008 and 2007.

HARDY TELECOMMUNICATIONS, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Investments:

A summary of investments is as follows:

	<u>2008</u>	<u>2007</u>
Virginia PCS Alliance, L.C.	\$ 1,075,513	\$ 1,075,513
CSSA loan, 8%	25,000	25,000
CRH Consortium	247,506	247,506
Rural Telephone Finance Cooperative stock	<u>167,317</u>	<u>120,095</u>
	<u>\$ 1,515,336</u>	<u>\$ 1,468,114</u>

6. Long-term Debt:

Long-term debt consists of mortgage notes payable to the Rural Development Utilities Programs (RDUP) and the Rural Telephone Finance Cooperative (RTFC). An analysis of this long-term debt is as follows:

	<u>2008</u>	<u>2007</u>
RDUP:		
Payable \$44,374 per quarter, including interest at 2%	\$ 743,933	\$ 906,158
Payable \$45,645 per month, including interest with various rates ranging from 5% to 6.99%	3,272,677	3,613,842
Payable \$14,585 per month, including interest with various rates ranging from 5.17% to 6.05% (Rural Telephone Bank loans)	2,086,240	2,138,573
RTFC:		
Payable \$50,977 per quarter, including interest at 6.97%	<u>1,415,810</u>	<u>1,019,815</u>
	7,518,660	7,678,388
Less, current maturities	<u>686,658</u>	<u>629,900</u>
	<u>\$ 6,832,002</u>	<u>\$ 7,048,488</u>

A substantial part of the Corporation's assets are pledged to secure the above debt.

Maturities of the above debt for the next five years should approximate the following:

<u>Year Ending December 31</u>	<u>Amount</u>
2009	\$ 686,658
2010	720,218
2011	755,636
2012	674,515
2013	345,838

HARDY TELECOMMUNICATIONS, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Pension and Deferred Compensation Plans:

The Corporation is a member of the National Telecommunications Cooperative Association's (NTCA's) multi-employer defined benefit pension plan. In general, all employees are eligible to participate after six months of service. The Corporation contributed 8.4% of the basic compensation of all eligible employees for each of the years ended December 31, 2008 and 2007. The Corporation's pension costs are as follows:

	<u>2008</u>	<u>2007</u>
Current service	\$ 146,954	\$ 162,227

In addition to the pension plan described above, the Corporation is a member of the NTCA's deferred compensation plan as permitted by Section 401(k) of the Internal Revenue Code. The Corporation contributes 2% of employee gross wages to the plan for all eligible, participating employees. The Corporation made contributions of \$30,909 and \$28,568, respectively, to this plan for the years ended December 31, 2008 and 2007.

8. Income Tax Status:

Hardy Telecommunications, Inc., the parent corporation, has obtained exemption from federal and state income taxes (other than on unrelated business income) under Section 501(c)12 of the Internal Revenue Code which provides, in part, that the Corporation derives at least 85% of its annual gross income from members to retain the exemption. The Corporation passed this 85% test and was only required to file informational returns (along with an unrelated business taxable income return) with the federal and state taxing authorities for the years ended December 31, 2008 and 2007.

Hardy Net, Inc., which began operations in 1996, is incorporated as a C corporation for income tax purposes and is required to file applicable federal and state income tax returns.

9. Income Taxes:

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Corporation's deferred tax assets and liabilities as of December 31, 2008 and 2007 are as follows:

	<u>2008</u>	<u>2007</u>
Deferred tax assets:		
Book over tax depreciation		\$ 2,856
Net operating loss carryforwards	\$ 479,962	470,753
	479,962	473,609
Valuation allowance for deferred tax assets	(254,043)	(254,205)
	225,919	219,404
Deferred tax liabilities:		
Tax over book depreciation	6,911	
Book over tax investment	276,195	276,195
	283,106	276,195
Net deferred tax liabilities	\$ 57,187	\$ 56,791

HARDY TELECOMMUNICATIONS, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Income Taxes (Continued):

Net operating losses for income tax purposes amounted to \$35,863, \$9,373, \$461,093, \$563,459, \$132,346, \$229,069, \$204,787, and \$233,015, respectively, for the years ended December 31, 2008, 2006, 2002, 2001, 2000, 1999, 1998, and 1997. These losses may be carried forward to offset future taxable income. If not used, these losses will expire in the years ending December 31, 2028, 2026, 2022, 2021, 2020, 2019, 2018, and 2012, respectively. The Corporation recorded valuation allowances of \$254,043 and \$254,205, respectively, as of December 31, 2008 and 2007 on the deferred tax assets that are a result of these carryforwards. The valuation allowance decreased \$162 and \$763, respectively, as of December 31, 2008 and 2007.

Classification on the Corporation's December 31, 2008 and 2007 consolidated balance sheets is as follows:

	<u>2008</u>	<u>2007</u>
Noncurrent liabilities	\$ 57,187	\$ 56,791

Components of the Corporation's income tax expense for the years ended December 31, 2008 and 2007 are as follows:

	<u>2008</u>	<u>2007</u>
Deferred provision	\$ 395	\$ 17,139

10. Commitments and Contingencies:

The Corporation's shared revenues, which consist primarily of toll and access charges, are subject to periodic audits by the connecting carriers. The overpayments and underpayments arising from audits which took place during the years ended December 31, 2008 and 2007 are reflected in the accompanying consolidated financial statements.

The Corporation has a 1.04% ownership interest in the Virginia PCS Alliance, L.C. As part of its participation in this organization, the Corporation has made certain guarantees of future capital contributions and pledged its membership interest as security for portions of their debt.

As an Eligible Telecommunications Carrier (ETC), the Corporation receives High Cost Program support from the Universal Service Fund. The administering body of these funds, the Universal Service Administrative Company (USAC), is currently having audits performed on ETC's receiving this support. These audits are designed to examine specific eligibility requirements and verify the accuracy of data submissions as determined by the type of High Cost support received. The Corporation is currently undergoing a USAC audit, but the results are unknown at this time. Management expects that any changes or adjustments arising from this audit will be minimal.

11. Accounts Receivable Allowance:

Changes in the valuation allowance for accounts receivable are as follows:

	<u>2008</u>	<u>2007</u>
Beginning balances	\$ 63,883	\$ 87,761
Additions to valuation allowance	107,048	32,484
Write-offs (net of recoveries)	(25,585)	(56,362)
Ending balances	\$ 145,346	\$ 63,883

HARDY TELECOMMUNICATIONS, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Impact of Currently Issued Accounting Standards:

In June 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* - an interpretation of FASB Statement No. 109 (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes*. It prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on the recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. On December 30, 2008, the FASB issued a staff position, FIN 48-3, "Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises", which defers the effective date for the Corporation to fiscal years beginning after December 15, 2008. We have not completed our evaluation of the impact of adopting FIN 48 and, as a result, are not able to estimate the effect the adoption will have on our financial position and results of operations.

13. Reclassifications:

Certain accounts in the 2007 consolidated financial statements have been reclassified for comparative purposes to conform to the 2008 consolidated presentation. These reclassifications did not affect net margins, patronage capital, or other equities.



Turlington and Company, L.L.P.
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON CONSOLIDATING INFORMATION

To the Board of Directors
Hardy Telecommunications, Inc. and Subsidiary
Lost River, West Virginia

Our report on our audits of the consolidated financial statements of Hardy Telecommunications, Inc. and Subsidiary for the years ended December 31, 2008 and 2007 appears on page 1. Those audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information in Schedules 1 - 4 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies. Such information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as whole.

Turlington and Company, L.L.P.

