



CONSOLIDATED FINANCIAL STATEMENTS

Billing Services Group Limited
Years Ended December 31, 2010 and 2009
With Report of Independent Auditors

Ernst & Young LLP

 **ERNST & YOUNG**

Billing Services Group Limited
Consolidated Financial Statements
Years Ended December 31, 2010 and 2009

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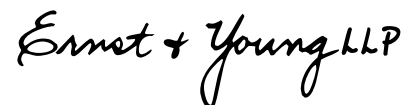
Report of Independent Auditors

The Board of Directors
Billing Services Group Limited

We have audited the accompanying consolidated balance sheets of Billing Services Group Limited (the “Company”) as of December 31, 2010 and 2009, and the related consolidated statements of operations, changes in shareholders’ 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company’s internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Billing Services Group Limited as of December 31, 2010 and 2009, and the consolidated results of its operations and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

A handwritten signature in black ink that reads 'Ernst & Young LLP'.

March 30, 2011

Billing Services Group Limited

Consolidated Balance Sheets (In thousands, except shares)

| | December 31 | |
|----------------------------------------------------------------------------------------------------------------------------|--------------------|-------------|
| | 2010 | 2009 |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 12,557 | \$ 14,425 |
| Accounts receivable | 16,532 | 19,005 |
| Purchased receivables | 9,053 | 19,390 |
| Income tax receivable | 1,213 | 1,262 |
| Prepaid expenses and other current assets | 729 | 588 |
| Deferred taxes – current | 1,817 | 1,433 |
| Total current assets | 41,901 | 56,103 |
| Property, equipment and software | 40,776 | 38,576 |
| Less accumulated depreciation and amortization | 24,249 | 19,470 |
| Net property, equipment and software | 16,527 | 19,106 |
| Deferred finance costs, net of accumulated amortization of \$879 and \$659 at December 31, 2010 and 2009, respectively | 467 | 687 |
| Intangible assets, net of accumulated amortization of \$59,613 and \$50,964 at December 31, 2010 and 2009, respectively | 34,288 | 42,811 |
| Goodwill | 34,433 | 34,492 |
| Other assets | 534 | 534 |
| Total assets | \$ 128,150 | \$ 153,733 |

Billing Services Group Limited

Consolidated Balance Sheets (continued)

(In thousands, except shares)

| | December 31 | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|-------------|
| | 2010 | 2009 |
| Liabilities and shareholders' equity | | |
| Current liabilities: | | |
| Trade accounts payable | \$ 10,630 | \$ 12,447 |
| Third-party payables | 14,321 | 24,197 |
| Accrued liabilities | 1,972 | 2,392 |
| Current portion of long-term debt | 3,844 | 11,250 |
| Total current liabilities | 30,767 | 50,286 |
| Long-term debt, net of current portion and unamortized original issue discount of \$1,575 and \$2,319 at December 31, 2010 and 2009, respectively | 55,410 | 66,509 |
| Deferred taxes – noncurrent | 4,935 | 5,560 |
| Other liabilities | 3,920 | 6,114 |
| Total liabilities | 95,032 | 128,469 |
| Commitments and contingencies | | |
| Shareholders' equity: | | |
| Common stock, \$0.59446 par value; 350,000,000 shares authorized and 280,165,748 and 279,863,248 shares issued and outstanding at December 31, 2010 and 2009, respectively | 166,433 | 166,368 |
| Additional paid-in capital (deficit) | (175,125) | (175,786) |
| Retained earnings | 42,959 | 36,396 |
| Accumulated other comprehensive loss | (1,149) | (1,714) |
| Total shareholders' equity | 33,118 | 25,264 |
| Total liabilities and shareholders' equity | \$ 128,150 | \$ 153,733 |

See accompanying notes.

Billing Services Group Limited

Consolidated Statements of Operations (In thousands, except per share amounts)

| | Years Ended December 31 | |
|--------------------------------------------------------------------------------------|--------------------------------|-------------|
| | 2010 | 2009 |
| Operating revenues | \$ 133,695 | \$ 146,458 |
| Cost of services | 79,858 | 86,462 |
| Gross profit | 53,837 | 59,996 |
| | | |
| Selling, general, and administrative expenses | 21,393 | 21,109 |
| Depreciation and amortization expense | 13,428 | 13,402 |
| Restructuring expense | 761 | – |
| Stock-based compensation expense | 667 | 628 |
| Operating income | 17,588 | 24,857 |
| | | |
| Other income (expense): | | |
| Interest expense, net of \$62 and \$86 capitalized in 2010 and 2009, respectively | (6,361) | (7,365) |
| Settlement of derivatives | (202) | (633) |
| Interest income | 593 | 932 |
| Other (expense) income, net | (216) | 7,745 |
| Total other (expense) income, net | (6,186) | 679 |
| | | |
| Income before income taxes | 11,402 | 25,536 |
| | | |
| Income tax expense | 4,839 | 8,678 |
| Net income | \$ 6,563 | \$ 16,858 |

See accompanying notes.

Billing Services Group Limited

Consolidated Statements of Operations (continued)

(In thousands, except per share amounts)

| | Years Ended December 31 | |
|---------------------------------------------|--------------------------------|-------------|
| | 2010 | 2009 |
| Net income per basic and diluted share: | | |
| Basic net income per share | \$ 0.02 | \$ 0.06 |
| Diluted net income per share | \$ 0.02 | \$ 0.06 |
| Basic weighted-average shares outstanding | 279,914 | 279,863 |
| Diluted weighted-average shares outstanding | 280,920 | 280,872 |

See accompanying notes.

