

BCN Telecom Company, Inc.
Balance Sheet
For the Six Months Ending June 30, 2013

| | 01/31/13 | 02/28/13 | 03/31/13 | 04/30/13 | 05/31/13 | 06/30/13 |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| ASSETS | | | | | | |
| Current Assets | | | | | | |
| Cash | 31,523 | 31,389 | 31,297 | 83,693 | 31,114 | 31,000 |
| Accounts Receivable | 5,369,785 | 5,537,534 | 5,314,733 | 5,409,780 | 5,315,471 | 5,524,837 |
| Allowance for Doubtful Account | (296,569) | (283,135) | (225,728) | (243,021) | (128,509) | (143,996) |
| Prepaid Expenses & Other Current Assets | 806,633 | 868,275 | 837,527 | 850,390 | 850,510 | 856,978 |
| Total Current Assets | 5,911,371 | 6,154,063 | 5,957,829 | 6,100,842 | 6,068,585 | 6,268,819 |
| Property and Equipment | | | | | | |
| Furniture and Fixtures | 481,123 | 481,123 | 481,123 | 481,123 | 481,123 | 481,123 |
| Leasehold Improvements | 81,750 | 81,750 | 81,750 | 81,750 | 81,750 | 81,750 |
| Computer Equipment | 700,042 | 700,042 | 700,042 | 700,042 | 700,042 | 703,306 |
| Software License | 95,770 | 95,770 | 95,770 | 95,770 | 100,070 | 107,370 |
| Customer Phone Equipment | 64,595 | 68,063 | 68,934 | 81,279 | 87,593 | 96,388 |
| Accum. Depreciation - Furniture | (387,154) | (390,272) | (393,390) | (396,507) | (399,625) | (402,742) |
| Accum. Depreciation - Leasehold Improvement | (67,437) | (67,905) | (68,373) | (68,840) | (69,308) | (69,776) |
| Accum. Depreciation - Comp. Eq | (679,385) | (680,801) | (682,216) | (683,632) | (684,998) | (686,403) |
| Accum. Depreciation - Software | (88,514) | (89,124) | (89,734) | (90,152) | (90,689) | (91,429) |
| Accum. Depreciation - Customer Phone Equipment | (9,815) | (10,975) | (12,148) | (13,532) | (15,021) | (16,653) |
| Total Property and Equipment | 190,974 | 187,671 | 181,757 | 187,301 | 190,937 | 202,935 |
| NonCurrent Assets | | | | | | |
| Security Deposits | 65,076 | 65,076 | 43,326 | 48,326 | 48,326 | 48,326 |
| Deferred Tax Asset, Net of Current Portion | 1,717,414 | 1,717,414 | 1,717,414 | 1,717,414 | 1,717,414 | 1,717,414 |
| Due from Related Party (TAC) | 370,635 | 370,635 | 380,610 | 382,360 | 382,360 | 382,360 |
| Intangible Asset, Net | 1,904,216 | 1,863,155 | 1,822,094 | 1,781,032 | 1,739,971 | 1,698,910 |
| Other Long Term Assets | 150,617 | 155,162 | 144,708 | 136,675 | 127,339 | 117,371 |
| Total NonCurrent Assets | 4,207,958 | 4,171,443 | 4,108,152 | 4,065,808 | 4,015,411 | 3,964,381 |
| Total Assets | 10,310,303 | 10,513,177 | 10,247,738 | 10,353,950 | 10,274,932 | 10,436,134 |
| LIABILITIES AND CAPITAL | | | | | | |
| Current Liabilities | | | | | | |
| Note Payable to Bank | 333,333 | 333,333 | 333,333 | 333,333 | 333,333 | 333,333 |
| Accounts Payable | 4,838,900 | 5,095,095 | 4,805,089 | 5,015,745 | 4,621,414 | 4,853,062 |
| Other Current Payables | 73,607 | 100,607 | 129,016 | 154,531 | 43,584 | 69,637 |
| Sales & Excise Tax Payable | 281,937 | 310,173 | 278,895 | 303,877 | 348,610 | 337,130 |
| Income Taxes Payable | 9,958 | 9,836 | 8,591 | 9,466 | 6,966 | 6,966 |
| Deferred Revenue - Internet | 33,765 | 33,057 | 31,958 | 32,432 | 32,203 | 32,578 |
| Total Current Liabilities | 5,571,499 | 5,882,100 | 5,586,881 | 5,849,384 | 5,386,111 | 5,632,706 |
| Long-Term Liabilities | | | | | | |
| Note Payable to Bank | 638,889 | 611,111 | 583,333 | 555,556 | 527,778 | 500,000 |
| Note Payable to Bank - Revolver | 3,046,956 | 3,055,403 | 3,093,028 | 2,969,291 | 3,354,249 | 3,352,915 |
| Note Payable to Related Party | 166,667 | 166,667 | 166,667 | 166,667 | 166,667 | 166,667 |
| Total Long-Term Liabilities | 3,852,512 | 3,833,181 | 3,843,028 | 3,691,513 | 4,048,693 | 4,019,582 |
| Total Liabilities | 9,424,012 | 9,715,281 | 9,429,909 | 9,540,897 | 9,434,804 | 9,652,288 |
| Stockholder's Equity | | | | | | |
| Paid-In-Capital | 4,311,770 | 4,311,770 | 4,311,770 | 4,311,770 | 4,311,770 | 4,311,770 |
| Retained Earnings | (3,430,157) | (3,430,157) | (3,430,157) | (3,430,157) | (3,430,157) | (3,430,157) |
| Net Income YTD | 4,679 | (83,717) | (63,784) | (68,560) | (41,485) | (97,767) |
| Total Capital | 886,292 | 797,896 | 817,830 | 813,053 | 840,128 | 783,846 |
| Total Liabilities & Capital | 10,310,303 | 10,513,177 | 10,247,738 | 10,353,950 | 10,274,932 | 10,436,134 |

