

CHARTER OF THE AUDIT COMMITTEE OF HECTOR COMMUNICATIONS CORPORATION

Composition

The Audit Committee of the Board of Directors of Hector Communications Corporation (“Company”) shall consist of a minimum of three directors. The members of the Committee and the Chair of the Committee shall be appointed by the Board of Directors. Any member of the Committee may be removed by the Board of Directors in its discretion. All members of the Committee shall be independent directors of the Company under the listing standards proposed by the American Stock Exchange, and shall also satisfy the American Stock Exchange’s more rigorous independence requirement for members of an audit committee.

All members of the Audit Committee shall be able to read and understand fundamental financial statements, including the Company’s balance sheet, income statement and cash flow statement. Additionally, at least one member of the Audit Committee shall be financially sophisticated as a result of past employment experience in finance or accounting, requisite professional certification, accounting or any other comparable experience or background, including, but not limited to being or having been a chief executive officer, chief financial officer, other senior officer with financial oversight responsibility or an active participant on one or more public company audit Committees.

Purpose

The purpose of the Audit Committee shall be to oversee the accounting and financial reporting processes of the issuer and the audits of the financial statements of the issuer, including oversight of:

- the integrity of the financial statements of the Company,
- the independence and qualifications of the independent auditor, and
- the performance of the Company’s internal audit function and independent auditors.

Authority and Responsibility

A. The Committee shall have the sole authority and responsibility to select, oversee, evaluate and if necessary replace the independent auditor and the independent auditor shall be solely accountable to the Audit Committee. The Committee shall have the sole authority to approve all audit engagement fees and terms and the Committee, or the Chair of the Committee, must pre-approve any non-audit service provided to the Company by the independent auditor. . The Committee shall have the sole authority and responsibility to resolve disagreements between management and the independent auditor regarding financial reporting.

- B. The Audit Committee shall have the authority and responsibility:
1. To discuss with management and the independent auditor annual audited financial statements and quarterly financial statements, including matters required to be reviewed under applicable legal, regulatory or American Stock Exchange requirements, and to recommend the annual audited financial statements to be included in the Company's Annual Report on Form 10-K.
 2. To discuss with management and the independent auditor, as appropriate, earnings press releases and financial information and earnings guidance provided to analysts and to rating agencies.
 3. To discuss with management and the independent auditor, as appropriate, any audit problems or difficulties and management's response, and the Company's risk assessment and risk management policies, including the company's major financial risk exposure and steps taken by management to monitor and mitigate such exposure.
 4. To review the Company's financial reporting and accounting standards and principles, critical accounting policies and practices, significant changes in such standards, principles or practices or in their application and the key accounting decisions affecting the Company's financial statements, including alternatives to, and the rationale for, the decisions made.
 5. To review the Company's internal system of audit and financial controls and the results of internal audits.
 6. To review significant litigation and regulatory proceedings in which the Company is or may be involved for analysis of potential impact on the Company's financial statements, including receiving reports from the Company's legal counsel regarding any dispute, litigation, regulatory matter or proceeding or any material violation of securities laws or breach of fiduciary duty or similar violation by the Company or any agent of the Company.
 7. To prepare and publish a report of the Committee to shareholders in the Company's annual proxy statement.
 8. To obtain and review at least annually a formal written report from the independent auditor delineating: the auditing firm's internal quality-control procedures; any material issues raised within the preceding five years by the auditing firm's internal quality-control reviews, by peer reviews of the firm, or by any governmental or other inquiry or investigation relating to any audit conducted by the firm.

C. The Committee shall have authority and responsibility for (i) insuring its receipt from outside auditors of a formal written statement delineating all relationships between the auditor and the Company, consistent with the standards of the Independent Standards Board, as well as responsibility for evaluating whether any such disclosed relationships or services provided by the auditor affect the objectivity and independence of the auditor and (ii) taking appropriate action to oversee the independence of the outside auditor.

D. The Audit Committee shall establish procedures for (i) receipt, retention and treatment of complaints received by the Company with respect to accounting, internal auditing controls or auditing matters, and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

E. The Audit Committee shall have authority to retain such outside legal counsel, experts and other advisors as the Committee may, in its sole discretion, deem appropriate to fulfill its responsibilities under this charter, the listing standards of the American Stock Exchange and SEC Rule 10A 3(b) (2), (3), (4) and (5) under the Securities Exchange Act of 1934, as amended. The Committee shall have sole authority to approve fees incurred under this Paragraph E and related contracts with such legal counsel, experts and other advisors and the Company shall pay all such fees and expenses as determined appropriate and necessary by the Audit Committee in carrying out its duties.

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the committee to conduct audits or to determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles, which is the responsibility of management and the independent auditors. It is also the responsibility of management to assure compliance with laws and regulations and the Company's corporate policies, with oversight by the Committee in the areas covered by this Charter.

Key Practices

The Committee shall meet separately at least four (4) times each year with management and the Company's independent auditors. With respect to any meeting, a majority of the Committee shall constitute a quorum for conducting business.

The Committee shall provide minutes of Committee meetings for the full Board and shall, as appropriate, report at meetings of the Board regarding Committee activities and decisions.

The Committee shall review at least annually the adequacy of this charter and recommend any proposed changes to the Board for approval.

The Committee shall adopt (and periodically review and revise, as appropriate) a statement of other key practices it shall follow in discharging its duties under this Charter.