Billing Services Group Limited

Consolidated Statements of Changes in Shareholders' Equity (In thousands)

| | Number of Shares | Common Stock | Additional Paid-In Capital (Deficit) | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Total |
|------------------------------------------------------------|---------------------|-------------------|-----------------------------------------------|----------------------|--------------------------------------------------------|---------------------|
| Shareholders' equity, December 31, 2008 | 279,863 | \$ 166,368 | \$ (174,611) | \$ 19,538 | \$ (2,632) | \$ 8,663 |
| Stock-based compensation expense recognized in earnings | - | - | 628 | - | - | 628 |
| Repurchase and cancellation of exercised options | - | - | (1,803) | - | - | (1,803) |
| Net income | - | - | - | 16,858 | - | 16,858 |
| Translation adjustment | - | - | - | - | 10 | 10 |
| Derivative gain, net of taxes of \$598 | - | - | - | - | 908 | 908 |
| Total comprehensive income | | | | | | <u>17,776</u> |
| Shareholders' equity, December 31, 2009 | 279,863 | 166,368 | (175,786) | 36,396 | (1,714) | 25,264 |
| Stock-based compensation expense recognized in earnings | - | - | 667 | - | - | 667 |
| Stock-based compensation expense tax adjustment | - | - | (6) | - | - | (6) |
| Common stock issuance | 303 | 65 | - | - | - | 65 |
| Net income | - | - | - | 6,563 | - | 6,563 |
| Translation adjustment | - | - | - | - | (46) | (46) |
| Derivative gain, net of taxes of \$220 | - | - | - | - | 611 | 611 |
| Total comprehensive income | | | | | | <u>7,128</u> |
| Shareholders' equity, December 31, 2010 | 280,166 | \$ 166,433 | \$ (175,125) | \$ 42,959 | \$ (1,149) | \$ 33,118 |

See accompanying notes.

Billing Services Group Limited

Consolidated Statements of Cash Flows
(In thousands)

| | Years Ended December 31 | |
|-------------------------------------------------------------------------------------------------------------------------------|--------------------------------|-------------|
| | 2010 | 2009 |
| Operating activities | | |
| Net income | \$ 6,563 | \$ 16,858 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | 4,779 | 4,760 |
| Amortization of intangibles | 8,649 | 8,642 |
| Amortization of deferred finance costs | 965 | 1,050 |
| Stock-based compensation expense | 667 | 628 |
| Gain on extinguishment of debt | - | (185) |
| Changes in operating assets and liabilities: | | |
| Decrease in accounts receivable | 2,473 | 3,183 |
| Increase in income taxes receivable, net | (4) | (421) |
| Increase in prepaid expenses and other assets | (267) | (53) |
| Decrease in trade accounts payable | (1,817) | (962) |
| Decrease in third-party payables | (10,670) | (26,014) |
| Decrease in accrued liabilities | (420) | (2,531) |
| Provision for deferred taxes | (1,230) | 1,853 |
| (Decrease) increase in other liabilities | (462) | 633 |
| Net cash provided by operating activities | 9,226 | 7,441 |
| Investing activities | | |
| Purchases of property, equipment and software, including \$62 and \$86 of capitalized interest in 2010 and 2009, respectively | (2,200) | (3,224) |
| Net receipts (advances) on purchased receivables | 10,337 | (1,131) |
| Net cash provided by (used in) investing activities | 8,137 | (4,355) |

Billing Services Group Limited

Consolidated Statements of Cash Flows (continued) (In thousands)

| | Years Ended December 31 | |
|--------------------------------------------------------|--------------------------------|-------------|
| | 2010 | 2009 |
| Financing activities | | |
| Payments on long-term debt | \$ (19,250) | \$ (13,154) |
| Payments on settlement of derivative contracts | – | (835) |
| Purchase of exercised options | – | (2,036) |
| Proceeds from issuance of common stock | 65 | – |
| Net cash used in financing activities | (19,185) | (16,025) |
| Effect of exchange rate changes on cash | (46) | 10 |
| Net decrease in cash and cash equivalents | (1,868) | (12,929) |
| Cash and cash equivalents at beginning of year | 14,425 | 27,354 |
| Cash and cash equivalents at end of year | \$ 12,557 | \$ 14,425 |
| Supplemental cash information | | |
| Cash paid during the year for: | | |
| Interest | \$ 5,354 | \$ 5,811 |
| Taxes | \$ 6,465 | \$ 6,900 |
| Noncash investing and financing activities | | |
| Adjustment to goodwill, net of tax effect | \$ 59 | \$ 185 |
| Derivative gain, net of tax expense of \$220 and \$598 | \$ 611 | \$ 908 |

See accompanying notes.

Billing Services Group Limited

Notes to Consolidated Financial Statements

December 31, 2010 and 2009

1. Organization and Summary of Significant Accounting Policies

Organization

Billing Services Group Limited (the “Company” or “BSG Limited”) commenced operations effective with the completion of its admission to AiM (a market operated by the London Stock Exchange plc) on June 15, 2005. The Company was formed to succeed to the business of Billing Services Group, LLC and its subsidiaries. The Company provides clearing, settlement, payment, and financial risk management solutions to the telecommunications industry, merchants, and on-line stores. The Company was incorporated and registered in Bermuda on May 13, 2005.

Principles of Consolidation

The Company’s consolidated financial statements include the accounts of the Company and its subsidiary, Billing Services Group North America, Inc. (“BSG North America”), and its respective subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

Cash and cash equivalents include all cash and highly liquid investments with original maturities of three months or less. The Company holds cash and cash equivalents at several major financial institutions in amounts which often exceed Federal Deposit Insurance Corporation insured limits for United States deposit accounts. The Company has entered into control agreements with its lenders and certain financial institutions covering certain of its deposit accounts.

Purchased Receivables

The Company offers advance funding arrangements to certain of its customers. Under the terms of the arrangements, the Company purchases the customer’s accounts receivable for an amount equal to the face amount of the call record value submitted to the local exchange carriers (“LECs”) by the Company, less various items, including financing fees, LEC charges, rejects, and other similar items. The Company advances 10% to 80% of the purchased amount to the customer and charges financing fees at rates up to 8% per annum over prime (prime was 3.25% per annum at December 31, 2010) until the funds are received from the LECs. The face amount of the call record value is recorded as purchased receivables in the consolidated balance sheets.

