Budget Narrative

Applicant Name: Education Networks of America (ENA)

EasyGrants Number: 144

Organization Type (from Question 1D on BTOP application): For-Profit Corporation

Proposed Period of Performance: 7 fiscal quarters ending September 2011

Total Project Costs: $18,351,465.00

Total Federal Grant Request: $14,257,172.00

Total Matching Funds (Cash): $4,094,293.00

Total Matching Funds (In-Kind): $0.00

Total Matching Funds (Cash + In-Kind): $4,094.293.00

Total Matching Funds (Cash + In-Kind) as Percentage of Total Project Costs: 22%

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1. Administrative and legal expenses

- List breakout of position(s), time commitment(s) such as hours or level-of-effort, and salary information/rates with a detailed explanation, and additional information as needed.

- Provide description, calculation, and basis of evaluation for Cash Matching Funds.

- Provide description, calculation, and basis of evaluation for In-Kind Matching Funds.

Total costs for administrative and legal expenses are budgeted at $367,574. Federal funding request is $294,059 and ENA will provide 20% cash match of $73,515. ENA's basis for cash matching funds is the 20% guideline for BTOP program. Cash matching funds will come from vendor or bank debt as described in other sections of the BTOP application and subsequent documentation.

Total administrative and legal cost budget represents 2% of total project costs and 2% of expected federal grant funding.

The $367,574 includes the following breakdown of expenses:

Personnel costs – third party vendor - $278,125

Legal expenses – third party vendor - $ 89,449

Personnel costs:

Qty	Description	Amount
1	In-house Legal personnel - full-time 12 months	$156,250
	1 * $156,250 / year	
1	Internal Project Management personnel - full-time 18 months	$121,875
	1 * $81,250 / year	
	Total Personnel Costs	$278,125

Outside Plant Project Managers will manage all activities of third party vendor to design, construct and deliver fiber service to the project end sites. Project managers will work full time on project during its duration.

Permit staff person will support project managers and will support the permit process. This project has an added level of complexity in that there are thirty-nine different school systems and library systems served as part of this project and therefore, permit staff will be responsible for communication and coordination with the contact person at each of these entities as well as contact with respective local government agencies and utilities in the coordination of permits, authority, pole rights, etc.

Outside Legal expenses – approx 300 hours at $298.1634 per hour = $89,449

This represents average of 2 hours of outside legal work per served site (146 sites) in this application. We have included all legal costs in this section which includes legal costs to obtain permits, rights-of-way and similar authority to deliver services to the end site locations. This includes attendance at meetings including school or library board meetings, negotiations with local government officials, drafting and completing any necessary contracts or documents with local authorities and representing this project in any legal challenges to delivery of these services or approval of these projects. These costs may vary depending on actual requirements of each underlying community – some of which will not be developed until request for permission is made.

2. Land, structure, rights-of-way, appraisals, etc.

- Provide description of estimated costs, proposed activites, and additional information as needed.

- Provide description, calculation, and basis of evaluation for Cash Matching Funds.

- Provide description, calculation, and basis of evaluation for In-Kind Matching Funds.

Total costs for land, structures, rights-of-way, appraisals, etc. are budgeted at $917,537. Federal funding request is $734,029 and ENA will provide 20% cash match of $183,508. ENA's basis for cash matching funds is the 20% guideline for BTOP program. Cash matching funds will come from vendor or bank debt as described in other sections of the BTOP application and subsequent documentation.

Total land, structures, rights-of-way, appraisals, etc. cost budget represents 5% of total project costs and 5% of expected federal grant funding.

The $917,537 includes the following breakdown of expenses:

Qty	Description	Amount
33	Railroad Permits @ $7,500 each	$247,500
7,445	Utility company cost to survey poles @ $89.9983 each	$670,037
	Total Land, Structures, Right-of-Ways, Appraisals, Etc.	$917,537

3. Relocation expenses and payment

- Provide explanation for the relocation, description of the person involved in the relocation, method used to calculate costs, and additional information as needed.

- Provide description, calculation, and basis of evaluation for Cash Matching Funds.

- Provide description, calculation, and basis of evaluation for In-Kind Matching Funds.

ENA has no budgeted relocation expenses and payments.

4. Architectural and engineering fees

- Provide description of estimated fees, explanation of proposed services, and additional informaiton as needed.

- Provide description, calculation, and basis of evaluation for Cash Matching Funds.

- Provide description, calculation, and basis of evaluation for In-Kind Matching Funds.

Total costs for architectural and engineering fees are budgeted at $917,573. Federal funding request is $734,059 and ENA will provide 20% cash match of $183,514. ENA's basis for cash matching funds is the 20% guideline for BTOP program. Cash matching funds will come from vendor or bank debt as described in other sections of the BTOP application and subsequent documentation.

Total architectural and engineering fees budget represents 5% of total project costs and 5% of expected federal grant funding.

The $917,573 includes the following breakdown of expenses:

Qty	Description	Amount
3,000,000'	Field Engineering / Design / Attach to poles @ $.20 / foot	$600,000
3,000,000'	CAD /Field Engineering / Permits and Drawings @ $.10 / foot	$300,000
	Engineering Supplies	$17,573
	Total Architectural and Engineering Fees	$917,573

5. Other architectural and engineering fees

- Provide description of estimated fees, explanation of proposed services, and additional informaiton as needed.

- Provide description, calculation, and basis of evaluation for Cash Matching Funds.

- Provide description, calculation, and basis of evaluation for In-Kind Matching Funds.

ENA has no budgeted other architectural and engineering fees.

6. Project inspection fees

- Provide description of estimated fees, explanation of proposed services, and additional informaiton as needed.

- Provide description, calculation, and basis of evaluation for Cash Matching Funds.

- Provide description, calculation, and basis of evaluation for In-Kind Matching Funds.

Total costs for project inspection fees are budgeted at $917,610. Federal funding request is $734,088 and ENA will provide 20% cash match of $183,522. ENA's basis for cash matching funds is the 20% guideline for BTOP program. Cash matching funds will come from vendor or bank debt as described in other sections of the BTOP application and subsequent documentation.

Total project inspection fees budget represents 5% of total project costs and 5% of expected federal grant funding.

The $917,610 includes the following breakdown of expenses:

Qty	Description	Amount
3,000,000'	Fiber Inspection @ $.10 per foot	$ 300,000
3,000,000'	Fiber Testing @ $.10 per foot	$ 300,000
33	Railroad Permit Request engineering and inspection ($1,897.273 per unit)	$62,610
2	Testing Engineers at $85,000/year for 1.5 years	$255,000
	Total Project Inspection Fees	$917,610

7. Site work

- Provide description of estimated fees, explanation of proposed services, and additional information as needed.

- Provide description, calculation, and basis of evaluation for Cash Matching Funds.

- Provide description, calculation, and basis of evaluation for In-Kind Matching Funds.

ENA has no budgeted site work.

8. Demolition and removal

- Provide description of estimated fees, explanation of proposed services, and additional information as needed.

- Provide description, calculation, and basis of evaluation for Cash Matching Funds.

- Provide description, calculation, and basis of evaluation for In-Kind Matching Funds.

ENA has no budgeted demolition and removal.

9. Construction

- Provide description of estimated fees, explanation of proposed services, state whether the work is being completed by the applicant or an outside contractor, and additional information as needed.

- Provide description, calculation, and basis of evaluation for Cash Matching Funds.

- Provide description, calculation, and basis of evaluation for In-Kind Matching Funds.

Total costs for construction are budgeted at $12,901,016. Federal funding request is $10,320,813 and ENA will provide 20% cash match of $2,580,203. ENA's basis for cash matching funds is the 20% guideline for BTOP program. Cash matching funds will come from vendor or bank debt as described in other sections of the BTOP application and subsequent documentation.

Qty	Description	Amount
3,000,000’	ADSS Fiber Cable @ $.65 per foot	$1,950,000
275	Splice Cases @ $250	$68,750
146	Fiber Distribution Panel @ $500 each	$73,000
3,000,000’	ADSS Hardware @ $.25 per foot	$ 750,000
3,000,000’	Installation of Fiber Cable @ $1.15 per foot	$3,450,000
146	Design/Engineering/Installation of Fiber into Buildings 146 Entrances * $8,500 per panel	$1,241,000
13,200	Splicing Fiber @ $30 per splice 275 Splice Cases * 48 Fibers *$30 / splice	$ 396,000
146	Installation of FDP and Terminating @ $1500 per site 146 Sites * $1,500 / per FTP	$ 219,000
3,000,000’	Cable relocation on existing poles to make room for new fiber @ $1.21 per foot	$3,630,000
1	Installation and Turn-up of Backbone Personnel and Management work necessary to upgrade existing backbone and turn-up new backbone/fiber Regular hours = 2500 * $100 = $250,000 Overtime hours = 1250 * $150 = $187,500	$ 437,500
146	Installation and Turn-up at Customer Premises 146 * 8 hours * $100 (hourly pay, trucks, tools)	$ 116,800
25	Installation and Turn-up of Hub Equipment 25 * 8 hours * $94.83 (hourly pay, trucks, tools)	$ 18,966
4	Outside Plant Project Managers – full-time 18 months 4 * $81,250 / year	$487,500
1	Permit personnel – full-time 12 months 1 * $62,500 / year	$ 62,500
	Total Construction Fees	$12,901,016

10. Equipment

- Provide list of equipment with description, number of units, unit cost, state whether it is being purchased or leased, and additional information as needed.

- Provide description, calculation, and basis of evaluation for Cash Matching Funds.

- Provide description, calculation, and basis of evaluation for In-Kind Matching Funds.

Total costs for equipment are budgeted at $2,310,149. Federal funding request is $1,424,084.

The cash matching portion of $886,065 is broken into two categories.

ENA is funding 100% of its end site router equipment ($480,039) and aggregation point equipment ($50,005). Cash matching funds for this equipment will come from ENA's existing cash and is considered an "equity" contribution from ENA. Depending on equipment ultimately required, ENA may source some of the equipment from its existing inventory of routers and cards.

The remaining equipment costs of $1,780,105 are from our third party fiber construction vendors. The entire Federal funding request of $1,424,084 relates to this equipment and ENA will provide 20% cash match of $356,021. ENA's basis for cash matching funds is the 20% guideline for BTOP program. Cash matching funds will come from vendor or bank debt as described in other sections of the BTOP application and subsequent documentation.

Total matching funds for equipment of $886,065 represents 38% of this cost category.

Total equipment budget represents 13% of total project costs and 10% of expected federal grant funding.

The $2,310,049 includes the following breakdown of expenses:

Qty	Description	Amount
39	Cisco 3600 series routers or equivalent (39 units at one site for each entity served at $4,001 per device)	$156,039
108	Cisco ME 3400 series routers or equivalent (108 units at $3,000 per device deployed at all other end sites)	$324,000
2	Cisco 7600 router cards and related software (upgrades to existing aggregation point equipment) (upgrade to 2 7600 devices at $25,002.50 per device)	$50,005
Subtotal ENA Provided Equipment		$530,044
Third Party Vendor Equipment –		
11	Transport Backbone Equipment 11 * $100,000 = $1,000,000	$1,100,000
146	Transport Customer Premise Equipment 146 Buildings * $3,000 per equipment	$438,000
25	Transport Hub Equipment 25 * $9,684.20	$ 242,105
Subtotal Third Party Vendor Equipment		$1,780,105
Total Equipment		$2,310,149

11. Miscellaneous

- Provide additional information as needed.

- Provide description, calculation, and basis of evaluation of Cash Matching Funds.

- Provide description, calculation, and basis of evaluation of In-Kind Matching Funds.

Total miscellaneous costs are budgeted at $20,006. Federal funding request is $16,040 and ENA will provide 20% cash match of $3,966. ENA's basis for cash matching funds is the 20% guideline for BTOP program. Cash matching funds will come from vendor or bank debt as described in other sections of the BTOP application and subsequent documentation.

Miscellaneous cost is an estimated cost for an audit of project expenses as may be required by the BTOP program.

Addendum

- If indirect costs (i.e., indirect, overhead, general and administrative, facilities and administration, etc.) and/or fringe benefits are included in the budget, please provide a copy of your existing Negotiated Indirect Cost Recovery Agreement (NICRA), if available. If the NICRA is applied accordingly in the budget, there is no need to justify the costs. If a NICRA is not available or is not consistent with the rates/calculations in the budget, please provide an explanation of how the amounts were calculated. Please clearly list the manner in which indirect costs are calculated in the budget.