BCN Telecom Company, Inc.
Income Statement
For the Six Months Ending June 30, 2013

| | Actual Jan 2013 | % | Actual Feb 2013 | % | Actual Mar 2013 | % | Actual Apr 2013 | % | Actual May 2013 | % | Actual Jun 2013 | % | Actual YTD | % |
|-------------------------------|--------------------|--------------|--------------------|---------------|--------------------|--------------|--------------------|---------------|--------------------|--------------|--------------------|---------------|-------------------|---------------|
| Total Revenue | 2,815,478 | | 2,702,563 | | 2,862,640 | | 2,908,233 | | 2,812,930 | | 2,791,222 | | 16,893,066 | |
| Total Cost of Goods Sold | 1,655,661 | 58.8% | 1,654,781 | 61.2% | 1,665,150 | 58.2% | 1,684,168 | 57.9% | 1,644,249 | 58.5% | 1,671,323 | 59.9% | 9,975,331 | 59.0% |
| Gross Margin | 1,159,817 | 41.2% | 1,047,782 | 38.8% | 1,197,490 | 41.8% | 1,224,065 | 42.1% | 1,168,682 | 41.5% | 1,119,899 | 40.1% | 6,917,735 | 41.0% |
| Operating Expenses | | | | | | | | | | | | | | |
| Commissions Expense | 438,841 | 15.6% | 379,697 | 14.0% | 423,490 | 14.8% | 443,897 | 15.3% | 342,464 | 12.2% | 409,434 | 14.7% | 2,437,823 | 14.4% |
| Net Margin | 720,976 | 25.6% | 668,085 | 24.7% | 774,000 | 27.0% | 780,168 | 26.8% | 826,218 | 29.4% | 710,465 | 25.5% | 4,479,912 | 26.5% |
| Payroll Expense | 377,920 | 13.4% | 393,861 | 14.6% | 420,586 | 14.7% | 403,023 | 13.9% | 412,362 | 14.7% | 412,369 | 14.8% | 2,420,121 | 14.3% |
| General and Admin Exp | 235,811 | 8.4% | 261,188 | 9.7% | 232,200 | 8.1% | 281,469 | 9.7% | 288,726 | 10.3% | 257,555 | 9.2% | 1,556,950 | 9.2% |
| Bad Debt Expense | 25,000 | 0.9% | 25,000 | 0.9% | 25,000 | 0.9% | 20,000 | 0.7% | 20,000 | 0.7% | 20,000 | 0.7% | 135,000 | 0.8% |
| Total Operating Expense | 1,077,572 | 38.3% | 1,059,747 | 39.2% | 1,101,276 | 38.5% | 1,148,389 | 39.5% | 1,063,552 | 37.8% | 1,099,357 | 39.4% | 6,549,893 | 38.8% |
| EBITDA | 82,245 | 2.9% | (11,964) | (0.4%) | 96,214 | 3.4% | 75,676 | 2.6% | 105,130 | 3.7% | 20,541 | 0.7% | 367,842 | 2.2% |
| Depreciation & Amortization | 48,125 | 1.7% | 47,832 | 1.8% | 47,846 | 1.7% | 47,863 | 1.6% | 48,040 | 1.7% | 48,423 | 1.7% | 288,128 | 1.7% |
| Operating Income | 34,120 | 1.2% | (59,796) | (2.2%) | 48,368 | 1.7% | 27,813 | 1.0% | 57,090 | 2.0% | (27,882) | (1.0%) | 79,713 | 0.5% |
| Other Income (Expense) | | | | | | | | | | | | | | |
| Other Revenue | - | 0.0% | 38 | 0.0% | - | 0.0% | - | 0.0% | - | 0.0% | 10 | 0.0% | 48 | 0.0% |
| Interest Expense | 29,195 | 1.0% | 28,638 | 1.1% | 28,435 | 1.0% | 29,859 | 1.0% | 30,015 | 1.1% | 28,410 | 1.0% | 174,553 | 1.0% |
| Income Before Income Tax | 4,925 | 0.2% | (88,395) | (3.3%) | 19,933 | 0.7% | (2,046) | (0.1%) | 27,075 | 1.0% | (56,282) | (2.0%) | (94,791) | (0.6%) |
| Income Tax Provision | 246 | 5.0% | - | 0.0% | - | 0.0% | 2,730 | (133.4%) | - | 0.0% | - | 0.0% | 2,976 | (3.1%) |
| Net Income | 4,679 | 0.2% | (88,395) | (3.3%) | 19,933 | 0.7% | (4,777) | (0.2%) | 27,075 | 1.0% | (56,282) | (2.0%) | (97,767) | (0.6%) |