

HANSON COMMUNICATIONS, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS TOGETHER WITH INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2012

INDEPENDENT AUDITORS' REPORT

Board of Directors
 Hanson Communications, Inc.
 Willmar, Minnesota

We have audited the accompanying consolidated financial statements of Hanson Communications, Inc. and subsidiaries, which comprise the consolidated balance sheet as of December 31, 2012 and 2011, and the related consolidated statements of income, stockholders' 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.

Auditors' 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 from 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 risk 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 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hanson Communications, Inc. and subsidiaries as of December 31, 2012 and 2011, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

St. Paul, Minnesota
 April 1, 2013

Olsen Thielen & Co., LTD

HANSON COMMUNICATIONS, INC. AND SUBSIDIARIES

**CONSOLIDATED BALANCE SHEET
DECEMBER 31, 2012 AND 2011**

ASSETS		
	<u>2012</u>	<u>2011</u>
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ [REDACTED]	[REDACTED]
Due from Customers, Less Allowance for Uncollectibles of \$ [REDACTED] and [REDACTED]	[REDACTED]	[REDACTED]
Other Accounts Receivable, Less Allowance for Uncollectibles of \$ [REDACTED] and \$ [REDACTED]	[REDACTED]	[REDACTED]
Income Tax Receivable	[REDACTED]	[REDACTED]
Materials and Supplies	[REDACTED]	[REDACTED]
Prepaid Expenses	[REDACTED]	[REDACTED]
Total Current Assets	[REDACTED]	[REDACTED]
INVESTMENTS AND OTHER ASSETS:		
Intangible Assets, Net	[REDACTED]	[REDACTED]
Other Investments	[REDACTED]	[REDACTED]
Other	[REDACTED]	[REDACTED]
Total Investments and Other Assets	[REDACTED]	[REDACTED]
PROPERTY, PLANT AND EQUIPMENT:		
Telecommunications Plant in Service	[REDACTED]	[REDACTED]
Plant Under Construction	[REDACTED]	[REDACTED]
Other Property and Equipment	[REDACTED]	[REDACTED]
Total	[REDACTED]	[REDACTED]
Less Accumulated Depreciation	[REDACTED]	[REDACTED]
Net Property, Plant and Equipment	[REDACTED]	[REDACTED]
TOTAL ASSETS	\$ [REDACTED]	[REDACTED]

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

LIABILITIES AND STOCKHOLDERS' EQUITY

	<u>2012</u>	<u>2011</u>
CURRENT LIABILITIES:		
Current Portion of Long-Term Debt	\$ [REDACTED]	[REDACTED]
Accounts Payable	[REDACTED]	[REDACTED]
Payable to Affiliates	[REDACTED]	[REDACTED]
Accrued Taxes	[REDACTED]	[REDACTED]
Other Accrued Liabilities	[REDACTED]	[REDACTED]
Advance Billings	[REDACTED]	[REDACTED]
Total Current Liabilities	<u>[REDACTED]</u>	<u>[REDACTED]</u>
OTHER LIABILITIES:		
Long-Term Debt	[REDACTED]	[REDACTED]
Other Liabilities	[REDACTED]	[REDACTED]
Total Other Liabilities	<u>[REDACTED]</u>	<u>[REDACTED]</u>
STOCKHOLDERS' EQUITY:		
Controlling Interest:		
Common Stock - No Par Value, [REDACTED] Shares Class A (Voting)		
Authorized; [REDACTED] Class B (Nonvoting) Authorized;		
[REDACTED] Shares Class A Issued and Outstanding; [REDACTED]		
Shares Class B Issued and Outstanding	[REDACTED]	[REDACTED]
Paid-in Capital	[REDACTED]	[REDACTED]
Retained Earnings	[REDACTED]	[REDACTED]
Total Controlling Interest	<u>[REDACTED]</u>	<u>[REDACTED]</u>
Noncontrolling Interest	[REDACTED]	[REDACTED]
Total Stockholders' Equity	<u>[REDACTED]</u>	<u>[REDACTED]</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ [REDACTED]</u>	<u>[REDACTED]</u>