DISCLOSURE OF LOBBYING ACTIVITIES

Approved by OMB 0348-0046

Complete this form to disclose lobbying activities pursuant to 31 U.S.C. 1352
(See reverse for public burden disclosure.)

1. Type of Federal Action:	2. Status of Federal Action:	3. Report Type:
N/A a. contract b. grant c. cooperative agreement d. loan e. loan guarantee f. loan insurance	N/A a. bid/offer/application b. initial award c. post-award	N/A a. initial filing b. material change **For Material Change Only:** year _____ quarter _____ date of last report _____

4. Name and Address of Reporting Entity:	5. If Reporting Entity in No. 4 is a Subawardee, Enter Name and Address of Prime:
☑ Prime ☐ Subawardee Tier ______, *if known*: Education Networks of America, Inc. **Congressional District**, *if known*: TN 5	N/A **Congressional District**, *if known*:
6. Federal Department/Agency: N/A	**7. Federal Program Name/Description:** N/A CFDA Number, *if applicable*: _____
8. Federal Action Number, *if known*: N/A	**9. Award Amount,** *if known*: $
10. a. Name and Address of Lobbying Registrant (*if individual, last name, first name, MI*): N/A	**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: [signature] Print Name: David Pierce Title: President & CEO Telephone No.: 615-312-6009 Date: 8-11-09
Federal Use Only:	Authorized for Local Reproduction Standard Form LLL (Rev. 7-97)

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

ASSURANCES - CONSTRUCTION PROGRAMS

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) underwhich 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
	David Pierce

*APPLICANT ORGANIZATION	*DATE SUBMITTED
Education Networks of America,Inc.(ENA, Inc.)	08-11-2009

OMB Approval No. 0348-0041

BUDGET INFORMATION - Construction Programs

NOTE: Certain Federal assistance programs require additional computations to arrive at the Federal share of project costs eligible for participation. If such is the case, you will be notified.

COST CLASSIFICATION	a. Total Cost	b. Costs Not Allowable for Participation	c. Total Allowable Costs (Columns a-b)
1. Administrative and legal expenses	$ 917,574 .00	$ .00	$ 917,574 .00
2. Land, structures, rights-of-way, appraisals, etc.	$ 917,574 .00	$ .00	$ 917,574 .00
3. Relocation expenses and payments	$ .00	$ .00	$ 0 .00
4. Architectural and engineering fees	$ 917,574 .00	$ .00	$ 917,574 .00
5. Other architectural and engineering fees	$ .00	$ .00	$ 0 .00
6. Project inspection fees	$ 917,574 .00	$ .00	$ 917,574 .00
7. Site work	$ .00	$ .00	$ 0 .00
8. Demolition and removal	$ .00	$ .00	$ 0 .00
9. Construction	$ 12,351,026 .00	$ .00	$ 12,351,026 .00
10. Equipment	$ 2,310,147 .00	$ .00	$ 2,310,147 .00
11. Miscellaneous	$ 20,001 .00	$ .00	$ 20,001 .00
12. SUBTOTAL *(sum of lines 1-11)*	$ 18,351,467 .00	$ 0.00	$ 18,351,467 .00
13. Contingencies	$ .00	$ .00	$ 0 .00
14. SUBTOTAL	$ 18,351,467 .00	$ 0.00	$ 18,351,467 .00
15. Project (program) income	$ .00	$ .00	$ 0 .00
16. TOTAL PROJECT COSTS *(subtract #15 from #14)*	$ 18,351,467 .00	$ 0.00	$ 18,351,467 .00
FEDERAL FUNDING			
17. Federal assistance requested, calculate as follows: (Consult Federal agency for Federal percentage share.) Enter the resulting Federal share.	Enter eligible costs from line 16c Multiply X 77.69 %	To autocalculate, press TAB key after entering percent. These instructions will not print.	$ 14,257,255.00

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Standard Form 424C (Rev. 7-97)
Prescribed by OMB Circular A-102

INSTRUCTIONS FOR THE SF-424C

Public reporting burden for this collection of information is estimated to average 180 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 (0348-0041), 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.

This sheet is to be used for the following types of applications: (1) "New" (means a new [previously unfunded] assistance award); (2) "Continuation" (means funding in a succeeding budget period which stemmed from a prior agreement to fund); and (3) "Revised" (means any changes in the Federal Government's financial obligations or contingent liability from an existing obligation). If there is no change in the award amount, there is no need to complete this form. Certain Federal agencies may require only an explanatory letter to effect minor (no cost) changes. If you have questions, please contact the Federal agency.

Column a. - If this is an application for a "New" project, enter the total estimated cost of each of the items listed on lines 1 through 16 (as applicable) under "COST CLASSIFICATION."

If this application entails a change to an existing award, enter the eligible amounts *approved under the previous award* for the items under "COST CLASSIFICATION."

Column b. - If this is an application for a "New" project, enter that portion of the cost of each item in Column a. which is *not* allowable for Federal assistance. Contact the Federal agency for assistance in determining the allowability of specific costs.

If this application entails a change to an existing award, enter the adjustment [+ or (-)] to the previously approved costs (from column a.) reflected in this application.

Column. - This is the net of lines 1 through 16 in columns "a." and "b."

Line 1 - Enter estimated amounts needed to cover administrative expenses. Do not include costs which are related to the normal functions of government. Allowable legal costs are generally only those associated with the purchases of land which is allowable for Federal participation and certain services in support of construction of the project.

Line 2 - Enter estimated site and right(s)-of-way acquisition costs (this includes purchase, lease, and/or easements).

Line 3 - Enter estimated costs related to relocation advisory assistance, replacement housing, relocation payments to displaced persons and businesses, etc.

Line 4 - Enter estimated basic engineering fees related to construction (this includes start-up services and preparation of project performance work plan).

Line 5 - Enter estimated engineering costs, such as surveys, tests, soil borings, etc.

Line 6 - Enter estimated engineering inspection costs.

Line 7 - Enter estimated costs of site preparation and restoration which are not included in the basic construction contract.

Line 9 - Enter estimated cost of the construction contract.

Line 10 - Enter estimated cost of office, shop, laboratory, safety equipment, etc. to be used at the facility, if such costs are not included in the construction contract.

Line 11 - Enter estimated miscellaneous costs.

Line 12 - Total of items 1 through 11.

Line 13 - Enter estimated contingency costs. (Consult the Federal agency for the percentage of the estimated construction cost to use.)

Line 14 - Enter the total of lines 12 and 13.

Line 15 - Enter estimated program income to be earned during the grant period, e.g., salvaged materials, etc.

Line 16 - Subtract line 15 from line 14.

Line 17 - This block is for the computation of the Federal share. Multiply the total allowable project costs from line 16, column "c." by the Federal percentage share (this may be up to 100 percent; consult Federal agency for Federal percentage share) and enter the product on line 17.

BROADBAND TECHNOLOGY OPPORTUNITIES PROGRAM
Federal Request and Match Verification

Name of Applicant Organization Education Networks of America, Inc. (ENA, Inc.)
DUNS Number 012119835
Easy Grants # of Submitted Application 144

As an Authorized Organizational Represented of the entity listed above, I verify that

(i.) The amounts in the "Grant Request" column from the budget table submitted by the entity I represent in response to Question 44 on page 17 of the Broadband Infrastructure Application completely and accurately reflect the amount of the organization's Federal grant request to NTIA; and

(ii.) The amounts in the "Cash $" and "In-kind $" fields submitted by the entity I represent in response to Question 52 on page 19 of the Broadband Infrastructure Application completely and accurately reflect, respectively, the organization's cash and in-kind matching contributions for the proposed project.

Signature of authorized person _______________ Date 12-16-09
Print name of authorized person David Pierce
Title or position President & CEO

FORM CD-512
(REV 12-04)

U.S. DEPARTMENT OF COMMERCE

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.

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	AWARD NUMBER AND/OR PROJECT NAME
Education Networks of America, Inc. (ENA,Inc.)	Broadband Access & Equity for In Community Anch
PRINTED NAME AND TITLE OF AUTHORIZED REPRESENTATIVE	
David Pierce, President & CEO	
SIGNATURE	DATE
	8-11-2009

FORM CD-511
(REV 1-05)

U.S. DEPARTMENT OF COMMERCE

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 conncection 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.

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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	AWARD NUMBER AND/OR PROJECT NAME
Education Networks of America, Inc. (ENA, Inc.)	Broadband Access & Equity for IN Community An
PRINTED NAME AND TITLE OF AUTHORIZED REPRESENTATIVE	
David Pierce, President & CEO	
SIGNATURE	DATE
	8-11-2009

Broadband Infrastructure Application
Submission to RUS (BIP) and NTIA (BTOP)

Certification Requirements BTOP

U.S. Department of Commerce
Broadband Technology Opportunities Program

(i) I certify that I am authorized to submit this grant application on behalf of the eligible entity(ies) listed on this application, that I have examined this application, that all of the information and responses in this application, including certifications, and forms submitted, all of which are part of this grant application, are material representations of fact and true and correct to the best of my knowledge, that the entity(ies) that is requesting grant funding pursuant to this application and any subgrantees and subcontractors will comply with the terms, conditions, purposes, and federal requirements of the grant program; that no kickbacks were paid to anyone; and that a false, fictitious, or fraudulent statements or claims on this application are grounds for denial or termination of a grant award, and/or possible punishment by a fine or imprisonment as provided in 18 U.S.C. § 1001 and civil violations of the False Claims Act.

(ii) I certify that the entity(ies) I represent have and will comply with all applicable federal, state, and local laws, rules, regulations, ordinances, codes, orders and programmatic rules and requirements relating to the project. I acknowledge that failure to do so may result in rejection or deobligation of the grant or loan award. I acknowledge that failure to comply with all federal and program rules could result in civil or criminal prosecution by the appropriate law enforcement authorities.

(iii) If requesting BTOP funding, I certify that the entity(ies) I represent has and will comply with all applicable administrative and federal statutory, regulatory, and policy requirements set forth in the DOC Pre-Award Notification, published in the Federal Register on February 11, 2008 (73 FR 7696), as amended; DOC Financial Assistance Standard Terms and Conditions (Mar. 8, 2009); DOC American Recovery and Reinvestment Act Award Terms (April 9, 2009); and any Special Award Terms and Conditions that are included by the Grants Officer in the award."

08-11-2009
(Date)

(Authorized Representative's Signature)

David Pierce
Name:

President & CEO
Title:

General Budget Overview

ENA Comment - this schedule matches Item 44 submission with exception of (1) including all matching funds as cash - not an option on original form and
(2) moving $480,049 from Customer Premise Equipment to Network/Access equipment for consistency with Detail of Project Costs (this is for routers which are listed under Network Equipment but that are deployed at the Customer Premise)

Budget	Loan Request	Federal Funding Request	Matching Funds (Cash)	Matching Funds (In-Kind)	Equity	Debt	Bond	Other	TOTAL
Network & Access Equipment (switching, routing, transport, access)		1,424,084	886,065						**$2,310,149**
Outside Plant (cables, conduits, ducts, poles, towers, repeaters, etc.)		10,320,813	2,580,203						**$12,901,016**
Buildings and Land – (new construction, improvements, renovations, lease)									**$0**
Customer Premise Equipment (modems, set-top boxes, inside wiring, etc.)									**$0**
Billing and Operational Support Systems (IT systems, software, etc.)									**$0**
Operating Equipment (vehicles, office equipment, other)									**$0**
Engineering/Professional Services (engineering design, project management, consulting, etc.)		1,028,118	257,029						**$1,285,147**
Testing (network elements, IT system elements, user devices, test generators, lab furnishings, servers/computers, etc.)		734,088	183,522						**$917,610**
Site Preparation		734,029	183,508						**$917,537**
Other		16,040	3,966						**$20,006**
TOTAL BROADBAND SYSTEM:	**$0**	**$14,257,172**	**$4,094,293**	**$0**	**$0**	**$0**	**$0**	**$0**	**$18,351,465**

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

Note - information provided below is duplicated from ENA's Attachment G submission

