BPM, INC.
(D/B/A NOXAPATER TELEPHONE COMPANY)

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2012 AND 2011

CONTENTS

HADDOX
REID
BURKES &
CALHOUN PLLC

CPAs & Advisors

INDEPENDENT AUDITOR'S REPORT

Board of Directors and Stockholder
BPM, Inc.

We have audited the accompanying balance sheets of BPM, Inc. (d/b/a Noxapater Telephone Company) as of December 31, 2012 and 2011, and the related statements of operations, stockholder's equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit

Auditor's Responsibility - continued:

also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BPM, Inc. (d/b/a Noxapater Telephone Company) as of December 31, 2012 and 2011, 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.

Baddley Reid Hughes & Calhoun PLLC

Jackson, Mississippi
March 12, 2013

BPM, INC.
(D/B/A NOXAPATER TELEPHONE COMPANY)

BALANCE SHEETS
DECEMBER 31, 2012 AND 2011

ASSETS

	2012	2011
CURRENT ASSETS:		
Cash and cash equivalents	$ 450	833
Accounts receivable	192,365	167,700
Prepaid expenses and other assets	26,727	24,929
	219,542	193,462
PROPERTY, PLANT AND EQUIPMENT:		
Plant in service - regulated, net of accumulated depreciation	623,376	746,043
Plant in service - non-regulated, net of accumulated depreciation	1,450	2,520
	624,826	748,563
	$ 844,368	942,025

LIABILITIES AND STOCKHOLDER'S EQUITY

	2012	2011
CURRENT LIABILITIES:		
Accounts payable	$ 66,067	59,852
Accrued liabilities	48,305	34,020
	114,372	93,872
DEFERRED INCOME TAXES	194,549	238,639
LONG-TERM LIABILITIES:		
Due to parent	143,679	61,588
Note payable	281,031	268,929
	424,710	330,517
STOCKHOLDER'S EQUITY:		
Common stock, $1 par; 5,000 shares authorized, issued and outstanding	5,000	5,000
Additional paid-in capital	18,600	18,600
Retained earnings	87,137	255,397
	110,737	278,997
	$ 844,368	942,025

The accompanying notes are an integral part of these statements.

BPM, INC.
(D/B/A NOXAPATER TELEPHONE COMPANY)

STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
OPERATING REVENUES:		
Basic local network services	$ 243,206	250,336
Network access services	58,887	58,968
Long distance network services	1,137,801	1,137,552
Other operating revenue	231,200	222,766
	1,671,094	1,669,622
OPERATING EXPENSES:		
Plant specific operations	315,535	249,239
Plant nonspecific operations	463,562	561,438
Customer operations	76,109	76,441
Corporate operations	880,630	819,537
Depreciation	155,983	167,388
Other operating expenses	32,523	35,160
	1,924,342	1,909,203
LOSS FROM OPERATIONS	(253,248)	(239,581)
OTHER EXPENSES:		
Interest expense	12,102	11,581
Other expense	2,698	2,777
	14,800	14,358
LOSS BEFORE PROVISION FOR INCOME TAXES	(268,048)	(253,939)
PROVISION FOR INCOME TAXES	(99,788)	(94,719)
NET LOSS	$ (168,260)	(159,220)

The accompanying notes are an integral part of these statements.

BPM, INC.
(D/B/A NOXAPATER TELEPHONE COMPANY)

STATEMENTS OF STOCKHOLDER'S EQUITY
YEARS ENDED DECEMBER 31, 2012 AND 2011

	Common Stock		Additional		Total
	Number of Shares	Amount	Paid-In Capital	Retained Earnings	Stockholder's Equity
BALANCES, December 31, 2010	5,000	$ 5,000	18,600	414,617	438,217
Net loss for 2011	-	-	-	(159,220)	(159,220)
BALANCES, December 31, 2011	5,000	5,000	18,600	255,397	278,997
Net loss for 2012	-	-	-	(168,260)	(168,260)
BALANCES, December 31, 2012	5,000	$ 5,000	18,600	87,137	110,737

The accompanying notes are an integral part of these statements.