HANSON COMMUNICATIONS, INC. AND SUBSIDIARIES

**CONSOLIDATED STATEMENT OF INCOME
YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
OPERATING REVENUES:		
Local Network	\$ [REDACTED]	[REDACTED]
Network Access	[REDACTED]	[REDACTED]
Billing and Collection	[REDACTED]	[REDACTED]
Nonregulated Telecommunications	[REDACTED]	[REDACTED]
Cable Television	[REDACTED]	[REDACTED]
Miscellaneous, Net	[REDACTED]	[REDACTED]
Total Operating Revenues	[REDACTED]	[REDACTED]
OPERATING EXPENSES:		
Plant Specific	[REDACTED]	[REDACTED]
Depreciation and Amortization	[REDACTED]	[REDACTED]
Plant Support	[REDACTED]	[REDACTED]
Customer	[REDACTED]	[REDACTED]
Corporate	[REDACTED]	[REDACTED]
Nonregulated Telecommunications	[REDACTED]	[REDACTED]
Cable Television	[REDACTED]	[REDACTED]
Miscellaneous	[REDACTED]	[REDACTED]
Taxes	[REDACTED]	[REDACTED]
Total Operating Expenses	[REDACTED]	[REDACTED]
OPERATING INCOME	[REDACTED]	[REDACTED]
OTHER INCOME (EXPENSE):		
Loss on Sale of Property, Plant and Equipment	[REDACTED]	[REDACTED]
Investment Income	[REDACTED]	[REDACTED]
Interest Expense	[REDACTED]	[REDACTED]
Income Tax Expense	[REDACTED]	[REDACTED]
Net Other Income (Expense)	[REDACTED]	[REDACTED]
NET INCOME	[REDACTED]	[REDACTED]
NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTEREST	[REDACTED]	[REDACTED]
NET INCOME ATTRIBUTABLE TO HANSON COMMUNICATIONS, INC.	\$ [REDACTED]	[REDACTED]

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

HANSON COMMUNICATIONS, INC. AND SUBSIDIARIES

**CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2012 AND 2011**

	Common Stock		Paid-in Capital	Retained Earnings	Noncontrolling Interest	Total
	Shares	Amount				
BALANCE on December 31, 2010	██████████	██████████	██████████	██████████	████████████████████	██████████
Net Income (Loss)				██████████	██████████	██████████
Dividends				██████████		██████████
BALANCE on December 31, 2011	██████████	██████████	██████████	██████████	██████████	██████████
Net Income (Loss)				██████████	██████████	██████████
Dividends				██████████		██████████
BALANCE on December 31, 2012	██████████	██████████	██████████	██████████	████████████████████	██████████

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

HANSON COMMUNICATIONS, INC. AND SUBSIDIARIES

**CONSOLIDATED STATEMENT OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	\$ [REDACTED]	[REDACTED]
Adjustments to Reconcile Net Income to Net Cash		
Provided By Operating Activities:		
Depreciation and Amortization	[REDACTED]	[REDACTED]
Loss from Partnership Investments	[REDACTED]	[REDACTED]
Distributions from LLC Investments	[REDACTED]	[REDACTED]
Loss on Sale of Property, Plant and Equipment	[REDACTED]	[REDACTED]
CoBank Patronage Refund	[REDACTED]	[REDACTED]
Changes in Assets and Liabilities:		
Due from Customers	[REDACTED]	[REDACTED]
Other Accounts Receivable	[REDACTED]	[REDACTED]
Income Tax Receivable	[REDACTED]	[REDACTED]
Prepaid Expenses	[REDACTED]	[REDACTED]
Accounts Payable	[REDACTED]	[REDACTED]
Accrued Taxes	[REDACTED]	[REDACTED]
Other Accrued Liabilities	[REDACTED]	[REDACTED]
Advance Billings	[REDACTED]	[REDACTED]
Net Cash Provided By Operating Activities	<u>[REDACTED]</u>	<u>[REDACTED]</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of Property, Plant and Equipment	[REDACTED]	[REDACTED]
Salvage, Net of Cost of Plant Removal	[REDACTED]	[REDACTED]
Purchases of Intangibles	[REDACTED]	[REDACTED]
Proceeds from Sale of Property, Plant and Equipment	[REDACTED]	[REDACTED]
(Increase) Decrease in Materials and Supplies	[REDACTED]	[REDACTED]
Net Change in Receivable from and Payable to Affiliates	[REDACTED]	[REDACTED]
Sale (Purchase) of Investments	[REDACTED]	[REDACTED]
Other	[REDACTED]	[REDACTED]
Net Cash Used In Investing Activities	<u>[REDACTED]</u>	<u>[REDACTED]</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal Payments of Long-Term Debt	[REDACTED]	[REDACTED]
Payments on Other Liabilities	[REDACTED]	[REDACTED]
Dividends	[REDACTED]	[REDACTED]
Net Cash Used In Financing Activities	<u>[REDACTED]</u>	<u>[REDACTED]</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	[REDACTED]	[REDACTED]
CASH AND CASH EQUIVALENTS at Beginning of Year	<u>[REDACTED]</u>	<u>[REDACTED]</u>
CASH AND CASH EQUIVALENTS at End of Year	<u>\$ [REDACTED]</u>	<u>[REDACTED]</u>
SUPPLEMENTAL CASH FLOW INFORMATION -		
NONCASH INVESTING AND FINANCING TRANSACTION:		
Increase in Other Accrued Liabilities, Other Liabilities and		
Long-Term Debt for Property, Plant and Equipment	<u>\$ [REDACTED]</u>	<u>[REDACTED]</u>