SERVICE AREA or COMMON NETWORK FACILITES:		Eligibility (Yes/No)	Unit Cost	No. of Units	Total Cost	Support of Reasonableness
NETWORK & ACCESS EQUIPMENT					**2,310,149**	
Switching					-	
					-	
					-	
Routing	Cisco 7600 series cards	Yes	342.50	146	50,005	unit cost allocation of addition to current infrastructure; no charge for base equipment
	Cisco ME 3400 or equivalent routers	Yes	3,000.00	108	324,000	based on multiple provider quotes
	Cisco 3600 seried routers or equivalent	Yes	4,001.00	39	156,039	consistent with standard practices
Transport	see below; cost included in 'other' based on best available information					
Access	see below; cost included in 'other' based on best available information					
Other	Vendor provided equipment	Yes	12,192.50	146	1,780,105	based on multiple provider quotes
						consistent with standard practices
					-	
OUTSIDE PLANT					**12,901,016**	
Cables	Vendor provided OSP construction estimate	Yes	84,596.00	146	12,351,016.00	All vendor OSP included
		Yes	81,250.00	6	487,500.00	Project management personnel
		Yes	62,500.00	1	62,500.00	Permit personnel
Conduits	see above; cost included in 'cables' based on best available information					based on multiple provider quotes
						consistent with standard practices
Ducts	see above; cost included in 'cables' based on best available information					
Poles	see above; cost included in 'cables' based on best available information					
Towers	None					
Repeaters	see above; cost included in 'cables' based on best available information					
					-	
					-	
Other	None				-	
					-	
					-	

SERVICE AREA or COMMON NETWORK FACILITES:		Eligibility (Yes/No)	Unit Cost	No. of Units	Total Cost	Support of Reasonableness
BUILDINGS					-	
New Construction	None				-	
					-	
					-	
Pre-Fab Huts	None				-	
					-	
					-	
Improvements & Renovation	None				-	
					-	
					-	
Other	None				-	
					-	
					-	
CUSTOMER PREMISE EQUIPMENT					-	
Modems	None				-	
					-	
					-	
Set Top Boxes	None				-	
					-	
					-	
Inside Writing	None				-	
					-	
					-	
Other	None				-	
					-	
					-	
BILLING SUPPORT AND OPERATIONS SUPPORT SYSTEMS					-	
Billing Support Systems	None				-	
					-	
					-	
Customer Care Systems	None				-	
					-	
					-	
Other Support	None				-	
					-	
					-	

SERVICE AREA or COMMON NETWORK FACILITES:		Eligibility (Yes/No)	Unit Cost	No. of Units	Total Cost	Support of Reasonableness
OPERATING EQUIPMENT					**-**	
Vehicles	no vehicles purchased directly with grant proceeds				-	
					-	
					-	
Office Equipment / Furniture	no office equipment/furniture purchased directly with grant proceeds				-	
					-	
					-	
Other	None				-	
					-	
					-	
PROFESSIONAL SERVICES					**1,285,147**	
Engineering Design	Vendor provided Design and Project Mgmt estimate	Yes	8,802.3767123	146.00	1,285,147.00	based on multiple provider quotes
	- includes related admin and legal expenses					consistent with standard practices
Project Management	see above; cost included in 'engineering design' based on best available information					
Consulting	see above; cost included in 'engineering design' based on best available information					
					-	
					-	
Other	None				-	
					-	
					-	
TESTING					**917,610**	
Network Elements	Vendor provided Testing estimate	Yes	6,285.00	146.00	917,610.00	based on multiple provider quotes
	Project inspection fees					consistent with standard practices
IT System Elements	no it system elements purchased directly with grant proceeds					
User Devices	no user devices purchased directly with grant proceeds					
Test Generators	no test generators purchased directly with grant proceeds					
Lab Furnishings	no lab furnishings purchased directly with grant proceeds					
					-	
Servers / Computers	no servers/computers purchased directly with grant proceeds				-	
					-	
					-	

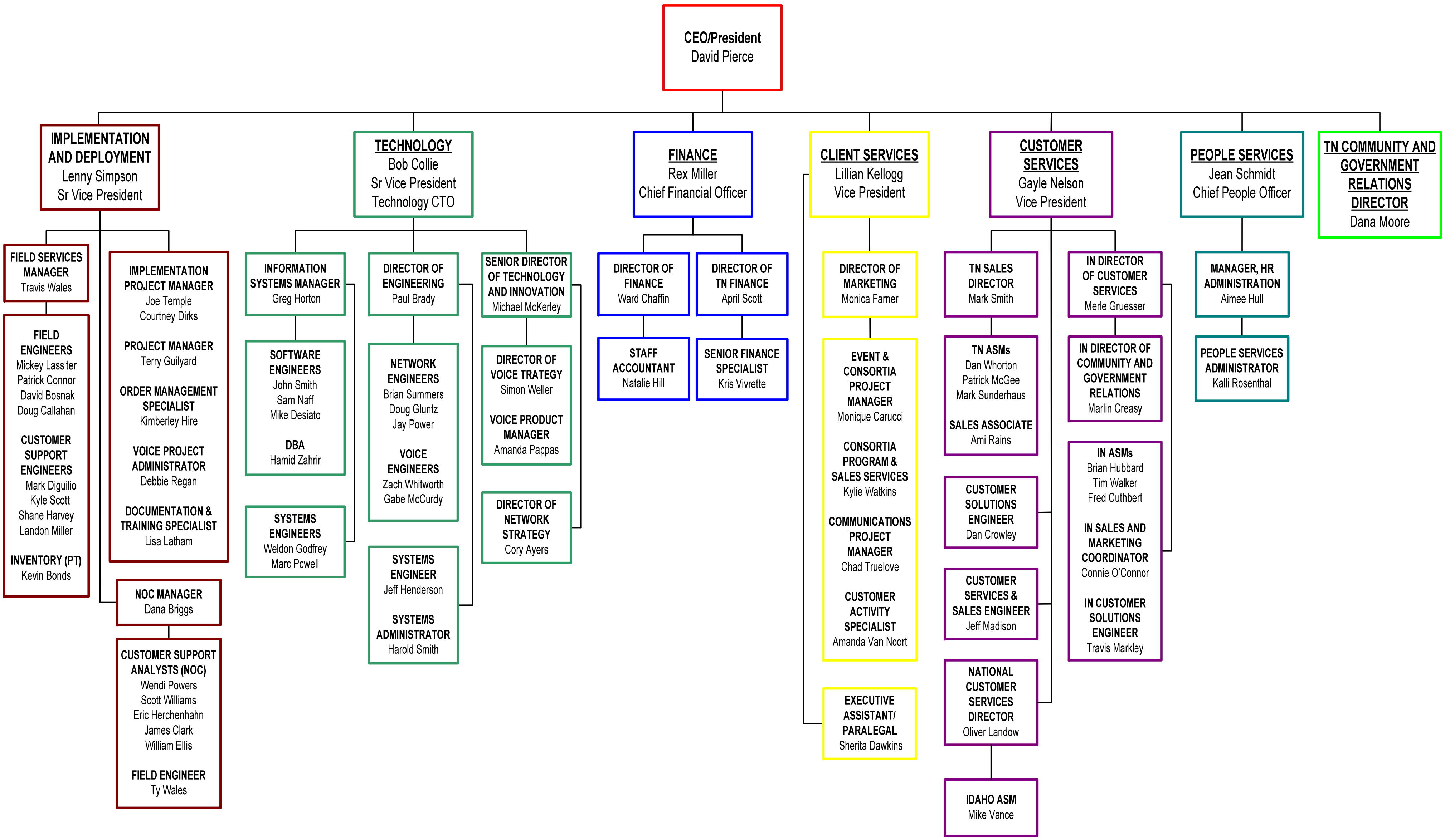
SERVICE AREA or COMMON NETWORK FACILITES:		Eligibility (Yes/No)	Unit Cost	No. of Units	Total Cost	Support of Reasonableness
OTHER UPFRONT COSTS					**937,543**	
Site Preparation	Vendor provided Site Preparation estimate	Yes	6,284.50	146.00	917,537.00	based on multiple provider quotes
	includes Land, structures, right of way, appraisals					consistent with standard practices
Other	Estimated Project Audit Costs	Yes	20,006.00	1.00	20,006.00	estimated - rules still undefined
					-	
					-	
				PROJECT TOTAL:	**18,351,465**	

ENA Services, LLC

BUDGET INFORMATION - Construction Programs

NOTE: Certain Federal assistance programs require additional computations to arrive at the Federal share of project costs eligible for participation. If such is the case, you will be notified.

COST CLASSIFICATION	a. Total Cost	b. Matching Funds (Cash)	c. Matching Funds (In-Kind)	d. Federal Funding Request (Columns a-b-c)
1. Administrative and legal expenses	$367,574	$73,515	$0	**$294,059**
2 . Land, structures, rights-of-way, appraisals, etc.	$917,537	$183,508	$0	**$734,029**
3. Relocation expenses and payments	$0	$0	$0	**$0**
4. Architectural and engineering fees	$917,573	$183,514	$0	**$734,059**
5. Other architectural and engineering fees	$0	$0	$0	**$0**
6. Project inspection fees	$917,610	$183,522	$0	**$734,088**
7. Site work	$0	$0	$0	**$0**
8. Demolition and removal	$0	$0	$0	**$0**
9. Construction	$12,901,016	$2,580,203	$0	**$10,320,813**
10. Equipment	$2,310,149	$886,065	$0	**$1,424,084**
11. Miscellaneous	$20,006	$3,966	$0	**$16,040**
12. SUBTOTAL (add #1 through #11)	$18,351,465	$4,094,293	$0	**$14,257,172**
13. Contingencies	$0	$0	$0	**$0**
14. SUBTOTAL (add #12 and #13)	$18,351,465	$4,094,293	$0	**$14,257,172**
15. Project (program) income	$0	$0	$0	**$0**
16. TOTAL PROJECT COSTS (*subtract #15 from #14)*	**$18,351,465**	**$4,094,293**	**$0**	**$14,257,172**
FEDERAL FUNDING				
17. Federal assistance requested, calculated as follows: (Consult Federal agency for Federal percentage share.) Enter the resulting Federal share.	Enter eligible costs from line 16a Multiply X 77.69%			$14,257,172



ENA's Organizational Chart, August 2009

EDUCATION NETWORKS
OF AMERICA, INC. AND
SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008 and 2007

EDUCATION NETWORKS OF AMERICA, INC. AND SUBSIDIARY
Nashville, Tennessee

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2008 and 2007

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Crowe Horwath™

Crowe Horwath LLP
Member Horwath International

REPORT OF INDEPENDENT AUDITORS

To the Stockholders
Education Networks of America, Inc. and Subsidiary
Nashville, Tennessee

We have audited the accompanying consolidated balance sheets of Education Networks of America, Inc. and Subsidiary as of December 31, 2008 and 2007, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years then ended. 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 auditing standards generally accepted in the United States of America. 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 Education Networks of America, Inc. and Subsidiary as of December 31, 2008 and 2007, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Crowe Horwath LLP

Crowe Horwath LLP

Brentwood, Tennessee
January 30, 2009

EDUCATION NETWORKS OF AMERICA, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
December 31, 2008 and 2007

	2008	2007
ASSETS		
Current assets		
Cash and cash equivalents	$ 12,790,769	$ 26,087,759
Accounts receivable	10,547,469	12,627,389
Prepaid and other current assets	536,299	614,272
Income taxes receivable	87,219	-
Deferred income taxes (Note 10)	218,803	490,398
Total current assets	24,180,559	39,819,818
Property and equipment, net (Note 2)	4,320,836	4,666,812
Deferred income taxes (Note 10)	738,834	542,712
Other assets (Note 8)	-	3,112,748
Total assets	$ 29,240,229	$ 48,142,090
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 33,425	$ 164,554
Accrued liabilities (Note 3)	2,682,926	2,630,885
Deferred revenue	583,243	2,166,146
Cumulative preferred dividend payable (Note 5)	867,033	-
Total current liabilities	4,166,627	4,961,585
Stockholders' equity (Notes 5, 6 and 7)		
Redeemable convertible preferred stock, Series A; 1,084,429 and 1,553,179 shares outstanding as of December 31, 2008 and 2007 (liquidation preference of $3,459,329 and $4,955,000 at December 31, 2008 and 2007, respectively.)	1,205,000	4,955,000
Redeemable convertible preferred stock, cumulative 7%, Series B; 3,612,995 and 5,908,913 shares outstanding as of December 31, 2008 and 2007 (liquidation preference of $14,162,940 and $23,162,931 at December 31, 2008 and 2007, respectively.)	14,162,940	23,162,931
Common stock, $0.01 par value; 87,000,000 shares authorized, 47,086,815 and 48,477,278 shares issued and outstanding as of December 31, 2008 and 2007, respectively	470,868	484,773
Additional paid-in capital	3,399,014	1,201,730
Subscription notes receivable	(3,319,167)	(2,802,490)
Retained earnings	9,154,947	16,178,561
Total stockholders' equity	25,073,602	43,180,505
Total liabilities and stockholders’ equity	$ 29,240,229	$ 48,142,090

See accompanying notes to consolidated financial statements.