Lexington, North Carolina
April 13, 2009

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HARDY TELECOMMUNICATIONS, INC. AND SUBSIDIARY

CONSOLIDATING BALANCE SHEETS

	2008 Consolidating Information			Consolidated	
	Hardy	Hardy Net,	Consolidating	December 31	
	Telecommuni- cations, Inc.	Inc.	Entries	2008	2007
ASSETS					
Current assets:					
Cash and temporary investments	\$ 786,347	\$ 19,203		\$ 805,550	\$ 905,533
Accounts receivable (net)	521,425	44,425		565,850	741,752
Accounts receivable - affiliate	1,213,124		(\$ 1,213,124)	-	
Materials and supplies	200,723			200,723	263,640
Prepayments and deferred charges	72,108			72,108	67,282
	<u>2,793,727</u>	<u>63,628</u>	<u>(1,213,124)</u>	<u>1,644,231</u>	<u>1,978,207</u>
Noncurrent assets:					
Investments	439,823	1,075,513		1,515,336	1,468,114
Cash value of life insurance					6,999
Investment in affiliated company	707,000		(707,000)	-	
	<u>1,146,823</u>	<u>1,075,513</u>	<u>(707,000)</u>	<u>1,515,336</u>	<u>1,475,113</u>
Property and equipment:					
Plant in service	29,212,711	581,765		29,794,476	28,142,696
Plant under construction	49,172			49,172	66,452
	<u>29,261,883</u>	<u>581,765</u>		<u>29,843,648</u>	<u>28,209,148</u>
Less, accumulated depreciation	17,301,933	493,013		17,794,946	16,122,963
	<u>11,959,950</u>	<u>88,752</u>		<u>12,048,702</u>	<u>12,086,185</u>
	<u>\$ 15,900,500</u>	<u>\$ 1,227,893</u>	<u>(\$ 1,920,124)</u>	<u>\$ 15,208,269</u>	<u>\$ 15,539,505</u>
LIABILITIES AND CAPITALIZATION					
Current liabilities:					
Accounts payable	\$ 179,842	\$ 10,416		\$ 190,258	\$ 248,641
Accounts payable - affiliate		1,213,124	(\$ 1,213,124)	-	
Advance billings and payments	248,880	53,829		302,709	282,519
Current maturities on long-term debt	686,658			686,658	629,900
Accrued liabilities	151,375	6,000		157,375	296,986
	<u>1,266,755</u>	<u>1,283,369</u>	<u>(1,213,124)</u>	<u>1,337,000</u>	<u>1,458,046</u>
Noncurrent liabilities:					
Long-term debt, less current maturities	6,832,002			6,832,002	7,048,488
Notes payable - affiliate		150,000	(150,000)	-	
Deferred income taxes		57,187		57,187	56,791
	<u>6,832,002</u>	<u>207,187</u>	<u>(150,000)</u>	<u>6,889,189</u>	<u>7,105,279</u>
	<u>8,098,757</u>	<u>1,490,556</u>	<u>(1,363,124)</u>	<u>8,226,189</u>	<u>8,563,325</u>
Capitalization:					
Capital stock		100,000	(100,000)	-	
Additional paid-in capital		457,000	(457,000)	-	
Patronage capital (deficit)	7,801,743	(819,663)		6,982,080	6,976,180
	<u>7,801,743</u>	<u>(262,663)</u>	<u>(557,000)</u>	<u>6,982,080</u>	<u>6,976,180</u>
	<u>\$ 15,900,500</u>	<u>\$ 1,227,893</u>	<u>(\$ 1,920,124)</u>	<u>\$ 15,208,269</u>	<u>\$ 15,539,505</u>

HARDY TELECOMMUNICATIONS, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENTS OF PATRONAGE CAPITAL

	2008 Consolidating Information			Consolidated	
	Hardy Telecommuni- cations, Inc.	Hardy Net, Inc.	Consolidating Entries	Years Ended December 31 2008 2007	
Assignable:					
Balances - beginning of years	\$ 145,947	(\$ 820,810)		(\$ 674,863)	(\$ 649,487)
Net margins for the years	177,979	1,147		179,126	198,295
Assignments	(145,947)			(145,947)	(223,671)
Balances - end of years	177,979	(819,663)		(641,684)	(674,863)
Assigned:					
Balances - beginning of years	7,651,043			7,651,043	7,773,139
Assignments	145,947			145,947	223,671
Retirements	(173,226)			(173,226)	(345,767)
Balances - end of years	7,623,764			7,623,764	7,651,043
Stockholder's equity:					
Common stock:					
Balances - beginning and end of years:					
Hardy Net, Inc. - \$100 par value;					
1,000 shares authorized,					
1,000 shares issued		100,000	(\$ 100,000)		
Additional paid-in capital:					
Balances - beginning and end of years,					
with no changes during the years		457,000	(457,000)		
		557,000	(557,000)		
	\$ 7,801,743	(\$ 262,663)	(\$ 557,000)	\$ 6,982,080	\$ 6,976,180

HARDY TELECOMMUNICATIONS, INC. AND SUBSIDIARY

CONSOLIDATING STATEMENTS OF REVENUES AND EXPENSES

	2008 Consolidating Information			Consolidated	
	Hardy Telecommuni- cations, Inc.	Hardy Net, Inc.	Consolidating Entries	Years Ended December 31 2008	2007
Operating revenues:					
Basic local network service	\$ 2,346,098		(\$ 312,817)	\$ 2,033,281	\$ 1,986,785
Network access and long distance revenue	3,380,393			3,380,393	3,309,324
Other sales and service	512,418	\$ 855,494		1,367,912	1,341,052
Other	242,364		(29,228)	213,136	250,732
Less, uncollectible revenues	(105,000)	(2,048)		(107,048)	(32,484)
	<u>6,376,273</u>	<u>853,446</u>	<u>(342,045)</u>	<u>6,887,674</u>	<u>6,855,409</u>
Operating expenses:					
Plant specific operations	1,453,527			1,453,527	1,501,124
Plant nonspecific operations	547,342	584,815	(312,817)	819,340	642,137
Depreciation	1,730,681	25,952		1,756,633	1,895,952
Customer operations	686,410	6,940		693,350	664,406
Corporate operations	1,437,157	168,567	(29,228)	1,576,496	1,531,014
	<u>5,855,117</u>	<u>786,274</u>	<u>(342,045)</u>	<u>6,299,346</u>	<u>6,234,633</u>
Operating income	<u>521,156</u>	<u>67,172</u>	<u>-</u>	<u>588,328</u>	<u>620,776</u>
Nonoperating income (expense):					
Interest income	70,625		(65,630)	4,995	29,937
Interest on long-term debt	(421,988)	(65,630)	65,630	(421,988)	(437,363)
Allowance for funds used during construction	8,186			8,186	2,084
	<u>(343,177)</u>	<u>(65,630)</u>	<u>-</u>	<u>(408,807)</u>	<u>(405,342)</u>
Net margins before income taxes	<u>177,979</u>	<u>1,542</u>	<u>-</u>	<u>179,521</u>	<u>215,434</u>
Federal and state income taxes		395		395	17,139
Net margins for the years	<u>\$ 177,979</u>	<u>\$ 1,147</u>	<u>\$ -</u>	<u>\$ 179,126</u>	<u>\$ 198,295</u>

