

DIVISION OF  
ADMINISTRATION  
2001 JUN 25 AM 9:44  
FLORIDA  
PUBLIC SERVICE COMMISSION

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RECORDS AND  
REPORTING

010886-77

**DIGITAL  
SOLUTIONS  
INC.**  
CORRECTIONS  
DEVELOPMENT  
INT'L.  
  
INMATE  
TELEPHONE  
INC.

June 20, 2001  
Florida Public Service Commission  
Division of Records and Reporting  
2540 Shumard Oak Blvd.  
Tallahassee, Florida 32399-0850

To Whom It May Concern:

Please find Inmate Telephone Inc.'s enclosed Application Form for Authority to Provide Interexchange Telecommunications Service Between Points Within the State of Florida.

Inmate Telephone Inc. (ITI) provides inmate telephone services to Jails, Prisons, and Detention Facilities. ITI resells dial tone from existing carries and provides correctional facilities with non-coin operated telephones, computer software to control the inmate telephone system, and a billing service to collect payment from called parties.

If you should have any additional questions, please feel free to contact me directly at 877.4.DSICDI. Thank you for your time and consideration.

Sincerely,



Joshua Kupetz  
Creative Director, DSI | CDI | ITI

Check received with filing and forwarded to Fiscal for deposit. Fiscal to forward a copy of check to RAR with proof of deposit.

Initials of person who forwarded check:  


4200 Industrial Park Drive  
Altoona, PA 16602

877.4.DSICDI (v)  
814.949.3307 (f)

www.dsicdi.com

DOCUMENT NUMBER - DATE

078 | JUN 25

FPSC-RECORDS/REPORTING

**ORIGINAL**

RECEIVED-FPSC  
01 JUN 25 AM 9:53  
RECORDS AND REPORTING

010886-T

**\*\* FLORIDA PUBLIC SERVICE COMMISSION \*\***

**DIVISION OF REGULATORY OVERSIGHT**  
**CERTIFICATION SECTION**

Application Form for Authority to Provide  
Interexchange Telecommunications Service  
Between Points Within the State of Florida

Instructions

- ◆ This form is used as an application for an original certificate and for approval of assignment or transfer of an existing certificate. In the case of an assignment or transfer, the information provided shall be for the assignee or transferee (See Page 16).
- ◆ Print or Type all responses to each item requested in the application and appendices. If an item is not applicable, please explain why.
- ◆ Use a separate sheet for each answer which will not fit the allotted space.
- ◆ Once completed, submit the original and six (6) copies of this form along with a non-refundable application fee of **\$250.00** to:

**Florida Public Service Commission  
Division of Records and Reporting  
2540 Shumard Oak Blvd.  
Tallahassee, Florida 32399-0850  
(850) 413-6770**

Note: **No filing fee is required** for an assignment or transfer of an existing certificate to another company.

- ◆ If you have questions about completing the form, contact:

**Florida Public Service Commission  
Division of Regulatory Oversight  
Certification Section  
2540 Shumard Oak Blvd.  
Tallahassee, Florida 32399-0850  
(850) 413-6480**

1. This is an application for  (check one):
- Original certificate** (new company).
  - Approval of transfer of existing certificate:** Example, a non-certificated company purchases an existing company and desires to retain the original certificate of authority.
  - Approval of assignment of existing certificate:** Example, a certificated company purchases an existing company and desires to retain the certificate of authority of that company.
  - Approval of transfer of control:** Example, a company purchases 51% of a certificated company. The Commission must approve the new controlling entity.

2. Name of company:

Inmate Telephone Inc.

3. Name under which applicant will do business (fictitious name, etc.):

Inmate Telephone Inc. (ITI)

4. Official mailing address (including street name & number, post office box, city, state, zip code):

4200 Industrial Park Drive

Altoona, PA 16602

5. Florida address (including street name & number, post office box, city, state, zip code):

None.

6. Select type of business your company will be conducting  (check all that apply):

- Facilities-based carrier** - company owns and operates or plans to own and operate telecommunications switches and transmission facilities in Florida.

- ( ) **Operator Service Provider** - company provides or plans to provide alternative operator services for IXCs; or toll operator services to call aggregator locations; or clearinghouse services to bill such calls.
- (X) **Reseller** - company has or plans to have one or more switches but primarily leases the transmission facilities of other carriers. Bills its own customer base for services used.
- ( ) **Switchless Rebiller** - company has no switch or transmission facilities but may have a billing computer. Aggregates traffic to obtain bulk discounts from underlying carrier. Rebills end users at a rate above its discount but generally below the rate end users would pay for unaggregated traffic.
- ( ) **Multi-Location Discount Aggregator** - company contracts with unaffiliated entities to obtain bulk/volume discounts under multi-location discount plans from certain underlying carriers, then offers resold service by enrolling unaffiliated customers.
- ( ) **Prepaid Debit Card Provider** - any person or entity that purchases 800 access from an underlying carrier or unaffiliated entity for use with prepaid debit card service and/or encodes the cards with personal identification numbers.

7. Structure of organization;

- |                         |                         |
|-------------------------|-------------------------|
| ( ) Individual          | ( X ) Corporation       |
| ( ) Foreign Corporation | ( ) Foreign Partnership |
| ( ) General Partnership | ( ) Limited Partnership |
| ( ) Other _____         |                         |

8. **If individual**, provide:

Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Address: \_\_\_\_\_  
City/State/Zip: \_\_\_\_\_

Telephone No.: \_\_\_\_\_ Fax No.: \_\_\_\_\_  
Internet E-Mail Address: \_\_\_\_\_  
Internet Website Address: \_\_\_\_\_

9. **If incorporated in Florida**, provide proof of authority to operate in Florida:

(a) **The Florida Secretary of State Corporate Registration number:**  
Document Number F01000003247

10. **If foreign corporation**, provide proof of authority to operate in Florida:

(a) **The Florida Secretary of State Corporate Registration number:**  
N/A

11. **If using fictitious name-d/b/a**, provide proof of compliance with fictitious name statute (Chapter 865.09, FS) to operate in Florida:

(a) **The Florida Secretary of State fictitious name registration number:**  
\_\_\_\_\_

12. **If a limited liability partnership**, provide proof of registration to operate in Florida:

(a) **The Florida Secretary of State registration number:** \_\_\_\_\_

13. **If a partnership**, provide name, title and address of all partners and a copy of the partnership agreement.

Name: N/A

Title: \_\_\_\_\_

Address: \_\_\_\_\_

City/State/Zip: \_\_\_\_\_

Telephone No.: \_\_\_\_\_ Fax No.: \_\_\_\_\_

Internet E-Mail Address: \_\_\_\_\_

Internet Website Address: \_\_\_\_\_

14. **If a foreign limited partnership**, provide proof of compliance with the foreign limited partnership statute (Chapter 620.169, FS), if applicable.

(a) **The Florida registration number:** \_\_\_\_\_

15. Provide **F.E.I. Number** (if applicable): 251757776

16. Provide the following (if applicable):

(a) Will the name of your company appear on the bill for your services?

**Yes\***  **No** \*Occasionally, Customers Receive Bills from a 3rd Party Billing Clearing House

(b) If not, who will bill for your services?