EDUCATION NETWORKS OF AMERICA, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
For the years ended December 31, 2008 and 2007

	2008	2007
Revenues	$ 44,723,719	$ 44,807,868
Operating expenses		
Network expenses	26,892,061	23,411,487
Payroll and benefits	8,939,625	8,708,894
Selling, general and administrative expenses	3,319,373	4,461,816
Depreciation and amortization expenses	2,794,353	2,527,629
Loss (gain) on disposal of assets	8,828	7,026
Total operating expenses	41,954,240	39,116,852
Income from operations	2,769,479	5,691,016
Other Income and Expenses		
Interest income	384,875	1,710,313
Income before income tax expense	3,154,354	7,401,329
Income tax expense (benefit)		
Current	1,270,487	3,514,496
Deferred	75,473	(694,024)
Total tax expense	1,345,960	2,820,472
Net income	$ 1,808,394	$ 4,580,857

See accompanying notes to consolidated financial statements.

EDUCATION NETWORKS OF AMERICA, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For the years ended December 31, 2008 and 2007

	Common Stock		Common Stock Subscription Notes	Additional Paid-in	Preferred Stock		Retained	Total Stockholders'
	Shares	Amount	Receivable	Capital	Shares	Amount	Earnings	Equity
Balance at January 1, 2007	42,477,278	$ 424,773	$ (2,581,900)	$ 1,001,927	7,462,092	$ 28,117,931	$ 11,597,704	$ 38,560,435
Option compensation expense	-	-	-	139,803	-	-	-	139,803
Issuance of 6,000,000 shares of common stock	6,000,000	60,000	(96,000)	60,000	-	-	-	24,000
Subscription notes receivable	-	-	(124,590)	-	-	-	-	(124,590)
Net income	-	-	-	-	-	-	4,580,857	4,580,857
Balance at December 31, 2007	48,477,278	484,773	(2,802,490)	1,201,730	7,462,092	28,117,931	16,178,561	43,180,505
Preferred shareholder dividends	-	-	-	-	-	-	(867,033)	(867,033)
Stock issuance	7,370,182	73,702	(3,208,526)	3,139,284	-	-	-	4,460
Stock redemption	(6,032,793)	(60,328)	-	(1,481,303)	(2,764,668)	(12,749,991)	(5,264,402)	(19,556,024)
Option/warrant compensation expense	-	-	-	539,303	-	-	-	539,303
Subscription notes receivable	-	-	(36,003)	-	-	-	-	(36,003)
Subscription notes payoff	(2,727,852)	(27,279)	2,727,852	-	-	-	(2,700,573)	-
Net income	-	-	-	-	-	-	1,808,394	1,808,394
Balance at December 31, 2008	47,086,815	$ 470,868	$ (3,319,167)	$ 3,399,014	4,697,424	$ 15,367,940	$ 9,154,947	$ 25,073,602

See accompanying notes to consolidated financial statements.

EDUCATION NETWORKS OF AMERICA, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2008 and 2007

	2008	2007
Cash flows from operating activities		
Net income	$ 1,808,394	$ 4,580,857
Adjustments to reconcile net income to net cash from operating activities		
Depreciation and amortization	2,794,353	2,527,629
Stock compensation expense	539,303	139,803
Loss on disposal of assets	8,828	7,026
Deferred income taxes	75,473	(694,024)
Changes in assets and liabilities		
Accounts receivable	2,079,920	(1,833,762)
Prepaid and other current assets	77,973	(238,668)
Other assets	3,112,748	(3,112,748)
Income taxes receivable	(87,219)	-
Accounts payable	(131,129)	(274,281)
Accrued liabilities	52,041	545,938
Deferred revenue	(1,582,903)	1,677,342
Net cash from operating activities	8,747,782	3,325,112
Cash flows from investing activities		
Proceeds from sale of fixed assets	-	300
Purchases of fixed assets	(2,457,205)	(4,039,020)
Net cash from investing activities	(2,457,205)	(4,038,720)
Cash flows from financing activities		
Stock redemption	(19,556,024)	-
Subscription notes receivable	(36,003)	(124,590)
Proceeds from sale of common stock	4,460	24,000
Net cash from financing activities	(19,587,567)	(100,590)
Net change in cash and cash equivalents	(13,296,990)	(814,198)
Cash and cash equivalents balance beginning of year	26,087,759	26,901,957
Cash and cash equivalents balance end of year	$ 12,790,769	$ 26,087,759
Supplemental Disclosures of Cash Flow Information		
Cash paid during the year:		
Interest	$ -	$ -
Income taxes	$ 1,624,000	$ 3,164,000

Supplemental Disclosures of Non-Cash Flow Activity

The Company accumulated $867,033 in dividends for Series B preferred stock, which was not paid as of December 31, 2008. Certain members of the Company repaid $2,727,852 in subscription notes receivable by returning 2,727,852 common shares to the Company. The Company obtained $3,208,526 in subscription notes receivable in exchange for 7,361,264 common shares.

See accompanying notes to consolidated financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation: The accompanying consolidated financial statements include the consolidated operations of Education Networks of America, Inc. and ENA Services, LLC, a wholly-owned subsidiary (collectively, the "Company"). All significant intercompany transactions have been eliminated.

Organization: Education Networks of America, Inc. was originally established May 28, 1996, as Education Networks of America, LLC (the "LLC"), a Tennessee Limited Liability Company. The Company effected a common control merger with the LLC on January 1, 2000, and became a Delaware corporation. On January 1, 2000, the Company issued common and preferred stock to the existing members in exchange for their respective membership interest.

The Company is primarily engaged in the business of providing information technology services including enhanced Internet access and content delivery services. The Company has contracts to provide its services to over two million students and teachers in Tennessee, Indiana and Florida. The contracts are funded by the State of Indiana, Orange County Public Schools in Florida and individual school districts in Tennessee.

ENA Services, LLC ("Services") was created on January 26, 2006, as a Delaware Limited Liability Company. Services is primarily engaged in the business of providing telecommunications services including Internet access and voice services.

Revenue and Expense Recognition: The Company recognizes revenue based upon the type of service it performs. One-time installation and access fees are deferred and recognized over the contract period. Monthly service revenues are recognized in the month in which services are performed. Expenses are recorded as incurred. The Company estimates certain revenues and deferred revenues that are subject to approval and funding to its customers by the Federal government. Revenues received under E-Rate funding are subject to future audits by the Federal Communications Commission ("FCC"). Management believes that the resolution of any such audits would not have a material adverse affect on the Company's financial position or results of operations.

Cash and Cash Equivalents: For the purpose of the statement of cash flows, cash includes cash and cash equivalents with original maturities of 90 days or less. The Company's cash deposits are primarily in financial institutions in Tennessee and exceed federally insured amounts.

Accounts Receivable: The Company sells to customers using credit terms customary in its industry. Interest is not normally charged on receivables. Management establishes a reserve for losses on its accounts based on historic loss experience and current economic conditions. Losses are charged off to the reserve when management deems further collection efforts will not produce additional recoveries. As of December 31, 2008 and 2007, a reserve has been established by management totaling $48,455 and $48,455, respectively.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment: Property and equipment are recorded at cost. The Company capitalizes costs associated with the design, development and installation of its network including internally and externally developed software in accordance with Statement of Financial Accounting Standards No. 86 “Software Development Costs” (“SFAS 86”) and Statement of Position 98-1 “Accounting for Costs of Computer Software Developed or Obtained for Internal Use” (“SOP 98-1”). Pre-operational new service area and new product costs are charged to expense as incurred. Maintenance and repairs are charged to expense as incurred.
Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the related assets, which are as follows:

Computer Equipment	3 years
Computer Software	3 years
Office Equipment	5 years
Leasehold Improvements	4-5 years

Accounting for the Impairment or Disposal of Long-Lived Assets: In accordance with SFAS No. 144, "Impairment of Disposal of Long-Lived Assets", the Company evaluates the carrying value of long-lived assets whenever significant events or changes in circumstances indicate the carrying value of these assets may be impaired. The Company evaluates potential impairment of long-lived assets by comparing the carrying value of the net assets to the expected net future cash inflows resulting from use of the assets. Management believes that no material impairment of long-lived assets exists at December 31, 2008 and 2007.

Stock-Based Compensation: As discussed in Note 7, the Company has adopted a non-qualified option plan which provided that options for common shares of the Company could be granted to key personnel at an amount determined by the Board of Directors. During 2006, the Company adopted Statement of Financial Accounting Standards No. 123(R), "Accounting for Stock-Based Compensation (As Amended)". SFAS 123(R) requires that the fair value of stock options and other share-based compensation be measured as of the date the grant is awarded and expensed over the period of employee service, typically the vesting period. Compensation cost recognized for the year ended December 31, 2008 and 2007, totaled $539,303 and $139,803, respectively.

For purposes of computing the above compensation costs, the fair value of each option on its grant date has been estimated for pro-forma purposes using the Black-Scholes option-pricing model based on the following weighted average assumptions: 1) risk-free interest rate, ranging from 2.3-3.5% for 2008 and 3.60% for 2007, 2) expected life, 6.08 years for 2008 and 2007 3) expected dividends, none, and 4) volatility factor of 10.0%.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For purposes of computing the above compensation costs, the fair value of each warrant on its grant date has been estimated for pro-forma purposes using the Black-Scholes option-pricing model based on the following weighted average assumptions: 1) risk-free interest rate, 1.9%, 2) expected life, 3 years, 3) expected dividends, none, 4) volatility factor of 10%.

Income Taxes: The provision for income taxes is based on income recognized for financial statement purposes and includes the effects of temporary differences between such income and that recognized for tax return purposes. Deferred tax assets and liabilities are established for the expected future tax consequences of events that have been included in the consolidated financial statements or tax returns using enacted tax rates in effect for the years in which the differences are expected to reverse.

FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48), issued July 2006, was effective as of January 1, 2007. The Company has elected to defer adoption of FIN 48, in accordance with the provisions of FASB Staff Position No. FIN 48-3, which permits certain nonpublic enterprises to delay adoption until fiscal years beginning after December 15, 2008. Upon adoption of FIN 48, the Company will recognize a tax benefit only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized will be the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax benefit will be recorded. Currently, the Company accounts for contingencies associated with certain tax positions in accordance with Statement of Finacial Standards No. 5, "Accounting for Contingencies" which provides the recording of a contingency based on the probability of certain events to transpire that range from probable to remote as opposed to applying a more likely than not recognition threshold.

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.

NOTE 2 - PROPERTY AND EQUIPMENT

The Company's property and equipment, and the related accumulated depreciation at December 31, 2008 and 2007, are as follows:

	2008	2007
Computer equipment and software	$ 14,379,750	$ 12,665,998
Leasehold improvements and other	934,086	206,161
	15,313,836	12,872,159
Less accumulated depreciation and amortization	(10,993,000)	(8,205,347)
	$ 4,320,836	$ 4,666,812

Depreciation expense for the years ended December 31, 2008 and 2007, was $2,794,353 and $2,527,629 respectively.