BPM, INC.
(D/B/A NOXAPATER TELEPHONE COMPANY)

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:		
Cash flows from operating activities:		
Cash received from customers	$ 1,646,429	1,622,624
Cash paid to suppliers and employees	(1,752,355)	(1,752,737)
Income taxes refunded	55,698	47,670
Net cash used in operating activities	(50,228)	(82,443)
Cash flows from investing activities:		
Purchases of property, plant and equipment	(32,246)	(4,963)
Net cash used in investing activities	(32,246)	(4,963)
Cash flows from financing activities:		
Net advances from parent/affiliated entity	82,091	87,088
Net cash provided by operating activities	82,091	87,088
NET DECREASE IN CASH AND CASH EQUIVALENTS	(383)	(318)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	833	1,151
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 450	833

BPM, INC.
(D/B/A NOXAPATER TELEPHONE COMPANY)

STATEMENTS OF CASH FLOWS - CONTINUED:
YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
RECONCILIATION OF NET LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Net loss	$ (168,260)	(159,220)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	155,983	167,388
Deferred income taxes	(44,090)	(47,049)
Changes in operating assets and liabilities:		
Increase in assets:		
Accounts receivable	(24,665)	(46,998)
Prepaid expenses	(1,798)	(11,341)
Increase in liabilities:		
Accounts payable	6,215	2,923
Accrued liabilities	26,387	11,854
Total adjustments	118,032	76,777
Net cash used in operating activities operating activities	$ (50,228)	(82,443)
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Accrued interest added to notes payable	$ 12,102	11,581

The accompanying notes are an integral part of these statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

BPM, Inc. (d/b/a Noxapater Telephone Company) (the "Company") was incorporated in the State of Mississippi on December 9, 1983, and is engaged in the ownership and operation of a telephone system to approximately 1,000 customers in Noxapater, Mississippi. Effective November 14, 1991, the Company became a wholly-owned subsidiary of Colonial Telephone Company ("Colonial Telephone"). The accounting policies of the Company conform to accounting principles generally accepted in the United States of America and reflect practices appropriate in the telephone industry. The accounting records of the Company are maintained in accordance with the uniform system of accounts prescribed by the regulatory bodies under whose jurisdiction the Company operates.

Cash and Cash Equivalents

The Company considers cash in operating bank accounts, cash on hand and short-term instruments with an original maturity of three months or less to be cash and cash equivalents.

Accounts Receivable

No allowance for doubtful accounts has been established by the Company for tele-communications accounts receivable. The Company reports accounts receivable at gross amounts due from customers. Because historical losses related to these receivables have been insignificant, management uses the direct write-off method to account for bad debts. On a continuing basis, management analyzes delinquent receivables, and once these receivables are determined to be uncollectible, they are written off through a charge against earnings.

Plant in Service - Regulated

Telephone plant in service is stated at original cost of construction, including capitalized costs such as taxes, payroll and related expenses, and an allowance for funds that is used during construction (AFUDC). AFUDC is defined in the applicable regulatory system of accounts as the amount of interest upon all monies, including the telephone company's own funds, used in the acquisition or construction of telephone property. There was no AFUDC for 2012 or 2011.

Depreciation is provided using the straight-line method over the estimated useful lives of the assets as provided by the Mississippi Public Service Commission, and compares to economic lives established by generally accepted accounting principles. Renewals and betterment of units of property are charged to telephone plant in service. The original cost of

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

Plant in Service - Regulated - continued:

depreciable property retired, together with removal cost, less any salvage realized, is charged to accumulated depreciation. Repairs and renewals of minor items of property are charged to maintenance expense.

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If these assets are considered to be impaired, the impairment loss recognized is measured as the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less the costs to sell.

Plant in Service - Non-Regulated

Non-regulated equipment represents customer premises equipment held for lease and is stated at cost. Depreciation is provided using the straight-line method.

Deferred Revenue

Deferred revenue (advance billings) is recorded when monthly local service is billed in advance of the month it is earned.

Related Party Financing Agreement

Substantially all of the Company's cash receipts and disbursement transactions are processed by Colonial Telephone through its cash management system. Such transactions increase or decrease the Company's intercompany balance due to its parent.

The Company has entered into an unsecured, long-term revolving credit agreement with Colonial Telephone. The due date of the agreement is January 2, 2014. The balance outstanding on the agreement is reflected in the accompanying balance sheets as a noncurrent asset titled "Due from parent" or a noncurrent liability titled "Due to parent."