Name: ZPDI

Title: 3rd Party Billing Clearing House

Address: 7411 John Smith Drive, Suite 200

City/State/Zip: San Antonio, TX 78299-4898

Telephone No.: 210-949-7000 Fax No.: 210-949-7100

Name: ACI Telecommunications

Title: 3rd Party Billing Clearing House

Address: 190 S. LaSalle Street, Suite 1710

City/State/Zip: Chicago, IL 60603

Telephone No.: 312-419-0077 Fax No.: 312-419-0172

(c) How is this information provided?

Information regarding billing is explained at the beginning of service, as well as on the customer's statement.

17. Who will receive the bills for your service?

- (X) Residential Customers                      ( ) Business Customers  
( ) PATs providers                              ( ) PATs station end-users  
( ) Hotels & motels ( ) Hotel & motel guests  
( ) Universities                                  ( ) Universities dormitory residents  
( ) Other: (specify) \_\_\_\_\_

18. Who will serve as liaison to the Commission with regard to the following?

(a) The application:

**Name:** Joshua Kupetz

**Title:** Creative Director

**Address:** 4200 Industrial Park Drive

**City/State/Zip:** Altoona, PA 16602

**Telephone No.:** 814.944.0405                      **Fax No.:** 814.949.3307

**Internet E-Mail Address:** jkupetz@dsicdi.com

**Internet Website Address:** www.inmatetelephone.com

(b) Official point of contact for the ongoing operations of the company:

**Name:** James C. Faith

**Title:** President, CEO

**Address:** 4200 Industrial Park Drive

**City/State/Zip:** Altoona, PA 16602

**Telephone No.:** 814.944.0405 **Fax No.:** 814.949.3307

**Internet E-Mail Address:** jfaith@dsicdi.com

**Internet Website Address:** www.inmatetelephone.com

(c) Complaints/Inquiries from customers:

**Name:** Rory Miller

**Title:** FTI Operations Manager

**Address:** 4200 Industrial Park Drive

**City/State/Zip:** Altoona, PA 16602

**Telephone No.:** 814.944.0405 **Fax No.:** 814.949.3307

**Internet E-Mail Address:** rmiller@dsicdi.com

**Internet Website Address:** www.inmatetelephone.com

19. List the states in which the applicant:

(a) has operated as an interexchange telecommunications company.

Pennsylvania, Virginia, New Hampshire, New Jersey

(b) has applications pending to be certificated as an interexchange telecommunications company.

New Mexico, Colorado



(c) is certificated to operate as an interexchange telecommunications company.

Pennsylvania, Virginia, New Hampshire, New Jersey

---

(d) has been denied authority to operate as an interexchange telecommunications company and the circumstances involved.

None.

---

(e) has had regulatory penalties imposed for violations of telecommunications statutes and the circumstances involved.

None.

---

(f) has been involved in civil court proceedings with an interexchange carrier, local exchange company or other telecommunications entity, and the circumstances involved.

None.

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20. Indicate if any of the officers, directors, or any of the ten largest stockholders have previously been:

(a) adjudged bankrupt, mentally incompetent, or found guilty of any felony or of any crime, or whether such actions may result from pending proceedings. If so, please explain.

N/A \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

(b) an officer, director, partner or stockholder in any other Florida certificated telephone company. If yes, give name of company and relationship. If no longer associated with company, give reason why not.

N/A \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

21. The applicant will provide the following interexchange carrier services  $\checkmark$  (check all that apply):

a. \_\_\_\_\_ **MTS with distance sensitive per minute rates**

- \_\_\_\_\_ Method of access is FGA
- \_\_\_\_\_ Method of access is FGB
- \_\_\_\_\_ Method of access is FGD
- \_\_\_\_\_ Method of access is 800

b. \_\_\_\_\_ **MTS with route specific rates per minute**

- \_\_\_\_\_ Method of access is FGA
- \_\_\_\_\_ Method of access is FGB
- \_\_\_\_\_ Method of access is FGD
- \_\_\_\_\_ Method of access is 800

c. \_\_\_\_\_ **MTS with statewide flat rates per minute (i.e. not distance sensitive)**

- \_\_\_\_\_ Method of access is FGA
- \_\_\_\_\_ Method of access is FGB
- \_\_\_\_\_ Method of access is FGD
- \_\_\_\_\_ Method of access is 800

d. \_\_\_\_\_ **MTS for pay telephone service providers**

e. \_\_\_\_\_ **Block-of-time calling plan (Reach Out Florida, Ring America, etc.).**

f. \_\_\_\_\_ **800 service (toll free)**

g. \_\_\_\_\_ **WATS type service (bulk or volume discount)**

- \_\_\_\_\_ Method of access is via dedicated facilities
- \_\_\_\_\_ Method of access is via switched facilities

h. \_\_\_\_\_ **Private line services (Channel Services)**  
(For ex. 1.544 mbs., DS-3, etc.)

i. \_\_\_\_\_ **Travel service**

- \_\_\_\_\_ Method of access is 950
- \_\_\_\_\_ Method of access is 800

j. \_\_\_\_\_ **900 service**

k. \_\_\_\_\_ **Operator services**

- \_\_\_\_\_ Available to presubscribed customers
- \_\_\_\_\_ Available to non presubscribed customers (for example, to patrons of hotels, students in universities, patients in hospitals).
- \_\_\_\_\_ Available to inmates

l.   X   **Inmate Telephone Service: Jails, Prisons, Correctional Facilities Only**

1. **Services included are:**

- \_\_\_\_\_ Station assistance
- \_\_\_\_\_ Person-to-person assistance
- \_\_\_\_\_ Directory assistance
- \_\_\_\_\_ Operator verify and interrupt
- \_\_\_\_\_ Conference calling

22. Submit the proposed tariff under which the company plans to begin operation. Use the format required by Commission Rule 25-24.485 (example enclosed).

23. Submit the following: **Please See Attached Resumes & Financials**

**A. Managerial capability;** give resumes of employees/officers of the company that would indicate sufficient managerial experiences of each.

**B. Technical capability;** give resumes of employees/officers of the company that would indicate sufficient technical experiences or indicate what company has been contracted to conduct technical maintenance.

**C. Financial capability.**

The application **should contain** the applicant's audited financial statements for the most recent 3 years. If the applicant does not have audited financial statements, it shall so be stated.

The unaudited financial statements should be signed by the applicant's chief executive officer and chief financial officer affirming that the financial statements are true and correct and should include:

1. the balance sheet;
2. income statement; and
3. statement of retained earnings.

**NOTE:** *This documentation may include, but is not limited to, financial statements, a projected profit and loss statement, credit references, credit bureau reports, and descriptions of business relationships with financial institutions.*

Further, the following (which includes supporting documentation) should be provided:

1. **A written explanation** that the applicant has sufficient financial capability to provide the requested service in the geographic area proposed to be served.
2. **A written explanation** that the applicant has sufficient financial capability to maintain the requested service.
3. **A written explanation** that the applicant has sufficient financial capability to meet its lease or ownership obligations.

