

March 28, 2016

VIA ELECTRONIC MAIL: [doug.dillard@psc.alabama.gov](mailto:doug.dillard@psc.alabama.gov)

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

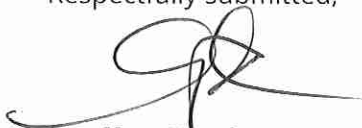
RE: Annual Financial Statements

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, 2015 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](mailto:dconde@securustechnologies.com).

Respectfully submitted,



**Geoffrey Boyd**  
Chief Financial Officer

## Consolidated Balance Sheets

December 31, 2015 and 2014

(Dollars in thousands, except per share amounts)

<b>ASSETS</b>	<b>2015</b>	<b>2014</b>
Current assets:		
Cash and cash equivalents	\$ 6,202	\$ 2,063
Restricted cash	7,789	4,114
Account receivable, net	33,341	28,259
Inventory	4,224	-
Prepaid expenses	15,532	8,870
Current deferred income taxes	11,292	9,125
<b>Total current assets</b>	<b>78,380</b>	<b>52,431</b>
Property and equipment, net	68,518	39,197
Intangibles and other assets, net	494,167	390,094
Goodwill	636,377	423,130
<b>Total assets</b>	<b>\$ 1,277,442</b>	<b>\$ 904,852</b>
 <b>LIABILITIES AND STOCKHOLDER'S EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 19,137	\$ 14,347
Accrued liabilities	76,611	32,011
Deferred revenue and customer advances	25,322	19,449
Current portion of long-term debt	6,300	4,250
<b>Total current liabilities</b>	<b>127,370</b>	<b>70,057</b>
Deferred income taxes	74,684	67,363
Long-term debt	774,041	562,544
Other long-term liabilities	46,306	9,779
<b>Total liabilities</b>	<b>1,022,401</b>	<b>709,743</b>
Commitments and contingencies		
Stockholder's equity:		
Common stock, \$0.01 stated value at December 31, 2015 and 2014; 1,000 shares authorized, issued and outstanding at December 31, 2015 and 2014	-	-
Additional paid-in capital	254,208	197,794
Retained earnings (accumulated deficit)	833	(2,685)
<b>Total stockholder's equity</b>	<b>255,041</b>	<b>195,109</b>
<b>Total liabilities and stockholder's equity</b>	<b>\$ 1,277,442</b>	<b>\$ 904,852</b>

See Notes to Consolidated Financial Statements.

**Consolidated Statements of Operations**  
**Years ended December 31, 2015 and 2014**  
(Dollars in thousands)

	2015	2014
Revenue:		
Direct call provisioning	\$ 386,898	\$ 347,592
Wholesale services	27,699	24,792
E-commerce revenue	38,566	-
Offender monitoring systems and services	25,920	26,255
Software sales	5,256	5,978
<b>Total revenue</b>	<b>484,339</b>	<b>404,617</b>
Operating costs and expenses:		
Cost of service	226,099	197,885
Selling, general and administrative expenses	123,054	97,643
Depreciation and amortization expense	67,149	59,668
Transaction expenses	10,382	772
<b>Total operating costs and expenses</b>	<b>426,684</b>	<b>355,968</b>
<b>Operating income</b>	<b>57,655</b>	<b>48,649</b>
Interest and other expenses, net	<b>(47,785)</b>	<b>(41,730)</b>
<b>Income before income taxes</b>	<b>9,870</b>	<b>6,919</b>
Income tax expense	<b>6,352</b>	<b>1,414</b>
<b>Net income</b>	<b>\$ 3,518</b>	<b>\$ 5,505</b>

See Notes to Consolidated Financial Statements.

**Consolidated Statements of Stockholder's Equity**  
**Years ended December 31, 2015 and 2014**  
(Dollars in thousands)

	Common Stock		Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Total Stockholder's Equity
	Shares	Amount			
Balance, December 31, 2013	1,000	\$ -	\$ 195,475	\$ (8,190)	\$ 187,285
Share-based compensation	-	-	2,319	-	2,319
Forfeitures of incentive units	-	-	-	-	-
Net income	-	-	-	5,505	5,505
Balance at December 31, 2014	1,000	-	197,794	(2,685)	195,109
Contribution from parent	-	-	54,000	-	54,000
Share-based compensation	-	-	2,414	-	2,414
Net income	-	-	-	3,518	3,518
<b>Balance at December 31, 2015</b>	<b>1,000</b>	<b>\$ -</b>	<b>\$ 254,208</b>	<b>\$ 833</b>	<b>\$ 255,041</b>

See Notes to Consolidated Financial Statements.

**Consolidated Statements of Cash Flows**  
**Years ended December 31, 2015 and 2014**  
**(Dollars in thousands)**

	2015	2014
Cash flows from operating activities:		
Net income	\$ 3,518	\$ 5,505
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	67,149	59,668
Deferred income taxes	5,300	(56)
Share-based compensation	2,414	2,319
Loss on extinguishment of debt	-	-
Amortization of deferred financing costs and discounts	3,698	2,061
Change in fair value of derivatives	1,700	4,546
Change in fair value of contingent consideration	7,577	-
Other operating activities, net	(335)	(420)
Changes in operating assets and liabilities:		
Restricted cash	4,114	39
Accounts receivable	681	1,507
Prepaid expenses and other current assets	(5,834)	(1,674)
Inventory	(2,987)	-
Intangible and other assets	(4,641)	(294)
Accounts payable	4,237	999
Accrued and other liabilities	7,862	5,464
<b>Net cash provided by operating activities</b>	<b>94,453</b>	<b>79,664</b>
Cash flows from investing activities:		
Purchase of property and equipment	(39,429)	(16,181)
Additions to intangible assets	(26,698)	(32,210)
Business acquisitions, net of cash acquired	(286,819)	(19,685)
Purchase of equity investment	(1,378)	-
Proceeds from sale of assets	202	-
<b>Net cash used in investing activities</b>	<b>(354,122)</b>	<b>(68,076)</b>
Cash flows from financing activities:		
Related party activities, net	-	-
Capital contributions	-	-
Net activity on revolver	17,000	(18,000)
Long-term debt borrowings, net of issuance costs	197,141	14,775
Payments on and repurchases of long-term debt	(4,250)	(4,213)
Contribution from parent	54,000	-
Cash overdraft	(83)	(4,421)
<b>Net cash provided by (used in) financing activities</b>	<b>263,808</b>	<b>(11,859)</b>
Increase (decrease) in cash and cash equivalents	4,139	(271)
Cash and cash equivalents, beginning of year	2,063	2,334
Cash and cash equivalents, end of year	<u>\$ 6,202</u>	<u>\$ 2,063</u>
Supplemental disclosures:		
Cash paid during the period for:		
Interest	<u>\$ 42,762</u>	<u>\$ 36,091</u>
Income taxes, net of refunds	<u>\$ 1,992</u>	<u>\$ 1,293</u>
Noncash investing and financing activities:		
Leasehold improvements	<u>\$ 58</u>	<u>\$ 509</u>

See Notes to Consolidated Financial Statements.