Recognition of Revenue

Included in telephone revenues are toll service revenues and local service revenues that are recognized when earned, regardless of the period in which they are billed. Generally, local

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

Recognition of Revenue - continued:

service is billed in advance. The interstate access charges are based on a tariff filed by the National Exchange Carrier Association (NECA) with the Federal Communication Commission (FCC). Compensation for local exchange service is based upon tariffs filed with the Mississippi Public Service Commission. The Company's intrastate-intralata toll and access revenues are based upon a special settlement arrangement with the intrastate-intralata long distance carriers. Interstate toll and access revenues based on cost separation principles represent estimates pending completion and acceptance of final cost studies. Management believes that recorded amounts represent reasonable estimates of the reported amounts.

Income Taxes

Deferred income taxes are recognized for income and expense items that are reported in different years for financial reporting and income tax purposes.

The Company accounts for income taxes using the asset and liability method, under which deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company's income tax filings are subject to audit by various taxing authorities, and the Company's open audit periods are 2009-2011. In evaluating the Company's tax provisions and accruals, future taxable income, and the reversal of temporary differences, interpretations and tax planning strategies are considered. The Company believes their estimates are appropriate based on current facts and circumstances.

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, the 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 may differ from those estimates.

NOTE 2 - ACCOUNTS RECEIVABLE

Accounts receivable consists of the following as of December 31, 2012 and 2011:

	2012	2011
Accounts receivable - trade	$ 62,003	96,603
Accounts receivable - NECA	130,362	71,097
	$ 192,365	167,700

NOTE 3 - PROPERTY, PLANT AND EQUIPMENT

The major classes of telephone plants as of December 31, 2012 and 2011 and their related straight-line depreciation rates are as follows:

	2012	2011	Annual Depreciation Rate
REGULATED:			
Land	$ 500	500	-
Buildings	105,063	105,063	3.0%
Digital electronic switching	1,082,622	1,053,801	8.0%
Circuit equipment	721,805	720,954	11.3%
Other equipment	93,224	93,224	16.0%
Pole lines, cable, and wire	1,818,909	1,816,334	6.0 - 7.4%
Furniture and office equipment	14,197	14,197	7.5 - 15.7%
Vehicles	27,703	27,703	20.0%
	3,864,023	3,831,776	
Less accumulated depreciation	3,240,647	3,085,733	
	623,376	746,043	
NON-REGULATED:			
Equipment - leased	178,347	178,347	15.65%
Less accumulated depreciation	176,897	175,827	
	1,450	2,520	
	$ 624,826	748,563	

NOTE 3 - PROPERTY, PLANT AND EQUIPMENT - CONTINUED:

Depreciation expense for regulated equipment amounted to $154,914 for 2012 and $166,048 for 2011. Depreciation expense for non-regulated equipment amounted to $1,069 for 2012 and $1,340 for 2011.

NOTE 4 - DEFERRED REVENUE

Deferred revenue (advance billings) totaled $19,069 and $19,382 at December 31, 2012 and 2011, respectively, and are included in accrued liabilities in the accompanying financial statements.

NOTE 5 - NOTE PAYABLE

On November 16, 2009, the Company originated a note payable with its parent company, Colonial Telephone Company, Inc., in the amount of $600,000. Proceeds from this note in the amount of $197,423 were transferred to a related entity, Noxapatertel.net. On December 31, 2010, the Company reduced the note balance by the receivables due from Noxapatertel.net and Colonial Telephone Company in the amount of $372,685. The maturity date of the note was extended to January 2, 2014, the date that all interest and principal is due. Interest accrues on this note at a rate of 4.5%. Interest accrued at December 31, 2012 and 2011 of $12,102 and $11,581, respectively, were added to the balance of the note payable.

NOTE 6 - INCOME TAXES

The Company's revenues and expenses for Federal and state income tax purposes are included in the consolidated Federal and state income tax returns of Colonial Group, Inc. Colonial Group, Inc. is the parent of its wholly-owned subsidiary, Colonial Telephone, which is the parent of the Company. For book purposes, the Company computes its Federal and state income tax benefit (provision) by applying the statutory rates of 34% and 5%, respectively, to its pretax income or loss (separate return method). The amount of taxes currently payable or receivable is accounted for through the due to parent account.