Billing Services Group Limited

Notes to Consolidated Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

Financial Instruments

Due to their short maturity, the carrying amounts of accounts and purchased receivables, accounts payable and accrued liabilities approximated their fair values at December 31, 2010 and 2009. The fair value of long-term debt approximates its face value and is based on the amounts at which the debt could be settled (either transferred or paid back) in a current transaction exclusive of transaction costs.

Concentration of Credit Risk and Significant Customers

At December 31, 2010, ten customers represented approximately 36% of accounts receivable, and ten customers represented approximately 87% of outstanding purchased receivables. At December 31, 2009, ten customers represented approximately 31% of accounts receivable, and ten customers represented approximately 80% of outstanding purchased receivables. Credit risk with respect to trade accounts receivable generated through billing services is limited as the Company collects its fees through receipt of cash directly from the LECs. The credit risk with respect to the purchase of accounts receivable is reduced as the Company only advances 10% to 80% of the gross accounts receivable purchased. Management evaluates accounts receivable balances on an ongoing basis and provides allowances as necessary for amounts estimated to eventually become uncollectible. In the event of complete nonperformance of accounts receivable, the maximum exposure to the Company is the recorded amount shown on the balance sheet. For the year ended December 31, 2010, twenty customers represented approximately 42% of consolidated revenues. For the year ended December 31, 2009, twenty customers represented approximately 41% of consolidated revenues.

Property, Equipment and Software

Property, equipment and software are primarily composed of furniture and fixtures, office equipment, computer equipment and software, and leasehold improvements, including capitalized interest, which are recorded at cost. The cost of additions and substantial improvements to property and equipment, including software being developed for internal use, is capitalized. The cost of maintenance and repairs of property and equipment is charged to operating expenses. Property, equipment and software are depreciated using the straight-line method over their estimated useful lives, which range from three to seven years. Leasehold improvements are depreciated over the shorter of the lease term or the estimated useful life of the asset. Upon disposition, the cost and related accumulated depreciation are removed from the accounts, and the resulting gain or loss is reflected in other income (expense) for that period.

Billing Services Group Limited

Notes to Consolidated Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

Capitalized Software Costs

The Company capitalizes the cost of internal-use software that has a useful life in excess of one year. These costs consist of payments made to third parties and the salaries of employees working on such software development. Subsequent additions, modifications, or upgrades to internal-use software are capitalized only to the extent that they allow the software to perform a task it previously did not perform. Software maintenance and training costs are expensed in the period in which they are incurred.

The Company also develops software used in providing services. The related software development costs are capitalized once technological feasibility of the software has been established. Costs incurred prior to establishing technological feasibility are expensed as incurred. Technological feasibility is established when the Company has completed all planning and high-level design activities that are necessary to determine that a product can be produced to meet its design specifications, including functions, features, and technical performance requirements. Capitalization of costs ceases when a product is available for general use.

Capitalized software development costs for completed software development projects, including capitalized interest, are transferred to computer software and are then depreciated using the straight-line method over their estimated useful lives, which generally range from four to seven years. When events or changes in circumstances indicate that the carrying amount of capitalized software may not be recoverable, the Company assesses the recoverability of such assets based on estimates of future undiscounted cash flows compared to net book value. If the future undiscounted cash flow estimates are less than net book value, net book value would then be reduced to estimated fair value, which generally approximates discounted cash flows. The Company also evaluates the amortization periods of capitalized software assets to determine whether events or circumstances warrant revised estimates of useful lives.

For the years ended December 31, 2010 and 2009, the Company capitalized \$1.7 million and \$2.7 million, respectively, of software development costs. During 2010 and 2009, the Company transferred \$1.3 million and \$2.7 million, respectively, of software development costs to computer software. Depreciation expense on computer software was \$4.0 million and \$3.7 million for the years ended December 31, 2010 and 2009, respectively. At December 31, 2010 and 2009, the Company had undepreciated software costs of \$14.7 million and \$17.5 million, respectively.

Billing Services Group Limited

Notes to Consolidated Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

Purchase Accounting

The Company accounts for its business combinations under the acquisition method of accounting and in accordance with the provisions of Accounting Standards Codification (“ASC”) 805, *Business Combinations*. The total cost of an acquisition is allocated to the underlying identifiable net assets, based on their respective estimated fair values generally resulting from a third-party valuation performed at the Company’s request. The excess of the purchase price over the estimated fair values of the net assets acquired is recorded as goodwill. Determining the fair value of assets acquired and liabilities assumed requires management’s judgment and often involves the use of significant estimates and assumptions, including assumptions with respect to future cash inflows and outflows, discount rates, asset lives, and market multiples, among other items.

Intangible Assets and Goodwill

The Company classifies intangible assets as definite-lived, indefinite-lived or goodwill. The Company accounts for its intangible assets and goodwill in accordance with the provisions of ASC 350, *Intangibles – Goodwill and Other*.

Definite-lived intangible assets consist of local exchange carrier and customer contracts, both of which are amortized over the respective lives of the agreements. The Company periodically reviews the appropriateness of the amortization periods related to its definite-lived assets. These assets are recorded at amortized cost.

The Company tests for possible impairment of definite-lived intangible assets whenever events or changes in circumstances, such as a reduction in operating cash flow or a material change in the manner for which the asset is intended to be used, indicate that the carrying amount of the asset may not be recoverable. If such indicators exist, the Company compares the undiscounted cash flows related to the asset to the carrying value of the asset. If the carrying value is greater than the undiscounted cash flow amount, an impairment charge is recorded in amortization expense in the statement of operations for amounts necessary to reduce the carrying value of the asset to fair value.

The Company’s indefinite-lived intangible assets consist of trademarks which are recorded at their acquisition date fair value. The Company’s indefinite-lived intangible assets are not subject to amortization, but are tested for impairment at least annually.