**Please Refer to Attached Financial Written Explanation**

**THIS PAGE MUST BE COMPLETED AND SIGNED**

**APPLICANT ACKNOWLEDGMENT STATEMENT**

1. **REGULATORY ASSESSMENT FEE:** I understand that all telephone companies must pay a regulatory assessment fee in the amount of .15 of one percent of its gross operating revenue derived from intrastate business. Regardless of the gross operating revenue of a company, a minimum annual assessment fee of \$50 is required.
2. **GROSS RECEIPTS TAX:** I understand that all telephone companies must pay a gross receipts tax of two and one-half percent on all intra and interstate business.
3. **SALES TAX:** I understand that a seven percent sales tax must be paid on intra and interstate revenues.
4. **APPLICATION FEE:** I understand that a non-refundable application fee of \$250.00 must be submitted with the application.

**UTILITY OFFICIAL:**

James C. Faith  
Print Name

  
Signature

President, CEO  
Title

June 15, 2001  
Date

814.944.0405      814.949.3307  
Telephone No.      Fax No.

Address: 4200 Industrial Park Drive  
Altoona, PA 16602  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**THIS PAGE MUST BE COMPLETED AND SIGNED**

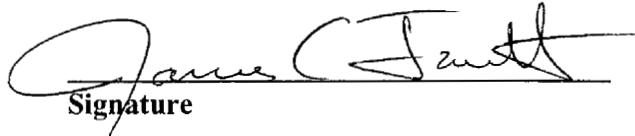
**CUSTOMER DEPOSITS AND ADVANCE PAYMENTS**

A statement of how the Commission can be assured of the security of the customer's deposits and advance payments may be provided in one of the following ways (applicant, please  check one):

- (X) The applicant will **not** collect deposits nor will it collect payments for service more than one month in advance.
- ( ) The applicant intends to collect deposits and/or advance payments for more than one month's service and will file and maintain a surety bond with the Commission in an amount equal to the current balance of deposits and advance payments in excess of one month.  
(The bond must accompany the application.)

**UTILITY OFFICIAL:**

**James C. Faith**  
Print Name

  
Signature

**President, CEO**  
Title

**June 15, 2001**  
Date

**814.944.0405**  
Telephone No.

**814.949.3307**  
Fax No.

Address: **4200 Industrial Park Drive**

**Altoona, PA 16602**

**THIS PAGE MUST BE COMPLETED AND SIGNED**

**AFFIDAVIT**

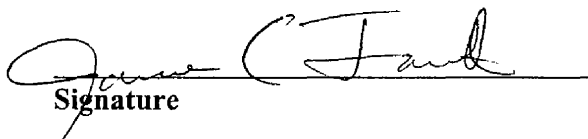
By my signature below, I, the undersigned officer, attest to the accuracy of the information contained in this application and attached documents and that the applicant has the technical expertise, managerial ability, and financial capability to provide interexchange telecommunications service in the State of Florida. I have read the foregoing and declare that, to the best of my knowledge and belief, the information is true and correct. I attest that I have the authority to sign on behalf of my company and agree to comply, now and in the future, with all applicable Commission rules and orders.

**Further, I am aware that, pursuant to Chapter 837.06, Florida Statutes, "Whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his official duty shall be guilty of a misdemeanor of the second degree, punishable as provided in s. 775.082 and s. 775.083."**

**UTILITY OFFICIAL:**

**James C. Faith**

Print Name



Signature

**President, CEO**

Title

**June 15, 2001**

Date

**814.944.0405**

Telephone No.

**814.949.3307**

Fax No.

Address: **4200 Industrial Park Drive**

**Altoona, PA 16602**



**CURRENT FLORIDA INTRASTATE SERVICES**

Applicant **has** ( ) or **has not** ( X ) previously provided intrastate telecommunications in Florida.

If the answer is has, fully describe the following:

a) What services have been provided and when did these services begin?

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b) If the services are not currently offered, when were they discontinued?

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UTILITY OFFICIAL:

James C. Faith  
Print Name

  
Signature

President, CEO  
Title

June 15, 2001  
Date

814.944.0405  
Telephone No.

814.949.3307  
Fax No.

Address: 4200 Industrial Park Drive  
Altoona, PA 16602  

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**CERTIFICATE TRANSFER, OR ASSIGNMENT STATEMENT**

I, (Name) \_\_\_\_\_,

(Title) \_\_\_\_\_ of  
\_\_\_\_\_ (Name of Company)

and current holder of Florida Public Service Commission Certificate Number

# \_\_\_\_\_, have reviewed this application and join in the petitioner's request  
for a:

( ) transfer

( ) assignment

of the above-mentioned certificate.

**UTILITY OFFICIAL:**

\_\_\_\_\_  
**Print Name**

\_\_\_\_\_  
**Signature**

\_\_\_\_\_  
**Title**

\_\_\_\_\_  
**Date**

\_\_\_\_\_  
**Telephone No.**

\_\_\_\_\_  
**Fax No.**

**Address:**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**TITLE SHEET**

**FLORIDA TELECOMMUNICATIONS TARIFF**

of

**Inmate Telephone Inc.**

This tariff contains the descriptions, regulation, and rates applicable to the furnishings of service and facilities for telecommunications services provided by Inmate Telephone Inc., with a principal office at 4200 Industrial Park Drive, Altoona, PA 16602. This tariff applies for services furnished within the state of Florida. This tariff is on file with the Florida Public Service Commission, and copies may be inspected, during normal business hours, at the Company's principal place of business.

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Issued June 15, 2001

Issue By:

James C. Faith, President  
4200 Industrial Park Drive  
Altoona, Pennsylvania 16602

Effective Date: \_\_\_\_\_

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**CHECK SHEET**

Sheets 1 through 22, inclusive of this tariff are effective as of the date shown at the bottom of the respective sheet(s). Original and revised sheets as named below comprise all changes from the original tariff and are currently in effect as of the date on the bottom of this sheet.

<u>SHEET</u>	<u>REVISION</u>
Title	Original
Check Sheet	Original
1	Original
2	Original
3	Original
4	Original
5	Original
6	Original
7	Original
8	Original
9	Original
10	Original
11	Original
12	Original
13	Original
14	Original
15	Original
16	Original
17	Original
18	Original
19	Original
20	Original
21	Original
22	Original

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Issued June 15, 2001  
Issue By:

James C. Faith, President  
4200 Industrial Park Drive  
Altoona, Pennsylvania 16602

Effective Date: \_\_\_\_\_

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4. RATES AND CHARGES .....19

**SYMBOLS**

The following are the only symbols used for the purposes indicated below:

- D** - Delete Or Discontinue.
- I** - Change Resulting In An Increase To A Customer's Bill.
- M** - Moved From Another Tariff Location.
- N** - New
- R** - Change Resulting In A Reduction To A Customer's Bill.
- T** - Change In Text Or Regulation, But No Change In Rate Or Charge.

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**TARIFF FORMAT**

**A. Sheet Numbering** – Sheet numbers appear in the upper right corner of the page. Sheets are numbered sequentially. However, new sheets are occasionally added to the tariff. When a new sheet is added between sheets already in effect, a decimal is added, For example, a new sheet added between sheets 6 and 7 would be 6.1.

**B. Sheet Revision Numbers** – Revision numbers also appear in the upper right corner of each page. These numbers are used to determine the most current sheet version on file with the Florida PSC. For example, the 3<sup>rd</sup> revised Sheet 6 cancels the 2<sup>nd</sup> revised Sheet 6. Because of various suspension periods, deferrals, etc. the Florida PSC follows in its tariff approval process, the most current sheet number on file with the Commission is not always the tariff in effect. Consult the Check Sheet for the sheet currently in effect.