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

HANSON COMMUNICATIONS, INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Nature of Operations**

The Company's principal line of business is providing local telephone service, internet, cable television service and access to long distance telephone service through its local exchange network. The revenues reported on the statement of income reflect the relative importance of each type of service. The principal market for these telecommunications services are local residential and business customers residing in each of the exchanges the Company serves in Minnesota, Ohio, South Dakota and Nebraska.

Basis of Accounting

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America including certain accounting practices prescribed by the Federal Communications Commission (FCC) and the state regulatory commissions in Minnesota, Ohio and South Dakota.

Accounting Estimates

The presentation 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.

Subsequent Events

In preparing these financial statements, the Company has evaluated for recognition or disclosure the events or transactions that occurred through April 1, 2013, the date the financial statements were available to be issued.

Consolidation

The consolidated financial statements include the parent company, Hanson Communications, Inc. and its subsidiaries. All subsidiaries are wholly-owned except Dave, Bruce & S, LLC, which is [REDACTED] owned. All significant intercompany accounts and transactions have been eliminated in the consolidation.

Cash Equivalents

The Company considers all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents. Cash equivalents are stated at cost, which approximates fair value.

Receivables

Receivables are stated at the amount the Company expects to collect from outstanding balances. The Company provides for probable uncollectible amounts through charges to earnings and credits to valuation allowances based on its assessment of the current status of individual accounts. Balances that are still outstanding after the Company has used reasonable collection efforts are written off through charges to the valuation allowances and credits to the receivable accounts. Changes in the valuation allowances have not been material to the financial statements.

HANSON COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Materials and Supplies

Materials and supplies are recorded at average cost.

Property and Depreciation

Property and equipment are recorded at original cost. Additions, improvements or major renewals are capitalized. If telecommunication plant is sold, retired or otherwise disposed of in the ordinary course of business, the cost plus removal costs less salvage is charged to accumulated depreciation, while the original cost is credited to the asset accounts. Any gains or losses on non-telecommunications property and equipment retirements are reflected in the current year operations.

Depreciation is computed using the straight-line method based on estimated useful lives of five to forty years. Depreciation expense was \$ [REDACTED] in 2012 and [REDACTED] in 2011. Depreciation is computed using the straight-line method over the estimated useful lives of five to forty years. Composite depreciation rates are:

	<u>2012</u>	<u>2011</u>
Telecommunications Plant	[REDACTED]	[REDACTED]
Other Property and Equipment	[REDACTED]	[REDACTED]

Other Investments

The equity method is used for partnership interests of greater than [REDACTED]. Under the equity method, the Company's investment reflects the original cost and recognition of the Company's share of undistributed earnings or losses of the entity. Other long-term investments are accounted for under the cost method of accounting. This method requires the Company to periodically evaluate whether non-temporary decreases in values of the investments have occurred, and if so, to write the investments down to net realizable values. As the Company is exempt from disclosing estimated fair values, the Company does not estimate fair values for cost method investments if there are no identified events or changes in circumstances that may have a significant adverse effect on the fair values.

Intangible Assets

Intangible assets consist of customer lists and goodwill. Intangible assets with a determinable life are amortized over the useful life. Goodwill represents the excess of the purchase price of acquisitions over the fair value of the net assets acquired. As an asset with an indefinite life, goodwill is not amortized, but it is tested for impairment at least annually. In its tests, the Company has determined that the goodwill is not impaired at December 31, 2012 and 2011.