Billing Services Group Limited

Notes to Consolidated Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

Goodwill represents the excess of the purchase price over the fair value of identifiable net assets acquired in business combinations. Goodwill is not subject to amortization, but is tested for impairment at least annually. Impairment may exist when the carrying amount of the reporting unit exceeds its estimated fair value. Assessing the recoverability of goodwill requires the Company to make estimates and assumptions about sales, operating margins, growth rates and discount rates based on its budgets, business plans, economic projections, anticipated future cash flows and marketplace data. There are inherent uncertainties related to these factors and management's judgment in applying these factors.

Third-Party Payables

The Company provides clearing, settlement, payment, and financial risk management solutions to telecommunications and other service providers through billing agreements with LECs, which maintain the critical database of end-user names and addresses of the billed parties. The Company receives individual call records from various telecommunications and other service providers and processes and sorts the records for transmittal to various LECs. Invoices to end-users are generated by the LECs, and the collected funds are remitted to the Company, which in turn remits these funds to its customers, net of fees, reserves, taxes and other charges.

Reserves represent cash withheld from customers to satisfy future obligations on behalf of the customers. These obligations consist of bad debt, customer service, and other miscellaneous charges. The Company records trade accounts receivable and service revenue for fees charged to process the call records. When the Company collects funds from the LECs, the Company's trade receivables are reduced by the amount corresponding to the processing fees, which are retained by the Company.

The remaining funds due to customers are recorded as liabilities and reported in third-party payables in the consolidated balance sheets. In certain instances, the Company also retains a reserve from its customers' settlement proceeds to cover the LECs' billing fees.

Revenue Recognition

The Company provides its services to telecommunications and other service providers through billing arrangements with network operators. Within its clearing and settlement business, the Company recognizes revenue from its services when its customers' records are processed and accepted by the Company. For its third-party verification business, the Company recognizes revenue when services are rendered.

Billing Services Group Limited

Notes to Consolidated Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

Earnings Per Share

The Company computes earnings per share under the provisions of ASC 260, *Earnings per Share*, whereby basic earnings per share are computed by dividing net income or loss attributable to common shareholders by the weighted average number of shares of common stock outstanding during the applicable period. Diluted earnings per share are determined in the same manner as basic earnings per share except that the number of shares is increased to assume exercise of potentially dilutive stock options using the treasury stock method, unless the effect of such increase would be anti-dilutive.

Income Taxes

The Company accounts for income taxes in accordance with the provisions of ASC 740, *Income Taxes*, utilizing the liability method. Under this method, deferred tax assets and liabilities are determined based on differences between the financial reporting bases and tax bases of assets and liabilities and are measured using the enacted tax rates expected to apply to taxable income in the periods in which the deferred tax asset or liability is expected to be realized or settled.

Stock-Based Compensation

Under the fair value recognition provisions of ASC 718-10, *Compensation-Stock Compensation*, stock-based compensation cost is measured at the grant date based on the value of the award and is recognized as expense on a straight-line basis over the vesting period. Determining the fair value of stock-based awards at the grant date requires assumptions and judgments about expected volatility and forfeiture rates, among other factors. If actual results differ significantly from these estimates, the Company's results of operations could be materially impacted.

Billing Services Group Limited

Notes to Consolidated Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

Derivative Instruments and Hedging Activities

The provisions of ASC 815, *Derivatives and Hedging*, require the Company to recognize all of its derivative instruments as either assets or liabilities in the consolidated balance sheet at fair value. The accounting for changes in the fair value of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship, and further, on the type of hedging relationship. For derivative instruments that are designated and qualify as hedging instruments, the Company must designate the hedging instrument, based upon the exposure being hedged, as a fair value hedge, cash flow hedge, or a hedge of a net investment in a foreign operation. The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk management objectives and strategies for undertaking various hedge transactions. The Company formally assesses, both at inception and at least quarterly thereafter, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in either the fair value or cash flows of the hedged item. If a derivative ceases to be a highly effective hedge, the Company discontinues hedge accounting. The Company does not enter into derivative instruments for speculation or trading purposes.

Foreign Currency

Results of operations of the Company, as appropriate, are translated into U.S. dollars using the average exchange rates during the year. The assets and liabilities of those entities are translated into U.S. dollars using the exchange rates at the balance sheet date. The related translation adjustments are recorded in a separate component of shareholders' equity, "Accumulated other comprehensive loss." Foreign currency transaction gains and losses are included in operations.

Advertising Costs

The Company records advertising expense as it is incurred. The Company incurred \$0.1 million in advertising costs for each of the years ended December 31, 2010 and 2009.

Billing Services Group Limited

Notes to Consolidated Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles (“GAAP”) requires management to make estimates, judgments, and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from those estimates.

New Accounting Standards and Disclosures

Statement of Financial Accounting Standards No. 161, *Disclosures about Derivative Instruments and Hedging Activities*, codified in ASC 815 was issued on March 19, 2008 and requires additional disclosures about how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for and how derivative instruments and related hedged items affect an entity’s financial position, results of operations and cash flows. It is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. The Company adopted the disclosure requirements beginning January 1, 2009.

Statement of Financial Accounting Standards No. 165, *Subsequent Events*, codified in ASC 855-10, was issued in May 2009. The provisions of ASC 855-10 are effective for interim and annual periods ending after June 15, 2009 and are intended to establish general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. ASC 855-10 requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date—that is, whether that date represents the date the financial statements were issued or were available to be issued. This disclosure should alert all users of financial statements that an entity has not evaluated subsequent events after that date in the set of financial statements being presented. In accordance with the provisions of ASC 855-10, the Company has evaluated subsequent events through March 30, 2011.

Billing Services Group Limited

Notes to Consolidated Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

In January 2010, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2010-06, *Improving Disclosures about Fair Value Measurements*. This update amends ASC Topic 820, *Fair Value Measurements and Disclosures*, to require new disclosures for significant transfers in and out of Level 1 and Level 2 fair value measurements, disaggregation regarding classes of assets and liabilities, valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements for Level 2 or Level 3. These disclosures are effective for the interim and annual reporting periods beginning after December 15, 2009. Additional new disclosures regarding the purchases, sales, issuances and settlements in the roll forward of activity in Level 3 fair value measurements are effective for fiscal years beginning after December 15, 2010 beginning with the first interim period. The Company adopted the relevant disclosure provisions of ASU 2010-06 on January 1, 2010 and will adopt the latter provisions on January 1, 2011 as appropriate.