NOTE 3 - ACCRUED LIABILITIES

Accrued expenses consist of the following:

	2008	2007
Accrued network connection charges	$ 766,882	$ 304,104
Accrued rent	16,873	-
Accrued professional charges	80,864	101,104
Accrued state and local taxes	232,550	632,217
Accrued payroll and benefits	1,211,029	1,386,915
Other	374,728	206,545
	$ 2,682,926	$ 2,630,885

NOTE 4 - PROMISSORY NOTE PAYABLE AND LINE OF CREDIT

On December 19, 2002, the Company entered into a credit agreement with a stockholder. The agreement provides the Company with a $2,500,000 line of credit. The line accrues interest annually at prime plus 2% (5.25% at December 31, 2008) and has an indefinite life. Repayment of the principal and accrued interest is due at the earlier to occur of (a) the Company's average days in accounts receivable ratio falling below 60 days, or (b) a majority of the Company's stockholders receiving cash for their shares of Company stock. Each draw on the line of credit is accompanied by a promissory note for the amount of the draw. At December 31, 2008 and 2007, there were no borrowings.

On June 10, 2008, the Company entered into a revolving line of credit note and an equipment acquisition term credit note. The revolving line of credit has an available credit of $5,000,000 and accrues interest annually at LIBOR plus 1.25% (2.33% at December 31, 2008). The equipment note has an available credit of $10,000,000 and accrues interest annually at LIBOR plus 1.1% (2.18% at December 31, 2008). These notes mature on July 1, 2009. At December 31, 2008, there were no borrowings.

NOTE 5 - STOCKHOLDERS' EQUITY

<u>Preferred Stock</u>: In March of 1999, the Company issued 940,326 shares of Series A convertible preferred member units at $3.19 per unit. In June of 1999, an additional 612,853 shares of Series A convertible preferred member units were issued at $3.19 a unit. The units originally accrued dividends at the rate of eight percent (8%) annually, payable in cash or common units. At December 31, 1999, the Company had $276,091 of dividends payable related to these units. The dividend rights were given up in conjunction with the Series B offering as discussed below and the related payable was recorded as retained earnings. These units were exchanged for equivalent Series A convertible preferred shares (“Series A shares”) when the Company converted from an LLC into a C-corporation. At December 31, 2008 and December 31, 2007, each Series A share was convertible into eight (8) common shares.

During 2000, the Company issued a total of 7,017,662 Series B redeemable convertible preferred shares (“Series B shares”) at $4.53 per share. The holders of a majority of the then outstanding Series B shares may elect to have the Company redeem all the then outstanding Series B shares at the original purchase price ($31,790,000) plus all declared and unpaid dividends at any time after the fourth anniversary of the closing (April 2004). At December 31, 2008 and December 31, 2007, each Series B share was convertible into two (2) common shares. The Series A shares carry liquidation preferences of $3,459,329 and $4,955,000 at December 31, 2008 and 2007, respectively. The Series B shares carry liquidation preferences of $14,162,940 and $23,162,931 at December 31, 2008 and 2007, respectively, based on their original purchase price per share.

NOTE 5 - STOCKHOLDERS' EQUITY (Continued)

The Series B shares were subject to a price ratchet mechanism as defined in the Series B shares purchase agreement in the event that the Company's revenues were less than $33,500,000 for 2000. Based on 2000 revenues, the Company issued an additional 1,092,034 Series B shares for no additional consideration in the second quarter of 2001, effectively adjusting the per share price from $4.53 to $3.92.

The preferred shares automatically convert into common shares upon the sale of the Company's common shares in an initial public offering where the aggregate proceeds to the Company are at least $20,000,000 or at a price per share equal to or greater than 175% of the then applicable conversion price of the preferred shares or upon the written consent of at least 66.66% of the preferred shares then outstanding. The preferred shares have a liquidation preference for the original purchase price plus any cumulative unpaid dividends. The preferred shares have voting rights similar to the common shares and have the power to elect three members to the seven member Board of Directors, which has authority over the management of the Company. In addition, certain preferred stockholders carry rights requiring their approval for certain material transactions, as described in the Company's certificate of incorporation.

In January 2006, the Company redeemed 1,530,616 shares of Series B preferred stock at $3.92 per share. The purchase price of $6,000,015 was paid in cash. In September 2006, the Company redeemed 670,167 shares of Series B preferred stock at $3.92 per share. The purchase price of $2,627,054 was paid in cash.

<u>Recapitalization Agreement:</u> During 2008, the board approved and the shareholders voted to move forward with a recapitalization offer to the shareholders. The approved recapitalization allowed the Company to repurchase and retire up to $27 million of various equity classes as follows: 1) up to $5 million of Series A convertible preferred stock at a price of $8.00 per share, 2) up to $12 million of Series B redeemable convertible preferred stock at a price of $3.92 per share, 3) up to $8,234,749 of outstanding Common Stock at a price of $1.00 per share and 4) up to $1,765,251 of Common Stock issuable upon exercise of outstanding options and warrants at a price of $1.00 per share. This agreement also instituted a 7% cumulative dividend on the Series B redeemable convertible preferred shares. Cumulative preferred dividends payable totaled $867,033 at December 31, 2008. The Series B share holders were also issued warrants to purchase 3,400,000 shares of Common Stock at an exercise price of $0.75 per share.

NOTE 5 - STOCKHOLDERS' EQUITY (Continued)

During 2008, approximately $19.6 million, or 75% of the total redemptions had been completed. The Company redeemed 468,750 shares of Series A preferred stock at $8.00 per share, for a total repurchase price of $3,750,000. The Company redeemed 2,295,918 shares of Series B preferred stock at $3.92 per share, for a total repurchase price of $9,000,000. The Company redeemed 6,032,794 shares of Common Stock, for a total repurchase price of $6,032,794. The Company redeemed 454,031 warrants for Common Stock, for a total repurchase price of $332,909, based upon an average exercise price of $0.27 per share. The Company redeemed 798,139 options for Common Stock, for a total repurchase price of $436,366, based upon an average exercise price of $0.45 per share.

NOTE 6 - SUBSCRIPTION NOTES RECEIVABLE

At December 31, 2008 and 2007, included in stockholders' equity are promissory notes in the aggregate amount of $3,306,426 and $1,597,900, plus accrued interest issued for the purchase of common stock (previously for the purchase of membership units prior to conversion of the LLC to a C corporation). At December 31, 2008 and 2007, the promissory notes accrue interest at rates ranging from 2.6% to 4.9% per annum and 4.9% to 8% per annum, respectively, and are due on demand. Accrued interest totaled $12,741 and $1,204,590 at December 31, 2008 and 2007, respectively. On March 25, 2008, $2,727,852 in subscription notes receivable were repaid by returning 2,727,852 common shares to the Company. During December 2008, the Company issued 7,361,264 common shares in exchange for notes receivable totaling $3,208,526. These promissory notes can be repaid in cash or common shares based on terms specified in the note agreements. The notes are guaranteed by all of the unencumbered assets of the payors.

NOTE 7 - OPTION PLAN AND WARRANTS

A non-qualified option plan was adopted in 1998 by the LLC which provided that options for common units of the LLC could be granted to key personnel at an amount determined by the Board of Governors at the time the option was granted, taking into account the market price of equity in the LLC on such date, the value of services provided or to be provided by the recipient of the options, and the overall value of the compensation of the recipient. In February 2000, the Board of Directors of the Company approved and adopted the 2000 Statutory-Nonstatutory Stock Option Plan (the "Plan") with the same general guidelines as the prior plan. Options issued pursuant to the Plan may constitute incentive stock options within the meaning of Section 422 of the Internal Revenue Code or may be options that do not meet said requirements (non-qualified options). Upon adoption of the Plan, all options outstanding under the prior plan were deemed to be non-qualified options outstanding under the Plan. The Company has reserved 16,000,000 shares for issuance pursuant to the Plan. The options become exercisable for ten years from the date of the grant.

NOTE 7 - OPTION PLAN AND WARRANTS (Continued)

Effective December 15, 2005, the Board of Directors approved that all granted and unvested options become vested, and the market price at this date be set at $0.50 per unvested option.

Option periods are fixed by the Board of Directors; however, no options shall be exercisable after ten years from the date granted. Vesting periods are set by the Board of Directors at the time of issuance and range from immediate to five years.

A summary of the Company's stock option activity and related information under the stock option plans for the years ended December 31, 2008 and 2007 follows:

	2008		2007	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	8,738,000	$ 0.69	13,691,000	$ 0.62
Granted	4,256,119	0.41	1,071,000	0.50
Exercised	(7,370,181)	0.44	-	-
Exercised and repurchased	(798,139)	0.45	-	-
Cancelled	(1,119,736)	1.69	(6,024,000)	0.50
Outstanding at end of year	3,706,063	0.63	8,738,000	0.69
Exercisable at end of year	2,385,355	$ 0.70	7,741,200	$ 0.72

The following tables summarize information about stock options outstanding at December 31, 2008 and 2007:

Range of Exercise Price	Number Outstanding at 12/31/08	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable at 12/31/08	Weighted Average Exercise Price
$ 0.02 - 0.50	2,953,476	6.50 years	0.47	1,719,076	0.48
0.51 - 1.00	510,087	4.95 years	0.78	423,779	0.75
1.01 - 2.00	41,000	1.24 years	1.87	41,000	1.87
2.01 - 2.75	201,500	1.83 years	2.27	201,500	2.27
	3,706,063			2,385,355	

NOTE 7 - OPTION PLAN AND WARRANTS (Continued)

Range of Exercise Price	Number Outstanding at 12/31/07	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable at 12/31/07	Weighted Average Exercise Price
$ 0.02 - 0.50	7,031,000	5.84 years	0.47	6,061,500	0.47
0.51 - 1.00	697,500	4.30 years	0.77	670,200	0.78
1.01 - 2.00	241,000	2.21 years	1.77	241,000	1.77
2.01 - 2.75	768,500	2.78 years	2.27	768,500	2.27
	8,738,000			7,741,200	

Information related to the stock option plan during each year follows:

	2008	2007
Intrinsic value of options exercised	$ 436,366	$ -
Cash received from options exercised	$ 361,773	$ -
Tax benefit realized from options exercised	$ 178,130	$ -
Weighted average fair value of options granted	$ 0.41	$ 0.50

As of December 31, 2008, there was $123,181 of total unrecognized compensation cost related to nonvested stock options under the Plan. The cost is expected to be recognized over a weighted-average period of 3.7 years.

In September 1998, the Company issued 3,989,680 warrants to purchase common stock, with an exercise price of $0.24. The warrants originally expired in 2002. Warrants totaling 3,243,640 were extended concurrent with the note payable described in Note 4. During 2002, the Company issued 75,000 warrants with an exercise price of $0.50 to an outside party for certain services; these warrants expire in October 2009. During 2004, the Company issued 245,144 warrants with an exercise price of $0.50.

On February 15, 2008, the Company amended all warrants (except for the 75,000 outside party warrants) to remove anti-dilution clauses to move forward with the Recapitalization Agreement described in Note 5. The expiration dates on these warrants were extended to March 2018, in lieu of the indefinite terms previously used related to the note payable described in Note 4. In March 2008, the Company issued 3,400,000 warrants with an exercise price of $0.75 to remaining holders of Series B preferred shares after the initial phase of the Recapitalization Agreement was completed. The Company redeemed 454,032 warrants during the Recapitalization Agreement. At December 31, 2008 and 2007, the Company had outstanding warrants granting holders the right to purchase 6,509,753 and 3,563,784 shares of common stock, respectively.

NOTE 7 - OPTION PLAN AND WARRANTS (Continued)

A summary of the Company's warrant activity and related information for the years ended December 31, 2008 and 2007 follows:

	2008		2007	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	3,563,784	$ 0.27	3,563,784	$ 0.27
Granted	3,400,001	0.75	-	-
Exercised and repurchased	(454,032)	0.27	-	-
Outstanding at end of year	6,509,753	0.52	3,563,784	0.27
Exercisable at end of year	6,509,753	$ 0.52	3,563,784	$ 0.27

The following tables summarize information about warrants outstanding at December 31, 2008 and 2007:

Range of Exercise Price	Number Outstanding at 12/31/08	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable at 12/31/08	Weighted Average Exercise Price
$ 0.24 - 0.24	2,830,395	9.29 years	0.24	2,830,395	0.24
0.50 - 0.50	279,357	7.33 years	0.50	279,357	0.50
0.75 - 0.75	3,400,001	9.33 years	0.75	3,400,001	0.75
	6,509,753			6,509,753	

Range of Exercise Price	Number Outstanding at 12/31/07	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable at 12/31/07	Weighted Average Exercise Price
$ 0.24 - 0.24	3,243,640	* years	0.24	3,243,640	0.24
0.50 - 0.50	320,144	* years	0.50	320,144	0.50
	3,563,784			3,563,784	

NOTE 7 - OPTION PLAN AND WARRANTS (Continued)

* As these warrants were issued prior to SFAS 123(R), no compensation expense has been recognized. The average life of these warrants has been deemed to be indefinite at December 31, 2007, due to expiration date being tied to the availability of the line of credit described in Note 4. This line of credit does not have an expiration date.