HARDY TELECOMMUNICATIONS, INC. AND SUBSIDIARY

CONSOLIDATING STATEMENTS OF CASH FLOWS

	2008 Consolidating Information			Consolidated	
	Hardy Telecommuni- cations, Inc.	Hardy Net, Inc.	Consolidating Entries	Years Ended December 31 2008	2007
Cash flows from operating activities:					
Net margins for the years	\$ 177,979	\$ 1,147		\$ 179,126	\$ 198,295
Adjustments to reconcile net margins to net cash provided by operating activities:					
Allowance for doubtful accounts	81,463			81,463	(23,878)
Cash value of life insurance	6,999			6,999	29,749
Depreciation	1,730,681	25,952		1,756,633	1,895,952
Deferred income taxes		395		395	17,139
Changes in assets and liabilities:					
Accounts receivable	97,970	(3,531)		94,439	17,803
Accounts receivable - affiliate	(931)		\$ 931		
Materials and supplies	62,917			62,917	(21,038)
Prepayments and deferred charges	(4,826)			(4,826)	(64,666)
Accounts payable	(59,563)	1,181		(58,382)	(44,353)
Accounts payable - affiliate		931	(931)		
Advance billings and payments	22,830	(2,640)		20,190	19,097
Accrued liabilities	(145,611)	6,000		(139,611)	81,138
Net cash provided by operating activities	<u>1,969,908</u>	<u>29,435</u>	<u>-</u>	<u>1,999,343</u>	<u>2,105,238</u>
Cash flows from investing activities:					
Extension and replacement of plant	(1,676,810)	(42,340)		(1,719,150)	(1,234,988)
Other investments	(47,222)			(47,222)	
Net cash used for investing activities	<u>(1,724,032)</u>	<u>(42,340)</u>	<u>-</u>	<u>(1,766,372)</u>	<u>(1,234,988)</u>
Cash flows from financing activities:					
Proceeds from long-term borrowings	472,223			472,223	
Principal payments on long-term debt	(631,951)			(631,951)	(596,814)
Retirements of patronage capital	(173,226)			(173,226)	(345,767)
Net cash used for financing activities	<u>(332,954)</u>	<u>-</u>	<u>-</u>	<u>(332,954)</u>	<u>(942,581)</u>
Net decrease in cash	(87,078)	(12,905)	-	(99,983)	(72,331)
Cash and temporary investments - beginning of years	<u>873,425</u>	<u>32,108</u>	<u>-</u>	<u>905,533</u>	<u>977,864</u>
Cash and temporary investments - end of years	<u>\$ 786,347</u>	<u>\$ 19,203</u>	<u>\$ -</u>	<u>\$ 805,550</u>	<u>\$ 905,533</u>
Cash expended during the years for:					
Interest (net of capitalized interest)	<u>\$ 415,120</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 415,120</u>	<u>\$ 435,338</u>
Income taxes	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



Turlington and Company, L.L.P.
Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors
Hardy Telecommunications, Inc. and Subsidiary
Lost River, West Virginia

We have audited the consolidated financial statements of Hardy Telecommunications, Inc. and Subsidiary as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated April 13, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hardy Telecommunications, Inc. and Subsidiary's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hardy Telecommunications, Inc. and Subsidiary's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Hardy Telecommunications, Inc. and Subsidiary's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in the internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Hardy Telecommunications, Inc. and Subsidiary's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Hardy Telecommunications, Inc. and Subsidiary's consolidated financial statements that is more than inconsequential will not be prevented or detected by Hardy Telecommunications, Inc. and Subsidiary's internal control. We consider the deficiencies described below to be significant deficiencies in the internal control over financial reporting.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (CONTINUED)**

Internal Control over Financial Reporting (Continued)

1. As is common with other organizations of their size, Hardy Telecommunications, Inc. and Subsidiary relies upon their external auditors to provide assistance in the selection and application of relevant accounting principles in conformity with generally accepted accounting principles and in the preparation of their consolidated financial statements, including the footnote disclosures. This also includes receiving assistance in the preparation of normal annual closing entries. Hardy Telecommunications, Inc. and Subsidiary reviews, approves, and takes responsibility for the results of these activities.
2. In an organization such as Hardy Telecommunications, Inc. and Subsidiary, with a limited number of personnel for certain functions, there are inherent limitations on the effectiveness of certain controls due to lack of segregation of duties among Hardy Telecommunications, Inc. and Subsidiary's personnel.
3. Adequate procedures are not in place to ensure the reconciliation of certain balance sheet accounts to backup documentation.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the consolidated financial statements will not be prevented or detected by Hardy Telecommunications, Inc. and Subsidiary's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiencies described above to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hardy Telecommunications, Inc. and Subsidiary's consolidated financial statements are free of material misstatement, we performed tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described as follows:

1. Certain continuing property records have not been updated and did not agree to the controlling general ledger plant accounts as required by 7 CFR 1773.33 (c)(1) - USDA: Rural Development Utilities Programs (RDUP): Policy on Audits of Rural Utility Service Borrowers.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (CONTINUED)**

This report is intended solely for the information and use of the Board of Directors, management, the Rural Development Utilities Programs, and supplemental lenders and is not intended to be and should not be used by anyone other than these specified parties.

Furlington and Company, F.F.P.

Lexington, North Carolina
April 13, 2009

Certification Requirements for BTOP

**U.S. Department of Commerce
Broadband Technology Opportunities Program**

I certify that I am the duly authorized representative of the applicant organization, and that I have been authorized to submit the attached application on its behalf. A copy of the applicant organization's authorization for me to submit this application as its official representative is on file in the applicant's office, and I am identified as the applicant organization's Authorized Organization Representative (AOR) in the Central Contractor Registration database. By signing this certification, I certify that the statements contained in the application are true, complete, and accurate to the best of my knowledge, and that if an award is made, the applicant organization will comply with all applicable award terms and conditions.

08/12/09
(Date)

David Scott Sherman
(Authorized Representative's Signature)

D. Scott Sherman _____
Name:

General Manager _____
Title:

ASSURANCES - CONSTRUCTION PROGRAMS

OMB Approval No. 4040-0009
Expiration Date 07/30/2010

Public reporting burden for this collection of information is estimated to average 15 minutes per response, including time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding the burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the Office of Management and Budget, Paperwork Reduction Project (0348-0042), Washington, DC 20503.

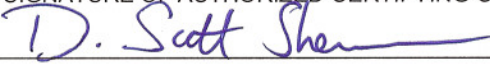
PLEASE DO NOT RETURN YOUR COMPLETED FORM TO THE OFFICE OF MANAGEMENT AND BUDGET. SEND IT TO THE ADDRESS PROVIDED BY THE SPONSORING AGENCY.

NOTE: Certain of these assurances may not be applicable to your project or program. If you have questions, please contact the Awarding Agency. Further, certain Federal assistance awarding agencies may require applicants to certify to additional assurances. If such is the case, you will be notified.

As the duly authorized representative of the applicant, I certify that the applicant:

1. Has the legal authority to apply for Federal assistance, and the institutional, managerial and financial capability (including funds sufficient to pay the non-Federal share of project costs) to ensure proper planning, management and completion of the project described in this application.
2. Will give the awarding agency, the Comptroller General of the United States and, if appropriate, the State, the right to examine all records, books, papers, or documents related to the assistance; and will establish a proper accounting system in accordance with generally accepted accounting standards or agency directives.
3. Will not dispose of, modify the use of, or change the terms of the real property title, or other interest in the site and facilities without permission and instructions from the awarding agency. Will record the Federal awarding agency directives and will include a covenant in the title of real property acquired in whole or in part with Federal assistance funds to assure non-discrimination during the useful life of the project.
4. Will comply with the requirements of the assistance awarding agency with regard to the drafting, review and approval of construction plans and specifications.
5. Will provide and maintain competent and adequate engineering supervision at the construction site to ensure that the complete work conforms with the approved plans and specifications and will furnish progress reports and such other information as may be required by the assistance awarding agency or State.
6. Will initiate and complete the work within the applicable time frame after receipt of approval of the awarding agency.
7. Will establish safeguards to prohibit employees from using their positions for a purpose that constitutes or presents the appearance of personal or organizational conflict of interest, or personal gain.
8. Will comply with the Intergovernmental Personnel Act of 1970 (42 U.S.C. §§4728-4763) relating to prescribed standards for merit systems for programs funded under one of the 19 statutes or regulations specified in Appendix A of OPM's Standards for a Merit System of Personnel Administration (5 C.F.R. 900, Subpart F).
9. Will comply with the Lead-Based Paint Poisoning Prevention Act (42 U.S.C. §§4801 et seq.) which prohibits the use of lead-based paint in construction or rehabilitation of residence structures.
10. Will comply with all Federal statutes relating to non-discrimination. These include but are not limited to: (a) Title VI of the Civil Rights Act of 1964 (P.L. 88-352) which prohibits discrimination on the basis of race, color or national origin; (b) Title IX of the Education Amendments of 1972, as amended (20 U.S.C. §§1681 1683, and 1685-1686), which prohibits discrimination on the basis of sex; (c) Section 504 of the Rehabilitation Act of 1973, as amended (29 U.S.C. §794), which prohibits discrimination on the basis of handicaps; (d) the Age Discrimination Act of 1975, as amended (42 U.S.C. §§6101-6107), which prohibits discrimination on the basis of age; (e) the Drug Abuse Office and Treatment Act of 1972 (P.L. 92-255), as amended, relating to nondiscrimination on the basis of drug abuse; (f) the Comprehensive Alcohol Abuse and Alcoholism Prevention, Treatment and Rehabilitation Act of 1970 (P.L. 91-616), as amended, relating to nondiscrimination on the basis of alcohol abuse or alcoholism; (g) §§523 and 527 of the Public Health Service Act of 1912 (42 U.S.C. §§290 dd-3 and 290 ee 3), as amended, relating to confidentiality of alcohol and drug abuse patient records; (h) Title VIII of the Civil Rights Act of 1968 (42 U.S.C. §3601 et seq.), as amended, relating to nondiscrimination in the sale, rental or financing of housing; (i) any other nondiscrimination provisions in the specific statute(s) under which application for Federal assistance is being made; and, (j) the requirements of any other nondiscrimination statute(s) which may apply to the application.

