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March 10, 2016

Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street SW
Washington, DC 20554

Re: Further proof of Securus' ownership interest in 3CInteractive, including clarification on the location of an exhibit, and support for CenturyLink's proposed definition of "financial interest"

Dear Ms. Dortch:

Securus, in their reply comments¹ to the FCC's Second Report and Order and Third Further Notice of Proposed Rulemaking,² reports a difficulty finding an exhibit we cited to advance a politically sensitive but, in our view, relatively minor point that Securus in fact owns the "third party" company that processes its abusive single call products. Because Securus accuses the Prison Policy Initiative of "fabricating facts as a means of convincing the Commission that it can regulate financial transactions", we respond in full here.

As you know, the FCC's order sought to rein in abusive "single call" products. Our comment letter shared our concern that § 64.6020(b)(2) would not have the desired effect of preventing the companies from steering the families of newly arrested people into "convenience" calling systems that charge as much as \$14.99 for a *single call*. The loophole we identify will leave ICS companies free to use single call programs as an end run around the per-minute rate caps.

In this letter, we again provide the document that Securus could not find, we provide additional evidence of Securus' ownership interest, and we formally endorse CenturyLink's definition of "financial interest" that, if accepted, would render this factual dispute irrelevant.

¹ *Reply Comments of Securus Technologies, Inc. on Third Further Notice of Proposed Rulemaking*, WC Docket 12-375 (February 8, 2016), available at <http://apps.fcc.gov/ecfs/document/view?id=60001424900>

² *FCC's Second Report and Order and Third Further Notice of Proposed Rulemaking*, WC Docket 12-375 (October 22, 2015), available at https://apps.fcc.gov/edocs_public/attachmatch/FCC-15-136A1.pdf

The “missing” exhibit

In response to Securus’ seeming trouble with finding one of our exhibits (as explained in their latest reply comment),³ we clarify the location of the exhibit referenced in our filings:

In their reply comment Securus explains that they were unable to locate the “Q2 2013 Investment Update” from North Sky Capital which we reference in footnote 10 of our recent comment⁴ on the continuing need for regulation of single calls.

Footnote 10 references “Exhibit 2” of an older filing⁵ but also gives the direct URL to the Exhibit on our own website at

<http://static.prisonpolicy.org/phones/exhibits/singlecall/Exhibit2.pdf>. We had an errant line break in the middle of footnote 10, so we can imagine how Securus, in a quick glance, may have missed the URL.

And to explain, the reason Securus was unable to locate the exhibit linked directly from the FCC’s docket list is that the FCC’s website was having serious problems accepting documents for upload on January 12, 2015, the close of the relevant comment period. Given our uncertainty of whether the exhibits were successfully uploading, we posted all the exhibits to our website, as we explained in a letter to the FCC the following day:

“Last night, the Prison Policy Initiative experienced serious difficulties in uploading documents to the FCC’s Electronic Comment Filing System. The website would repeatedly time out, making it impossible to upload documents. The problem seemed to get even worse when we attempted to upload multiple files.

“...all other exhibits cited in our comments are available at http://www.prisonpolicy.org/phones/letters_with_exhibits.html.”

In the end the exhibit did indeed fail to upload with the accompanying comment, but the exhibit was then and continues to be available both linked from the URL in the follow-up letter explaining the technical issues, and directly linked from our most recent filing, which Securus itself references.

³ “PPI cites to a “Q2 2013 Investment Update” from “North Sky Capital,” which it purports to have appended as Exhibit 2 to the PPI “Comments re: Second Further Notice of Proposed Rulemaking ¶¶ 98-102.”⁴⁶ Securus has read all of PPI’s eight (8) filings in response to the Second Further Notice of Proposed Rulemaking, and does not see such a document. In fact, PPI’s “Comments re: Second Further Notice of Proposed Rulemaking ¶¶ 98-102” have no exhibits at all. In total, PPI filed 13 exhibits among its 8 separate docket entries regarding the Second Further Notice of Proposed Rulemaking, and none of them are a document from “North Sky Capital.” *Reply Comments of Securus Technologies, Inc. on Third Further Notice of Proposed Rulemaking*, at 9, WC Docket 12-375 (February 8, 2016), available at <http://apps.fcc.gov/ecfs/document/view?id=60001424900>

⁴ Prison Policy Initiative’s *Comment Re: Second Report and Order and Third Further Notice of Proposed Rulemaking ¶¶ 147, 182-189, 291 – Single-Call loophole persists in new regulations*, at 5, WC Docket 12-375 (January 19, 2016), available at <http://apps.fcc.gov/ecfs/document/view?id=60001408495>

⁵ Prison Policy Initiative’s *Comments re: Second Further Notice of Proposed Rulemaking ¶¶ 98-102, single call programs*, n.32 at 9, WC Docket 12-375 (January 12, 2015) <http://apps.fcc.gov/ecfs/document/view?id=60001013052>

Further evidence of ownership

Securus' ownership of 3CI does not rest solely on the "Q2 2013 Investment Update" from North Sky Capital. Here are four additional pieces of evidence:

- Securus lists "Text 2 Connect" (the payment processing service provided by 3CI) under a heading of "New Product Development / Acquisitions" in a presentation made to investors publishing by the *Huffington Post*.⁶
- Securus' previous owner, Castle Harlan, bragged on their own website that Castle Harlan increased Securus' value with an "aggressive acquisition strategy" "to further enhance the company's product offering and revenue stream" including the purchase of 3Cinteractive in November 2012.⁷
- The research company PrivCo reports that Securus bought an interest in 3CI from Kayne Anderson Capital Advisors in November 2012.⁸
- Securus says that they invested \$40 million⁹ to develop the single call products. Yet, as we have demonstrated, the entire single call service is run by 3CI, so what could Securus have been spending such a sum on if not 3CI?

Now, to be sure, in light of this evidence there are ways in which Securus could be telling the truth when it says that "Securus actually owns 3CI" is a "false" statement. For example:

- Perhaps Securus doesn't own *all* of 3CI, or perhaps doesn't even own 51% of 3CI, but the evidence certainly does show that Securus has a substantial ownership interest in 3CI.
- Perhaps Securus no longer owns 3CI itself but has transferred ownership to its corporate parent, Abry Partners?

CenturyLink's proposed definition of financial interest may provide an immediate remedy

We note that CenturyLink's January 19, 2016 comment¹⁰ proposed a potentially very simple solution to the problem of the ICS Providers "obvious incentive to purchase or establish separate payment service divisions and charge excessive fees claimed to be exempt from the Commission's rules". CenturyLink proposed an expansive definition of "financial interest" that should effectively determine whether a "unaffiliated third-

⁶ Appendix 1: *Securus' presentation to investors, obtained by The Huffington Post* at 21.

⁷ Appendix 2: Castle Harlan, web page, *Illustrative Investments – Securus*, at 3, archived January 16, 2015, also available at <http://web.archive.org/web/20150116231708/http://www.castleharlan.com/our-approach-to-business/illustrative-investments/item/274-securus>

⁸ Appendix 3: PrivCo, M&A Deal Report, *Securus Technologies Inc. Acquires 3Cinteractive Corp.*, February 19, 2016

⁹ "In all, Securus has invested approximately **\$40 Million** to establish optional, convenient methods for inmates to reach their friends and families." (Emphasis in original.) Securus' *Reply to CenturyLink Notice of Ex Parte* (May 14, 2015), at 2, May 19, 2015, WC Docket No. 12-375, available at <http://apps.fcc.gov/ecfs/document/view?id=60001048073>

¹⁰ *Comments of CenturyLink*, at 13, January 19, 2016, WC Docket No. 12-375, available at <http://apps.fcc.gov/ecfs/document/view?id=60001408789>

party” is indeed unaffiliated. CenturyLink proposes to prohibit any ICS Provider from passing through fees in excess of the caps charged if the “ICS Provider has a financial interest in a payment firm, such as full or partial ownership interest, *revenue-sharing agreement, or the like.*” (Emphasis added.)

Evidence of such a financial interest can be found in the recorded scripts that are played to customers receiving a call through Securus’ system.¹¹ While the scripts mention an option to “set up or add funds to a prepaid AdvanceConnect Account in order to pay for future calls”, that language implies that it is not an available option for the current call. Furthermore, the script does not advertise the critical fact that the Account option is cheaper. If Securus did not receive significant income from steering calls to 3CI, it would steer its customers towards the Account option. If Securus had no close financial interest in 3CI’s profits, then Securus would certainly ensure that its prepaid account system (from which Securus benefits in multiple ways) would be thoroughly advertised to customers as an alternative to the single call fee purportedly charged by 3CI.

We have presented voluminous evidence that Securus receives a revenue share on the \$13.19 payment fee for credit card payments and on the \$9.99 premium text message charge imposed by 3C Interactive. Under CenturyLink’s definition, the FCC can avoid arguing with Securus about whether Securus in fact owns 3C Interactive and instead the FCC can proceed directly to penalizing all of the companies who are currently using revenue sharing agreements with other firms as a way to undermine the FCC’s existing order.¹²

Sincerely,



Peter Wagner
Executive Director
pwagner@prisonpolicy.org



Aleks Kajstura
Legal Director
akajstura@prisonpolicy.org

¹¹ Appendix 4: New Mexico Public Regulation Commission, “*Staff’s Fourth Set of Interrogatories and Request for Production of Documents*”, at Attachment A p.2, *In the Matter of the Commission Inquiry Into the Rates and Charges of Institutional Operator Service Providers*, Utility Case No. 07-00316-UT; and Appendix 5: “Affidavit of Danny DeHoyos”, at 2, *Global Tel*Link v Federal Communications Commission and the United States of America*, USCA DC Cir. No. 15-1461 and consolidated cases, January 27, 2016.

¹² Oh course, an altogether simpler way to close the current single call loopholes is for the FCC to either ban the “single call” products, or cap the cost at the level for a similar pre-paid call: the adopted per-minute rate plus the \$3 maximum fee for an automated payment, similar to the way the regulations promulgated by the Alabama Public Service Commission, as we proposed in our last filing, *Comment Re: Second Report and Order and Third Further Notice of Proposed Rulemaking ¶¶ 147, 182-189, 291 – Single-Call loophole persists in new regulations*, at 10 available at <http://apps.fcc.gov/ecfs/document/view?id=60001408495>

APPENDIX 1

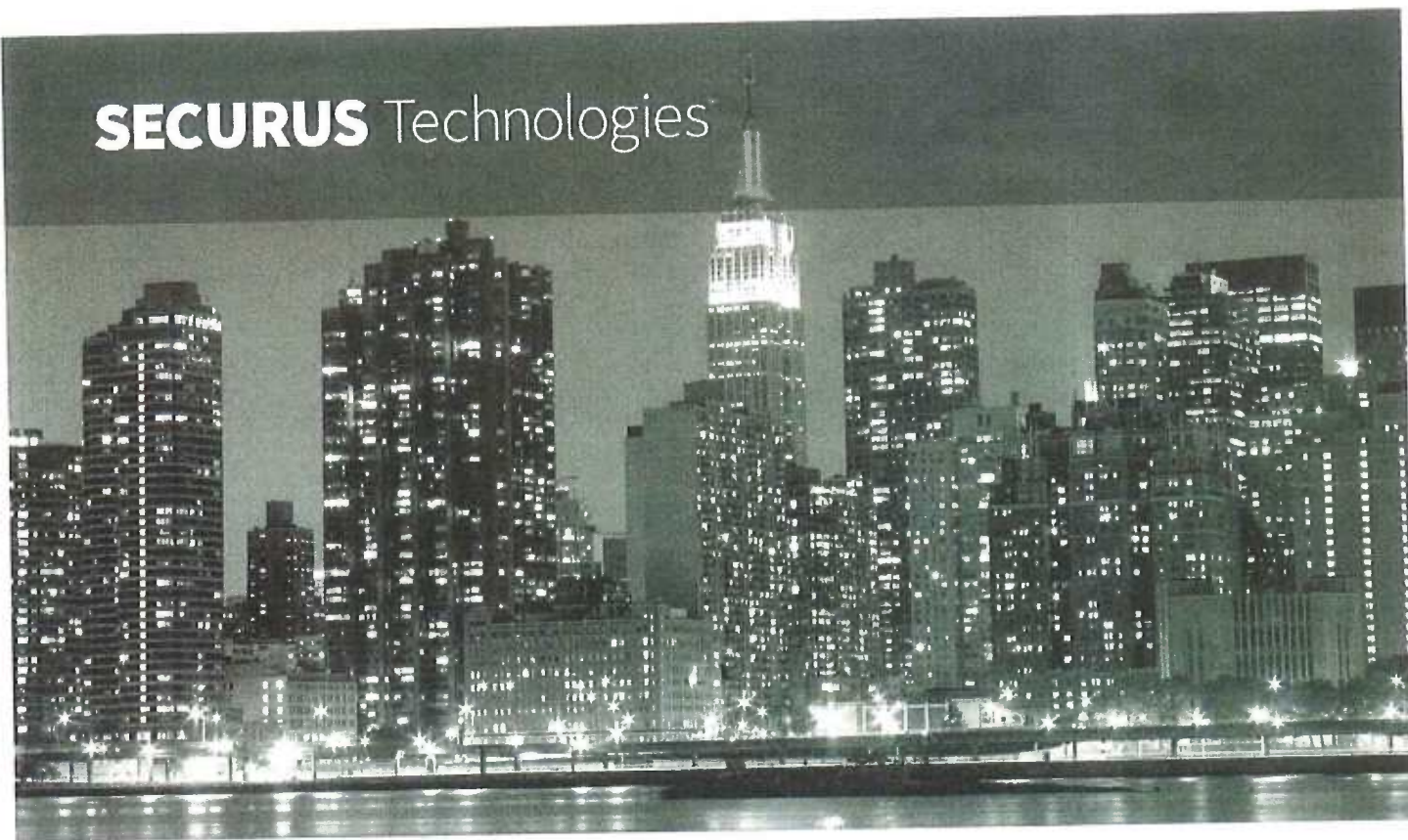
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Securus' presentation to investors, obtained by The Huffington Post