2. Property, Equipment and Software

Property, equipment and software consisted of the following at December 31, 2010 and 2009:

| | December 31 | |
|---------------------------------------------------------------------------------------------------------------------------|-----------------------|-------------|
| | 2010 | 2009 |
| | <i>(In thousands)</i> | |
| Furniture and fixtures | \$ 236 | \$ 236 |
| Telecommunication equipment | 1,839 | 1,839 |
| Computer equipment | 5,188 | 4,654 |
| Computer software | 30,464 | 29,175 |
| Software development, including \$196 and \$134 of capitalized interest at December 31, 2010 and 2009, respectively | 877 | 500 |
| Leasehold improvements | 2,172 | 2,172 |
| | 40,776 | 38,576 |
| Less accumulated depreciation | 24,249 | 19,470 |
| Net property, equipment and software | \$ 16,527 | \$ 19,106 |

Depreciation expense was \$4.8 million for each of the years ended December 31, 2010 and 2009.

Billing Services Group Limited

Notes to Consolidated Financial Statements (continued)

3. Intangible Assets and Goodwill

Definite-lived intangible assets consist of local exchange carrier contracts and customer contracts, which are amortized over their respective estimated lives. The weighted-average amortization period is approximately 11 years.

Indefinite-lived intangible assets consist of trademarks. Trademarks are not subject to amortization, but are tested for impairment at least annually.

The following table presents the gross carrying amount and accumulated amortization for each major category of intangible assets:

| | 2010 | | 2009 | | Amortization Period |
|----------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|------------------------|
| | Gross Carrying Amount | Accumulated Amortization | Gross Carrying Amount | Accumulated Amortization | |
| | <i>(In thousands)</i> | | | | |
| Local exchange carrier contracts | \$ 11,310 | \$ 5,308 | \$ 11,310 | \$ 4,555 | 15 years |
| Customer contracts | 77,192 | 54,305 | 77,065 | 46,409 | 10 years |
| Trademarks | 5,400 | – | 5,400 | – | N/A |
| | \$ 93,902 | \$ 59,613 | \$ 93,775 | \$ 50,964 | |

Total amortization expense from definite-lived intangibles was \$8.6 million for the years ended December 31, 2010 and 2009. The estimate of amortization expense for the five succeeding fiscal years for definite-lived intangibles is \$8.6 million for each of 2011 and 2012, \$7.7 million for the year 2013 and \$1.0 million for each of 2014 and 2015.

The Company tests goodwill for impairment using a two-step process. The first step, used to screen for potential impairment, compares the fair value of the reporting unit with its carrying amount, including goodwill. If the fair value of the reporting unit exceeds its carrying value, goodwill of the reporting unit is considered not impaired, thus the second step of the impairment test is not necessary. If the carrying amount of a reporting unit exceeds its fair value, the second step of the goodwill impairment test shall be performed to measure the amount of impairment loss, if any. The second step compares the implied fair value of the reporting unit's goodwill with the carrying amount of that goodwill. If the carrying amount of the reporting unit goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess. The loss recognized cannot exceed the carrying amount of goodwill. After a

Billing Services Group Limited

Notes to Consolidated Financial Statements (continued)

3. Intangible Assets and Goodwill (continued)

goodwill impairment loss is recognized, the adjusted carrying amount of goodwill becomes its new accounting basis. Subsequent reversal of a previously recognized goodwill impairment loss is prohibited.

The Company performs its annual goodwill impairment test on October 1 of each year. In 2009 and 2010, the first step of the goodwill impairment test resulted in the fair value of the Company being in excess of the carrying amount of the Company. Therefore, the second step of the goodwill impairment test was not required. The Company may incur impairment charges in the future to the extent the Company does not achieve its expected financial performance, and to the extent that market values and long-term interest rates, in general, decrease and increase, respectively.

During 2010, the Company made an adjustment to reduce goodwill by \$0.1 million related to the amortization of tax goodwill in excess of book goodwill related to a prior acquisition.

The following table presents the change in carrying amount of goodwill for the year ended December 31, 2010:

| | Total |
|---------------------------------|-----------------------|
| | <i>(In thousands)</i> |
| Balance as of December 31, 2009 | \$ 34,492 |
| Adjustment | (59) |
| Balance as of December 31, 2010 | \$ 34,433 |

4. Debt

Long-term debt is as follows:

| | December 31 | |
|---------------------------------------------------------------------------------------------------------------------------------|-----------------------|-------------|
| | 2010 | 2009 |
| | <i>(In thousands)</i> | |
| Term Loan Facility, net of unamortized original issue discount of \$1,575 at December 31, 2010 and \$2,319 at December 31, 2009 | \$ 59,254 | \$ 77,759 |
| Less current portion | 3,844 | 11,250 |
| | \$ 55,410 | \$ 66,509 |

Billing Services Group Limited

Notes to Consolidated Financial Statements (continued)

4. Debt (continued)

On December 19, 2007, the Company refinanced its debt and entered into a new credit agreement totaling \$112.5 million. The new credit agreement consists of a \$112.5 million term loan (the "Term Loan Facility"). The Term Loan Facility is secured by all of BSG North America's assets and guarantees from most of the Company's subsidiaries. At December 31, 2010 and 2009, borrowings under the Term Loan Facility, including unamortized original issue discount, were \$60.8 million and \$80.1 million, respectively.

Loans under the Term Loan Facility were issued net of an original issue discount of \$4.5 million. Interest is charged, at the Company's option, at the U.S. prime rate plus 3.25% per annum, or the London Interbank Offered Rate ("LIBOR") plus 4.25% per annum. At December 31, 2010, the nominal interest rate on outstanding loans was 4.5625% per annum, but the effective interest rate, including the impact of interest rate swap contracts (see Note 5), was 7.14% per annum.