The provision for income taxes for fiscal 2012 and 2011 is as follows:

NOTE 6 - INCOME TAXES - CONTINUED:

	2012	2011
Currently receivable	$ (55,698)	(47,670)
Deferred	(44,090)	(47,049)
Total benefit	$ (99,788)	(94,719)

The Company provides for deferred income taxes resulting from temporary differences in reporting income and expenses for financial and tax purposes. These temporary differences arise primarily from the Company's use of accelerated depreciation for tax purposes, and straight-line depreciation for financial reporting purposes.

The tax effects of temporary differences that give rise to deferred tax assets and liabilities at December 31, 2012 and 2011 are as follows:

	2012	2011
Deferred tax liability:		
Property, plant and equipment, principally due to differences in depreciation	$ 194,549	238,639

NOTE 7 - RELATED PARTY TRANSACTIONS

Due to/from Parent (Colonial Telephone Company)

The Company makes advances to and receives advances from its parent, Colonial Telephone. The net of the advances made and advances received from the parent are presented for financial statement purposes under the captions "Due from parent" and "Due to parent." No interest is associated with these balances.

As previously mentioned in Note 5, the Company had a receivable in fiscal year 2009 for a portion of the related party note payable that was transferred to Noxapatertel.net. No interest was associated with this receivable. Also, as mentioned in Note 5, in fiscal year 2010, this receivable and the receivable from Colonial Telephone Company were applied against the balance of the note payable, resulting in a zero balance for both receivables. The remaining balance of the "Due to parent" account at December 31, 2011 was $61,588. The balance of the "Due to parent" account at December 31, 2012 was $143,679.

NOTE 7 - RELATED PARTY TRANSACTIONS - CONTINUED:

Parent Cost Allocation

Colonial Telephone provides the Company with certain management services including centralized management, accounting, consulting, data processing, purchasing and customer billing. The parent also provides similar services to other companies that are owned by the same shareholder or are wholly-owned subsidiaries. Expenses which may be directly associated with the Company are directly charged. Other costs incurred by the parent are allocated to all entities under its management. Management believes the method of allocating these expenses is reasonable. The total costs charged to the Company were $589,936 for 2012 and $539,599 for 2011, and are included in the following line items in the accompanying statements of operations, as summarized below:

	2012	2011
Plant specific operations	$ 58,295	30,717
Plant non-specific operations	112,290	130,880
Customer operations	2,772	2,698
Corporate operations	416,579	375,304
Total parent cost allocation	$ 589,936	539,599

Management Fees

In addition to actual costs incurred and allocated (parent cost allocation), Colonial Telephone charges a management fee to the companies under its management. For both 2012 and 2011, the management fees charged to the Company were $730,000, and are included in the comparative statements of operations as summarized below:

	2012	2011
Plant specific operations	$ 122,740	68,241
Plant non-specific operations	236,424	290,765
Customer operations	5,836	5,994
Corporate operations	365,000	365,000
Total management fee allocation	$ 730,000	730,000

NOTE 7 - RELATED PARTY TRANSACTIONS - CONTINUED:

DSL Operations

The Company provides internet services to its telephone customers through a digital subscriber line (DSL) connection. DSL is a very high-speed connection that uses the same wires as a regular telephone line. The operations related to these services are accounted for by Noxapatertel.net, another wholly-owned subsidiary of Colonial Telephone. In each of the years ended December 31, 2012 and 2011, the Company charged Noxapatertel.net $150,000 for expenses incurred related to DSL operations.

NOTE 8 - RISKS AND UNCERTAINTIES

Accounts Receivable

The Company is dependent upon sales to customers in the geographic area that it serves. The Company also provides services on credit to many of its customers in the ordinary course of business generally without collateral.

Regulatory Environment

The Company is licensed and regulated by various Federal and state agencies. Changes in the regulations of these agencies could have a direct effect on the Company and its operations.

NOTE 9 - SUBSEQUENT EVENTS

The Company had no subsequent events of a material nature requiring disclosure in the financial statements through March 12, 2013, the date the financial statements were approved by the Company's management and thereby available to be issued.