

March 24, 2015

VIA ELECTRONIC MAIL: doug.dillard@psc.alabama.gov

Mr. Doug Dillard
Utility Services Division
Alabama Public Service Commission
RSA Union
100 North Union St.
Montgomery, AL 36104

RE: Annual Financial Statements

Dear Mr. Dillard,

Please find enclosed consolidated balance sheets, statements of operations and statements of cash flows for Securus Holdings, Inc., parent company to Securus Technologies, Inc. ("Securus") to comply with the annual reporting requirements in Section 37-1-57 in the Code of Alabama, 1975 and Rule T-22, paragraphs (I) through (K) of the Commission's Telephone Rules. The annual financial statements for Securus for the year ending December 31, 2014 are provided.

Securus sincerely appreciates your attention to this matter. Should you have any questions or concerns regarding the information provided herein, please do not hesitate to contact Debbie Conde, Senior Regulatory Analyst, at (972) 277-0395 or dconde@securustechnologies.com.

Respectfully submitted,


Geoffrey Byrd
Chief Financial Officer

Consolidated Balance Sheets
(Dollars in thousands, except per share amounts)

ASSETS	December 31, 2014	December 31, 2013
Current assets:		
Cash and cash equivalents	\$ 2,063	\$ 2,334
Restricted cash	4,114	4,153
Account receivable, net	28,259	29,346
Prepaid expenses	8,870	7,172
Current deferred income taxes	9,125	6,830
Total current assets	52,431	49,835
Property and equipment, net	39,197	39,554
Intangibles and other assets, net	402,871	406,833
Goodwill	423,130	409,939
Total assets	\$ 917,629	\$ 906,161
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current liabilities:		
Accounts payable	\$ 14,347	\$ 18,020
Accrued liabilities	32,011	29,054
Deferred revenue and customer advances	19,449	16,315
Current portion of long-term debt	4,250	4,100
Total current liabilities	70,057	67,489
Deferred income taxes	67,363	63,516
Long-term debt	575,321	582,368
Other long-term liabilities	9,779	5,503
Total liabilities	722,520	718,876
Commitments and contingencies		
Stockholder's equity:		
Common stock, \$0.01 stated value at December 31, 2014 and 2013; 1,000 shares authorized, issued, and outstanding at December 31, 2014 and 2013	-	-
Additional paid-in capital	197,794	195,475
Accumulated deficit	(2,685)	(8,190)
Total stockholder's equity	195,109	187,285
Total liabilities and stockholder's equity	\$ 917,629	\$ 906,161

See Notes to Consolidated Financial Statements.

Consolidated Statements of Operations
(Dollars in thousands)

	Successor		Predecessor
	For the Year Ended December 31, 2014	For the Period from May 1, 2013 to December 31, 2013	For the Period from January 1, 2013 to April 30, 2013
Revenue:			
Direct call provisioning	\$ 347,592	\$ 220,029	\$ 121,958
Wholesale services	24,792	15,655	7,472
Software sales	5,978	759	-
Offender monitoring systems and services	26,255	798	-
Total revenue	404,617	237,241	129,430
Operating costs and expenses:			
Cost of service	197,885	136,953	70,474
Selling, general and administrative expenses	97,643	50,274	26,247
Depreciation and amortization	59,668	36,365	14,713
Transaction expenses	772	680	12,384
Total operating costs and expenses	355,968	224,272	123,818
Operating income	48,649	12,969	5,612
Interest and other expenses, net	(41,730)	(25,487)	(11,177)
Loss on extinguishment of debt	-	-	(21,748)
Income (loss) before income taxes	6,919	(12,518)	(27,313)
Income tax expense (benefit)	1,414	(4,328)	(7,868)
Net income (loss)	\$ 5,505	\$ (8,190)	\$ (19,445)

See Notes to Consolidated Financial Statements.

Consolidated Statements of Stockholder's Equity
(Dollars in thousands)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholder's Equity
	Shares	Amount			
Predecessor					
Balance, December 31, 2012	159,389	\$ -	\$ 64,755	\$ (4,723)	\$ 60,032
Net income (loss)	-	-	-	(19,445)	(19,445)
Balance, April 30, 2013	159,389	\$ -	\$ 64,755	\$ (24,168)	\$ 40,587
Successor					
Balance, May 1, 2013	1,000	\$ -	\$ 168,507	\$ -	\$ 168,507
Contribution from parent	-	-	25,560	-	25,560
Share-based compensation	-	-	1,408	-	1,408
Net income (loss)	-	-	-	(8,190)	(8,190)
Balance, December 31, 2013	1,000	-	195,475	(8,190)	187,285
Share-based compensation	-	-	2,319	-	2,319
Net income (loss)	-	-	-	5,505	5,505
Balance at December 31, 2014	1,000	\$ -	\$ 197,794	\$ (2,685)	\$ 195,109

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows
(Dollars in thousands)

	Successor		Predecessor
	For the Year Ended December 31, 2014	For the Period from May 1, 2013 to December 31, 2013	For the Period from January 1, 2013 to April 30, 2013
Cash flows from operating activities:			
Net income (loss)	\$ 5,505	\$ (8,190)	\$ (19,445)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	59,668	36,365	14,713
Deferred income taxes	(56)	(4,426)	(7,984)
Share-based compensation	2,319	1,408	-
Loss on extinguishment of debt	-	-	21,748
Amortization of deferred financing costs and discounts	2,061	2,433	914
Change in fair value of derivatives	4,546	2,804	7
Interest income from accretion of notes receivable	(420)	(304)	(155)
Changes in operating assets and liabilities:			
Restricted cash	39	(2)	(1)
Accounts receivable	1,507	(176)	1,941
Prepaid expenses and other current assets	(1,674)	5,004	(4,637)
Intangible and other assets	(294)	2,207	(250)
Accounts payable	999	(1,893)	1,013
Accrued and other liabilities	5,464	(1,298)	2,032
Net cash provided by operating activities	79,664	33,932	9,896
Cash flows from investing activities:			
Purchase of property and equipment	(16,181)	(8,045)	(5,464)
Additions of intangible assets	(32,210)	(19,194)	(3,312)
Business acquisitions, net of cash acquired	(19,685)	(126,665)	-
Net cash used in investing activities	(68,076)	(153,904)	(8,776)
Cash flows from financing activities:			
Related party activities, net	-	-	405,103
Capital contributions	-	25,560	-
Net activity on revolver	(18,000)	18,000	(16,000)
Long-term debt borrowings, net of issuance costs	14,775	81,819	-
Payments on and repurchases of long-term debt	(4,213)	(1,025)	(394,555)
Cash overdraft	(4,421)	(2,048)	4,265
Net cash provided by (used in) financing activities	(11,859)	122,306	(1,187)
Increase (decrease) in cash and cash equivalents	(271)	2,334	(67)
Cash and cash equivalents, beginning of period	2,334	-	67
Cash and cash equivalents, end of period	\$ 2,063	\$ 2,334	\$ -
Supplemental disclosures:			
Cash paid during the period for:			
Interest	\$ 36,091	\$ 20,608	\$ 10,232
Income taxes, net of refunds	\$ 1,293	\$ 442	\$ (7)
Noncash investing and financing activities:			
Leasehold improvements	\$ 509	\$ -	\$ -

See Notes to Consolidated Financial Statements