The Term Loan Facility requires quarterly principal payments of \$2.8 million through September 2014 and a payment of \$36.6 million at its maturity in December 2014. It also requires mandatory prepayments relating to (i) 75% of the Company's consolidated excess cash flow, as defined; and (ii) certain other occurrences for which mandatory prepayment is a usual and customary consequence in credit agreements of this nature. Outstanding loans may be prepaid at any time without prepayment premium or penalty.

During 2010 and 2009, the Company made voluntary prepayments of \$8.0 million and \$5.0 million, respectively. During 2009, the Company additionally extinguished \$5.0 million of principal amount of debt through the repurchase of a portion of the Term Loan Facility which resulted in a gain of \$0.2 million, net of accumulated amortization of original issue discount of \$0.1 million.

During 2010, the Company generated \$0.8 million of consolidated excess cash flow as defined in the Term Loan Facility. As a result, the Company is required to make an additional principal payment of \$0.6 million by April 15, 2011.

The credit agreement includes covenants requiring the Company to maintain certain minimum levels of interest coverage and maximum levels of leverage and capital expenditures. The agreement also includes various representations, restrictions, and other terms and conditions which are usual and customary in transactions of this nature (See Note 13).

Billing Services Group Limited

Notes to Consolidated Financial Statements (continued)

5. Financial Instruments

Interest Rate Swaps

In connection with the Term Loan Facility, the Company entered into a series of interest rate swap contracts during December 2007. Under the contracts outstanding at December 31, 2010, the Company will pay fixed rates of 4.11% per annum to 4.18% per annum, thereby fixing the LIBOR portion of the interest rate on the notional amounts. The table below sets forth the interest rate swap contracts outstanding at December 31, 2010:

| Contract Notional Amount | Contract Period | Contract Fixed Rate |
|-------------------------------------|------------------------|----------------------------|
| <i>(In thousands)</i> | | |
| \$ 15,000 | 12/31/07 to 12/31/11 | 4.11% |
| 20,000 | 12/31/07 to 12/31/12 | 4.18% |
| <u>\$ 35,000</u> | | |

During 2010, interest rate swap contracts covering a notional principal amount of \$13.0 million expired. During the first quarter of 2009, the Company terminated \$22 million of notional principal amount in interest rate swap contracts for a cost of \$0.8 million.

The Company's interest rate swap contracts are designated as a cash flow hedge, and the effective portion of the gain or loss on the swap is reported as a component of other comprehensive income. Ineffective portions of a cash flow hedge's change in fair value are recognized as income or expense in the period of ineffectiveness. No ineffectiveness was recorded related to interest rate swap contracts during 2009 or 2010. Interest expense associated with these interest rate swaps includes \$1.8 million and \$1.6 million of realized losses reclassified into earnings in 2010 and 2009, respectively.

The Company entered into the swaps to effectively convert a portion of its floating-rate debt to a fixed basis, thus reducing the impact of interest rate changes on future interest expense. The Company assesses at inception, and on an ongoing basis, whether its interest rate swap agreements are highly effective in offsetting changes in the interest expense of its floating rate debt.

Billing Services Group Limited

Notes to Consolidated Financial Statements (continued)

5. Financial Instruments (continued)

The Company continually monitors its positions with, and credit quality of, the financial institutions which are counterparties to its interest rate swap contracts. The Company may be exposed to credit loss in the event of nonperformance by the counterparties to the interest rate swap contracts. However, the Company considers this risk to be low.

The Company adopted ASC 820, *Fair Value Measurements and Disclosures*, on January 1, 2008 and certain of the relevant disclosure provisions in ASU No. 2010-06, *Improving Disclosures about Fair Market Measurements*, on January 1, 2010. ASC 820-10-35 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exist, therefore requiring an entity to develop its own assumptions.

The swap agreements are valued using a discounted cash flow model that takes into account the present value of the future cash flows under the terms of the agreements by using market information available as of the reporting date, including prevailing interest rates and credit spreads.

Due to the fact that the inputs to the model used to estimate fair value of the Company's interest rate swap contracts are either directly or indirectly observable, the Company classified the fair value measurements of these agreements as Level 2.

The table below shows the balance sheet classification and fair value of the Company's interest rate swap contracts designated as hedging instruments:

| Classification at December 31, 2010 | Fair Value | Classification at December 31, 2009 | Fair Value |
|------------------------------------------------|-----------------------|------------------------------------------------|-------------------|
| | <i>(In thousands)</i> | | |
| Other liabilities | \$1,910 | Other liabilities | \$2,545 |

Billing Services Group Limited

Notes to Consolidated Financial Statements (continued)

5. Financial Instruments (continued)

The following table details the beginning and ending accumulated other comprehensive loss and the current period activity related to the interest rate swap contracts:

| | Accumulated Other Comprehensive Loss |
|----------------------------------------|-------------------------------------------------|
| | <i>(In thousands)</i> |
| Balance at January 1, 2010 | \$ (1,853) |
| Other comprehensive gain, net of taxes | 611 |
| Balance at December 31, 2010 | \$ (1,242) |

6. Income Taxes

The components of the Company's income tax expense (benefit) are as follows:

| | December 31 | |
|-----------------------------|-----------------------|-------------|
| | 2010 | 2009 |
| | <i>(In thousands)</i> | |
| Current expense: | | |
| Federal | \$ 5,791 | \$ 6,480 |
| State | 278 | 345 |
| | 6,069 | 6,825 |
| Deferred expense (benefit): | | |
| Federal | (1,239) | 1,838 |
| State | 9 | 15 |
| | (1,230) | 1,853 |
| Total income tax expense | \$ 4,839 | \$ 8,678 |

Billing Services Group Limited

Notes to Consolidated Financial Statements (continued)