**C. Paragraph Numbering Sequence** – There are nine levels of paragraph coding. Each level of coding is subservient to its next higher level:

- 1.
- 1.1.
- 1.1.1.
- 1.1.1.A.
- 1.1.1.A.1.
- 1.1.1.A.1.a.
- 1.1.1.A.1.a.I.
- 1.1.1.A.1.a.I.i.
- 1.1.1.A.1.a.I.i.1.

**D. Check Sheets** – When a tariff filing is made with the Florida PSC, an updated Check Sheet accompanies the tariff filing. The Check Sheet lists the sheets contained in the tariff, with a cross-reference to the current version number. When new pages are added, the Check Sheet is changed to reflect the revision. All revisions made in a given filing are designated by an asterisk (\*) on the Check Sheet. There will be no other symbols on this page if these are the only changes made to it (i.e. the format, etc., remain the same, just revised revision levels on some pages). The tariff user should refer to the latest Check Sheet to find out if a particular sheet is the most current on file with the Florida PSC.

## 1. TECHNICAL TERMS AND ABBREVIATION

### 1.1. Definitions

**Access Line:** An arrangement that connects the customer's location to an Inmate Telephone Inc. point-of-presence or switching center.

**Allowed Number:** A telephone number stored within a database on a computer that that an Inmate is allowed to access.

**Automated Operator:** Microprocessor-controlled digital voice created by and originated within the Phone Controller.

**Billed Party:** A person, company, or entity which agrees to pay for inmate placed calls, on a collect call basis.

**Blocked Number:** A telephone number stored within a database on a computer that that an Inmate is not allowed to access.

**Called Party:** A person, company, or entity which receives a call from the Calling Party. In most cases, the Called Party will also be the Billed Party.

**Calling Party:** A person, usually an inmate of the Subscriber as used in this Tariff, who places a call to the Called Party.

**Carrier:** Inmate Telephone Inc. unless otherwise clearly indicated by the context.

**Collect Billing:** A call for which charges are billed to the destination or terminating telephone number, provider the Called Party agrees to make payment.

**Company:** Inmate Telephone Inc. unless otherwise clearly indicated by the context.

**Customer:** The person, firm, corporation, or other entity which initiates a call on the Company's network, subject to the terms and conditions of the Company's tariff regulations.

**Commissary System:** System that allows Inmates to purchase commissary items through use of the Inmate Telephone System.



**SECTION 1 – TECHNICAL TERMS AND ABBREVIATIONS, CON'T**

**Debit System:** System that automatically deducts monies from an Inmate's commissary account and transfers it to an inmate telephone account.

**Digital Recording:** Device which allows conversations between Calling and Called Parties to be recorded onto a digital tape.

**End User:** The person, firm, corporation, or other entity which initiates a call on the Company's network, subject to the terms and conditions of the Company's tariff regulations.

**Inmate:** A person incarcerated in a jail, prison, or other institution.

**Inmate Phone:** A telephone solely accessible by Inmates.

**International Calling:** A telephone call placed by the Calling Party that has a destination or terminating number outside the United States of America.

**ITI:** Inmate Telephone Inc., the Company.

**LATA:** Local Area of Transport and Access.

**LEC:** Local Exchange Company.

**Person-to-Person Call:** A telephone call during which the Calling Party asks to speak to a specific Called Party at the number dialed.

**Phone Controller:** Self-contained telephone unit that can discern and act upon pre-programmed and keystroke-initiated instructions via solid state PCB boards and associated hardware.

**PIN/TID Numbers:** A sequence of numbers that must be entered by an inmate in order to gain access to the inmate phone system.

**Subscriber:** A detention or correctional facility who contracts for service provided by ITI.

**Surcharge:** As used in this Tariff, a charge levied by ITI to provide the service of handling a call, including the provision of collect call acceptance, validation, and billing of the call charges.

**Voice Mail:** A feature that allows non-Inmates located outside an institution or prison to leave a message for an Inmate.

**2. RULES AND REGULATIONS**

**2.1. Undertaking of Inmate Telephone Inc.**

ITI provides specialized telecommunications service to inmates of Prisons, Jails, Correctional Facilities, Institutions, Detention Centers, and Penal Facilities within the State of Florida abiding by the terms of the Tariff.

ITI installs, operates, and maintains the communications services provided hereunder in accordance with the terms and conditions set forth under this tariff. ITI may act as the Subscriber's agent for ordering access connection facilities provided by other carriers or entities as required in Florida PSC rules and orders, when authorized by the Subscriber, to allow connection to the Subscriber's location to the ITI. The Subscriber shall be responsible for all charges due for such service agreement.

The Company's services and facilities are provided on a monthly basis unless otherwise provided, and are available twenty-four hours per day, seven days per week. Services provided use a store-and-forward technology and are limited to automated collect calling.

ITI provides Call Screening and Call Blocking to eliminate threatening and harassing telephone calls , and to minimize fraud. ITI brands all calls with the name of the institution from which the call originates.

**SECTION 2 – RULES AND REGULATIONS, CON'T.**

**2.2. Limitations**

- 2.2.1. Service is offered subject to the availability of the necessary facilities and equipment, and is subject to the provisions of this tariff.
- 2.2.2. ITI reserves the right to discontinue or limit service when necessitated by conditions beyond its control, or when the Customer is using service in violation of provisions of this tariff, or in violation of the law.
- 2.2.3. The Company does not undertake to transmit messages, but offers the use of its facilities when available, and will not be liable for errors in transmission or for failure to establish connection.

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Issued June 15, 2001  
Issue By:

James C. Faith, President  
4200 Industrial Park Drive  
Altoona, Pennsylvania 16602

Effective Date: \_\_\_\_\_

**SECTION 2 – RULES AND REGULATIONS, CON'T.**

**2.3. Assignment or Transfer**

All facilities or services provided under this tariff are directly or indirectly controlled by ITI and neither the Subscriber nor End User may transfer or assign the use of service or facilities without the express written consent of ITI. Such transfer or assignment shall only apply where there is no interruption of the use or location of the service or facilities.

Prior written permission from ITI is required before any assignment or transfer. All regulations and conditions contained in this tariff shall apply to all such permitted assignees or transferees, as well as all service conditions.

**2.4. Use**

Services provided under this tariff to Subscribers and End Users may be used for any lawful purpose for which the service is technically suited.

**2.5. Liabilities of the Company**

- 2.5.1. ITI's liability for damages arising out of mistakes, interruptions, omissions, delays, errors, or defects in transmission that occur in the course of furnishing service or facilities, in no event shall exceed an amount equivalent to the proportionate charge to the End User for the period during which the faults in transmission occur. No credit shall be allowed for an interruption of continuous duration of less than two (2) hours.