PRISON
POLICY INITIATIVE

SECURUS Technologies



Public Lender Presentation

April 15, 2015



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Presenters

Securus Technologies Inc.

- **Richard A. Smith**
 - *Chief Executive Officer*
- **Geoff Boyd**
 - *Chief Financial Officer*

Deutsche Bank


Agenda

Transaction Overview

Securus

JPay

Public Q&A



Transaction Overview

- On April 2, 2015, Securus signed a definitive agreement to acquire JPay, Inc. for \$250mm in cash (excluding potential earn-outs), representing an 11.9x TEV / EBITDA purchase multiple on ~\$21mm of preliminary LTM 3/31/2015 PF Adj. EBITDA
- JPay is a leading provider of technology products used to provide inmate banking, communication services, and digital media consumption, servicing more than one million inmates in 29 states
- The combination of JPay and Securus will provide for material cross-sell / up-sell opportunities (alongside combination cost-savings), will further accelerate Securus growth and broaden its revenue base
- The transaction is expected to be funded through a mix of debt and equity, and result in pro forma Net 1st Lien and Net Total Leverage of ~4.3x⁽¹⁾ / ~5.4x⁽¹⁾, respectively:
 - \$205mm Incremental Term Loan B-2
 - \$50mm additional common equity contribution from ABRY Partners

(1) LTM 3/31/2015 PF Adj. EBITDA is preliminary Securus LTM 3/31/2015 EBITDA of \$121mm, plus preliminary JPay LTM 3/31/2015 PF Adj. EBITDA of \$21mm

Sources & Uses and Pro Forma Capitalization

(\$ in millions)

Sources		Uses	
Add-on first lien term loan	\$205	Purchase equity	\$250
Sponsor equity proceeds ^(a)	50	Estimated fees, expenses and OID	7
Cash from balance sheet	2		
Total sources	\$257	Total uses	\$257

Pro forma capitalization							
	At LBO						
	3/31/13	xEBITDA	Current	xEBITDA	Adjustments	Pro Forma	xEBITDA
Cash	\$4		\$18		(\$2)	\$16	
Revolver (\$50.0 million)	5		--			--	
Existing Term Loan B-1	350		419			419	
Incremental Term Loan B-2	--		--		205	205	
Total first lien debt	\$355	4.2x	\$419	3.5x		\$624	4.4x
Net first lien debt	\$351	4.1x	\$401	3.3x		\$608	4.3x
2nd lien term loan	140		165			165	
Total debt	\$495	5.8x	\$584	4.8x		\$789	5.6x
Net debt	\$491	5.8x	\$566	4.7x		\$773	5.4x
Sponsor and management cash equity	170		197		50 ^(a)	247	
Total capitalization	\$665	7.8x	\$781			\$1,036	
LTM Adj. EBITDA	\$85		\$121		21	\$142 ^(b)	
PF Interest expense	30		35		12	47	
Adj. EBITDA / interest expense	2.9x		3.5x			3.0x	

(a) Sponsor equity can be reduced to \$40mm in lieu of company cash at closing

(b) LTM 3/31/2015 PF Adj. EBITDA is preliminary Securus LTM 3/31/2015 EBITDA of \$121mm, plus preliminary JPay LTM 3/31/2015 PF Adj. EBITDA of \$21mm

Summary of Incremental Term Loan B-2

Facility:	Incremental Term Loan B-2
Amount:	\$205 million
Coupon:	TBD
LIBOR floor:	1.00%
OID:	TBD
Maturity:	April 2020 (Same as Existing Term Loan B-1)
Amortization:	1% per year
Optional redemption:	101 soft-call for 6 months
Mandatory prepayments:	Same as Existing Term Loan B-1
Financial covenants:	None
Other covenants:	Same as Existing Term Loan B-1

Indicative Transaction Timeline

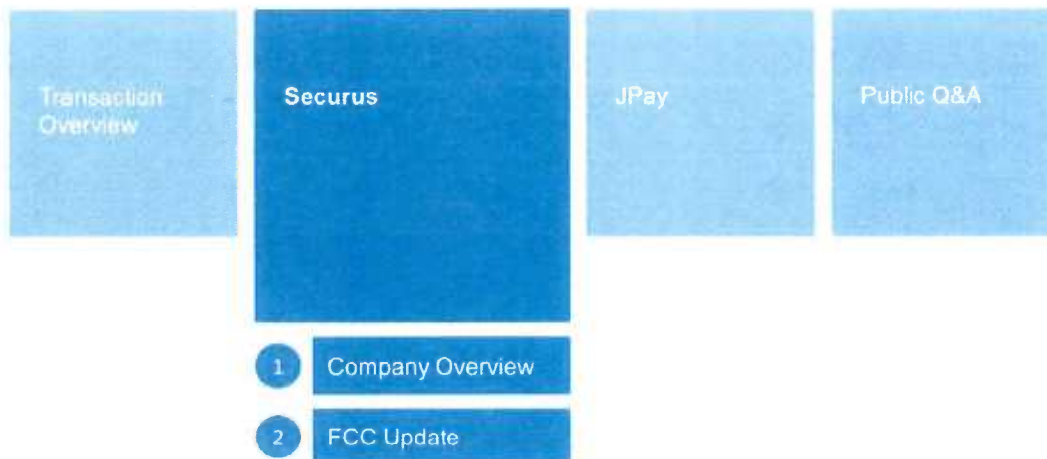
April 2015						
S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30		

 Denotes Holiday

 Denotes Key Date

Date	Activity
April 15 th	Host Lenders Call
April 24 th	Expected Pricing
Early / Late July	Close & Fund

Agenda



Company Overview

Situation Update

2015 YTD March, 2015 Financial Results

	<u>Q1 2014 vs. Q1 2015</u>		<u>Q12015 vs. Equity Budget</u>		<u>Q12015 vs. Bank Model</u>	
	<u>Percent</u>	<u>Performance</u>	<u>Percent</u>	<u>Performance</u>	<u>Percent</u>	<u>Performance</u>
Revenue	+10.1%	Good	+7.2%	Good	+6.5%	Good
Adjusted EBITDA	+23.1%	Good	+20.8%	Good	+16.6%	Good
Free Cash Flow	+9.3%	Good	+26.2%	Good	+19.6%	Good

Comments:

- Record High Q12015 Revenue, EBITDA, and Free Cash Flow
- Record High Prepaid Percent = 96.3%
- Q12015 EBITDA Annualized = \$133M > 2015 Equity Budget
- Project Initiatives +27.0% vs. Budget
- Same Store Call Volume Variance vs. 2014 = +15%
- Q12015 YTD Bad Debt = .6%
- Q12015 Annualized Net Wins = Record High

JPay Transaction

- Known JPay Team for +5 years, Past Partnering on RFPs
- Have Attempted to Purchase Them for Last Four (4) Years
- Purchase for \$250M + Earn Out
- EBITDA Forecast (Smith) of \$40M in 4 Years Without Growth \approx 6.3X EBITDA Multiple
- High DOC Penetration + Low County Penetration
- Fits Acquisition Filter
 - Government Services
 - High Tech/Software Focused
 - Revenue and EBITDA Growth +10%
 - Corrections Sector
 - Good Management
 - High Integrity
 - Positive NPV and Good IRR

Performance code:

- Green = Good (> better than 3.0%)
- Yellow = OK (+/- 3.0%)
- Red = Poor (> worse than 3.0%)

Securus at a Glance

Company Highlights

- Leading provider of advanced inmate communications, investigative technologies and information management solutions to the corrections industry in the U.S. and Canada
- Stable and recurring revenue model supported by long-term, multi-year customer contracts
- Executive Team Average 14 Years Working Together
- 68 Sales Team Associates
 - +70K Contacts with Facility Customers Annually
- 143 United States Patents Approved, 87 Pending
 - Collected \$60M in License Agreements
 - 3X As Many Patents as the Entire Industry
- Private Equity Sponsored: ABRY Partners
- Key Financial Metrics (LTM March 2015)
 - \$415M Revenue
 - \$121M Adj. EBITDA
 - \$84M Free Cash Flow⁽¹⁾

(1) Free Cash Flow defined as Adj. EBITDA less Capital Expenditures

Business Snapshot

Founded:	1987	Facilities:	2,600
Headquarters:	Dallas, TX	Number of states:	47
Associates:	1,000+	IT Development Associates:	200

Product Overview

- Provides High-Tech Products and Services to Law Enforcement and Corrections Sector
 - Audio Outbound Inmate Calling
 - Video Visitation
 - Parolee GPS Monitoring
 - Voice Biometrics
 - Inmate Tablets
 - Data Analytics
 - Jail Management Systems
 - Interactive Voice Response Systems
 - Managed Access Service (wireless contraband)
 - Location Based Services
 - Mobile Marketing Services

Securus Management Team

Name	Position	Years with Securus	Years Working Together
Richard A. Smith	Chief Executive Officer	7	3 - 20
Robert E. Pickens	President	7	16
Geoffrey M. Boyd	Chief Financial Officer	2	9
Dennis Reinhold	General Counsel	10	7
Patrick Broisma	Vice President, Corporate Development	7	15
Joshua Conklin	Vice President, Sales	5	16
Daniel de Hoyos	Vice President, Service and Technical Operations	7	12
Larry Ehlers	Vice President, Application	6	11
Arlin Goldberg	Chief Information Officer	7	16
David Kunde	Vice President, Network Operations	4	20
Kathryn Lengyel	Vice President, Human Resources	8	7
Russell Roberts	Vice President, Marketing and Corporate Strategy	7	7
Jon Secrest	Vice President, New Growth Opportunities	< 1	9
Dan Wigger	Vice President and Managing Director, Managed Access Systems	< 1	3

- Executive Team averages 11 years working together.
- Has built the most advanced and comprehensive platform of technology solutions serving the corrections industry.