Information related to the warrants during each year follows:

	2008	2007
Intrinsic value of warrants exercised	$ 332,909	$ -
Cash received from warrants exercised	$ 121,122	$ -
Tax benefit realized from warrants exercised	$ -	$ -
Weighted average fair value of warrants granted	$ 0.75	$ -

As of December 31, 2008, there was no unrecognized compensation cost related to nonvested warrants.

During 2007, the Company cancelled 6,000,000 vested options with a strike price of $0.50 held by an officer of the Company. The officer in turn purchased 3,000,000 shares of common stock at $0.04 per share through cash and a note payable. In addition, the Company issued 3,000,000 shares of common stock to the officer. Compensation expense of $120,000 was recorded for this transaction during 2007.

NOTE 8 - STATE CONTRACTS

On July 1, 2007, the Company entered into a 48-month contract with Greeneville City Schools. Under this contract all Tennessee school districts are able to purchase services. As a result 131 of the 140 Tennessee school districts signed a cooperative purchasing agreement. The service began on July 1, 2007 with an original expiration date of June 30, 2011. The contract, through a second amendment dated August 2008, was subsequently extended through June 30, 2012. The contract has been, and is expected to continue to be, supplemented with Federal funding under the E-Rate discount program as administered by the Schools and Libraries Division ("SLD") of the Universal Service Administrative Company. E-Rate funding is expected to be awarded annually; however, there can be no assurances that the scope and amount of awards and funding will continue in the future.

NOTE 8 - STATE CONTRACTS (Continued)

On February 18, 2005, the Company entered into a 24 month contract with the Indiana Department of Education to provide Internet access service to all the K through 12 public schools in the state. The service began on July 1, 2005 with an original expiration date of June 30, 2007. The contract, through a first amendment dated February 2006, was subsequently extended through June 30, 2010. The contract, as amended, provides for maximum total revenues of $35.0 million to be received from the Indiana Department of Education over the life of the contract. The contract has been, and is expected to continue to be, supplemented with Federal funding under the E-Rate discount program. E-Rate funding is expected to be awarded annually; however, there can be no assurances that the scope and amount of awards and funding will continue in the future.

On February 7, 2007, the Company entered into a 36-month contract with Orange County Public Schools in Florida to provide Internet access service to all the K through 12 public schools in the county. The service began on July 1, 2007 with an original expiration date of June 30, 2010. The contract, through a first amendment dated May 8, 2007, was subsequently extended through June 30, 2011. The contract, as amended, provides for maximum total revenues of $15.2 million to be received from Orange County Public Schools over the life of the contract. The contract has been, and is expected to continue to be, supplemented with Federal funding under the E-Rate discount program. E-Rate funding is expected to be awarded annually; however, there can be no assurances that the scope and amount of awards and funding will continue in the future.

The contracts with Greeneville City Schools and Orange County Public Schools originally required performance bonds. The Greeneville performance bond was released subject to certain conditions in the August 2008 amendment noted above. The Orange County bond remains in place, although all collateral was returned to the Company in 2008. Collateral for these bonds totaled $0 and $3,112,748 at December 31, 2008 and 2007, respectively.

NOTE 9 - CONCENTRATION OF CREDIT RISK

During the years ended December 31, 2008 and 2007, the Company's significant customers accounted for the following revenues and accounts receivable:

	2008	
Customer	% of Total Gross Income	% of Gross Accounts Receivable
Schools and Libraries Division of the Universal Services Administrative Company	53.2 %	76.7 %
Orange County Public Schools	8.9 %	3.2 %
Indiana State Department of Education	8.3 %	9.3 %

NOTE 9 - CONCENTRATION OF CREDIT RISK (Continued)

	2007	
Customer	% of Total Gross Income	% of Gross Accounts Receivable
Schools and Libraries Division of the Universal Services Administrative Company	62.6 %	77.1 %
Tennessee State Department of Education	8.3 %	- %
Indiana State Department of Education	7.0 %	9.0 %
Orange County Public Schools	3.5 %	2.6 %

NOTE 10 - INCOME TAXES

The provision (credit) for income taxes consists of the following:

	2008	2007
Tax Expense		
Current	$ 1,270,487	$ 3,514,496
Deferred	75,473	(694,024)
Total tax expense	$ 1,345,960	$ 2,820,472

The composition of the deferred tax assets and liabilities in the accompanying consolidated balance sheets is as follows:

	2008	2007
Current deferred tax asset		
Allowance for doubtful accounts	$ 19,188	$ 19,188
Accrued liabilities	199,615	471,210
Net current deferred tax asset	$ 218,803	$ 490,398
Noncurrent deferred tax asset		
Differences between book and tax property and equipment basis	$ 738,834	$ 542,712
Net noncurrent deferred tax asset	$ 738,834	$ 542,712

NOTE 11 - COMMITMENTS AND CONTINGENCIES

The Company leases certain of its facilities and equipment. Rent expense charged to continuing operations for 2008 and 2007 was $456,577 and $443,894, respectively.

Minimum lease commitments are as follows:

	Operating Lease Payments
2009	$ 448,839
2010	30,522
2011	2,922
	$ 482,283

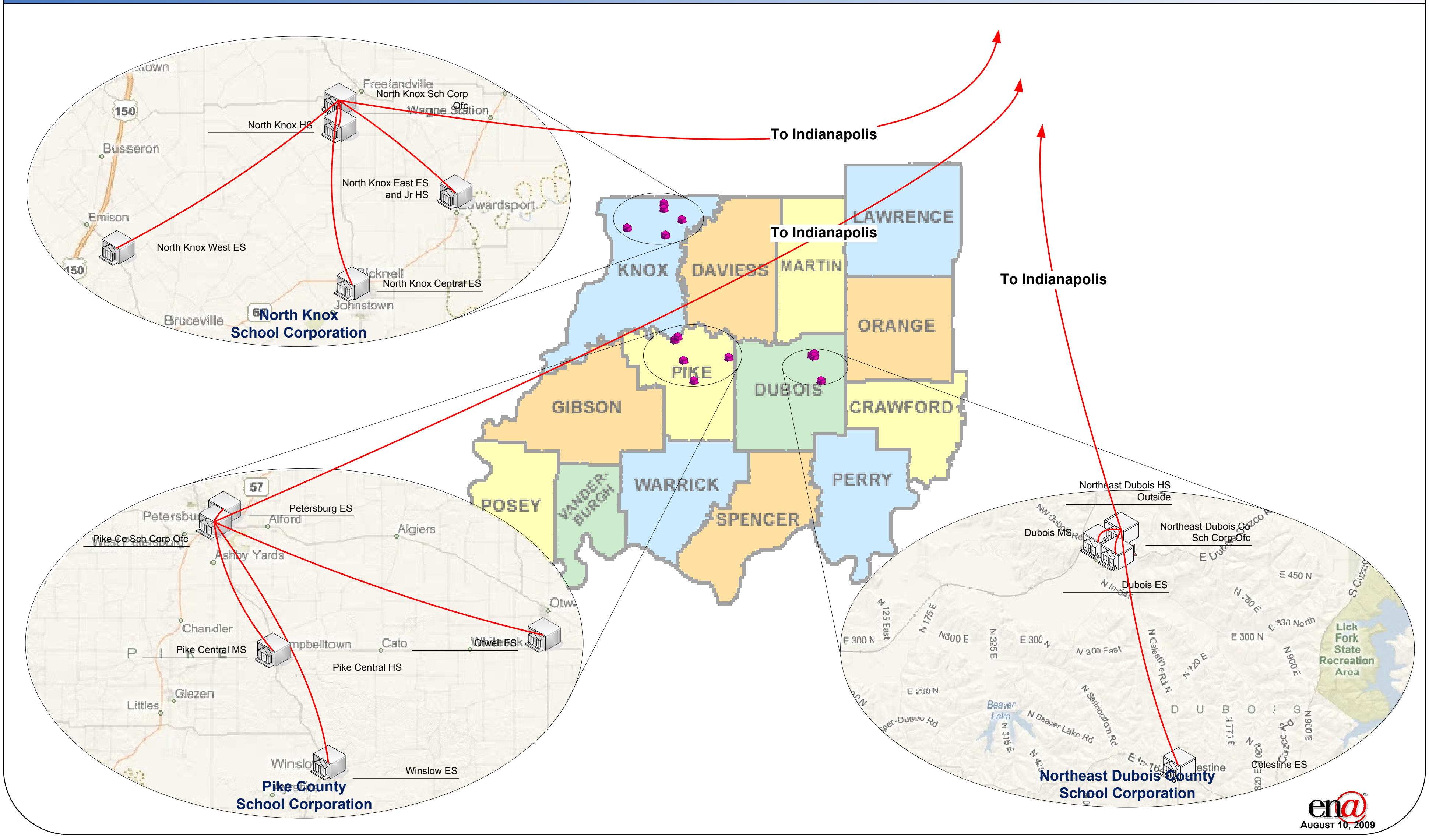
During 2008, the Company received approximately $1,500,000 in insurance proceeds. This amount has been included in Selling, General and Administrative Expenses on the Consolidated Statements of Income.

NOTE 12 - RELATED PARTY TRANSACTIONS

Transactions involving related parties not otherwise disclosed herein include payments for legal fees of $251,120 in 2008 and $271,113 in 2007 to a stockholder’s law firm and payments for consulting and non-compete agreement to a former officer of $363,938 in 2008 and $361,030 in 2007.