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**SECTION 2 – RULES AND REGULATIONS, CON'T.**

**2.5 Liabilities of the Company, con't.**

- 2.5.2. ITI shall not be liable for claim or loss, expense or damage (including indirect, special or consequential damage), for any interruption, delay, error, omission, or defect in any service, facility or transmission provided under this tariff, if caused by any person or entity other than ITI, by any malfunction of any service or facility provided by any other carrier, by an act of God, fire, war, civil disturbance, or act of government, or by any other cause beyond ITI's direct control.
- 2.5.3. ITI shall not be liable for, and shall be fully indemnified and held harmless by Subscriber, Customer, and End User or Billed Party against any claim or loss, expense, or damage (including indirect, special or consequential damage) for defamation, libel, slander, invasion, infringement of copyright or patent, unauthorized use of any trademark, trade name or service mark, unfair competition, interference with or misappropriation or violation of any contract, proprietary or creative right, or any other injury to any person, property or entity arising out of the material, data, information, or other content revealed to, transmitted, or used by ITI under this tariff; or for any act or omission of the Subscriber, Customer, or End User or Billed Party; or for any personal injury or death of any person caused directly or indirectly by the installation, maintenance, location, condition, operation, failure, presence, use or removal of equipment or wiring provided by ITI, if not directly caused by negligence of ITI.
- 2.5.4. ITI shall not be liable for any defacement of or damages to the premises of a Subscriber resulting from the furnishing of service which is not directly caused by negligence of ITI.

**SECTION 2 – RULES AND REGULATIONS, CON'T.**

**2.6. Advance Payments**

For Customers whom ITI feels an advance payment is necessary, ITI reserves the right to collect an amount not to exceed one month's estimated charges as an advance payment for service. This will be applied against the next month's charges and a new advance payment may be collected for the next month. In the event the Customer's charges exceed the advanced payment collected by ITI, ITI reserves the right to temporarily suspend that Customer's account until an additional advanced payment is received.

**2.7. Taxes**

All state and local taxes (i.e., gross receipts tax, sales tax, municipal utilities tax) are listed on customer bills as separate line items and are not included in the quoted rates.

**SECTION 2 – RULES AND REGULATIONS, CON'T.**

**2.8. Payment for Service**

All charges due by ITI or End User or Billed Party are payable to ITI or to ITI's authorized billing agent (such as a local telephone exchange company). Any objections to billed charges must be reported to ITI or its billing agent within sixty days after receipt of the bill. Adjustments to the Customer's bills shall be made to the extent that circumstances exist which reasonably indicate that such changes are appropriate.

**2.8.1. Automatic Deduction**

ITI will deduct monies from an Inmate's commissary account if the Inmate chooses to use the Debit option within the Inmate Telephone System.

**2.9. Interconnection with Other Carriers**

Service furnished by ITI may be connected with the services and facilities of other carriers. Such service or facilities, if used, are provided under the terms, rates, and conditions of the other carrier. The Subscriber is responsible for all charges billed by other carriers for use in connection with ITI's service. Any special interface equipment or facilities necessary to achieve compatibility between carriers is the responsibility of the Subscriber.

**2.10. Refusal or Discontinuance by Company**

ITI may refuse or discontinue service under the following conditions

- 2.10.1. If a condition immediately dangerous or hazardous to life, physical safety, or property exists;
- 2.10.2. Upon order of any court, the Commission, or any other duly authorized public authority; or
- 2.10.3. If service was obtained fraudulently or without the authorization of the provider or is being used for, or suspected of being used for, fraudulent purposes.

**SECTION 2 – RULES AND REGULATIONS, CON'T.**

**2.10 Refusal or Discontinuance by Company, Con't.**

Service may be denied or discontinued with prior written notice for the following reasons:

- 2.10.4. Non-payment of any past due bill. The due date shown on the bill must be at least ten (10) days after the date of bill issuance or five (5) days after the date of mailing, whichever is later. Solely for the purposes of this section, a bill is past due if not paid within fifteen days of the due date.
- 2.10.5. Violation or non-compliance with the Commission's Rules and Regulations governing application for and supply of services by providers.
- 2.10.6. Obtaining service to subterfuge which includes, but is not restricted to, an application for service at a location in the name of another party by a Customer whose account is delinquent and who continues to reside at the premises.
- 2.10.7. Violation of any Company rule on file with and approved by the Commission which may adversely affect the safety of the Customer or other persons or the integrity of ITI's service.
- 2.10.8. Failure to comply with municipal ordinances or other laws pertaining to telecommunications service which may adversely affect the safety of the Customer or other persons or the integrity of ITI's service.
- 2.10.9. Failure of the Customer to permit ITI reasonable access to its facilities or equipment.



**SECTION 2 – RULES AND REGULATIONS, CON'T.**

**2.11. Inspection, Testing, and Adjustment**

Upon reasonable notice, the facilities provided by the Carrier shall be made available to the Carrier for tests and adjustments as may be deemed necessary by the Carrier for maintenance. No interruption allowance will be granted for the time during which such tests and adjustments are made when the interruption is less than twenty-four consecutive hours.

**2.12. Interruption of Service**

It shall be the obligation of the End User or Subscriber or Billed Party to notify Carrier immediately of any interruption in service for which a credit allowance is desired by End User or Subscriber or Billed Party. Before giving such notice, Subscriber shall ascertain that the trouble is not within its control, or is not in wiring or equipment, if any, furnished by Subscriber and connected to Carrier's terminal. Interruptions caused by automatic dialing equipment are not deemed an interruption of service as defined herein since access to the long distance network may be obtained via local exchange company access methods.

**SECTION 2 – RULES AND REGULATIONS, CON'T.**

**2.13. Provision of Non-Optional Operator Services**

- 2.13.1. The Carrier shall disclose immediately upon request and without charge to the Customer\* the rates or charges for the Customer's intended call; the method by which such rates or charges will be collected; and the method by which complaints concerning rates, charges, or collection practices will be resolved.
- 2.13.2. The Carrier shall identify itself audibly and distinctly to the Customer at the beginning of each telephone call before the Customer incurs any charges. Customers may terminate the call at no charge before the call is connected.
- 2.13.3. Customers will not be charged for unanswered calls.
- 2.13.4. The Carrier will not bill for unanswered telephone calls in areas where equal access is available.
- 2.13.5. The Carrier will not knowingly bill for unanswered telephone calls where equal access is not available.

\*For the purposes of Section 2.13, "Customer" is defined as the person who will be billed for the telephone call.

**3. DESCRIPTION OF SERVICE**

**3.1. Timing of Calls**

3.1.1. Monthly Fees

Long distance usage charges are based on the actual usage of ITI's network. No fixed monthly fees or installation charges apply.

3.1.2. Call Timing

Timing of each incoming call begins as specified below and ends when the connection is terminated. Calls are billed in full minute increments unless otherwise specified.

Collect Calls – Timing begins when the called party accepts the responsibility for payment.

All Other Calls – Timing begins when the called station is answered.

3.1.3. Minimum Call Duration

Unless otherwise specified in this tariff, the minimum call duration for billing purposed is one minute.

3.1.4. Per Call Billing Charges

Unless otherwise specified in this tariff, usage is measured and rounded to the next higher full minute for billing purposes.

**SECTION 3 – DESCRIPTION OF SERVICES, CON'T.**

**3.2. Calculation of Distance**

Usage charges for all mileage sensitive products are based on the airline distance between the serving wire center locations associated with the originating and terminating points of the call.

The distance between the originating and terminating points is calculated by using the "V" and "H" coordinates of the serving wire centers as defined by BellCore (Bell Communications Research), in the following manner:

Step 1 – Obtain the "V" and "H" coordinates for the serving wire center of the Customer's switch and the destination point.

Step 2 – Obtain the difference between the "V" coordinates of each of the serving wire centers. Obtain the difference between the "H" coordinates.

Step 3 – Square the differences obtained in Step 2.