11. Will comply, or has already complied, with the requirements of Titles II and III of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (P.L. 91-646) which provide for fair and equitable treatment of persons displaced or whose property is acquired as a result of Federal and federally-assisted programs. These requirements apply to all interests in real property acquired for project purposes regardless of Federal participation in purchases.
12. Will comply with the provisions of the Hatch Act (5 U.S.C. §§1501-1508 and 7324-7328) which limit the political activities of employees whose principal employment activities are funded in whole or in part with Federal funds.
13. Will comply, as applicable, with the provisions of the Davis-Bacon Act (40 U.S.C. §§276a to 276a-7), the Copeland Act (40 U.S.C. §276c and 18 U.S.C. §874), and the Contract Work Hours and Safety Standards Act (40 U.S.C. §§327-333) regarding labor standards for federally-assisted construction subagreements.
14. Will comply with flood insurance purchase requirements of Section 102(a) of the Flood Disaster Protection Act of 1973 (P.L. 93-234) which requires recipients in a special flood hazard area to participate in the program and to purchase flood insurance if the total cost of insurable construction and acquisition is \$10,000 or more.
15. Will comply with environmental standards which may be prescribed pursuant to the following: (a) institution of environmental quality control measures under the National Environmental Policy Act of 1969 (P.L. 91-190) and Executive Order (EO) 11514; (b) notification of violating facilities pursuant to EO 11738; (c) protection of wetlands pursuant to EO 11990; (d) evaluation of flood hazards in floodplains in accordance with EO 11988; (e) assurance of project consistency with the approved State management program developed under the Coastal Zone Management Act of 1972 (16 U.S.C. §§1451 et seq.); (f) conformity of Federal actions to State (Clean Air) implementation Plans under Section 176(c) of the Clean Air Act of 1955, as amended (42 U.S.C. §§7401 et seq.); (g) protection of underground sources of drinking water under the Safe Drinking Water Act of 1974, as amended (P.L. 93-523); and, (h) protection of endangered species under the Endangered Species Act of 1973, as amended (P.L. 93-205).
16. Will comply with the Wild and Scenic Rivers Act of 1968 (16 U.S.C. §§1271 et seq.) related to protecting components or potential components of the national wild and scenic rivers system.
17. Will assist the awarding agency in assuring compliance with Section 106 of the National Historic Preservation Act of 1966, as amended (16 U.S.C. §470), EO 11593 (identification and protection of historic properties), and the Archaeological and Historic Preservation Act of 1974 (16 U.S.C. §§469a-1 et seq).
18. Will cause to be performed the required financial and compliance audits in accordance with the Single Audit Act Amendments of 1996 and OMB Circular No. A-1 33, "Audits of States, Local Governments, and Non-Profit Organizations."
19. Will comply with all applicable requirements of all other Federal laws, executive orders, regulations, and policies governing this program.

*SIGNATURE OF AUTHORIZED CERTIFYING OFFICIAL 	*TITLE General Manager
*APPLICANT ORGANIZATION Hardy Telecommunications, Inc.	*DATE SUBMITTED 08/12/09

CERTIFICATION REGARDING LOBBYING

Applicants should also review the instructions for certification included in the regulations before completing this form. Signature on this form provides for compliance with certification requirements under 15 CFR Part 28, "New Restrictions on Lobbying." The certifications shall be treated as a material representation of fact upon which reliance will be placed when the Department of Commerce determines to award the covered transaction, grant, or cooperative agreement.

LOBBYING

As required by Section 1352, Title 31 of the U.S. Code, and implemented at 15 CFR Part 28, for persons entering into a grant, cooperative agreement or contract over \$100,000 or a loan or loan guarantee over \$150,000 as defined at 15 CFR Part 28, Sections 28.105 and 28.110, the applicant certifies that to the best of his or her knowledge and belief, that:

(1) No Federal appropriated funds have been paid or will be paid, by or on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.

(2) If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, the undersigned shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.

(3) The undersigned shall require that the language of this certification be included in the award documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure occurring on or before October 23, 1996, and of not less than \$11,000 and not more than \$110,000 for each such failure occurring after October 23, 1996.


Statement for Loan Guarantees and Loan Insurance

The undersigned states, to the best of his or her knowledge and belief, that:

In any funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this commitment providing for the United States to insure or guarantee a loan, the undersigned shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.

Submission of this statement is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U.S. Code. Any person who fails to file the required statement shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure occurring on or before October 23, 1996, and of not less than \$11,000 and not more than \$110,000 for each such failure occurring after October 23, 1996.

As the duly authorized representative of the applicant, I hereby certify that the applicant will comply with the above applicable certification.

NAME OF APPLICANT Hardy Telecommunications, Inc.	AWARD NUMBER AND/OR PROJECT NAME Hardy Anchor Ring
PRINTED NAME AND TITLE OF AUTHORIZED REPRESENTATIVE D. Scott Sherman, General Manager	
SIGNATURE 	DATE 08/12/09

DISCLOSURE OF LOBBYING ACTIVITIES

Complete this form to disclose lobbying activities pursuant to 31 U.S.C. 1352

Approved by OMB
0348-0046

(See reverse for public burden disclosure.)

1. Type of Federal Action: <input checked="" type="checkbox"/> a. contract <input type="checkbox"/> b. grant <input type="checkbox"/> c. cooperative agreement <input type="checkbox"/> d. loan <input type="checkbox"/> e. loan guarantee <input type="checkbox"/> f. loan insurance	2. Status of Federal Action: <input checked="" type="checkbox"/> a. bid/offer/application <input type="checkbox"/> b. initial award <input type="checkbox"/> c. post-award	3. Report Type: <input checked="" type="checkbox"/> a. initial filing <input type="checkbox"/> b. material change For Material Change Only: year _____ quarter _____ date of last report _____
4. Name and Address of Reporting Entity: <input checked="" type="checkbox"/> Prime <input type="checkbox"/> Subawardee Tier _____, if known: Hardy Telecommunications, Inc. 2255 Kimseys Run Road Lost River, WV 26810 Congressional District, if known: Second	5. If Reporting Entity in No. 4 is a Subawardee, Enter Name and Address of Prime: N/A Congressional District, if known:	
6. Federal Department/Agency: Rural Utilities Service and National Telecommunications and Information Administration	7. Federal Program Name/Description: American Recovery and Reinvestment Act of 2009 / The Broadband Initiatives Program and Broadband Technology Opportunities Program CFDA Number, if applicable: _____	
8. Federal Action Number, if known:	9. Award Amount, if known: \$ 3,500,000.00	
10. a. Name and Address of Lobbying Registrant (if individual, last name, first name, MI): WE ARE NOT ENGAGING IN OR PAYING ANY LOBBYIST ON OUR BEHALF.	b. Individuals Performing Services (including address if different from No. 10a) (last name, first name, MI): N/A	
11. Information requested through this form is authorized by title 31 U.S.C. section 1352. This disclosure of lobbying activities is a material representation of fact upon which reliance was placed by the tier above when this transaction was made or entered into. This disclosure is required pursuant to 31 U.S.C. 1352. This information will be reported to the Congress semi-annually and will be available for public inspection. Any person who fails to file the required disclosure shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.	Signature: <u>D. Scott Sherman</u> Print Name: <u>D. Scott Sherman</u> Title: <u>General Manager</u> Telephone No.: <u>(304) 897-9911</u> Date: <u>08/12/09</u>	
Federal Use Only:		Authorized for Local Reproduction Standard Form LLL (Rev. 7-97)