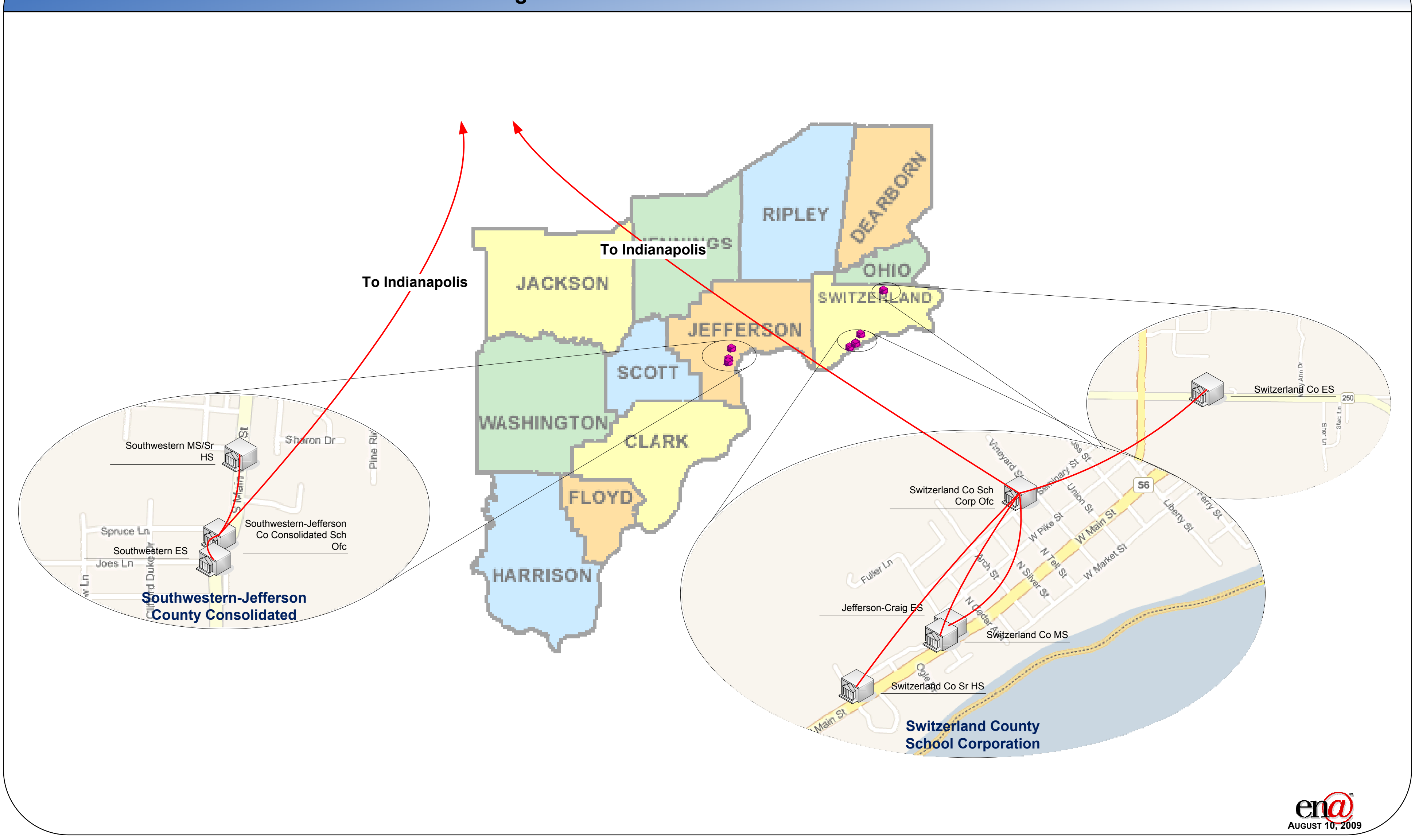
Indiana Public Schools

Region 1: Southern Indiana Education Service Center



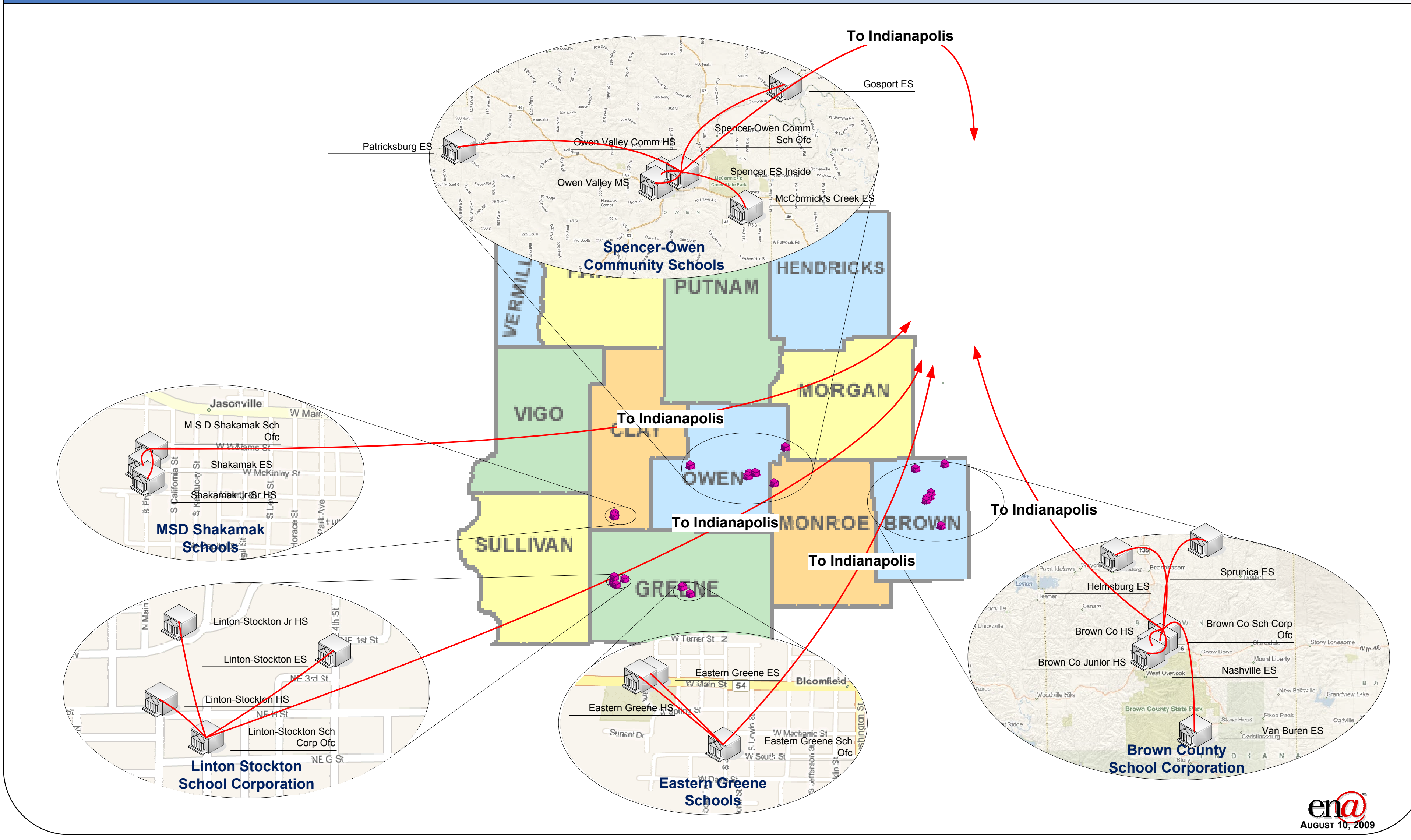
Indiana Public Schools

Region 2: Wilson Education Service Center



Indiana Public Schools

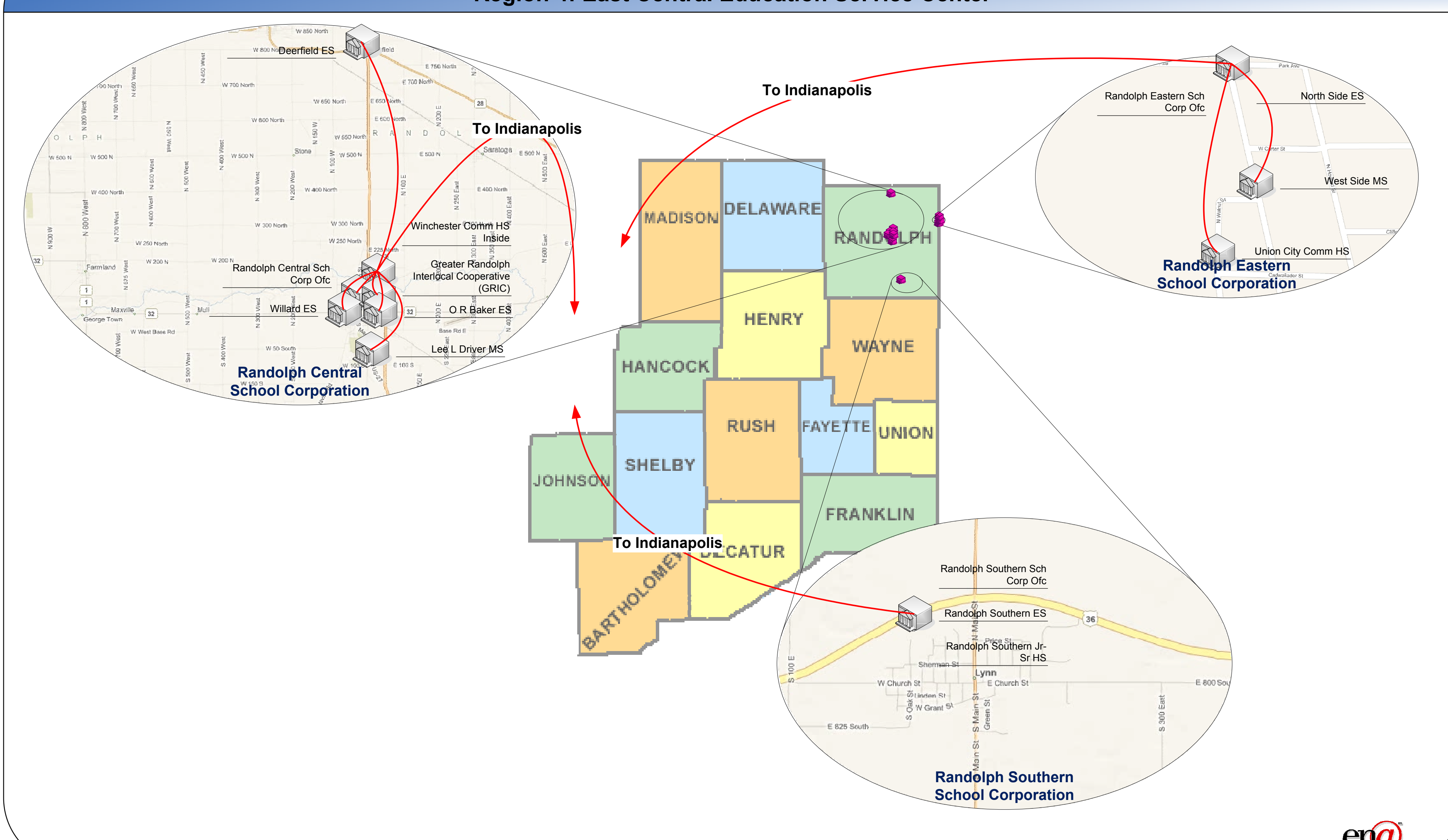
Region 3: West Central Education Service Center



AUGUST 10, 2009

Indiana Public Schools

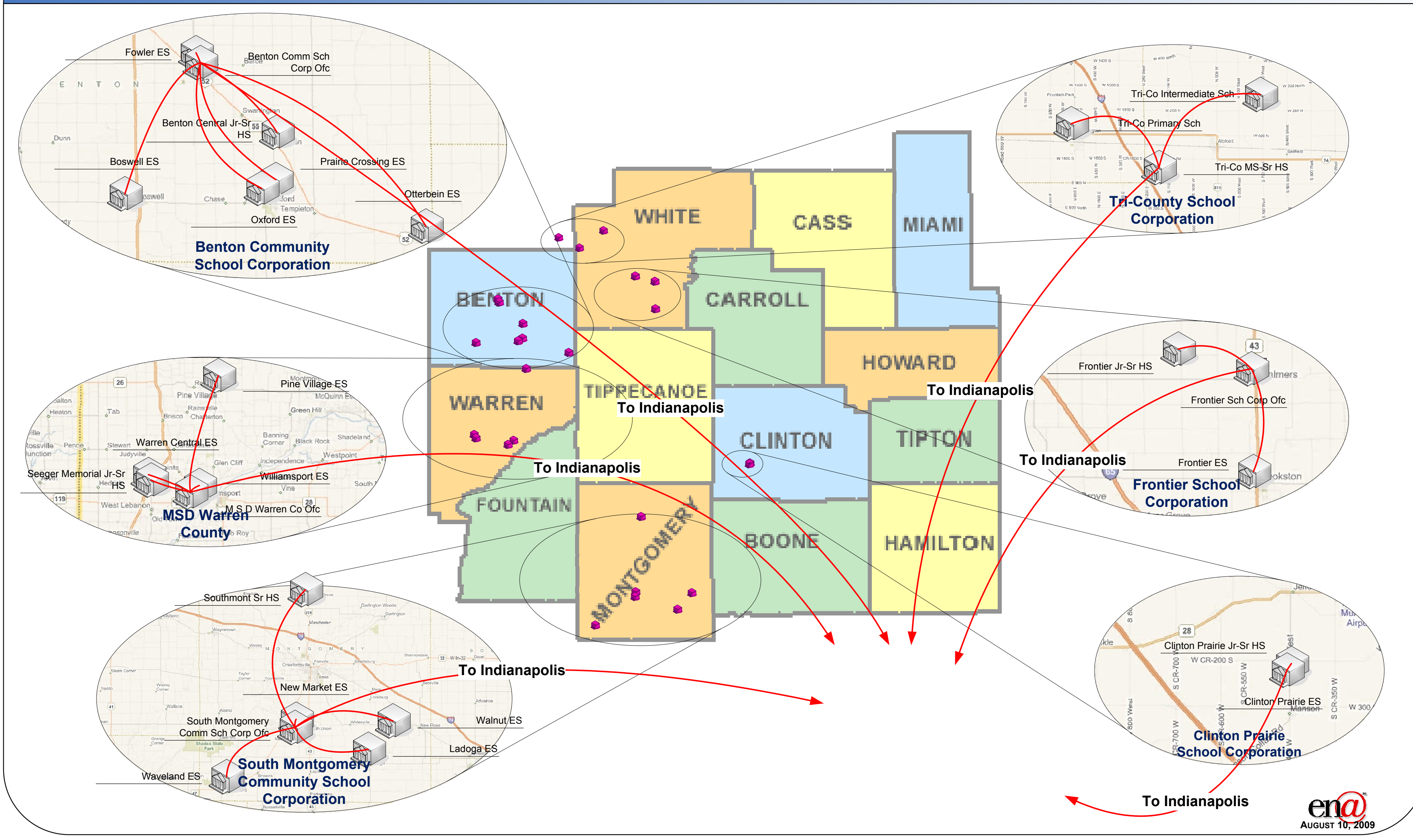
Region 4: East Central Education Service Center