Step 4 – Add the squares of the "V" difference and "H" difference obtained in Step 3.

Step 5 – Divide the sum of the square obtained in Step 4 by ten (10). Round to the next higher whole number if any fraction results from the division.

Step 6 – Obtain the square root of the whole number obtained in Step 5. Round to the next higher whole number if any fraction is obtained. This is the distance between the originating and terminating serving wire centers of the call.

Formula:

$$\sqrt{\frac{(V_1 - V_2)^2 + (H_1 - H_2)^2}{10}}$$

**SECTION 3 - DESCRIPTION OF SERVICE, CON'T**

**3.3. Service Offerings**

ITI's Inmate Phone System is offered to customers for calling within the State of Florida. Customers access ITI's network via local exchange company. Calls are routed over ITI's transmission and switching facilities to any valid NPA-NXX in the State of Florida.

ITI's Inmate Phone System is provided for use by inmates at confinement facilities. ITI's system fully automates all activities required or placing and billing collect local and long distance calls from inmate phones. Optional features available to the Subscriber include blocking calls to specific numbers, allowing calls to certain numbers to be made free of charge, and limiting call duration.

**3.3.1. Minimum Call Completion Rate**

A Customer can expect a 99% dialing access rate and not less than 99% during peak use periods. Call completion will vary upon the Called Parties' rate of acceptance.

**3.3.2. Description of Rates**

Rates charged by ITI are competitive based on the rates of dominant and alternate carriers. Call screening and clocking is intentional in ITI's system. Screening and blocking features maximize the degree of control an institution has over its inmate telecommunications and they minimize fraud. These features allow institutions to eliminate threatening and harassing telephone calls, and they also allow the institution to enforce telephone curfews without manual intervention.

Oral branding is used to identify the Carrier to the caller and the Called Party. ITI provides the correctional institution's management with all information needed to report service trouble and to make inquiries regarding service or rate request.

**SECTION 3 – DESCRIPTION OF SERVICE, CON'T.**

**3.4. Description of Call Types**

Operator-Assisted Station – A service whereby caller places a station-to-station call that is billed via credit card, calling card, collect, or third party with the assistance of an operator (live or automated).

**3.5. Service Availability**

Service is available from originating points throughout Florida.

**4. RATES AND CHARGES**

**4.1. General**

Each Customer is charged individually for each call placed through the Carrier. Charges are computed on an airline mileage basis as described in Section 3.2 of this Tariff.

Rates vary by mileage band, time of day, and call duration.

Customers are billed based on their use of ITI's long distance service.

**4.2. Additional Charges**

Per-call charges apply in addition to the per minute usage rates for intrastate long distance, when applicable. These charges apply in all rate periods.

**SECTION 4 – RATES AND CHARGES, CON'T.**

**4.3. ITI Inmate Phone System**

4.3.1. Local Calls

Each Message: \$0.35 for 1<sup>st</sup> fifteen (15) minutes, \$0.07 per minute each additional three (3) minutes.

Operator Collect Charge (per call): \$1.95

4.3.2. IntraLATA Long Distance

4.3.2.A. Per Minute Charges

MILEAGE BAND	INITIAL MINUTE	DAY	
		EACH ADD'L MINUTE	
0-10	.190		.150
11-16	.210		.170
17-22	.250		.180
23-30	.270		.210
31-40	.290		.220
41-55	.310		.240
56-70	.320		.260
71-124	.360		.280
125-196	.360		.310
197-292	.370		.310
293+	.370		.310

MILEAGE BAND	INITIAL MINUTE	NIGHT	
		EACH ADD'L MINUTE	
0-10	.160		.120
11-16	.170		.140
17-22	.200		.150
23-30	.220		.170
31-40	.240		.180
41-55	.250		.200
56-70	.260		.210
71-124	.290		.250
125-196	.290		.250
197-292	.300		.250
293+	.300		.250

Issued June 15, 2001

Issue By:

James C. Faith, President  
4200 Industrial Park Drive  
Altoona, Pennsylvania 16602

Effective Date: \_\_\_\_\_



**SECTION 4 – RATES AND CHARGES, CON'T.**

**4.3 ITI Inmate Phone System, Con't.**

4.3.2. IntraLATA Long Distance, Con't.

4.3.2.A Per Minute Charges, Con't.

<b>MILEAGE BAND</b>	<b>NIGHT/WEEKEND</b>	
	<b>INITIAL MINUTE</b>	<b>EACH ADD'L MINUTE</b>
0-10	.110	.090
11-16	.120	.100
17-22	.140	.110
23-30	.150	.120
31-40	.160	.130
41-55	.170	.140
56-70	.170	.150
71-124	.190	.160
125-196	.190	.160
197-292	.200	.170
293+	.200	.170

4.3.3.B. Additional Charges

Operator Surcharge: \$1.95 per call.

4.3.3. InterLATA Long Distance

4.3.3.A. Per Minute Charges

<b>MILEAGE BAND</b>	<b>DAY</b>	
	<b>INITIAL MINUTE</b>	<b>EACH ADD'L MINUTE</b>
0-10	.350	.350
11-22	.350	.350
23-55	.350	.350
56-124	.350	.350
125-292	.350	.350
293+	.350	.350

Issued June 15, 2001

Effective Date: \_\_\_\_\_

Issue By:

James C. Faith, President  
4200 Industrial Park Drive  
Altoona, Pennsylvania 16602

**4.3 ITI Inmate Phone System, Con't.**

4.3.3. InterLATA Long Distance, Con't.

4.3.3.A. Per Minute Charges, Con't.

<b>MILEAGE BAND</b>	<b>EVENING</b>	
	<b>INITIAL MINUTE</b>	<b>EACH ADD'L MINUTE</b>
0-10	.350	.350
11-22	.350	.350
23-55	.350	.350
56-124	.350	.350
125-292	.350	.350
293+	.350	.350

<b>MILEAGE BAND</b>	<b>NIGHT/WEEKEND</b>	
	<b>INITIAL MINUTE</b>	<b>EACH ADD'L MINUTE</b>
0-10	.350	.350
11-22	.350	.350
23-55	.350	.350
56-124	.350	.350
125-292	.350	.350
293+	.350	.350

4.3.3.B. Additional Charges

Operator Station Collect: \$3.00 per call.

**SECTION 4 - RATES AND REGULATIONS, CON'T.**

**4.4. Time of Day Periods**

The appropriate rates apply for day, evening, and night call based upon the following chart:

	<b>MON</b>	<b>TUES</b>	<b>WED</b>	<b>THUR</b>	<b>FRI</b>	<b>SAT</b>	<b>SUN</b>
8:00 am to 7:00 pm*	DAYTIME RATE PERIOD						
7:00 pm to 11:00 pm*	EVENING RATE PERIOD						
11:00 pm to 8:00 am*	NIGHT RATE PERIOD						

\*up to, but not including

Calls are billed based upon the rate in effect for the actual time period(s) during which the call occurs. Calls that cross rate period boundaries are billed in rates in effect for each portion of the call.

Issued June 15, 2001

Effective Date: \_\_\_\_\_

Issue By:

James C. Faith, President  
4200 Industrial Park Drive  
Altoona, Pennsylvania 16602

# James C. Faith

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## Experience

1994–Present                      Inmate Telephone Inc.                      Altoona, PA

### **President, CEO, Founder**

- Oversee day-to-day operations of company.
- Manage financial operations.
- Expanded ITI to four states.
- Increased revenue 300% since 1994.