**CERTIFICATION REGARDING LOBBYING
LOWER TIER COVERED TRANSACTIONS**

Applicants should review the instructions for certification included in the regulations before completing this form. Signature on this form provides for compliance with certification requirements under 15 CFR Part 28, "New Restrictions on Lobbying."

LOBBYING

As required by Section 1352, Title 31 of the U.S. Code, and implemented at 15 CFR Part 28, for persons entering into a grant, cooperative agreement or contract over \$100,000 or a loan or loan guarantee over \$150,000 as defined at 15 CFR Part 28, Sections 28.105 and 28.110, the applicant certifies that to the best of his or her knowledge and belief, that:

(1) No Federal appropriated funds have been paid or will be paid, by or on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.

(2) If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, the undersigned shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.

(3) The undersigned shall require that the language of this certification be included in the award documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure occurring on or before October 23, 1996, and of not less than \$11,000 and not more than \$110,000 for each such failure occurring after October 23, 1996.

Statement for Loan Guarantees and Loan Insurance

The undersigned states, to the best of his or her knowledge and belief, that:

In any funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this commitment providing for the United States to insure or guarantee a loan, the undersigned shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.

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As the duly authorized representative of the applicant, I hereby certify that the applicant will comply with the above applicable certification.

NAME OF APPLICANT

Hardy Telecommunications, Inc.

AWARD NUMBER AND/OR PROJECT NAME

Hardy Anchor Ring

PRINTED NAME AND TITLE OF AUTHORIZED REPRESENTATIVE

D. Scott Sherman, General Manager

SIGNATURE

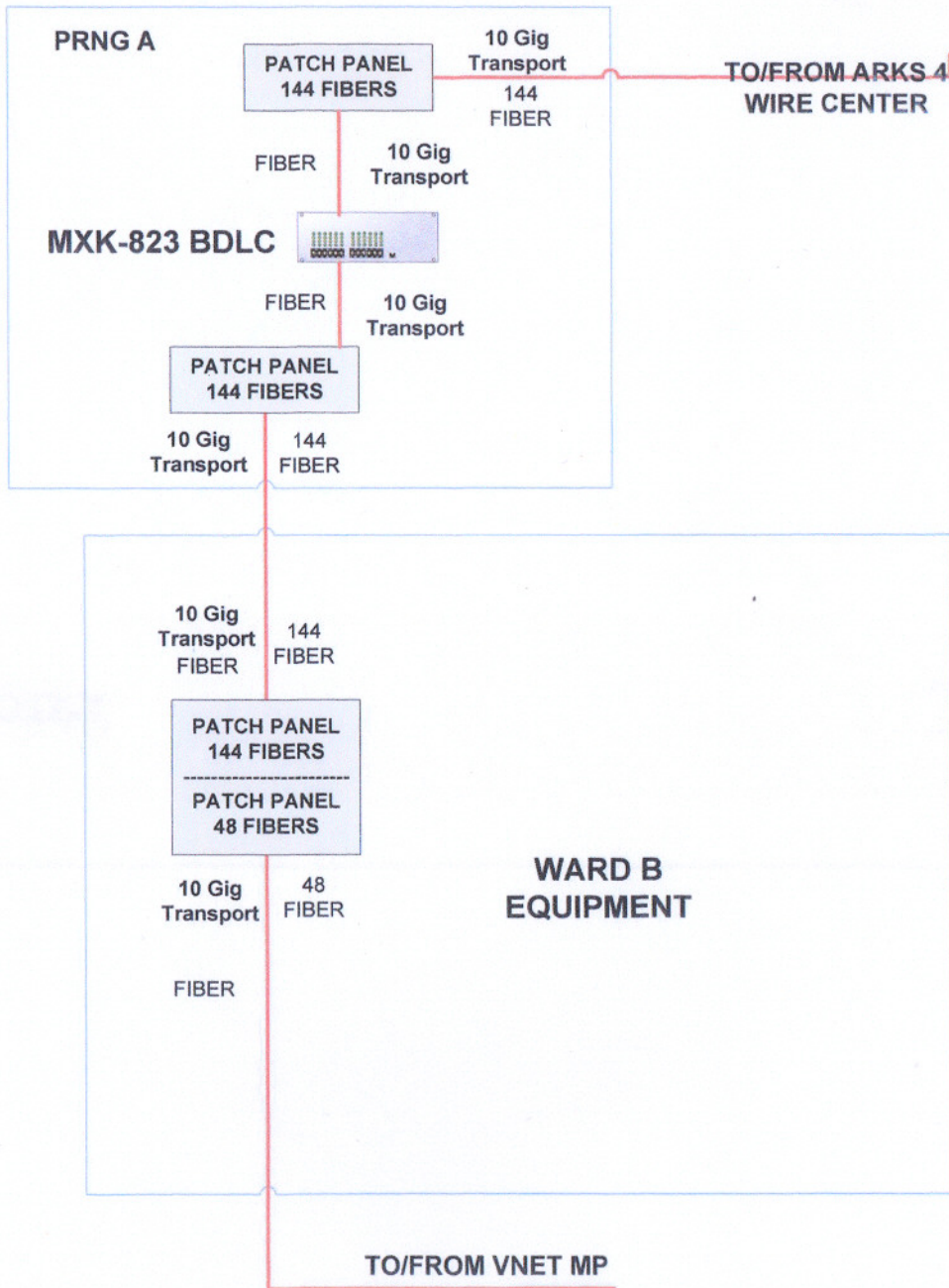
D. Scott Sherman

DATE

08/12/09

Business Customers	YEAR 0	YEAR 1				YEAR 2				YEAR 3				YEAR 4				YEAR 5			
<i>Service Type #1 Broadband</i>		Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4
Net add-ons	0	3	2	2	3	3	2	2	3	3	2	2	2	3	2	2	1	1	1	1	2
Cumulative subscribers	148	151	153	155	158	161	163	165	168	171	173	175	177	180	182	184	185	186	187	188	190
<i>Service Type #2 In Network. Pt-to-Pt</i>																					
Net add-ons	0	0	0	0	0	0	0	0	0	4	4	4	4	5	5	5	5	6	6	6	6
Cumulative subscribers	0	0	0	0	0	0	0	0	0	4	8	12	16	21	26	31	36	42	48	54	60
<i>Service Type #3 Extended Bandwidth</i>																					
Net add-ons	0	0	0	4	4	6	6	6	6	6	6	6	6	5	5	5	5	5	5	5	5
Cumulative subscribers	0	0	0	4	8	14	20	26	32	38	44	50	56	61	66	71	76	81	86	91	96