6. Income Taxes (continued)

The income tax provision differs from amounts computed by applying the U.S. federal statutory tax rate to income before income taxes as follows:

| | December 31 | |
|-----------------------------------------------------------------------------|-----------------------|-------------|
| | 2010 | 2009 |
| | <i>(In thousands)</i> | |
| Estimated federal tax expense at 35% | \$ 3,991 | \$ 8,938 |
| Increases (reductions) from: | | |
| State tax | 190 | 405 |
| Settlement of state audit | – | (165) |
| Permanent deduction for adjustment of liabilities assumed in an acquisition | – | (2,474) |
| Deferred true-up related to cancelation of non-qualified stock options | – | 469 |
| Valuation allowance on capital loss carryover | – | 122 |
| Foreign tax rate differential | 250 | 11 |
| Unrecognized tax benefits | (259) | 1,425 |
| Settlement of Federal audit | 155 | – |
| Provision to return adjustment | 440 | – |
| Other | 72 | (53) |
| Income tax expense | \$ 4,839 | \$ 8,678 |

Deferred income taxes result from temporary differences between the bases of assets and liabilities for financial statement purposes and income tax purposes. The net deferred tax assets and liabilities reflected in the balance sheets include the following amounts:

| | December 31 | |
|-----------------------------------------------|-----------------------|-------------|
| | 2010 | 2009 |
| | <i>(In thousands)</i> | |
| Deferred tax assets: | | |
| Reserve for bad debts | \$ 485 | \$ 102 |
| Accrued liabilities | 310 | 321 |
| State taxes | 376 | 385 |
| Stock-based compensation expense | 199 | 1 |
| Prepaid expense | (221) | (206) |
| Capital loss carryover | 122 | 122 |
| Derivatives | 668 | 830 |
| Valuation allowance on capital loss carryover | (122) | (122) |
| Total deferred tax assets | 1,817 | 1,433 |

Billing Services Group Limited

Notes to Consolidated Financial Statements (continued)

6. Income Taxes (continued)

| | December 31 | |
|----------------------------------|-----------------------|------------|
| | 2010 | 2009 |
| | <i>(In thousands)</i> | |
| Deferred tax liabilities: | | |
| Property, equipment and software | \$ (2,838) | \$ (3,640) |
| Intangible assets | 860 | 587 |
| Capitalized interest | (1,335) | (1,335) |
| Cancellation of debt deferral | (1,622) | (1,172) |
| Total deferred tax liabilities | (4,935) | (5,560) |
| Net deferred tax liabilities | \$ (3,118) | \$ (4,127) |

At December 31, 2010, the Company had state net operating loss credit carryforwards of \$0.6 million which will expire in 2026 and \$0.1 million of capital loss carryforwards which will expire in 2013.

Realization of deferred tax assets is dependent upon, among other things, the ability to generate taxable income of the appropriate character in the future. At December 31, 2009, management established a valuation allowance related to the capital loss carryforward, as it does not believe the benefit will be realized in the future. Management is of the opinion that it is more likely than not that all other deferred tax assets will be fully realized.

During the year ended December 31, 2009, the Company established a reserve of \$0.9 million related to an adjustment of liabilities assumed in a prior acquisition. In 2009, the Company also established a reserve of \$0.4 million related to tax positions taken on a prior year return. During 2009, the reserve was decreased by \$0.3 million related to the settlement of the Texas state audit. During 2010, the reserve was decreased by \$0.4 million related to the settlement of the Federal IRS audit. The reserve was also decreased by \$0.3 million due to a change in estimate on a 2009 position. The total reserve as of December 31, 2010 is \$1.4 million. The Company does not expect the recorded liability to change significantly over the next twelve months. It is the Company's policy to recognize interest and penalties related to uncertain tax positions in the provision for income taxes in the consolidated statement of operations. During each of the years ended December 31, 2010 and 2009, the Company recorded \$0.1 million in interest and penalties.

Billing Services Group Limited

Notes to Consolidated Financial Statements (continued)

6. Income Taxes (continued)

A reconciliation of the beginning and ending amounts of unrecognized tax benefits follows:

| | Total |
|--------------------------------------------------------------|-----------------------|
| | <i>(In thousands)</i> |
| Balance at December 31, 2008 | \$ 1,140 |
| Additions based on tax positions related to the current year | 876 |
| Additions based on tax positions related to prior years | 422 |
| Settlements | (255) |
| Balance at December 31, 2009 | 2,183 |
| Decreases based on tax positions related to prior years | (331) |
| Settlements | (422) |
| Balance at December 31, 2010 | <u>\$ 1,430</u> |

As indicated in the table above, at December 31, 2010, there were \$1.4 million of tax benefits, that if recognized in 2010, would reduce the Company's annual effective tax rate.

The Company's tax returns for 2007 through 2010 tax years remain subject to examination by the federal and most state tax authorities.

7. Earnings Per Share

Earnings per share are calculated based on the weighted average number of shares of the Company's common stock outstanding during the period.

Billing Services Group Limited

Notes to Consolidated Financial Statements (continued)

7. Earnings Per Share (continued)

The following is a summary of the elements used in calculating basic and diluted income per share:

| | December 31 | |
|-----------------------------------|-------------------------------------------------|-------------|
| | 2010 | 2009 |
| | <i>(In thousands, except per share amounts)</i> | |
| Numerator: | | |
| Net income | \$ 6,563 | \$ 16,858 |
| Denominator: | | |
| Weighted-average shares – basic | 279,914 | 279,863 |
| Effect of diluted securities: | | |
| Options | 1,006 | 1,009 |
| Weighted-average shares – diluted | 280,920 | 280,872 |
| Net income per common share: | | |
| Basic and diluted | \$ 0.02 | \$ 0.06 |

8. Commitments

The Company leases certain office space and equipment under various operating leases. Annual future minimum lease commitments as of December 31, 2010, are as follows (in thousands):

| | |
|--------------------------|--------|
| Year ending December 31: | |
| 2011 | \$ 981 |
| 2012 | 540 |

Rental expense under these operating leases approximated \$0.9 million for each of the years ended December 31, 2010 and 2009.