1984–1994                      Digital Solutions Inc.                      Altoona, PA

### **Senior Sales Representative, Systems Manager**

- Installed networks and enterprise-wide software systems.
- Performed maintenance, trouble-shooting, telephone support for software users.
- Increased client list by 30%.

1978–1984                      Faith Vending                      State College, PA

### **Sales Representative**

- Expanded sales team from 15 to 60 representatives.
- Received Salesperson of Year Award four consecutive years.
- Developed internal software system; cut expenses 30%.
- Developed training materials for other Sales Associates.

## Education

1974–1978                      Pennsylvania State University                      State College, PA

- B.A., Business Administration and Computer Science.
- Graduated Cum Laude.

## Interests

Blair County Advanced Technology Council, skydiving, gardening, antique restoration.



and process.

As an Implementation Manager, I was involved in development of an Implementation Strategy Plan as well as being the lead for a site survey team. The outcome of the site surveys was used to develop a site migration plan for each location.

As a Field Support Specialist, I was responsible for installation and training of the Regional Blood Information System (RBIS) computer system. There were twenty-one (21) Regional Blood Centers using the RBIS computer system, to assist in processing of donor units. Additionally, I am involved in Field Support tasks, development of training materials, review of new regulations to assure compliance and testing of new software.

American Red Cross Blood Services  
PO Box 1000  
307 Vine Street  
Johnstown, Pa. 15907-1000

March 1983-January 1992

**Responsibilities:**

As a Staff Technician from March 1983 to November 1987, I was involved in all aspects of donor testing at the local blood services region. These tasks include component production, donor sample testing and reference sample testing. During this time I assisted in the installation and testing of the Abbott Data Management System, along with the implementation of HIV testing at the region.

As a Staff Technologist from November 1987 to September 1989, I continued developing a greater knowledge of the blood services operations, in both Technical Services and Information Services. During this time frame I was involved in laboratory compliance as the Compliance Monitor. I was extensively involved in the installation, testing and implementation, of the Integrated Blood Information System (IBIS).

As the Blood Services Computer Systems Coordinator from September 1989 to January 1991, I was involved in the conversion from the Integrated Blood Information System (IBIS) to the Regional Blood Information System (RBIS). During this time I assisted the RBIS Development site in conversions of 10 other regions from IBIS to RBIS. I was nominated and elected to the RBIS technical Executive Committee.

As the Assistant Director Donor Processing, I was responsible for overseeing 20 Technical Services support staff. Supervising the Main Processing Laboratory and ordering supplies. The main focus of this position was to ensure product quality and to assure blood safety prior to release. Re-nominated to the RBIS Technical Executive Committee for a two-year term.

**CERTIFICATION HISTORY:**

Certified Laboratory Assistant	August 1981
Medical Laboratory Technician	January 1984
Blood Bank Technologist	January 1987
Certified HP3000 System Administrator	

**COMPUTER APPLICATION EXPERIENCE:**

Microsoft Office Suite (Word, Excel, PowerPoint)  
Microsoft Project  
Microsoft SQL  
Microsoft IIS  
UNIX (AIX and SCO)  
Informix (SQL)  
Microsoft Windows 95/98  
Microsoft NT  
Oracle

# DAVID DUNIO

## SUMMARY OF QUALIFICATIONS

- ◆ Offering 15 years sales/management experience with a demonstrated track record of outstanding sales achievements.
- ◆ Aggressive, enthusiastic sales professional; proven track record for making new contacts, closing orders, and generating repeat business through effective account management.
- ◆ Excellent communication and interpersonal skills; ability to establish positive rapport with customers, peers, and superiors.
- ◆ Self-motivated; professional appearance and demeanor.
- ◆ Recognized for providing excellent customer service; verifiable track record of success.
- ◆ Willing to travel.

## WORK HISTORY

### DIGITAL SOLUTIONS INC, Senior Account Manager

2000-Present

- ◆ Outside Sales; Demonstrations
- ◆ Maintain up to date knowledge of all current equipment, services, and promotions; possess thorough knowledge of all applicable systems.
- ◆ Conduct Inmate Telephone training sessions at yearly user group meeting.

### CELLULAR ONE/AT & T WIRELESS SERVICE, Account Executive

1994-2000

- ◆ Ensure monthly sales objectives are met; consistently meet and exceed company quotas.
- ◆ Maintain current accounts providing outstanding customer service by ensuring interactions with customers are handled professionally.
- ◆ Generate new business through aggressive sales techniques, cold calls, and timely follow up on new leads.
- ◆ Maintain up to date knowledge of all current equipment, services, and promotions; possess thorough knowledge of all applicable systems.
- ◆ Ensure transactions are documented accurately and in a timely manner.

#### Accomplishments

- ◆ Among Top 6 Performers for last 3 years company wide.
- ◆ 4 time Presidents Club Award winner

### SAM'S CLUB, Business Development Manager

1993-1994

- ◆ Sold personal, business and corporate memberships
- ◆ Trained new employees and set schedules.

#### Accomplishments

- ◆ Generated an unprecedented \$1 million in sales the first year in business.

### AMERWAY, National Sales Agent

1992-1993

- ◆ Maintained existing accounts and produced new accounts by providing excellent follow through on new leads and cold calls.

## MILITARY HISTORY

### U.S. AIRFORCE

1981-1985

Administrative Management

## EDUCATION

University of Arizona  
Business

1993-1994

Eric J. Stombaugh  
3352 Johnstown Road  
Duncansville, PA 16635  
(814) 696-4244

## **OBJECTIVE**

To obtain a position utilizing my skills, experience and education to benefit myself and the company

## **EDUCATION**

September 2000 to February 2001

### **WRIGHTCO TECHNOLOGIES**

Fiber Optics/Communications

900 Clock Hours of Technical and Hands-on Training which includes:

*FIBER OPTICS*: fiber optics theory, installation, mechanical and fusion splicing, hot melts and epoxy connectors, SC & ST connectors, including laser precision and PC based OTDRs, fiber optic acceptance testing

*CATEGORY 5*: installation, terminations and testing, EIA/TIA standards, and documentation

*BUSINESS TELEPHONE SYSTEMS*: color code, design, installation, programming, testing, and troubleshooting, automated voice processing, digital telephone systems, wire wrapping and amphenol connectors

*ELECTRONIC SECURITY SYSTEMS*: design, installation, programming, testing, and troubleshooting, closed circuit television

*RECEIVED CERTIFICATIONS IN:*

Interactive Technologies Wireless Security Systems

Inter-tel GLX-Plus Telephone Systems

Valcom Paging System

ETA - Evolving Technologies Association International Inc.

- Electronic Security Alarm Installer Certification

November 2000

ETA - Evolving Technologies Association International Inc.

-Fiber Optic Installer Certification

2000

HOLLIDAYSBURG AREA SR. HIGH

2000

ALTOONA AREA VO-TECH

## **EXPERIENCE**

Two years of electronics, experience with household wiring, masonry, carpentry, and renovating, use of all power and small hand tools, not afraid of heights or confined spaces, experience in soldering, good people skills and a custom to having professional appearance, handle stress well, adapt to schedule changes and working environments, good leadership skills.