Strategic Institution	YEAR 0	YEAR 1				YEAR 2				YEAR 3				YEAR 4				YEAR 5			
<i>Service Type #1 In Network Pt.-to-Pt.</i>		Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4
Net add-ons	2	2	2	2	2	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4
Cumulative subscribers	2	4	6	8	10	14	18	22	26	30	34	38	42	46	50	54	58	62	66	70	74
<i>Service Type #2 Out of Net. Pt.-to-Pt.</i>																					
Net add-ons	0	1	1	1	1	1	1	1	1	3	3	3	3	3	3	3	3	4	4	4	4
Cumulative subscribers	0	1	2	3	4	5	6	7	8	11	14	17	20	23	26	29	32	36	40	44	48
<i>Service Type #3 Extended Bandwidth</i>																					
Net add-ons	2	2	2	2	2	3	3	3	3	3	3	3	3	4	4	4	4	4	4	4	4
Cumulative subscribers	2	4	6	8	10	13	16	19	22	25	28	31	34	38	42	46	50	54	58	62	66



**RING CONNECTING
WIRE CENTER**

ARKS 4

10 Gig
Transport
FIBER

PATCH PANEL
144 FIBERS

PATCH PANEL
144 FIBERS

10 Gig
Transport

10 Gig
Transport

TO/FROM NEXT
WIRE CENTER

FIBER

TO/FROM NEXT
WIRE CENTER

FIBER



MXK-823 BDLC

FIBER

10 Gig
Transport

PATCH PANEL
144 FIBERS

10 Gig
Transport

144
FIBER

10 Gig
Transport

144
FIBER

PATCH PANEL
144 FIBERS

10 Gig
Transport

FIBER



MXK-823 BDLC

10 Gig
Transport

FIBER

PATCH PANEL
144 FIBERS

10 Gig
Transport

144
FIBER

**PNRG A
EQUIPMENT**

TO/FROM WARD B

HARDY AnchorRing Service Pricing

For Anchor Institutions, Critical Facilities, Community Support Organizations and Economic Development/Business Industrial Parks

*Add 5% discount for Public Safety, Government, Nonprofit Medical, Schools, and Library

Additional Discounts Available

36 Month Agreement - Add 10 % Discount

60Month Agreement – Add 20% Discount

All Services delivered ON Net Hardy AnchorRing

Service Offering	Point to Point	Minimum Peak Load Network Bandwidth Capacity (Mbps)	Monthly Pricing (\$)	Nonrecurring Installation
Dedicated Ethernet Transport		Flat Rate ON Net		
10 Mbps		9.5 Mbps*	222.68	205.00
50 Mbps		45 Mbps*	623.52	205.00
100 Mbps		95 Mbps*	994.66	205.00
1 Gbps		950 Mbps*	5,938.30	307.50
Dedicated Ethernet and Internet, Symmetrical Service		Flat Rate ON Net		
10 Mbps		9.5 Mbps*	244.68	410.00
20 Mbps		19 Mbps	477.56	410.00
50 Mbps		45 Mbps*	1163.90	410.00
100 Mbps		95 Mbps*	2208.68	410.00
500 Mbps		450 Mbps*	9854.00	615.00
1 Gbps		950 Mbps*	18518.00	615.00

NOTES:

Prices are for 10/100 Ethernet Interface, ON Net only.

Gig E Interface is provided as a two-fiber hand off

Connections that traverse the Backbone and a Local Loop are priced as two circuits

Ethernet connections are delivered point to point, unprotected. Protection circuits can be added for 1.

,

Other

.5 times rate shown above.

Attachment A - Proposed Last Mile Service Offerings

Please complete the attached chart for each proposed funded service area modifying the chart as necessary to detail the service offerings. **For BIP applicants only:** for all other service areas where funds are not being requested, complete a chart that aggregates the service offerings.

Name of Tier	Advertised Speeds		Average Speeds		Average Latency (BTOP only)	Pricing Plan \$ per month
	Downstream Mbps	Upstream Mbps	Downstream Mbps	Upstream Mbps	@ End User CPE milli-seconds	
Residential						
Entry Level Speed						
Maximum Speed						
Other Residential Tiers						
Business or Institutions						
Entry Level Speed						
Maximum Speed						
Other Business or Institution Tiers						

Attachment A - Proposed Last Mile Service Offerings

Please complete the attached chart for each proposed funded service area modifying the chart as necessary to detail the service offerings. **For BIP applicants only:** for all other service areas where funds are not being requested, complete a chart that aggregates the service offerings.

Name of Tier	Advertised Speeds		Average Speeds		Average Latency (BTOP only)	Pricing Plan \$ per month
	Downstream Mbps	Upstream Mbps	Downstream Mbps	Upstream Mbps	@ End User CPE milli-seconds	
Residential						
Entry Level Speed						
Maximum Speed						
Other Residential Tiers						
Business or Institutions						
Entry Level Speed						
Maximum Speed						
Other Business or Institution Tiers						

Income Statement

	Historical		Forecast Period				
	2007	2008	Year 1	Year 2	Year 3	Year 4	Year 5
Revenues							
Network Services Revenues:							
Local Voice Service	\$ 1,986,785	\$ 2,033,281	\$ 2,073,947	\$ 2,115,426	\$ 2,157,734	\$ 2,200,889	\$ 2,244,907
Broadband Data	\$ -	\$ -	\$ 52,950	\$ 187,758	\$ 336,010	\$ 480,708	\$ 615,297
Video Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Network Access Service Revenues	\$ 3,309,324	\$ 3,380,393	\$ 3,448,001	\$ 3,516,961	\$ 3,587,300	\$ 3,659,046	\$ 3,732,227
Universal Service Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Toll Service/Long Distance Voice	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Installation Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Operating Revenues	\$ 1,341,052	\$ 1,367,912	\$ 1,367,912	\$ 1,367,912	\$ 1,367,912	\$ 1,367,912	\$ 1,367,912
Other Revenues	\$ 250,732	\$ 213,136	\$ 213,136	\$ 213,136	\$ 213,136	\$ 213,136	\$ 213,136
Uncollectible Revenues	\$ (32,484)	\$ (107,048)	\$ (60,000)	\$ (60,600)	\$ (61,206)	\$ (61,818)	\$ (62,436)
Total Revenues	\$ 6,855,409	\$ 6,887,674	\$ 7,095,945	\$ 7,340,592	\$ 7,600,886	\$ 7,859,873	\$ 8,111,042
Expenses							
Backhaul	\$ 1,501,124	\$ 1,453,527	\$ 1,453,527	\$ 1,453,527	\$ 1,453,527	\$ 1,453,527	\$ 1,453,527
Network Maintenance/Monitoring	\$ 642,137	\$ 819,340	\$ 835,727	\$ 852,441	\$ 869,490	\$ 886,880	\$ 904,618
Utilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Leasing	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales/Marketing	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Customer Care	\$ 664,406	\$ 693,350	\$ 721,084	\$ 749,927	\$ 779,924	\$ 811,121	\$ 843,566
Billing	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Corporate G&A	\$ 1,531,014	\$ 1,576,496	\$ 1,639,556	\$ 1,705,138	\$ 1,773,344	\$ 1,844,277	\$ 1,918,048
Other Operating Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total	\$ 4,338,681	\$ 4,542,713	\$ 4,649,894	\$ 4,761,034	\$ 4,876,285	\$ 4,995,806	\$ 5,119,759
EBITDA	\$ 2,516,728	\$ 2,344,961	\$ 2,446,052	\$ 2,579,559	\$ 2,724,601	\$ 2,864,067	\$ 2,991,283
Depreciation	\$ 1,895,952	\$ 1,756,633	\$ 1,756,633	\$ 2,023,300	\$ 2,073,300	\$ 2,173,300	\$ 2,273,300
Amortization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Earnings Before Interest and Taxes	\$ 620,776	\$ 588,328	\$ 689,419	\$ 556,259	\$ 651,301	\$ 690,767	\$ 717,983
Interest Expense - New RUS Debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest Expense - Existing RUS Debt	\$ 361,569	\$ 339,452	\$ 309,452	\$ 279,452	\$ 249,452	\$ 219,452	\$ 189,452
Interest Expense - Other	\$ 43,773	\$ 69,355	\$ 122,155	\$ 122,155	\$ 122,155	\$ 122,155	\$ 122,155
Income Before Taxes	\$ 215,434	\$ 179,521	\$ 257,812	\$ 154,652	\$ 279,694	\$ 349,160	\$ 406,376
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Income Taxes	\$ 17,139	\$ 395	\$ 51,562	\$ 30,930	\$ 55,939	\$ 69,832	\$ 81,275
Net Income	\$ 198,295	\$ 179,126	\$ 206,249	\$ 123,722	\$ 223,755	\$ 279,328	\$ 325,101