Inmate Telecommunications Overview

Key Functions

Enable Calls

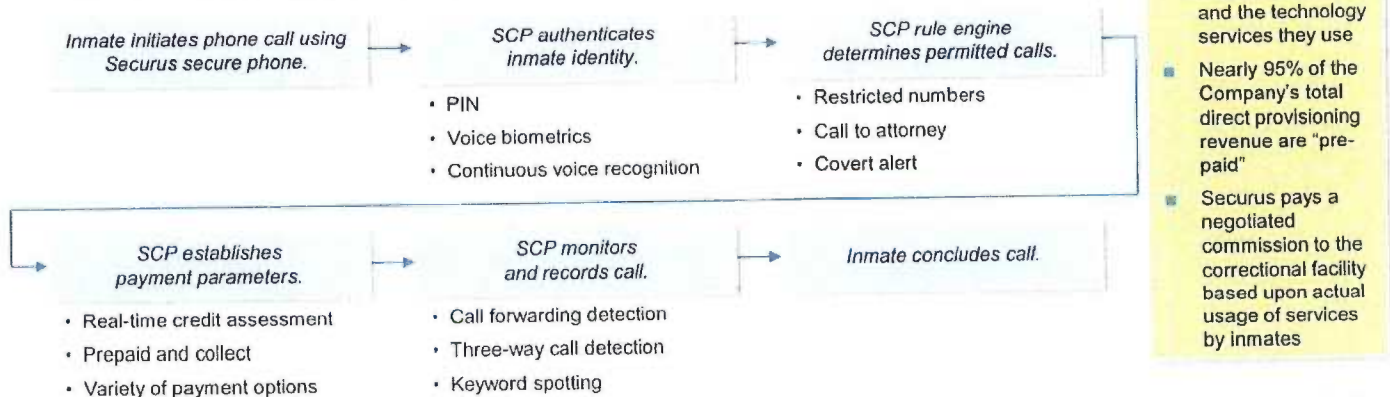
Ensure Security of Calls

Monitor Credit Risk

Billing & Customer Care

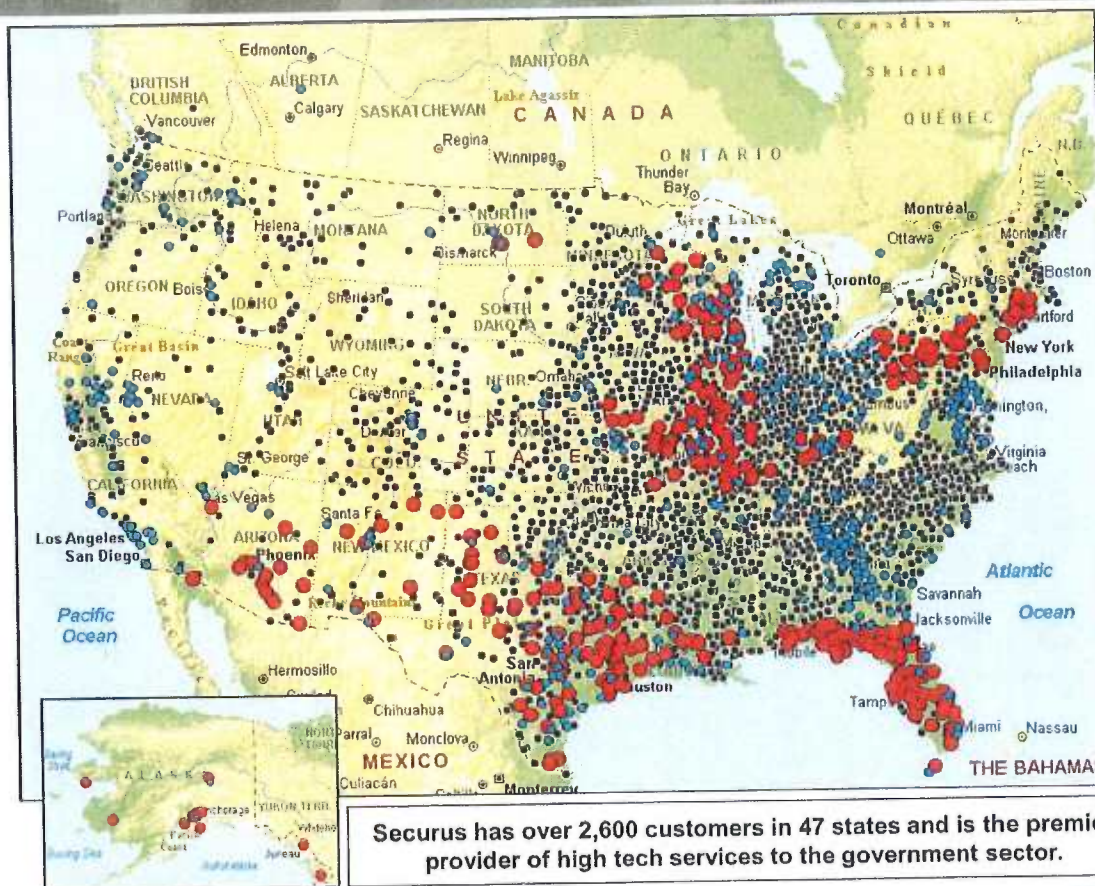


Summary of Outbound Inmate Call

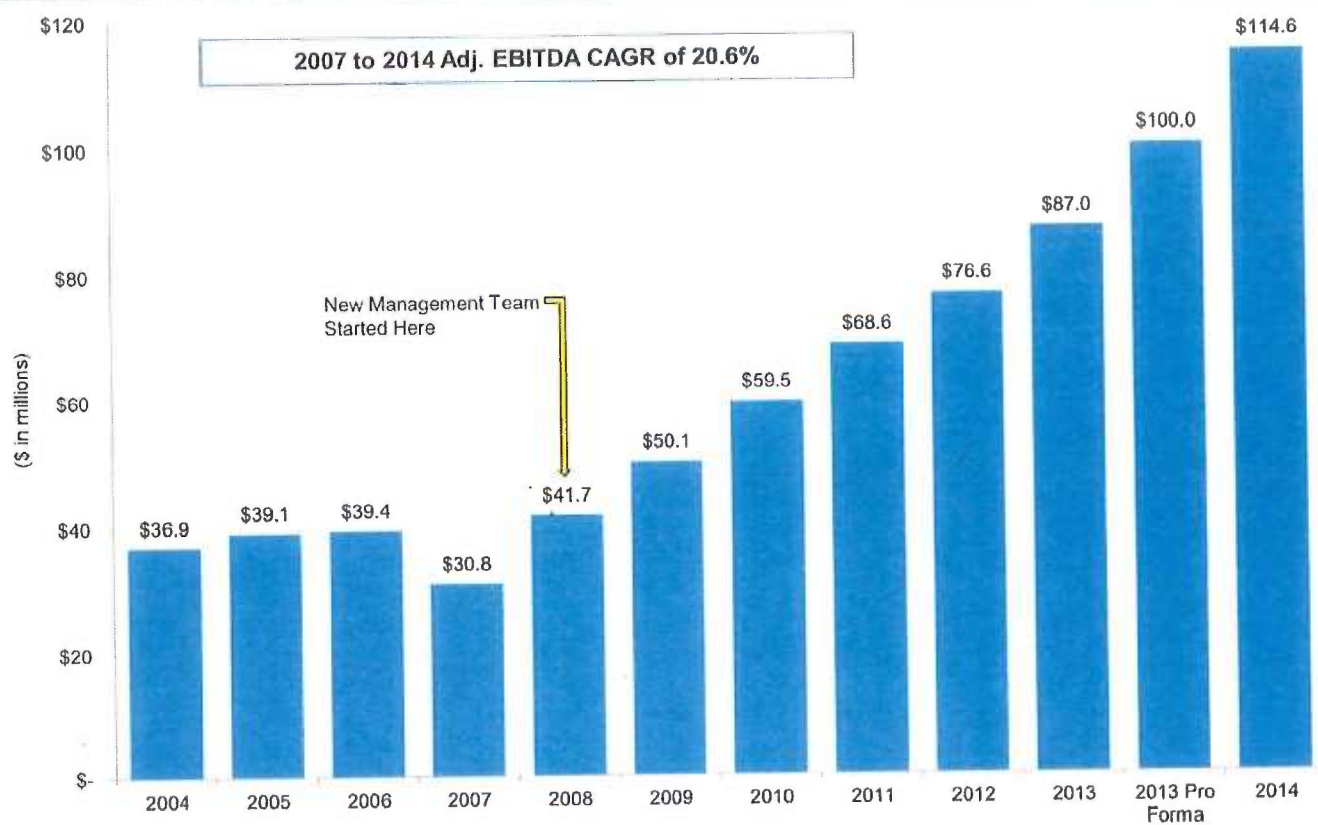


Specialized Systems And Technology Create High Barriers To Entry

Securus Sites



Historical Adj. EBITDA



Eschelon EBITDA, 1996 to 2007 (Competitive Local Exchange Carrier)



The Executive Team at Securus has a long history of good operating and financial performance including at Eschelon, for nine (9) years.

Key Credit Highlights

Securus Represents an Attractive Credit Investment

Recurring Revenue Model With Long Term Contracts

- Average revenue retention of 94% over the last 5 years
- 3 to 5 year contracts with majority on automatic renewals without RFP

Diverse Customer Base With Minimal Customer Concentration

- 2,600 facilities across 47 states, D.C and Canada
- Top 10 customers account for ~32% of revenue, long standing relationships with average tenure of ~10 years

Industry Leading Technology Platform

- Patented, proprietary technology platform
- Efficient centralized technology model is CapEx and OpEx efficient
- ~\$75B corrections industry represents a large, recession-resistant and stable market

Large, Stable And Growing Corrections Industry

- Inmate population and corrections expenditures have grown steadily for 3 decades
- The acquisition of JPay results in a comprehensive communication and tech-enabled solution provider

Diversified Service Offering in Highly Attractive Segments

- Well positioned for organic growth through numerous initiatives currently underway

Exceptional Financial Performance Since 2008

- Quality of revenue significantly improved: Higher prepaid revenue, lower bad debt expense, low wholesale revenue
- Increased Adj. EBITDA by 272% from 2007 to 2014
- Number of recent wins against GTL proves Securus' superior operating model

Experienced Management Team

- Experienced, cohesive team with 16 year track record of value creation
- Implemented numerous initiatives to double EBITDA from 2007 to 2014
- Continuous operational improvement and margin expansion

Summary Q1-15 and FY2014 Financial Results vs. Budget and Prior Year

(\$ in thousands)

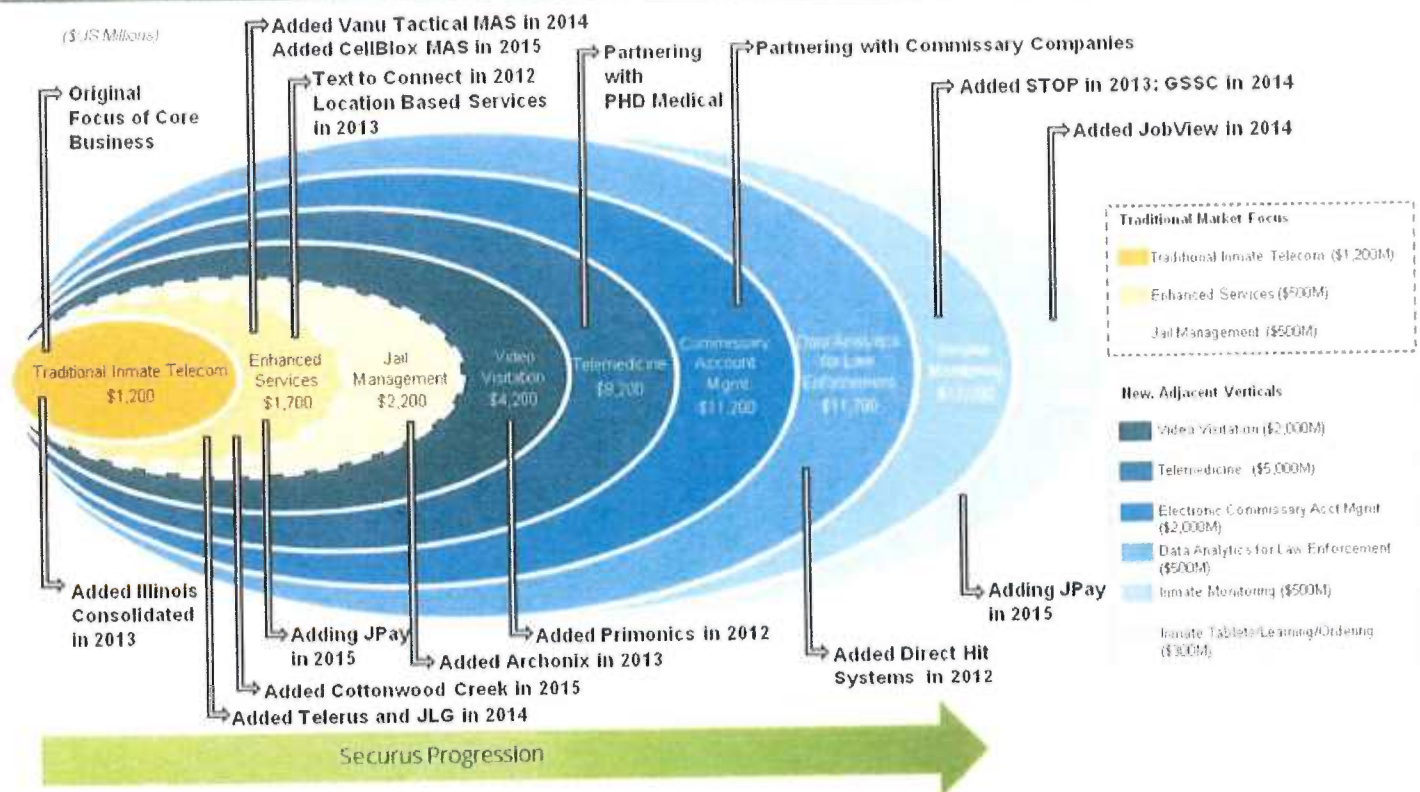
	Q1 2015 vs. Budget				FY2014 vs. Budget			
	Actual	Budget	Variance	%	Actual	Budget	Variance	%
Revenue	\$ 110,955	\$ 104,177	\$ 6,778	6.5%	\$ 404,617	\$ 399,045	\$ 5,572	1.4%
Cost of Service	51,568	50,608	959	1.9%	197,885	207,538	(9,653)	-4.7%
Selling, General & Admin. \1	26,022	24,952	1,071	4.3%	92,147	88,736	3,411	3.8%
Adjusted EBITDA	\$ 33,365	\$ 28,617	\$ 4,748	16.6%	\$ 114,585	\$ 102,771	\$ 11,813	11.5%
Capital Expenditures \2	10,633	9,616	1,017	10.6%	32,598	31,490	1,108	3.5%
Adjusted Free Cash Flow	\$ 22,732	\$ 19,001	\$ 3,731	19.6%	\$ 81,987	\$ 71,281	\$ 10,705	15.0%
Calls	39,479	37,721	1,758	4.7%	130,573	127,021	3,552	2.8%
ARPC	\$ 2.36	\$ 2.28	0.08	3.3%	\$ 2.58	\$ 2.65	(0.07)	-2.6%