AUGUST 10, 2009

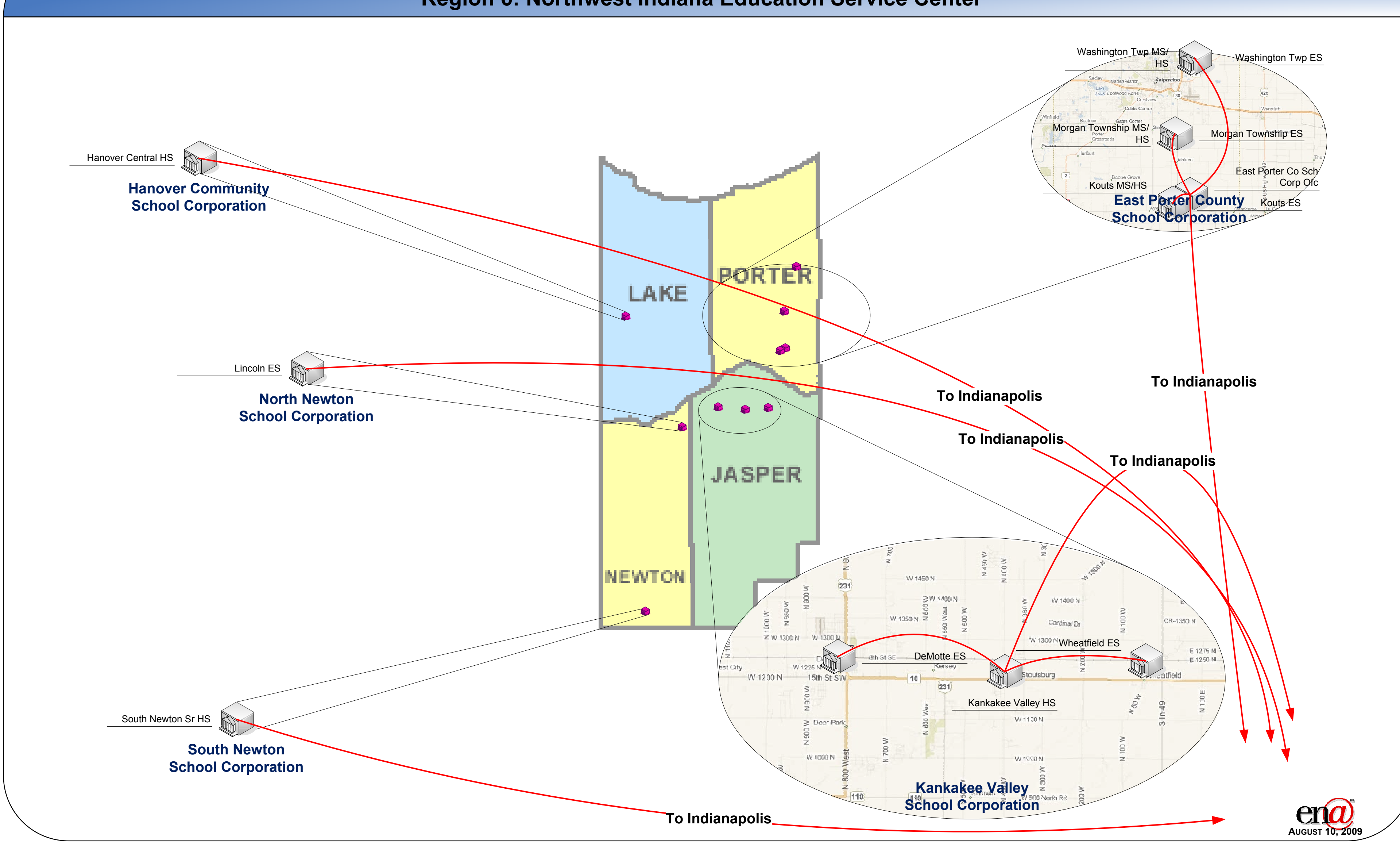
Indiana Public Schools

Region 5: Wabash Valley Education Service Center



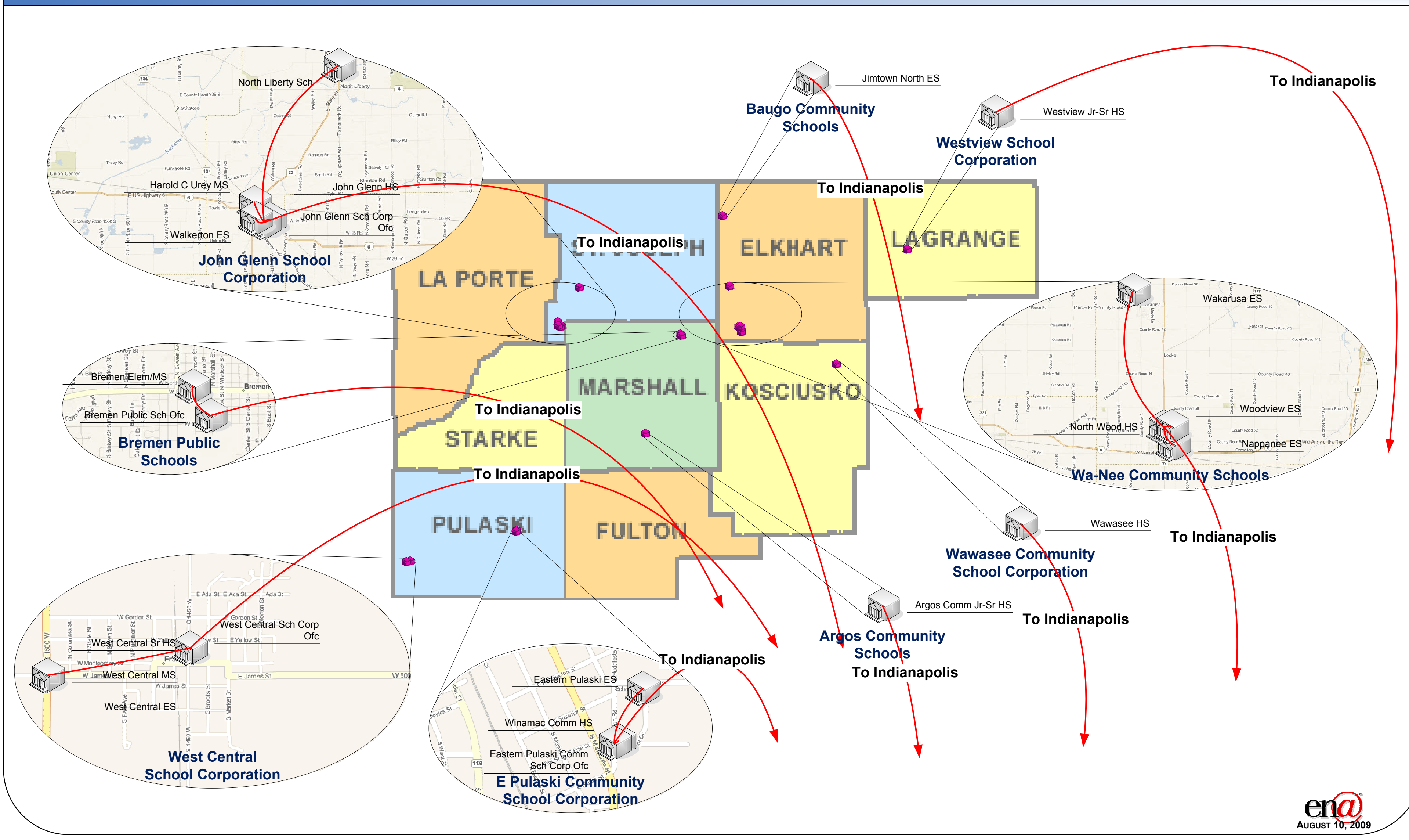
Indiana Public Schools

Region 6: Northwest Indiana Education Service Center



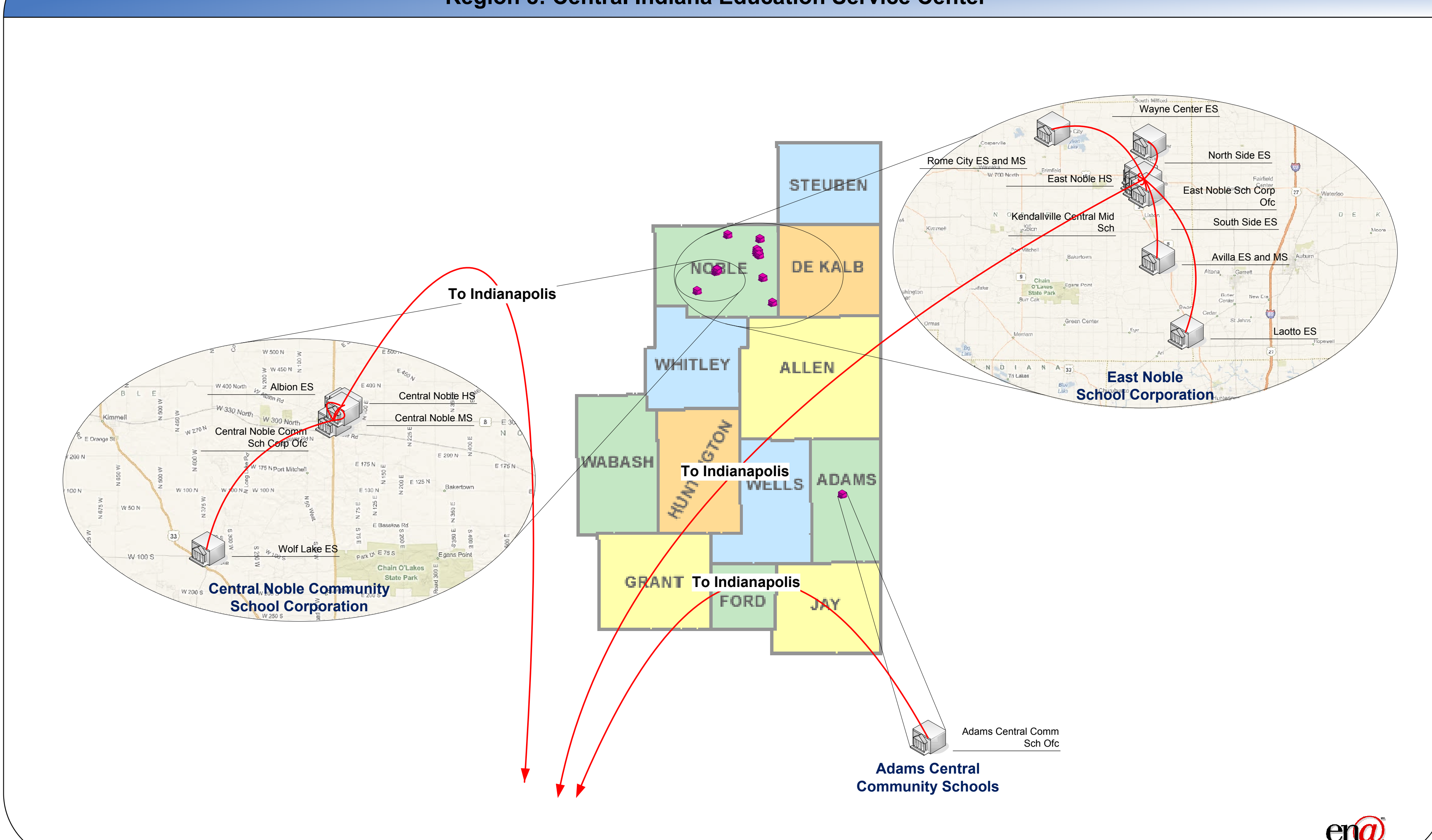
Indiana Public Schools

Region 7: Northern Indiana Education Service Center



Indiana Public Schools

Region 8: Central Indiana Education Service Center



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