HANSON COMMUNICATIONS, INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Revenue Recognition**

Revenues are recognized when earned. Interstate access revenues are based on average schedule and cost based settlements with the National Exchange Carrier Association, and universal service funds. Local network and intrastate access revenues are based on tariffs filed with the state regulatory commissions, except Fort Randall Telephone Company's intrastate access revenues are based on cost based settlements filed with the Local Exchange Carrier Association with the South Dakota Public Service Commission. Access revenues based on actual costs are estimated pending completion of final cost studies.

Advanced Billings

Revenues from subscribers billed in advance are recognized when earned.

Retirement Plan

The Company has a defined contribution profit sharing plan and contributed ██████ in 2012 and ██████ in 2011 of qualified salaries to the plan. Plan expense was \$ ██████ and \$ ██████ in 2012 and 2011.

Presentation of Taxes Collected From Customers

Sales, excise, and other taxes are imposed on most of the Company's sales to nonexempt customers. The Company collects the taxes from customers and remits the entire amounts to the governmental authorities. The Company's accounting policy is to exclude the taxes collected and remitted from revenues and expenses.

Income Taxes

The Company has elected to have its income taxed to the shareholders under Subchapter S of the Internal Revenue Code. Therefore, the statements do not include a provision for income taxes other than the state minimum fee expense and built-in gains tax. Income tax refunds, net of payments, were ██████ in 2012 and income tax payments were ██████ in 2011.

The Company reviews income tax positions taken or expected to be taken in income tax returns to determine if there are any income tax uncertainties. This includes positions that the entity is not subject to income taxes as a pass-through entity. The Company recognizes tax benefits from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by taxing authorities, based on the technical merits of the positions. The Company has identified no significant income tax uncertainties.

The Company's federal and state income tax returns are open to tax examination for tax years 2009 through 2011.

HANSON COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - OTHER INVESTMENTS

Other investments consist of the following:

Company	Percent of Ownership	2012			2011 Total
		Cost	Cumulative Income (Loss)	Distributions	
Equity Method:					
KTC AWS Limited Partnership					
Midwest AWS Limited Partnership					
Cost Method:					
CoBank Stock					
Horizon Telcom, Inc.					
Other					
Total		\$			

Subsequent to year end, Midwest AWS Limited Partnership sold their spectrum licenses.

NOTE 3 - INTANGIBLE ASSETS

The Company has recorded goodwill as a result of acquiring the Telephone Service Company, Zumbrota Telephone Company, Fort Randall Telephone Company, Clara City Telephone Company, and several CATV exchanges which were added to Fort Randall Cable Systems. The purchase price of these acquisitions was allocated among the acquired assets, goodwill, non-compete agreements, and customer lists. Customer lists are being amortized over ten years.

Goodwill is reviewed for impairment at least annually or more frequently upon the occurrence of an event or when circumstances indicate that the carrying amount is greater than its fair value. In estimating fair values the Company used multiples based on a combination of market value and the present value of expected future cash inflows. The Company has determined that the goodwill as of December 31, 2012 and 2011 is not impaired.

The components of the Company's identified intangible assets are as follows:

	2012			Net Balance
	Cost	Accumulated Amortization	Impairment	
Unamortized Intangibles:				
Goodwill	\$			
Amortized Intangibles:				
Non-Compete Customer Lists				
Totals	\$			

HANSON COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 - INTANGIBLE ASSETS (Continued)

	2011			Net Balance
	Cost	Accumulated Amortization	Impairment	
Unamortized Intangibles:				
Goodwill	\$ [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Amortized Intangibles:				
Non-Compete Customer Lists	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Totals	\$ [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Amortization expense is as follows:

Actual Amortization Expense:	
2012	\$ [REDACTED]
2011	[REDACTED]
Expected Amortization Expense:	
2013	\$ [REDACTED]
2014	[REDACTED]
2015	[REDACTED]
2016	[REDACTED]
2017	[REDACTED]

NOTE 4 - ACQUISITIONS

In 2011, the Company acquired a cable television system in southern Minnesota. The location of this system is within (or close proximity to) the Company's current customer base and will result in the ability to offer expanded services to existing and new customers. The results of operations for the acquired cable television system have been included in the Company's statement of income since the date of the acquisition.