Billing Services Group Limited

Notes to Consolidated Financial Statements (continued)

9. Contingencies

The Company is involved in various claims, legal actions, and regulatory proceedings arising in the ordinary course of business. The Company believes it is unlikely that the final outcome of any of the claims, litigation, or proceedings to which the Company is a party will have a material adverse effect on the Company's financial position or results of operations; however, due to the inherent uncertainty of litigation, there can be no assurance that the resolution of any particular claim or proceeding would not have a material adverse effect on the Company's financial position and results of operations for the fiscal period in which such resolution occurs.

10. Employee Benefit Plan

A Company subsidiary sponsors a 401(k) Retirement Plan (the "Retirement Plan"), which is offered to eligible employees. Generally, all employees who are 21 years of age or older and who have completed six months of service during which they worked at least 500 hours are eligible for participation in the Retirement Plan. The Retirement Plan is a defined contribution plan, which provides that participants may make voluntary salary deferral contributions, on a pretax basis, of between 1% and 19% of their compensation in the form of voluntary payroll deductions, subject to annual Internal Revenue Service limitations. The Company matches a defined percentage of a participant's contributions, subject to certain limits, and may make additional discretionary contributions. During the years ended December 31, 2010 and 2009, the Company's matching contributions totaled \$0.3 million in each period. No discretionary contributions were made.

11. Stock Option Plans

2008 Amended and Restated Stock Option Plans

On August 15, 2008, the Board of Directors adopted resolutions to amend and restate both the Billing Services Group Limited Stock Option Plan and the BSG Clearing Solutions North America, Inc. Stock Option Plan (the "Amended and Restated BSG Plan" and the "Amended and Restated BSG North America Plan," respectively).

Billing Services Group Limited

Notes to Consolidated Financial Statements (continued)

11. Stock Option Plans (continued)

Options may be granted at the discretion of the remuneration committee to any director or employee and are generally granted with an exercise price equal to the market price of the Company's stock at the grant date. Directors may be granted options in the Amended and Restated BSG Plan and employees may be granted options in the Amended and Restated BSG North America Plan. Options granted under the Amended and Restated BSG North America Plan are exercisable into shares of the Company. The options granted are limited, in the aggregate, to 10% of the issued common shares of capital stock at the time of grant.

Outstanding options generally vest over a three-year period following the grant date. One-quarter of the total number of options typically vest on the grant date, and the remaining 75% of options vest in equal tranches on the first, second and third anniversary of the grant. Generally, an option is exercisable only if the holder is in the employment of the Company or one of its affiliates (or for a period of time following employment subject to the discretion of the remuneration committee), or in the event of a change in control of the Company. Upon a change in control, generally, all options vest immediately. The options have a contractual life of ten years.

The fair value of the options is computed using the Black-Scholes option pricing model. The weighted-average grant-date fair value of options granted during 2010 and 2009 amounted to 6.0 pence per share. The following assumptions were used in arriving at the fair value of options granted during 2010: risk-free interest rate of 3.35%; dividend yield of 0%; expected volatility of 45.73%; and expected lives of five years and nine months. Risk free interest rates reflect the yield on the ten-year U.S. Treasury note. Expected dividend yield presumes no set dividend paid. Expected volatility is based on implied volatility from historical market data for the Company. The expected option lives are based on a mathematical average with respect to vesting and contractual terms.

Billing Services Group Limited

Notes to Consolidated Financial Statements (continued)

11. Stock Option Plans (continued)

The following is a summary of option activity:

| | Options Outstanding | Weighted- Average Exercise Price |
|--------------------------------------------------|--------------------------------|-----------------------------------------------------|
| Options outstanding at December 31, 2009 | 10,705,783 | 10.8 pence |
| Granted | 1,835,000 | |
| Exercised | (302,500) | |
| Forfeited | (2,220,886) | |
| Options outstanding at December 31, 2010 | 10,017,397 | |
| Options exercisable at December 31, 2010 | 4,498,386 | |
| Options available for grant at December 31, 2010 | 7,225,895 | |

All of the options granted during 2010 were granted under the Amended and Restated BSG North America Plan.

As of December 31, 2010, there was \$0.6 million of total unrecognized noncash compensation cost related to nonvested share-based compensation arrangements granted under the Amended and Restated BSG Plan and the Amended and Restated BSG North America Plan. That cost is expected to be recognized during 2011 through 2013.

During 2010, options covering 302,500 shares were exercised by employees. During 2009, options covering 10,470,783 shares were exercised by employees and non-executive directors of the Company. Of this amount, options covering 9,101,250 shares were exercised by employees and options covering 1,369,533 shares were exercised by non-executive directors of the Company. All options were exercised on a 'cashless' basis; accordingly, no cash was received by the Company. BSG Limited issued 302,500 shares in connection with the options exercised in 2010. With respect to the options exercised in 2009, the underlying shares were purchased by the Company and immediately retired.

Billing Services Group Limited

Notes to Consolidated Financial Statements (continued)

12. Restructuring Expense and Other Income

Restructuring Expense

In 2010, the Company implemented cost reduction actions largely designed to reduce personnel-related expenses. In connection with this plan, the Company recorded a \$0.8 million restructuring charge, principally to cover severance and related compensation costs for terminated employees. Of this amount, \$0.8 million was paid in 2010.

Other Income

Other income for the year ended December 31, 2009 consisted primarily of the reduction of certain liabilities based on changes in the estimation process.

13. Subsequent Event

In March 2011, the Company entered into an agreement with its lenders to amend certain of the terms of the Term Loan Facility (see Note 4). Among other things, the amendment modifies the interest coverage ratio, the leverage ratio and the amount of maximum consolidated capital expenditures. The amendment requires an incremental principal prepayment of \$5.0 million on March 31, 2011, quarterly principal payments of \$2.8 million and a semi-annual consolidated excess cash flow payment as defined. The amendment also increased the interest rate to LIBOR plus 5.0% through March 31, 2012 with additional interest of 3.0% either in cash or pay-in-kind, at the Company's option, commencing April 1, 2012.

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