	Q1 2015 vs. Prior Year				FY2014 vs. Prior Year			
	Q1 15	Q1 14	Variance	%	FY2014	FY2013	Variance	%
Revenue	\$ 110,955	\$ 100,746	\$ 10,209	10.1%	\$ 404,617	\$ 366,671	\$ 37,946	10.3%
Cost of Service	51,568	52,051	(483)	-0.9%	197,885	207,427	(9,542)	-4.6%
Selling, General & Admin. \1	26,022	21,584	4,438	20.6%	92,147	72,200	19,947	27.6%
Adjusted EBITDA	\$ 33,365	\$ 27,111	\$ 6,254	23.1%	\$ 114,585	\$ 87,044	\$ 27,541	31.6%
Capital Expenditures \2	10,633	6,323	4,310	68.2%	32,598	23,280	9,318	40.0%
Adjusted Free Cash Flow	\$ 22,732	\$ 20,788	\$ 1,944	9.3%	\$ 81,987	\$ 63,765	\$ 18,222	28.6%
Calls	39,479	31,308	8,171	26.1%	130,573	117,002	13,571	11.6%
ARPC	\$ 2.36	\$ 2.74	(0.38)	-13.9%	\$ 2.58	\$ 2.89	(0.30)	-10.4%

\1 Adjusted for add-backs

\2 Adjusted for Vanu license acquisition

Large and Growing Government Services Opportunity For Technology Enabled Solutions



Large and growing government services opportunity for bundled technology solutions with Securus market share of 4%.

Proven Ability to Win Business



Sales Team Initiatives

- Sales Team Leadership Change
- Largest Sales Team in the Sector
- Focus on New Sales
- New Product Development / Acquisitions
 - Archonix
 - STOP
 - DirectHit
 - Telerus
 - Text 2 Connect
 - Primonics
 - Location Based Services
 - Pay Now / Instant Pay
 - Inmate Tablet
 - Managed Access Systems (MAS)
- Improvements in SCP
- Insourced Call Center
- Sales Team Training
- Hiring for Sales Ability versus Relationships Only
- Commission Plan Incentives Proper Behavior

Securus has shown an increasing ability to win new business – generated \$200 million in new business from 2009 through 2015 Annualized

Meaningful Advantages Over GTL Underscore Securus' Sustainable Competitive Position¹

SECURUS Technologies <small>connecting what matters</small>	Advantage	Criteria	GTL	Advantage
Technology, customer service and sales	✓	<i>Investment and Strategic Focus</i>	Integrating series of acquisitions	
With core operations	✓	<i>Location of Executives</i>	Separate from core operations	
Use own employees	✓	<i>Technical Field Service</i>	Outsourced	
Use own employees	✓	<i>Call Center / Funding Options</i>	Outsourced	
Positive	✓	<i>Organic Revenue Growth</i>	Estimated Negative – 2011 to 2014	
100%	✓	<i>% of Facilities on Centralized Platform</i>	20%	
143 awarded / 87 pending	✓	<i>Patent Portfolio</i>	45 awarded / 11 pending	
68	✓	<i>Size of Sales force</i>	≈ 35	
200+	✓	<i># of Software Developers</i>	≈ 50	
≈ 700	✓	<i># of Centralized Platform Features</i>	≈ 350	
JPay / MAS / STOP / CellBlox / Vanu Tactical	✓	<i>Voice Biometrics, MAS, Mobile Marketing, Inmate Tracking, Media, Communications</i>	Primarily Partnering or No Comparable Product Available	
Purchased Direct Hit Systems	✓	<i>Data Analysis for Law Enforcement</i>	Unknown	
3	✓	<i>2103 to 2015 DOC New Wins</i>	0	
\$45M	✓	<i>New Wins in 2013 - 2015 from GTL or Securus</i>	≈ \$4M	
+\$400M	✓	<i>New Acquisitions – Product Enhancements</i>	≈ \$30M	

Securus provides a best in class set of business attributes for facilities, inmates, friends/family members, and investors

¹Most of the GTL comparable metrics are estimated by interviewing past Associates of GTL, conversations with existing Associates of GTL, review of old financing documents, and review of GTL RFP responses. If the reader is concerned with accuracy, they should review directly with GTL to get comparable metrics.

Federal Communications Commission Update

Summary of Federal Communications Commission (FCC) Potential Order on Inmate Rates

Timing:

- Order Issued/Voted On – July/August, 2015
- Posted to Federal Register – September/October, 2015
- Implementation Date – November/December, 2015
- Excludes Litigation Delays

FCC Objectives:

- Reduce calling rates
- Created business environment that promotes competition
- Fairness to all parties
- Eliminate/reduce facility commission payments
- Give all parties a chance to submit data
- Cap/better manage ancillary charges
- Transition plan that allows facilities to replace commissions with public funding
- Allow carriers a reasonable/appropriate rate of return

Securus Contribution:

- First Cost Study submitted on time that met FCC requirements
- First/Only Elasticity Study
- 14 Meetings with FCC/Staff in last 13 months to educate and discuss Securus positions
- Discussions with National Sheriff's Association (NSA) at the request of FCC to craft a compromise
- Securus' Position on Commissions – IT IS THE FCC'S decision to allow or not facility commissions. Commission are used for good causes and the FCC should allow some level AS LONG AS they are added to Securus' costs that the FCC allows
- Filed complaints against two (2) carriers and one (1) agent with Enforcement Division of FCC at the request of FCC for violations of Interim Order in 2014

Summary of Federal Communications Commission (FCC) Potential Order on Inmate Rates

Interim FCC Order on Interstate Rates:

- Implemented on February 11, 2014
- Rate Caps implemented for interstate
- Did not change ancillary charges
- Rates reduced by 10% to 80%, 38% for Securus
- Accomplished FCC Objectives
- Securus implemented interstate rate caps and eliminated interstate commissions with neutral to a modestly positive EBITDA impact including some positive elasticity of demand with respect to price

Final FCC Order Expectations:

- Price caps set \geq cost including return on debt and equity
- Transition period of ≤ 2 years
- Capping of ancillary charges
- Prison/jail distinction
- Commissions are reduced or eliminated
- No by facility rate of return approvals
- No significant incremental filing requirements
- Neutral to a modestly positive EBITDA impact on Securus including elasticity impact

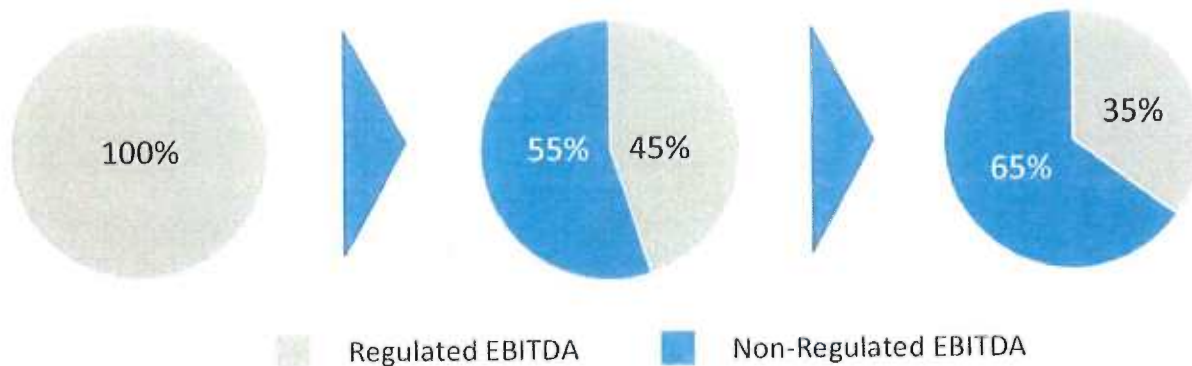
It is the FCC's decision to allow or not allow commissions - as long as it is added to Securus' rate filed in the Cost Study.
We expect the FCC's Final Order to be neutral to modestly positive on Securus' EBITDA.

Progression to Higher Percentage of Deregulated Business

2007 Base Year


2014 Pro Forma⁽¹⁾

2015 Pro Forma⁽²⁾



**By investing in businesses that are not regulated by the FCC / PSC / PUCs,
Securus has successfully decreased its exposure to potential rate of return regulation**

(1) Regulated EBITDA excludes EBITDA from DirectHit, Archonix, STOP, Telerus, JLG, Vanu Tactical, GSSC, Location Based Services, 3rd Party Mobile Marketing Services, Patent License Agreements, and Fees
 (2) Regulated EBITDA excludes EBITDA from DirectHit, Archonix, STOP, Telerus, JLG, Vanu Tactical, CellBlox, GSSC, Location Based Services, 3rd Party Mobile Marketing Services, Patent License Agreements, JPay, and Fees
 Note: "FCC" = Federal Communications Commission, "PSC" = Public Service Commission, "PUC" = Public Utility Commission



Interstate Inmate Rates – WC Docket No. 12-375

Inmate Rates – What do the Various Parties Really Want?

Inmates, Friends and Family – Low rates, reasonable fees, a more consistent rate plan, and the ability to communicate more often.

Correctional Facilities – Security, safety, recovery of ICS-related costs, 2 year transition plan and best technology.

ICS Providers – Recovery of all costs to provide ICS, the ability to continue serving all facilities, the ability to continue providing facilities with safety, security, crime solving tools and new technology.

FCC – Low rates, low fees, competitive mode, more communication between inmates and their friends and family leading to reduced recidivism, safety, security and simplicity.

How Can Everyone's Objectives be Met?

Simplicity – Same rate for every call (interstate and intrastate): \$.20/minute prepaid, \$.24/minute collect, and no per call surcharge. The simplified rate structure will make ICS charges more transparent for inmates and their friends and family, and will discourage gaming.

Recovery of ICS Provider's Costs – The Commission's Mandatory Data Collection indicated that ICS provider's costs range from approximately \$.134 per minute to \$.157

- The proposed rate caps allow sufficient flexibility to ensure ICS providers are able to serve all correctional facilities, maintain security features, regardless of size or location. FTI Consulting explains why sound ratemaking requires rates to be set above average cost.
- The Commission should permit an ICS provider to seek a waiver of the rate cap for a particular correctional facility if the ICS provider can demonstrate that the proposed rate cap does not allow the ICS provider to economically serve the correctional facility.