Hardy Telecommunications, Inc.
Question #50 Assumptions
2009

<u>Account</u>	<u>Assumption</u>	<u>Reason</u>
Revenue		
Local Service	2% Annual Increase	Historical data
BroadBand	Take rate 36%-46% over 5 years	Projected growth
Network Access	2% Annual Increase	Historical data
Uncollectible Revenue	\$60,000 yr 1 then 1% increase each yr	Historical data
Expense		
Network Maintenance	2% Annual Increase	Historical data
Customer Care	4% Annual Increase	Historical data
Corporate G&A	4% Annual Increase	Historical data
Depreciation	15 yr dep'n on new assets	Industry Norm
Interest RUS Debt	\$30,000 decrease each yr	More Principal payback
Interest -other	Borrow \$800,000 @ 6.6%	20% fund Project
Taxes	Income Taxes @ 20%	Estimate

General Overall Budget For Joint Applications Only: Please complete the following table only if you are submitting a joint BIP/BTOP Application. Please use the grid on Project Budget Tab in the online system for the BIP budget and then complete the table below for BTOP.

Equipment Category	Grant Request	Equity	Debt	Bonds	Other Funding	Total
Network & Access Equipment (switching, routing, transport, access)	363,756		381,962			745,718
Outside Plant (cables, conduits, ducts, poles, towers, repeaters, etc.)	1,808,766	14,104	418,038			2,240,908
Buildings and Land – (new construction, improvements, renovations, lease)	210,500					210,500
Customer Premise Equipment (modems, set-top boxes, inside wiring, etc.)	66,906					66,906
Billing and Operational Support Systems (IT systems, software, etc.)						0
Operating Equipment (vehicles, office equipment, other)	118,500					118,500
Engineering/ Professional Services (engineering design, project management, consulting, etc.)	671,122					671,122
Testing (network elements, IT system elements, user devices, test generators, lab furnishings, servers/computers, etc.)	16,866					16,866
Site Preparation						0
Other						0
Total Broadband System	3,256,416	14,104	800,000	0	0	4,070,520

SUBSCRIBER PROJECTION TABLE AND RATE PLANS VOICE SERVICES

COMPLETE THE CHART BELOW FOR EACH PROPOSED FUNDED SERVICE AREA. FOR ALL OTHER SERVICE AREAS, PLEASE PREPARE A CHART THAT AGGREGATES THIS INFORMATION

SERVICE AREA NAME:

	Census Community	Year 1		Year 2		Year 3		Year 4		Year 5	
		Res	Bus	Res	Bus	Res	Bus	Res	Bus	Res	Bus
1											
2											
3											
4											
5											
6											
7											
8											
9											
10											
TOTAL											

Rates:

Residential Service

Business Service

Other (Specify):

Note: Complete a separate table for each service area.

VIDEO SERVICES

SUBSCRIBER PROJECTS AND RATE PLANS

COMPLETE THE CHART BELOW FOR EACH PROPOSED FUNDED SERVICE AREA. FOR ALL OTHER SERVICE AREAS, PLEASE PREPARE A CHART THAT AGGREGATES THIS INFORMATION

SERVICE AREA NAME: HARDY COUNTY WEST VIRGINIA

	Census Community	Year 1			Year 2			Year 3			Year 4			Year 5		
		Pkg 1	Pkg 2	Other	Pkg 1	Pkg 2	Other	Pkg 1	Pkg 2	Other	Pkg 1	Pkg 2	Other	Pkg 1	Pkg 2	Other
1	MIDDLE MILE															
2	NETWORK															
3	NO PLANS TO															
4	OFFER VIDEO															
5	UNDER THIS															
6	PROPOSAL															
7																
8																
9																
10																
TOTAL																

Rates: N/A

Package 1: (ex. 150 basic channels / \$35) N/A

Package 1: (ex. 150 basic channels and Premium / \$60) N/A

Other (Specify): N/A

Note: Complete a separate table for each service area. Column headings should be changed to reflect the name of the service package to be offered. Additional columns may be added for each year if more than three package are offered.

DETAIL OF PROJECT COSTS

PLEASE COMPLETE THE TABLE BELOW FOR THE DIFFERENT CATEGORIES OF EQUIPMENT THAT WILL BE REQUIRED FOR COMPLETING THE PROJECT. EACH CATEGORY SHOULD BE BROKEN DOWN TO THE APPROPRIATE LEVEL FOR IDENTIFYING UNIT COST

SERVICE AREA or COMMON NETWORK FACILITIES:		Eligibility (Yes/No)	Unit Cost	No. of Units	Total Cost	Support of Reasonableness
NETWORK & ACCESS EQUIPMENT						
Switching						
Routing						
Transport						
Access						
Other						
OUTSIDE PLANT						
Cables						
Conduits						
Ducts						
Poles						
Towers						
Repeaters						

DETAIL OF PROJECT COSTS

SERVICE AREA or COMMON NETWORK FACILITIES:		Eligibility (Yes/No)	Unit Cost	No. of Units	Total Cost	Support of Reasonableness
NETWORK & ACCESS EQUIPMENT						
Other						
BUILDINGS						
New Construction						
Pre-Fab Huts						
Improvements & Renovation						
Other						
CUSTOMER PREMISE EQUIPMENT						
Modems						
Set Top Boxes						
Inside Wiring						
Other						
BILLING SUPPORT AND OPERATIONS SUPPORT SYSTEMS						
Billing Support Systems						
Customer Care Systems						
Other Support						

DETAIL OF PROJECT COSTS

SERVICE AREA or COMMON NETWORK FACILITIES:		Eligibility (Yes/No)	Unit Cost	No. of Units	Total Cost	Support of Reasonableness
OPERATING EQUIPMENT						
Vehicles						
Office Equipment/ Furniture						
Other						
PROFESSIONAL SERVICES						
Engineering Design						
Project Management						
Consulting						
Other						
TESTING						
Network Elements						
IT System Elements						
User Devices						
Test Generators						
Lab Furnishings						
Servers/ Computers						

DETAIL OF PROJECT COSTS

SERVICE AREA or COMMON NETWORK FACILITIES:		Eligibility (Yes/No)	Unit Cost	No. of Units	Total Cost	Support of Reasonableness
OTHER UPFRONT COSTS						
Site Preparation						
Other						