The 2011 purchase has been accounted for using the acquisition method of accounting for a business combination. The purchase price of the central Minnesota cable television systems was [REDACTED] cash consideration and was recognized at fair value in the acquisition:

Property, Plant and Equipment	\$ [REDACTED]
Customer Lists	[REDACTED]
Purchase Price	\$ [REDACTED]

HANSON COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 - LONG-TERM DEBT

Long-term debt is as follows:

	2012	2011
CoBank, ACB	\$ [REDACTED]	[REDACTED]
PNC Equipment Finance	[REDACTED]	[REDACTED]
Total	[REDACTED]	[REDACTED]
Less Amount Due Within One Year	[REDACTED]	[REDACTED]
Long-Term Debt	\$ [REDACTED]	[REDACTED]

The CoBank, ACB (“CoBank”) note is payable in monthly installments of principal, plus interest at a variable rate. The loan is due on various dates from June 30, 2017 to June 30, 2019 and is secured by property and equipment and a pledge of stock of all subsidiaries. The interest rate was [REDACTED] and [REDACTED] at December 31, 2012 and 2011. Unadvanced CoBank funds were [REDACTED] at December 31, 2012.

CoBank is a cooperative owned and controlled by its customers. Each customer borrowing from the bank on a patronage basis shares in the bank’s net income through payment of patronage refunds. Patronage refunds included in investment income were [REDACTED] in 2012 and [REDACTED] in 2011. Approximately [REDACTED] of patronage refunds are received in cash, with the balance in stock in the bank. The Company cannot predict what patronage refunds might be in future years.

Payments on PNC equipment are due in monthly installments between [REDACTED] and [REDACTED] including interest of [REDACTED] over the 30 day “LIBOR Rate”. The interest rate was [REDACTED] at December 31, 2012 and 2011. The note matures December 1, 2015 and is secured by the aircraft purchased in 2010.

Cash payments for interest were [REDACTED] in 2012 and [REDACTED] in 2011.

Principal payments required during the next five years are: 2013 - [REDACTED]; 2014 - [REDACTED]; 2015 - [REDACTED]; 2016 - [REDACTED]; and 2017 [REDACTED].

The Company must comply with CoBank loan covenants including several financial ratios that must be met on a quarterly and annual basis. Distributions to stockholders are limited to consolidated taxable income multiplied by the highest effective Federal and State tax rates, including carryovers from the prior year.

NOTE 6 - RELATED PARTY TRANSACTIONS

The Company does business with other companies that are related through common ownership. Intercompany transactions during the period related to wages, management and accounting, and cable and related supplies paid by one company for another. The total of these transactions was [REDACTED] in 2012 and [REDACTED] in 2011.

Payable to affiliates consist of liabilities to Cable Plowing, Inc. of [REDACTED] at December 31, 2012 and [REDACTED] at December 31, 2011. Intercompany balances do not bear interest.

HANSON COMMUNICATIONS, INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 7 - BUY-SELL AGREEMENT

The Company has an agreement with its stockholders and Hanson Communications Company, a management LLC owned by some of the stockholders of the Company, whereby upon the occurrence of certain events, the stockholders, Hanson Communications Company and/or the Company, shall have the right or the obligation to purchase all or part of a stockholders's common stock.

NOTE 8 - NONCONTROLLING INTEREST

The net income or loss attributable to the noncontrolling members' interest represents █████ of the net income or loss of the subsidiary, Dave, Bruce & S, LLC in 2012 and 2011.

NOTE 9 - CONCENTRATIONS

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of cash investments and trade receivables. The Company places its cash investments with high credit quality financial institutions and, generally limits the amount of credit exposure to any one financial institution. Concentrations of credit risk with respect to trade receivables are limited due to the Company's large number of customers and their dispersion across many different industries. As of December 31, 2012, the Company had no significant concentrations of credit risk.

A significant portion of the Company's revenues are from long distance carriers in the telephone industry, and consequently, the Company is directly affected by the financial well being of that industry. However, the credit risk associated with other accounts receivable is minimized due to the large number of long distance carriers, and historically, credit losses have not been significant.

In October 2011, the FCC approved an order on Intercarrier Compensation and Universal Service Fund (USF) reform and announced the issuance of a Further Notice of Proposed Rulemaking on long-term USF reform and transition timing. The Company was required to reduce carrier access rates. The order also requires local service rate benchmarks for high cost support eligibility to prevent USF from supporting artificially low end user rates. In addition, the order and Proposed Rulemaking outline caps on capital expenditures and operating expenses recoverable from the Universal Service Fund. In 2012 and 2011, the Company received █████ and █████ of its revenues from network access, including assistance provided by the Federal Universal Service Fund.