Administrative Support Payments for Correctional Facilities – NSA member survey data indicates that costs range from \$.004 per minute to \$1.74 per minute.

- Correctional facilities should be reimbursed for the direct costs they incur in connection with ICS. The cost recovery mechanism should be an independent per minute rate component that the Commission derives from the cost figures it receives from correctional authorities.
- Any per minute rate must be additive to the ICS rate cap, because no commissions or admin. support payments were included in ICS provider's costs submitted to the Commission.

Ancillary Fees – Eliminate the majority of ancillary fees. Cap funding fees at \$7.50. Maximum validation fee of 5% per call, maximum \$2.50 administrative fee for third-party money transfer services, retain optional premium payment services so long as there is always a free alternative.

Transition – 24 months or 2 budget cycles

February 5, 2015



SECURUS



Federal Communications Commission Comments on Facility Commissions Viability

Chairman Wheeler

- October 17, 2014 (FNPRM)

"No one could mistake ICS as a competitive market today when exorbitant rates are driven by site commissions demanded by correctional facilities..."

Commissioner Clyburn

- September 26, 2013 (Inmate Rate Order)

"We also make clear that site commissions are not related to the cost of providing inmate calling services, and therefore cannot be included in the interstate rate."

- October 17, 2014 (FNPRM)

outrageous costs, and payments from the providers to those facilities – known as site commissions – have skyrocketed to as high as 96% of gross revenues.

- July 9, 2014 (Inmate Rate Workshop)

"In addition to rate caps, the Commission also made clear that regardless of the value or benefits that site commissions may provide to inmates, through inmate welfare programs or other services, such payments, should not be part of interstate inmate calling rates because they have no direct bearing on the cost of providing communications services."

Commissioner Rosenworcel

- October 17, 2014 (FNPRM)

This new rulemaking seeks to address the exorbitant rates that prisoners and families of prisoners still face for in-state calls and slew of suspect fees for ancillary services and commission charges.

March 4, 2015

Agenda



Company Overview

Company Overview

- Servicing more than one million inmates and over 1.1 million probation & parole individuals in 29 states
- Product categories are broken down as follows:
 1. Payment Services: Includes money transfer and release debit cards
 2. Communications: Includes email, photo attachments, VideoGrams, video visitation and grievances
 3. Digital Media: Includes music, eBooks, games, videos, commissary ordering and an education platform
- Generates revenue via transaction fees (payments), product-usage fees (email, video visitation), download fees (media), and hardware sales (tablets)
- Founded in 2002, headquartered in Miramar, FL and currently has 265 employees
- Delaware Corp, privately-held by founders, family and other investors

Rapid Financial Growth (\$mm)

- New state contracts, implementation of new services under existing contracts, and a continuous increase in user adoption has contributed to JPay's strong financial growth across all product lines

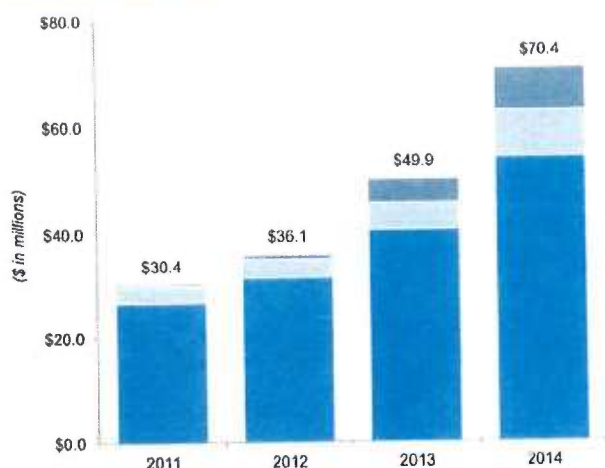


Comprehensive and Proprietary Product Offering

	Payments	Commissary	Digital Media
Product Description	<ul style="list-style-type: none"> Enables friends and family to send money to inmates and for offenders to make parole and probation (P&P) payments Six unique payment channels available When inmates are released, a release debit card is given to inmates with their account balance and "gate money" 	<ul style="list-style-type: none"> Email includes both inbound and outbound as well as photo attachments VideoGrams are 30 second video clips sent by family from JPay's android or iPhone app – inmates can also respond with a video clip Video visitation consists of 30 minute visitation sessions Grievances digitize the communication between staff and inmates from the kiosk 	<ul style="list-style-type: none"> Provides inmates with the opportunity to download and enjoy digital media, including music, eBooks and education Offers digital media tablets enabled with native applications Commissary ordering system allows inmates to purchase goods based on rules, inventory and pricing set and provided by the agency or commissary vendor
Key Characteristics	<ul style="list-style-type: none"> Licensed money transmitter, fully compliant with all federal and state money transmitter statutes Funds are generally available the next day Eliminates the need for prisons to process paper and cash payments All transactional data is recorded, analyzed and reported online 	<ul style="list-style-type: none"> All email, photos and VideoGrams are categorized according to designated words, senders or inmates Video visits are recorded and can also be monitored in real time Ease of access from any location 	<ul style="list-style-type: none"> JP4 and JP5 tablets Extensive library of censored music, media and eBooks Interactive commissary catalog and shopping cart Wireless connectivity brings instant gratification to purchases and communications
2014 Revenue	<ul style="list-style-type: none"> \$53.9 million 	<ul style="list-style-type: none"> \$8.5 million 	<ul style="list-style-type: none"> \$8.0 million
% of Total	<ul style="list-style-type: none"> 77% 	<ul style="list-style-type: none"> 12% 	<ul style="list-style-type: none"> 11%

Robust and Diversified Growth Profile

Revenue by Product Type



(\$ in millions)	2011	2012	2013	2014
Payments	\$26.7	\$31.5	\$40.5	\$53.9
Communications	3.2	3.4	5.0	8.5
Media	0.5	1.1	4.4	8.0
Total	\$30.4	\$36.1	\$49.9	\$70.4

Media includes sale of tablets

Commentary and Metrics

Payments

- **Payments Revenue Model**
 - Transactions – flat rate for each transaction
 - Average transaction amount is \$73.00
 - Average (annual) fee price is \$5.95
- Consists of inmate, P&P, court and phone payments

Communications

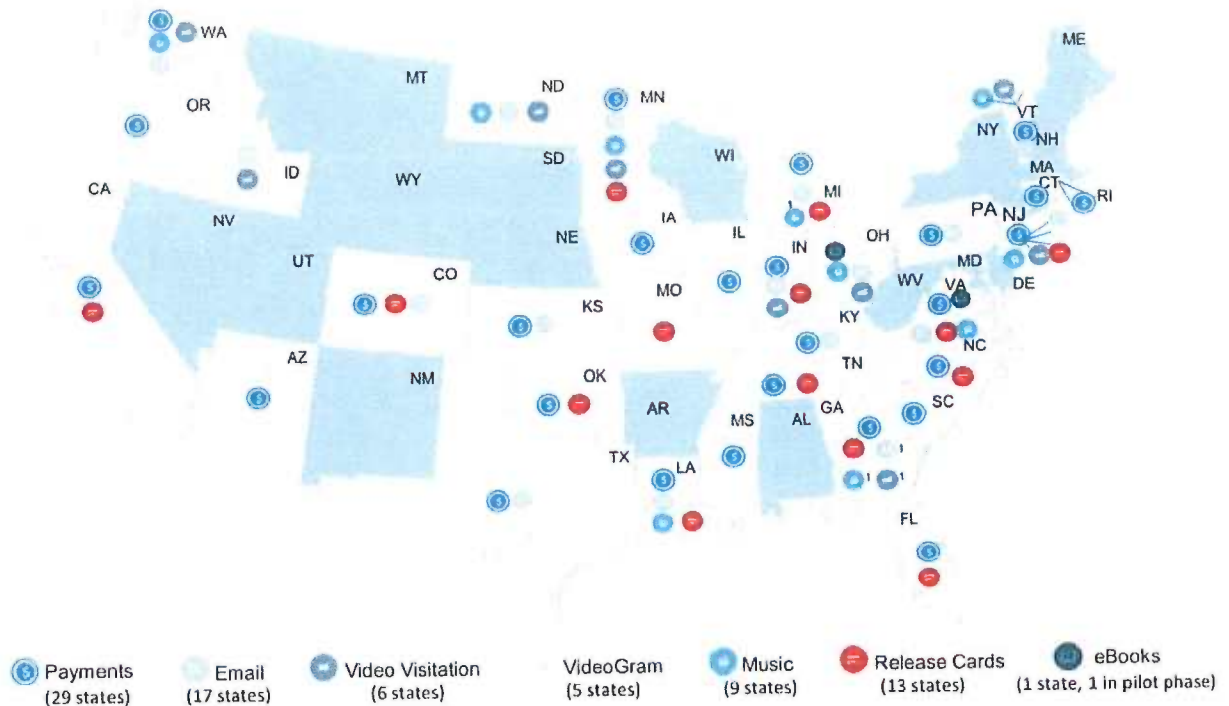
- **Email Revenue Model**
 - Pay per stamp, priced on average at \$0.30 each
 - Each letter requires 1 stamp
 - A photo attachment requires 1 stamp
 - A Video/voice requires 3 stamps
- **Video Visitation Revenue Model**
 - Pay per video session priced on average \$4.95 (10 min)
- **Grievances Revenue Model**
 - Free

Digital Media

- **Music Revenue Model**
 - iPod tablets – \$49.99 / tablet
 - iPad tablets – \$119.99 / tablet
 - Transactions – price / downloaded song
 - Average selling price per track is \$1.24 – \$1.82
- **eBook Revenue Model**
 - Pay per eBook download
- **Education**
 - Free for most materials
 - Fees for premium content (tutors)
- **Games**
 - Free

Extensive State Penetration and Strong Market Position

Currently serves agencies in 29 states, including 9 of the top 10 largest state prison systems
18 county correctional systems including NYCDoc as well as 3 private federal prisons



¹ Selected Facilities

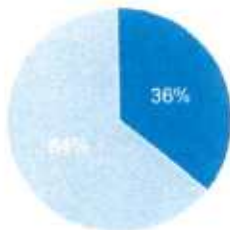
Expansive Target Market

State Inmates = 1.4 million

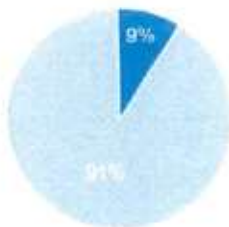
Payments



Communications

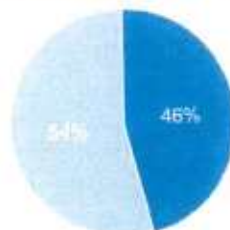


Digital Media

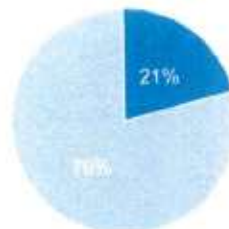


Federal, State, and County Inmates = 2.4 million

Payments



Communications



Digital Media



Market Served by JPay

Market Not Served by JPay¹

¹ Some agencies are serviced by competitors but the majority of agencies have yet to adopt the services

Strong Relationships with Top Clients

- Largest client represents approximately 13% of revenue with only one other client more than 10%
- The Company's top 10 clients have an average tenure of six years
- Significant opportunity to grow existing relationships with top clients through introduction of new products

Client	Client Since	Money Transfer	Money Transfer P&P	Products				2013 Revenue	% of Total	2014 Revenue	% of Total
				Email	Music	Video Visitation	VideoGrams				
State 1	Jan-08	•						\$3.4	6.8%	\$3.8	5.4%
State 2	Jul-05	•	•					7.0	14.0%	9.4	13.3%
State 3	Dec-08	•	•	•	•	•		3.8	7.6%	4.1	5.8%
State 4	Oct-07	•		•		•	•	1.9	3.8%	2.9	4.1%
State 5	Mar-08	•	•	•	•			2.2	4.4%	2.5	3.5%
State 6	Jan-09	•		•	•			3.2	6.4%	3.6	5.1%
State 7	Dec-08	•		•	•	•	•	1.7	3.4%	5.7	8.1%
State 8	Jul-03	•		•				3.5	7.0%	3.6	5.1%
State 9	Nov-03	•		•				6.5	13.0%	7.2	10.2%
State 10	Jul-12	•	•	•	•	•		1.7	3.4%	2.1	3.0%
Top 10								\$34.9	69.9%	\$44.9	63.5%
Other Clients								\$15.0	30.1%	\$25.5	36.5%
Total Clients								\$49.9	100.0%	\$70.4	100.0%