Balance Sheet

Assets	Historical		Forecast Period				
	2007	2008	Year 1	Year 2	Year 3	Year 4	Year 5
<i>Current Assets</i>							
Cash	\$ 905,533	\$ 805,550	\$ 586,193	\$ 477,783	\$ 968,086	\$ 586,283	\$ 828,017
Marketable Securities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Receivable	\$ 741,752	\$ 565,850	\$ 587,408	\$ 607,845	\$ 629,587	\$ 651,220	\$ 672,203
Notes Receivable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Inventory	\$ 263,640	\$ 200,723	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000
Prepayments	\$ 67,282	\$ 72,108	\$ 70,000	\$ 70,000	\$ 70,000	\$ 70,000	\$ 70,000
Other Current Assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Current Assets	\$ 1,978,207	\$ 1,644,231	\$ 1,443,601	\$ 1,355,628	\$ 1,867,673	\$ 1,507,503	\$ 1,770,220
<i>Non-Current Assets</i>							
Long-Term Investments	\$ 1,475,113	\$ 1,515,336	\$ 1,500,000	\$ 2,000,000	\$ 2,500,000	\$ 4,000,000	\$ 5,000,000
Amortizable Asset (Net of Amortization)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plant in Service	\$ 28,209,148	\$ 29,843,648	\$ 31,843,648	\$ 33,843,648	\$ 35,343,648	\$ 36,843,648	\$ 38,343,648
Less: Accumulated Depreciation	\$ 16,122,963	\$ 17,794,946	\$ 19,551,579	\$ 21,574,879	\$ 23,648,178	\$ 25,821,478	\$ 28,094,778
Net Plant	\$ 12,086,185	\$ 12,048,702	\$ 12,292,069	\$ 12,268,769	\$ 11,695,470	\$ 11,022,170	\$ 10,248,870
Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Non-Current Assets	\$ 13,561,298	\$ 13,564,038	\$ 13,792,069	\$ 14,268,769	\$ 14,195,470	\$ 15,022,170	\$ 15,248,870
Total Assets	\$ 15,539,505	\$ 15,208,269	\$ 15,235,670	\$ 15,624,398	\$ 16,063,142	\$ 16,529,673	\$ 17,019,090
<i>Liabilities and Owners' Equity</i>							
Liabilities							
<i>Current Liabilities</i>							
Accounts Payable	\$ 248,641	\$ 190,258	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000
Notes Payable	\$ 282,519	\$ 302,709	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000
Current Portion - Total RUS Debt	\$ 546,186	\$ 557,361	\$ 550,000	\$ 550,000	\$ 550,000	\$ 550,000	\$ 550,000
Current Portion - Other Debt	\$ 83,714	\$ 129,297	\$ 178,333	\$ 178,333	\$ 178,333	\$ 178,333	\$ 178,333
Other Current Liabilities	\$ 296,986	\$ 157,375	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000
Total Current Liabilities	\$ 1,458,046	\$ 1,337,000	\$ 1,378,333	\$ 1,378,333	\$ 1,378,333	\$ 1,378,333	\$ 1,378,333
<i>Long-Term Liabilities</i>							
Existing RUS Debt	\$ 6,112,387	\$ 5,545,489	\$ 4,945,489	\$ 4,345,489	\$ 3,745,489	\$ 3,145,489	\$ 2,545,489
Proposed RUS Debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Existing non-RUS Debt	\$ 936,101	\$ 1,286,513	\$ 2,033,180	\$ 1,979,846	\$ 1,926,513	\$ 1,873,180	\$ 1,819,846
Deferred income taxes	\$ 56,791	\$ 57,187	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000
Total Long-Term Liabilities	\$ 7,105,279	\$ 6,889,189	\$ 7,038,669	\$ 6,385,335	\$ 5,732,002	\$ 5,078,669	\$ 4,425,335
Total Liabilities	\$ 8,563,325	\$ 8,226,189	\$ 8,417,002	\$ 7,763,669	\$ 7,110,335	\$ 6,457,002	\$ 5,803,669
<i>Owner's Equity</i>							
Capital Stock	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Additional Paid-In Capital	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Patronage Capital Credits	\$ 6,976,180	\$ 6,982,080	\$ 6,818,668	\$ 7,860,729	\$ 8,952,807	\$ 10,072,671	\$ 11,215,422
Retained Earnings	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Equity	\$ 6,976,180	\$ 6,982,080	\$ 6,818,668	\$ 7,860,729	\$ 8,952,807	\$ 10,072,671	\$ 11,215,422
Total Liabilities and Owner's Equity	\$ 15,539,505	\$ 15,208,269	\$ 15,235,670	\$ 15,624,398	\$ 16,063,142	\$ 16,529,673	\$ 17,019,090

ATTACHMENT C - COMPETITOR TABLE - LAST MILE

APPLICANT: HARDY TELECOMMUNICATIONS, INC.				
Service Area	Last Mile Service Provider	Technology Platform	Service Tier	Advertised R
				Downstream Speed
Moorefield, West Virginia	Frontier Telecommunications	DSL	Entry Level Plan	768 Kbps
			Highest Speed Plan	3 Mbps

Residential	Advertised Business		OTHER COMMENT
Price	Downstream Speed	Price	
\$39.99	768 Kbps	\$39.99	Portion of Moorefield, W. VA., western portion of Hardy Co., W. Va.
\$49.99	3 Mbps	\$49.99	

Statement of Cash Flows

	Historical		Forecast Period				
	2007	2008	Year 1	Year 2	Year 3	Year 4	Year 5
Beginning Cash	\$ 977,864	\$ 905,533	\$ 805,550	\$ 586,193	\$ 477,783	\$ 968,086	\$ 586,283
CASH FLOWS FROM OPERATING ACTIVITIES:							
Net Income	198,295	179,126	206,249	123,722	223,755	279,328	325,101
<i>Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities</i>							
Add: Depreciation	1,895,952	1,756,633	1,756,633	2,023,300	2,073,300	2,173,300	2,273,300
Allowance for doubtful accounts	(23,878)	81,463	(149,480)	653,333	653,333	653,333	653,333
Cash value of life insurance	29,749	6,999	-	-	-	-	-
Deferred income taxes	17,139	395	400	400	400	400	400
Add: Amortization	-	-	-	-	-	-	-
<i>Changes in Current Assets and Liabilities:</i>							
Marketable Securities	-	-	-	-	-	-	-
Accounts Receivable	17,803	94,439	(21,558)	(20,437)	(21,742)	(21,633)	(20,982)
Inventory	(21,038)	62,917	723	-	-	-	-
Prepayments	(64,666)	(4,826)	2,108	-	-	-	-
Other Current Assets	-	-	-	-	-	-	-
Accounts Payable	(44,353)	(38,192)	(9,742)	-	-	-	-
Other Current Liabilities	100,235	(139,611)	7,375	-	-	-	-
Net Cash Provided (Used) by Operations	\$ 2,105,238	\$ 1,999,343	\$ 1,792,709	\$ 2,780,317	\$ 2,929,047	\$ 3,084,728	\$ 3,231,152
CASH FLOWS FROM FINANCING ACTIVITIES:							
Notes Receivable	-	-	-	-	-	-	-
Notes Payable	-	-	-	-	-	-	-
Principal Payments	(596,814)	(631,951)	(990,813)	653,333	653,333	653,333	653,333
New Borrowing	-	472,223	800,000	-	-	-	-
Additional Paid-in Capital	-	-	-	-	-	-	-
Additions to Patronage Capital Credits	-	-	163,412	(1,042,061)	(1,092,078)	(1,119,864)	(1,142,750)
Payment of Dividends	(345,767)	(173,226)	-	-	-	-	-
Net Cash Provided by Financing Activities	\$ (942,581)	\$ (332,954)	\$ (27,401)	\$ (388,727)	\$ (438,744)	\$ (466,531)	\$ (489,417)
CASH FLOWS FROM INVESTING ACTIVITIES:							
Capital Expenditures	(1,234,988)	(1,719,150)	(2,000,000)	(2,000,000)	(1,500,000)	(1,500,000)	(1,500,000)
Amortizable Asset (Net of Amortization)	-	-	-	-	-	-	-
Long-Term Investments	-	(47,222)	15,336	(500,000)	(500,000)	(1,500,000)	(1,000,000)
Net Cash Used by Investing Activities	\$ (1,234,988)	\$ (1,766,372)	\$ (1,984,664)	\$ (2,500,000)	\$ (2,000,000)	\$ (3,000,000)	\$ (2,500,000)
Net Increase (Decrease) in Cash	\$ (72,331)	\$ (99,983)	\$ (219,357)	\$ (108,410)	\$ 490,302	\$ (381,803)	\$ 241,735
Ending Cash	\$ 905,533	\$ 805,550	\$ 586,193	\$ 477,783	\$ 968,086	\$ 586,283	\$ 828,017