Solutions & Services

Payments

Industry-Leading Solution

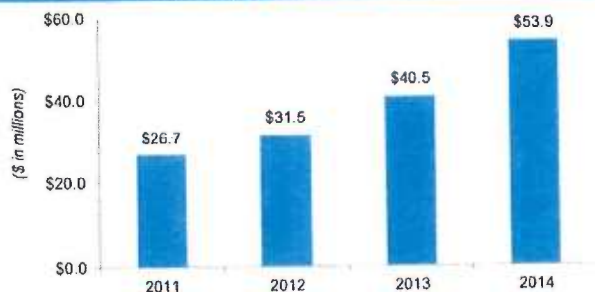
Overview

- Enables friends and family to securely send money to inmates through multiple channels including:
 - JPay.com
 - Mobile application (Android & iPhone)
 - MoneyGram Payment Systems (cash)
 - 24/7 call center
 - In-facility lobby and booking kiosks
 - Money order lockbox
- JPay has an exclusive partnership with MoneyGram Payment Systems, which has over 30,000 agent locations nationwide, including walk-up facilities in all Wal-Mart's in the United States
- Payment channels also collect parole and probation payments, prison phone payments and court related payments

2014 Key Metrics

State Clients	29
County Clients	18
Offenders Served	2.3 million
Adoption Rate	~31%
Number of Transfers	~7.5M
Transfer Volume	~\$25M
Average \$ per Transfer	~\$70.00

Payments Revenue Growth



Transaction Process Detail



Communication: Email Seamless Electronic Communication

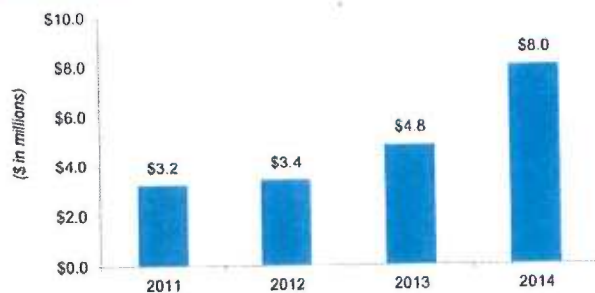
Overview

- Inbound email allows friends and family to send emails, add photo attachments and send short VideoGrams to inmates
- Outbound email enables inmates to respond directly from a kiosk or tablet
- Email messages are received by inmates usually within hours
- Each 5,000 character email costs one JPay stamp
- Photo attachments and VideoGrams cost additional stamps
 - Inmates and customers can participate by purchasing a JPay stamp package using a credit/debit card

2014 Key Metrics

State Clients	17
Inmates Served	500,000
Revenue	\$8.5 million

Email Revenue Growth



Email



Friends & Family



Android & iPhone



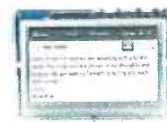
JPay.com



Inmates



Kiosk



JP4

Communication: VideoGram™

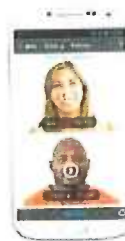
Streamlined Inmate Communications

Overview

- VideoGrams are 30 second video clips transferred between friends and family and inmates
- Friends and family create the video clip from JPay's smartphone app (iPhone and Android)
- Inmates view and respond from the kiosk and a video conversation ensues
- VideoGrams alleviate scheduling issues and has become very popular
- Recently deployed in the state prison systems of Indiana, Ohio, North Dakota, Kansas, Washington

2014 Key Metrics

State Clients	5 ¹
Total VideoGrams	60,000
\$ per VideoGram	\$0.90



Friends & Family



Inmates

¹ Several agencies in pilot phase

Digital Media: Music

Robust Media Library

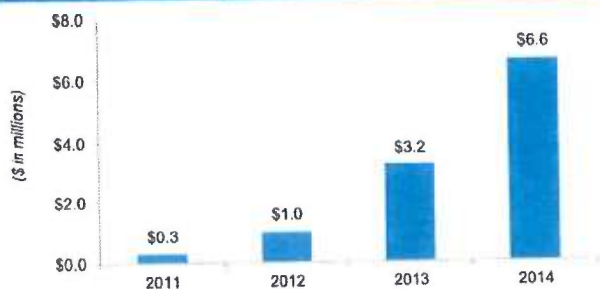
Overview

- Offers a digital media library through kiosks where inmates can browse, preview and download music
 - Access to over 11 million songs updated daily through JPay's proprietary music store
- Digital media is downloaded, stored and consumed by inmates from the JP4 mini tablet
 - The JP4 mini tablet comes with an alarm clock, FM radio, photo keeper, and free games
 - Lightweight, made of clear plastic casing, built to withstand abnormal wear and tear

2014 Key Metrics

State Clients	9
JP4 Devices Sold	56,000
Songs Downloaded	4.3 million

Music Revenue Growth



Music Process Detail

Browse, Purchase and Download Music



JPay Inmate Kiosk



Tablet

Connect via
USB cable

Digital Media: eBooks

Robust eBook library

Overview

- eBook Reader app enables inmates to preview, buy and store thousands of books
- eBooks are available in several languages including Spanish, French, Russian and German
- A text-to-speech capability built into the device can transform eBooks into audio books, ideal for inmates with literacy limitations
- Flexible size, brightness and other viewing features

2014 Key Metrics

State Clients	11
Total eBooks Downloaded	9,500
\$ per eBook	\$1.00 – \$29.99

¹ State in pilot phase



Digital Media: Education

Changing the prison systems from the inside out

JPay's education product offers a host of non-degree, free coursework material as well as degree-seeking opportunities including high school and college level courses

- Leverages secure, tablet-based content delivery that increases the availability, scale and variety of existing educational programs
- Includes coursework from Ashland University, Khan Academy, GED Prep, non-profit and government funded material
- Coursework and materials are loaded remotely by educators and content providers
- The content is then available to any inmate from the kiosk in his living unit
- Inmates with tablets can download the material, learn in their cells and then upload coursework for professors to grade

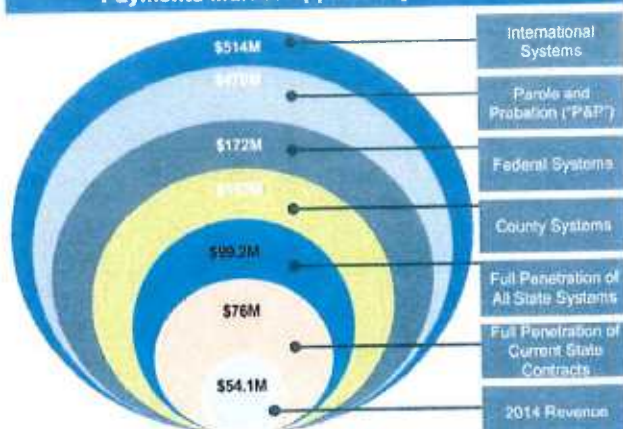


Industry Overview

Multiples Revenue Opportunities

Multiple Target Markets with Robust Growth Opportunities for All Product

Payments Market Opportunity

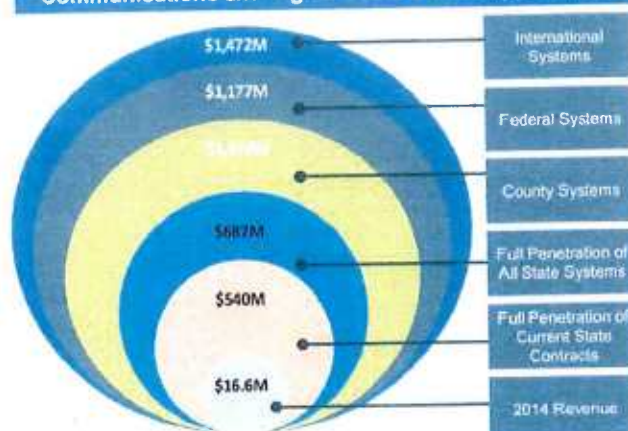


System	Inmates (m)	Transactions/Inmates	Revenue/Transaction	Total Revenue (m)
State	1.4	12	\$6.00	\$99
County	0.8	12	6.00	58
Federal	0.2	12	6.00	15
P&P	5.0	12	5.00	298
International ¹	0.6	12	6.00	44
Total Market	7.9	12	\$6.00	\$514

1 Communication Includes: email, video, vod, im

2 Media Includes: music, eBooks, other

Communications and Digital Media Market Opportunity



System	Inmates (m)	Communication ¹ Revenue (m)	Media ² Revenue (m)	Total Revenue (m)
State	1.4	\$444	\$243	\$687
County	0.8	254	139	393
Federal	0.2	63	35	98
International	0.6	190	104	294
Total Market	3.0	\$951	\$521	\$1,472

Competitive Differentiation

The acquisition of JPay results in a comprehensive communication and tech-enabled solution provider

				Competitors		
	Jpay	SECURUS	SECURUS + Jpay	Keefe Group	GTL	Telmate
Commentary	<ul style="list-style-type: none"> Comprehensive payments, communications and digital media service provider to state, federal and county correctional facilities 	<ul style="list-style-type: none"> Offers communication and information management solutions Prepaid phone cards 		<ul style="list-style-type: none"> Primarily commissary distribution provider Partners with providers or delivers additional complementary corrections solutions 	<ul style="list-style-type: none"> Offers communication solutions and inmate phone and offender management systems 	<ul style="list-style-type: none"> Phone company, with increasing technology capabilities Offers phone and video mostly to county jails
JPay's Core Products:						
Money Transfer Licensed	●	●	●	●	●	●
Communications	●	●	●	●	●	●
Digital Media	●	●	●	●	●	●
Other Products Marketed to Corrections:						
Commissary & Ordering	●	●	●	●	●	●
Phones	●	●	●	●	●	●

● Core Focus ● Partial Capability ● No Offering

Complimentary Geographic Footprints

Securus and JPay overlap in only 11% of the markets they serve⁽¹⁾

Payments

1. Arizona
2. Connecticut
3. Florida
4. Illinois
5. Kentucky
6. Louisiana
7. North Dakota
8. Pennsylvania
9. Texas

Communications

1. Kentucky
2. Louisiana
3. North Dakota
4. Pennsylvania
5. Texas

Digital Media

1. Louisiana
2. North Dakota

Low overlap in the geographies of both Securus and JPay provides a significant opportunity to expand the products of both companies into a larger and, as-of-yet, unpenetrated base

¹ Calculation assumes a total market size of 150 (50 states x 3 key products). Areas of overlap is the sum of common states for each of the 3 key products (9 + 5 + 2).

Financial Results

Summary Income Statement - JPay

(\$ in 000s)	2011	2012	2013	2014
Revenue				
Payments	\$26,735	\$31,543	\$40,531	\$53,913
Communications	3,159	3,409	4,960	8,519
Media	514	1,146	4,375	7,971
New Products	—	—	—	—
Total Revenue	\$30,408	\$36,096	\$49,866	\$70,403
% Growth	29.3%	18.7%	38.1%	41.2%
Cost of Sales				
Merchant bank discount fees	\$7,206	\$6,399	\$7,390	\$9,584
Salaries, payroll taxes & benefits	2,404	6,167	6,977	8,281
Agency commissions	2,536	3,061	4,898	7,078
Media product and download costs	570	1,270	3,092	5,100
Other	7,402	6,038	6,331	8,630
Total Cost of Sales	\$20,117	\$22,935	\$28,689	\$38,673
Gross Profit	\$10,291	\$13,161	\$21,177	\$31,729
Gross Margin %	33.8%	36.5%	42.5%	45.1%
Selling, General & Administrative Expenses	\$11,063	\$12,089	\$15,774	\$17,861
% of Revenue	36.4%	33.5%	31.6%	25.4%
Total Operating Expenses	\$31,180	\$35,024	\$44,463	\$56,534
Reported EBITDA	\$520	\$709	\$5,499	\$14,783
Reported EBITDA Margin %	1.7%	2.0%	11.0%	21.0%

Agenda

Transaction
Overview

Securus

JPay

Public Q&A

Appendix

Summary Historical Financials - Securus

(\$ in millions)	2010	2011	2012	2013	2014
Total Gross Revenue	\$330.1	\$320.5	\$340.2	\$366.7	\$404.6
% Growth	(3.1%)	(2.9%)	6.1%	7.8%	10.3%
Gross Profit	\$120.4	\$132.0	\$145.4	\$159.2	\$206.7
Gross Margin % (of gross revenue)	36.5%	41.2%	42.7%	43.4%	51.1%
Adj. EBITDA⁽¹⁾	\$59.7	\$68.6	\$78.5	\$87.0⁽²⁾	\$114.6⁽²⁾
Adj. EBITDA Margin % (of gross revenue)	18.1%	21.4%	23.1%	23.7%	28.3%
Capital Expenditures	\$19.4	\$22.6	\$24.6	\$23.3	\$32.6
% of gross revenue	5.9%	7.1%	7.2%	6.3%	8.1%
Adj. EBITDA less Capital Expenditures	\$40.2	\$46.0	\$54.0	\$63.8	\$82.0
% of gross revenue	12.1%	14.4%	16.0%	17.0%	20.0%

¹ Adjusted for addbacks per credit agreement

² Adjusted for Vanu license and GSSC acquisition in 2014; adjusted for 3ci Software and consolidated acquisitions in 2013

APPENDIX 2

March 10, 2016 Letter

Re: Further proof of Securus' ownership interest in 3CInteractive, including clarification on the location of an exhibit, and support for CenturyLink's proposed definition of "financial interest"

*Castle Harlan, web page, "Illustrative Investments – Securus",
archived January 16, 2015*

PRISON
POLICY INITIATIVE

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ILLUSTRATIVE INVESTMENTS

Overview

Illustrative
Investments

Securus



Securus

Investment Highlights

- **Acquired Securus in May 2011.**
- **Grew EBITDA by more than 33% in 2 years under Castle Harlan's ownership.**
- **Realized more than 2x initial investment for our limited partners in 2 years.**

Company Overview

- Leading provider of secure inmate telecommunications for the corrections industry, serving 850,000 inmates in 2,200 facilities across 44 states, the District of Columbia and Canada.
- Installs and centrally manages state-of-the-art call management and communications systems for use by prisons and jails, and offers a variety of convenient payment products and services to inmates and their friends and family members.
- One key competitive differentiation is its proprietary Secure Call Platform ("SCP"), a centralized packet-based system.
- Headquartered in Dallas, TX.

Investment Rationale

- **Strong Market Position:** One of two leading providers of secure inmate telecommunications in the corrections industry. Industry leader in number of facilities serviced

(14% market share) and second largest provider based on gross revenue (28% market share). The Company's significant market share and large regional footprint made it an ideal platform for bolt-on acquisitions.

- **Technological Leader:** At time of transaction, more than 70 industry patents awarded and more than 40 pending (as compared to 20 patents awarded to all competitors combined). Many of these patents were related to SCP, in which the Company invested over \$100 million.
- **Strong, Recurring Revenue:** With strong, tenured customer relationships operating on long-term contracts (typically 3 to 5 years with renewal periods) and a diverse customer base (both geographically and by facility type), the Company generated stable, recurring revenue. The Company's top 20 customers accounted for only 28% of gross revenue and it maintained consistently high retention rates averaging over 90%.
- **Proven Management Team:** Experienced management team that had worked together in the telecommunications industry for an average of 10 years. Previously, 8 of the company's top 10 executives led Eschelon Telecom, Inc., a facilities-based telecommunications provider, through a decade of tremendous growth.
- **Sensible Pricing:** Attractive purchase price of approximately 7x EBITDA for a market leader.

Castle Harlan Value-Add

- **Add-On Acquisitions:** Pursued aggressive acquisition strategy and completed three add-on acquisitions in a span of less than 12 months to further enhance the company's product offering and revenue stream.
 - Primonics (March 2012): Leader in video visitation; helped win new customers.
 - DirectHit (June 2012): Enhanced investigative services, diversified product portfolio and customer base.
 - 3Cinteractive (November 2012): Provider of correctional facility communications marketing services; generated new revenue stream.

- **Supported Strategic Initiatives:** Castle Harlan's strong knowledgebase in the corrections industry proved valuable in strategic development
 - Supported shift in focus to winning major state and mega-county accounts.
 - Increased prepaid call percentage from 77% to 91% which reduced bad debt and improved credit quality.
 - Increased same facility year over year call volume by 4%.
- **Refinancing:** June 2012 refinancing returned total invested capital to investors just 13 months after transaction.

Conclusion

- Grew EBITDA by more than 33% in 2 years under Castle Harlan's ownership.
- Realized more than 2x initial investment for our limited partners in 2 years.

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Nothing contained herein constitutes an offer to sell or a solicitation of an offer to purchase any investments or securities of any investment vehicles. Any such offer or solicitation shall be made only pursuant to a confidential offering memorandum relating to such vehicles, which will qualify in its entirety any information set forth herein.

APPENDIX 3

March 10, 2016 Letter

Re: Further proof of Securus' ownership interest in 3CInteractive, including clarification on the location of an exhibit, and support for CenturyLink's proposed definition of "financial interest"

*PrivCo, M&A Deal Report, "Securus Technologies Inc. Acquires
3Cinteractive Corp."*

PRISON
POLICY INITIATIVE

Securus Technologies Inc. Acquires 3Cinteractive Corp.

Created on February 19, 2016

To ensure that you're viewing PrivCo's complete and most up-to-date information on this deal, please visit:
<http://www.privco.com/mergers-acquisitions/securus-technologies-inc-acquires-3cinteractive-corp-november-2012>

PrivCo

M&A
Deal
Report

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- About PrivCo
- Legal Disclaimer
- Deal Details

Securus Technologies Inc. Acquires 3Cinteractive Corp.

To ensure that you're viewing PrivCo's most recent and up-to-date information on this deal, please visit:

<http://www.privco.com/mergers-acquisitions/securus-technologies-inc-acquires-3cinteractive-corp-november-2012>



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PrivCo's Private Company Reports include information such as:

- Financials & Statistics: annual revenues, employee counts, productivity charts (Excel-ready!)
- Detailed Funding and VC Investment Activity with Funding Round breakdowns, deal terms, and analysis
- Detailed M&A Deal data with FULL deal reports including multiples, deal advisors, and more
- Detailed Business Descriptions including key products and services, brands, major milestones
- Competitors and Comparables (assist in competitive analysis and company valuations)
- Public/Private History (PPH™) tables that map go-private/go-public activity like Leveraged Buyouts and IPO attempts
- Bankruptcy & Restructuring tables with detailed notes and filing-accurate information

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Securus Technologies Inc. Acquires 3Cinteractive Corp.

To ensure that you're viewing PrivCo's most recent and up-to-date information on this deal, please visit:

<http://www.privco.com/mergers-acquisitions/securus-technologies-inc-acquires-3cinteractive-corp-november-2012>

Date	Status	Deal Types
November 2012	Completed	Acquisition, Majority Acquisition, Secondary Sale, Add-On

Target	Buyer	Seller
<u>3Cinteractive Corp.</u> Boca Raton, Florida , United States Industries: Payment Processing Services , Mobile Advertising , Other Advertising & Marketing , Other Mobile Technology	<u>Securus Technologies Inc.</u> Dallas, Texas , United States	<u>Kayne Anderson Capital Advisors</u> Los Angeles, California , United States

Financials for Target: <u>3Cinteractive Corp.</u>		Transaction Multiples		Transaction Multiples w/ Max. Contingency	
Total Assets	N/A	EV / A		EV / A	
Stockholder's Equity	N/A	EV / SE		EV / SE	
Revenues 2012	\$28,700,000	EV / R		EV / R	
Net Income (Loss)	N/A	EV / E		EV / E	
Cash Flow	N/A	EV / CF		EV / CF	
EBITDA	N/A	EV / EBITDA		EV / EBITDA	
Operating Income (Loss)	N/A	EV / OI		EV / OI	

Termination Fees	
Has Ability to Solicit?	No
Has Termination Fee?	No
Target Balance Sheet	
Has Other Assumed Liabilities?	Yes

Securus Technologies Inc. Acquires 3Cinteractive Corp.

To ensure that you're viewing PrivCo's most recent and up-to-date information on this deal, please visit:

<http://www.privco.com/mergers-acquisitions/securus-technologies-inc-acquires-3cinteractive-corp-november-2012>

Business Description for Target: 3Cinteractive Corp.

Established in 2005, 3Cinteractive is a privately-held, private equity backed company that provides business-to-consumer interaction tools with a mobile phone notification system. Founded by John Duffy, Mike FitzGibbon, and Mark Smith, 3Cinteractive is headquartered in Boca Raton, Florida.

Business Description for Buyer: Securus Technologies Inc.

Securus Technologies, Inc. is a privately-held specialized telecommunication products provider. Securus Technologies is a supplier of detainee communications and information management solutions and offers security enhanced call processing, call validation and billing services to various local, private, county and state correctional facilities across the US and Canada. Founded in 1986, Securus Technologies headquarters are located in Dallas, Texas.

Business Description for Seller: Kayne Anderson Capital Advisors

Kayne Anderson Capital Advisors is a Los Angeles, California-based private equity firm. Founded in 1992, Kayne Anderson Capital Advisors considers buyouts and acquisitions and restructurings and special situations.

APPENDIX 4

March 10, 2016 Letter

Re: Further proof of Securus' ownership interest in 3CInteractive, including clarification on the location of an exhibit, and support for CenturyLink's proposed definition of "financial interest"

New Mexico Public Regulation Commission, "Staff's Fourth Set of Interrogatories and Request for Production of Documents", In the Matter of the Commission Inquiry Into the Rates and Charges of Institutional Operator Service Providers, Utility Case No. 07-00316-UT

PRISON
POLICY INITIATIVE

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE COMMISSION)
INQUIRY INTO THE RATES AND CHARGES)
OF INSTITUTIONAL OPERATOR SERVICE)
PROVIDERS)
_____)

Utility Case No. 07-00316-UT

**STAFF'S FOURTH SET OF INTERROGATORIES AND
REQUEST FOR PRODUCTION OF DOCUMENTS**

TO: Securus Technologies, Inc.
Stephanie A. Joyce
Arent Fox LLP
1717 K Street, N.W.
Washington, D.C. 20036

Patricia Salazar Ives
Cuddy & McCarthy, LLP
Post Office Box 4160
Santa Fe, NM 87502-4160

NEW MEXICO PUBLIC REGULATION COMMISSION

Instructions and Definitions
For Staff Interrogatories and
Requests for Production of Documents

INTRODUCTION:

In accordance with 17.1.2.28 NMAC, the Utility Division Staff ("Staff") of the New Mexico Public Regulation Commission ("Commission" or "NMPRC") requests that you answer the following interrogatories and produce all documents which are responsive in any way to the interrogatories or to the requests for production of documents. Your responses must also be made in accordance with the instructions and definitions contained in Staff's First Sets of Interrogatories and Requests for Production of Documents to T-Netix and Evercom which include, but are not limited to the following instructions:

3. Responses must be signed by the person upon whose personal knowledge responses are based or who helped in any way in formulating the response.
4. For each response, you must identify all persons, including and in addition to the person signing the response, upon whose personal knowledge the response is based or who helped in any way in formulating the response.
5. For each response, if not otherwise included, you must identify by name(s) the T-Netix[/Evercom] witness(es) able to discuss the response and its specific subject matter at any evidentiary hearing in this matter.

6. In making your responses, you must produce all relevant documents and data by attachment or by identifying the documents which relate to your answers. You must also clearly identify each Interrogatory to which the document relates.

If you have any questions about any of the interrogatories or requests for production of documents, please contact the undersigned Staff Counsel.

INTERROGATORIES & REQUESTS FOR PRODUCTION OF DOCUMENTS

STAFF 3-1 (Securus):

For each correctional facility or jail served by Securus Technologies, Inc. ("Securus") or any affiliated entity, state by facility/jail and by calendar year since 2011 whether any of its tariffed rates were for contracts between Securus and the facility operator that provided for the costs of rent for space to be paid by Securus or any affiliated entity to the operator of the facility or jail.

RESPONSE:

STAFF 3-2 (Securus):

For each correctional facility or jail served by Securus or any affiliated entity, state by facility/jail and by calendar year since 2011 whether any of its tariffed rates were for contracts between Securus and the facility operator that provided for the sale by Securus or any affiliated entity to the operator of the facility or jail of discounted (or provision of free) prepaid calling cards. Also state by facility and by calendar year since 2011 whether free calling cards and the extent of the discount in terms of percentage of the calling card's face value.

RESPONSE:

STAFF 3-3 (Securus):

Referring to the attached letter ("Attachment A") dated October 2, 2015 from Stephanie A. Joyce from Arent Fox LLP on behalf of Securus to the Federal Communications Commission concerning "WC Docket No. 12-375, Reply to CenturyLink Notice of *Ex Parte* (Sept. 28, 2015)". This letter refers to "Text2Connect" and "PayNow" services offered by Securus.

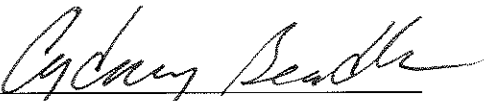
- a. State whether Securus or any affiliated entity is providing Text2Connect or PayNow for intrastate calls that originate from correctional facilities or jails in New Mexico.

- b. If so, state when Securus or any affiliated entity began offering Text2Connect or PayNow in New Mexico.
- c. If so, indicate what have been the rates for Text2Connect or PayNow by calendar year since 2011 and indicate whether and where such rates appear in the New Mexico Tariff of Securus or any affiliated entity.
- d. If so, provide all current contracts between Securus or any affiliated entity and any operator of a correctional facility or jail in New Mexico that provide for the provision of Text2Connect or PayNow services.
- e. If so, state by facility/jail and by calendar year since 2011 the annual revenue generated by Text2Connect or PayNow in New Mexico. Also state by facility/jail and by calendar year since 2011 the amount of such revenue, if any, which was shared with the operator of the facility/jail.
- f. If so, how do these services comport with the Institutional Operator Service Providers rule, 17.11.28 NMAC?

RESPONSE:

RESPECTFULLY SUBMITTED,

TELECOMMUNICATIONS BUREAU STAFF
UTILITY DIVISION
NEW MEXICO PUBLIC REGULATION COMMISSION


Cydney Beadles
Staff Counsel
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Santa Fe, New Mexico 87504-1269
505.827.6905
Cydney.Beadles@state.nm.us

October 2, 2015

VIA ECFS

Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Stephanie A. Joyce

Partner
202.857.6081 DIRECT
stephanie.joyce@arentfox.com

Re: WC Docket No. 12-375, Reply to CenturyLink Notice of *Ex Parte* (Sept. 28, 2015)

Dear Secretary:

Securus Technologies, Inc. ("Securus") hereby responds to the Notice of *Ex Parte* that CenturyLink filed in this docket on September 28, 2015 ("CTL *Ex Parte*"). Specifically, Securus would like to address CenturyLink's proposals regarding so-called "'single pay' or 'premium payment' inmate calling."¹

CenturyLink begins by making the assertion that these innovative, additive calling choices "[r]educe [i]nmate [c]hoice." CTL *Ex Parte* at 1. This statement is impossible as a matter of logic. But CenturyLink attempts to support its impossible assertion with a further, incorrect assertion that these optional, convenient, additive calling methods are "potentially confusing" because consumers do not know that other types of calls are possible. CTL *Ex Parte* at 2.

CenturyLink then states that it has partnered with ICS provider ICSolutions to investigate these optional, convenient calling services. This investigation could never be called "impartial": ICSolutions has chosen not to develop such services, unlike Securus which spent "approximately \$40 million" to add these call options to its panoply of services. Securus May 19 Response. In addition, this CTL-ICSolutions investigation bears no relation to reality.

¹ CenturyLink's proposed definition of these services is muddled. Securus provides Text2Connect, which enables an inmate to place a collect call to a cellphone, and PayNow, which enables a called party to pay for the call at point of sale rather than wait to set up a billing arrangement. *E.g.*, WC Docket No. 12-375, Letter from Stephanie A. Joyce, Counsel to Securus, to Marlene H. Dortch, FCC, at 1-2 (May 19, 2015) (responding to another CenturyLink *ex parte* asking the Commission to eliminate "premium or convenience payment options") ("Securus May 19 Response").

First, the called party/payor for Text2Connect and PayNow calls is informed very clearly that a prepaid account, tradename "AdvanceConnect", can be established over the phone for any future call. Unless the called party/payor affirmatively accepts the one-time PayNow or Text2Connect call, they will not get charged for the call.

The announcement that every called party hears on every Text2Connect and PayNow call is:

If you would like to continue this call of up to <call duration of PayNow> by accepting a charge to your credit or debit card of \$14.99, please press 1

If you would like to continue this call of up to <call duration of Text2Connect> by accepting a charge to your mobile telephone bill of \$9.99, please press 2

If you would like to set up or add funds to a prepaid AdvanceConnect Account in order to pay for future calls, please press 3

Most importantly, if the called party/payor has a billing relationship with Securus, the inmate's call will not even be routed as a PayNow or Text2Connect call. The call will be treated as a collect call, either prepaid (for landline and cellphone calls) or post-paid (for landline calls).

Second, CenturyLink's allegation that the number of inmate calls increased at certain correctional facilities after ICSolutions took over is extremely suspect. CTL *Ex Parte* at 2-3. Securus cannot verify or accept the purported data that CenturyLink puts forth. Securus therefore invites CenturyLink to cooperate, at Securus's expense, in an independent, third-party study of call traffic where Text2Connect and PayNow are in place compared to sites where they are not. If CenturyLink wishes the record to contain credible evidence, it will accept this offer.

Text2Connect and PayNow are innovative, valuable additions to ICS. They enable immediate communication with friends, families, and attorneys. They save lives and prevent crimes. They require double acceptance by the called party/payor: once to accept the inmate's call and once to accept the one-time charge.²

The CenturyLink *Ex Parte* uses incorrect information to encourage the Commission to decrease consumer choice. It should not be afforded any credibility.

Thank you for your consideration.

² Securus May 19 Response at 1-2; *see also* WC Docket No. 12-375, Letter from Stephanie A. Joyce, Counsel to Securus, to Marlene H. Dortch, FCC, at 5 (Oct. 6, 2014).

Sincerely,

s/Stephanie A. Joyce

Counsel to Securus Technologies, Inc.

cc: Chairman Tom Wheeler
Commissioner Mignon Clyburn
Commissioner Jessica Rosenworcel
Commissioner Ajit Pai
Commissioner Michael O'Rielly
Stephanie Weiner, Legal Advisor to Chairman Wheeler
Rebekah Goodheart, Legal Advisor to Commissioner Clyburn
Nicholas Degani, Legal Advisor to Commissioner Pai
Amy Bender, Legal Advisor to Commissioner O'Rielly
Pamela Arluk, Acting Chief, Pricing Policy Division, Wireline Competition Bureau
Lynne Engledow, Acting Deputy Chief, Pricing Policy Division, Wireline Competition Bureau
David Zesiger, Acting Deputy Chief, Pricing Policy Division, Wireline Competition Bureau
Rhonda Lien, Pricing Policy Division, Wireline Competition Bureau
Bakari Middleton, Wireline Competition Bureau
Gil Strobel, Wireline Competition Bureau
(All via electronic mail)

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF A COMMISSION)
INQUIRY INTO THE RATES AND)
CHARGES OF INSTITUTIONAL)
OPERATOR SERVICE PROVIDERS)

Case No. 07-00316-UT

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PUBLIC REGULATION
COMMISSION
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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing **Staff's Fourth Set of Interrogatories and Request for Production of Documents** was served on February 19, 2016, to the following:

By electronic mail:

Jeffrey Albright
Patricia Salazar Ives
Stephanie Joyce
Lance Steinhart
Joseph Yar
Paul Gutiérrez
Willaim F. Fulginiti
Jim Burleson
NM Sentencing Commission
Carol A. Clifford
Debbie Conde
Curtis L. Hopfinger
Cydney Beadles
Michael C. Smith-PRC
Mike Ripperger-PRC
John Reynolds-PRC
Brian Hackett
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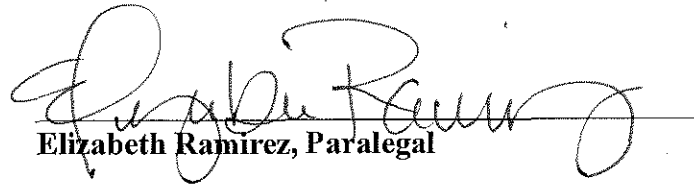
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Lawyers Association
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Santa Fe, NM 87504

Peter Simonson
ACLU of New Mexico
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Albuquerque, NM 87103

DATED this 19th day of February, 2016.

NEW MEXICO PUBLIC REGULATION COMMISSION



Elizabeth Ramirez, Paralegal

APPENDIX 5

March 10, 2016 Letter

Re: Further proof of Securus' ownership interest in 3CInteractive, including clarification on the location of an exhibit, and support for CenturyLink's proposed definition of "financial interest"

*"Affidavit of Danny DeHoyos", Global Tel*Link v Federal
Communications Commission and the United States of America,
USCA DC Cir. No. 15-1461 and consolidated cases*

PRISON
POLICY INITIATIVE

**BEFORE THE
UNITED STATES COURT OF APPEALS
FOR THE DISTRICT OF COLUMBIA CIRCUIT**

GLOBAL TEL*LINK, *et al.*,

Petitioners,

v.

FEDERAL COMMUNICATIONS COMMISSION
and the UNITED STATES OF AMERICA,

Respondents.

No. 15-1461 and
consolidated cases

AFFIDAVIT OF DANNY DEHOYOS

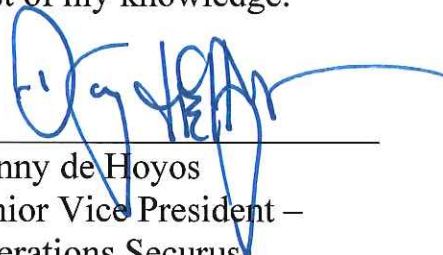
I, Danny DeHoyos, hereby affirm under penalty of perjury and pursuant to 18 U.S.C. § 1621, that

1. I am Senior Vice President – Operations of Securus Technologies, Inc. (“Securus”) with headquarters at 14651 Dallas Parkway, Sixth Floor, Dallas, TX 75254. I have been Senior Vice President – Operations since September 2015. I joined Securus in September 2008, as Vice President – Service and Technical Operations.
2. I am providing this Affidavit in support of the Emergency Motion for Partial Stay of the Second Report and Order. I have personal knowledge of the facts stated herein and could testify to the same.
3. Specifically, this Affidavit sets out the audible prompts and instructions that a consumer hears when they receive an inmate call that is made via Text2Connect or PayNow.
4. When an inmate makes a phone call using Text2Connect, the called party hears several instructions, including:

- “Hello, you are receiving a call from <inmate name recorded in their voice> an inmate from <facility name>.”
 - “Press 1 to consent to the delivery of a pre-recorded message with information how you can arrange to receive calls from your incarcerated loved one. Press 2 or hang up to terminate this call.”
 - “If you would like to continue this call of up to <effective call duration for PayNow> by accepting a charge to your credit or debit card of fourteen dollars and ninety-nine cents, please press one.”
 - “If you would like to continue this call of up to <effective call duration for Text2Connect> by accepting a charge to your mobile telephone bill of nine dollars and ninety-nine cents, please press two.”
 - “If you would like to set up or add funds to a prepaid AdvanceConnect account in order to pay for future calls, please press three.”
5. If the called party chooses option three in the call flow, he or she will be transferred to the Securus Correctional Billing Service to create an account. The individual is instructed that he or she may fund the newly created account via debit card, credit card or send in a check. He or she also is informed that funding via check is a free option and there is no fee.
6. It is worth noting that we process millions of calls via Text2Connect and PayNow and we have received no complaints. Customers have been very satisfied with both of these optional products.

I affirm that the foregoing is true and correct to the best of my knowledge.

Dated: January 20th, 2016

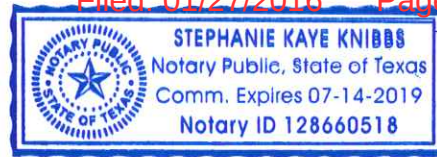


Danny de Hoyos
Senior Vice President –
Operations Securus
Technologies, Inc.

SUBSCRIBED TO AND SWORN BEFORE ME this 20th day of January, 2016.



NOTARY PUBLIC



My Commission expires: July 14, 2019