## **EMPLOYMENT HISTORY**

May 2000 to Present

Target

153 Sierra Drive

Altoona, PA 16602

Supervisor: Scott Gusick



Job Description: Flow team member, backstocker, truck unloading and sales floor worker.

**Eric J. Stombaugh**  
**Page 2**

1991 to Present

Pleasantville Pizza & Restaurant

Alum Bank, PA 15521

Supervisor: Allan R. Stombaugh

Job Description: Cook, waiter, dishwasher, manager and kitchen help.

## **REFERENCES**

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Fred Berish

Greater Altoona Career & Tech. Center

Altoona, PA 16602

(814) 946-8450

Arlean Williams

204 Richards Drive

Hollidaysburg, PA 16648

(814) 696-7400

Allan Stombaugh

3352 Johnstown Road

Duncansville, PA 16635

(814) 696-4244

# Christopher Woytowicz

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## Experience

1999-present                      Inmate Telephone inc.                      Altoona, PA

**Service Technician/Network/Oracle database admin.**

- Custom build computer system's
- Install and service systems nationwide.
- Customer support for ITI/DSI.

2001-Present                      Custom Technology                      Altoona, PA

**Owner**

- Custom Build and sale computers.
- Installing of networks
- Network security testing.
- Sales/management.

1997-1999                      Smith Transport inc.                      RoaringSpring,PA

**Supervisor of Operations**

- Managed a large trucking/warehousing operation.
- Managed over 50 employee's day to day tasks.
- Maintained serviced computer systems and networks.

1994-1997                      Viking Freight                      Camp hill, PA

**Dock Supervisor / Dispatcher**

- Managed tasks of a major break bulk operation
- Dispatched Driver's
- Managed tasks of an OS&D service person.

## Education

1989-1992                      Altoona High school                      Altoona, PA

- College Prep.

1994                      M.I.T                      Cambridge, MA

- Summer Professional program for neural networks

2000

- Microsoft certified systems engineer

2001

- Microsoft certified system builder
- Misc experience with programming C++, Power Builder, Unix (linux,SunOS,NetBSD,SYS V,ect) Network/internet Security

**Interests**

Computers, Running my own business, Any outdoor activities/sports, Reading and learning new things.

# Robert Watters

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## Experience

1998–2001 Digital Solutions Inc. Altoona, PA.

### **Network Technician, Oracle Database installer.**

- Oracle database installations in over 10 states.
- Installed networks in 27 SCI correctional facilities for the state of PA.
- Server and workstation installations and troubleshooting.
- Service and helpdesk troubleshooting.
- Netware CNE

1990–1997 JD-ROM INC. Altoona, PA.

### **Installations**

- Intel Proshare Videophone installations
- CD-rom duplication
- Scanning documents to CD-rom.
- PC building and installation.

## Education

- Altoona Area High School 1983

## Interests

Music and computers.

# Robert M. McLellan

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<b>Education</b>	1998 - 1999	Greater Altoona Career and Technology Center  Altoona, PA Diploma in PC Troubleshooting and Repair
<b>Work experience</b>	2001 - 1999	Digital Solutions, Inc Altoona, PA  <ul style="list-style-type: none"><li>▪ Network Technician – Troubleshoot and repair PC networks and workstations using Windows 95/98/NT/2000 and Novell Netware; Install and troubleshoot Oracle 8.0 and 8i databases</li></ul>
	1991 - 1998	New PIG Corporation Assembler  Tipton, PA  <ul style="list-style-type: none"><li>▪ Manufacture and package HAZ-MAT cleanup materials; supervise others in my department</li></ul>
<b>Summary of Qualifications</b>		Education focused on the repair of IBM compatible PCs utilizing Windows 3.1, Windows 95/98/NT, and Novell Netware. Since then, I have become knowledgeable in the use of Windows 2000 and Oracle 8.0 and 8i.
<b>Certifications</b>		A+ Certified for PC Repair

DIGITAL SOLUTIONS, INC.  
AND AFFILIATES

COMBINED FINANCIAL STATEMENTS

FOR THE YEAR ENDED  
DECEMBER 31, 2000

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# Guy J. Landolfi L.L.P.

Certified Public Accountant

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2903 7th Avenue • Altoona, PA 16602 • (814) 942-5345 • FAX (814) 942-6594 • In PA 1-800-284-5263

To the Board of Directors and Stockholders of  
Digital Solutions, Inc. and Affiliates  
Altoona, Pennsylvania

I have compiled the accompanying combined balance sheet of Digital Solutions, Inc. and Affiliates as of December 31, 2000 and the related combined statements of income, retained earnings, and cash flows for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. I have not audited or reviewed the accompanying combined financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Guy J. Landolfi, CPA  
April 27, 2001



DIGITAL SOLUTIONS, INC. AND AFFILIATES  
COMBINED BALANCE SHEET  
SEE ACCOUNTANT'S COMPILATION REPORT  
December 31, 2000

ASSETS

CURRENT ASSETS

Cash	\$ 456,016
Accounts Receivable	44,864
Inventory	16,184
Security / Rent Deposit	679
Prepaid Income Taxes	3,739
Prepaid Expenses	10,166
Employee Loan Receivable	<u>21,584</u>
TOTAL CURRENT ASSETS	553,232

PROPERTY, PLANT, AND EQUIPMENT, AT COST (Note 2)

Land	135,560
Fixed Assets	3,735,753
Accumulated Depreciation	<u>(1,775,565)</u>
TOTAL PROPERTY, PLANT, AND EQUIPMENT	2,095,748

OTHER ASSETS

Investments	10,000
Intangible Assets, Net Amortization (Note 2)	18,446
Cash Surrender Value (Note 3)	3,948
Account and Note Receivable-Other (Note 7)	<u>47,214</u>
TOTAL OTHER ASSETS	<u>79,608</u>

TOTAL ASSETS \$ 2,728,588

The accompanying notes are an integral part  
of these financial statements

DIGITAL SOLUTIONS, INC. AND AFFILIATES  
COMBINED BALANCE SHEET (Continued)  
SEE ACCOUNTANT'S COMPILATION REPORT  
December 31, 2000

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES	
Accounts Payable	\$ 444,285
Payroll Taxes Payable	9,802
Sales Tax Payable	5
Other Taxes Payable	122,177
Accrued Salary	90,000
Accrued Interest Payable	5,884
Stockholders' Loans	28,674
Current Portion of Long-Term Debt (Note 5)	<u>207,136</u>
TOTAL CURRENT LIABILITIES	907,963
LONG-TERM DEBT (Note 5)	<u>1,032,230</u>
TOTAL LIABILITIES	1,940,193
STOCKHOLDERS' EQUITY (Note 6)	
Common Stock	108,500
Additional Paid-In-Capital	348,249
Retained Earnings	<u>331,646</u>
TOTAL STOCKHOLDERS' EQUITY	<u>788,395</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 2,728,588</u>

The accompanying notes are an integral part  
of these financial statements

DIGITAL SOLUTIONS, INC. AND AFFILIATES  
 COMBINED STATEMENT OF INCOME  
 SEE ACCOUNTANT'S COMPILATION REPORT  
 For the Year Ended December 31, 2000

<b>INCOME</b>	\$ 5,650,884	100.0
<b>COST OF SALES</b>		
Telephone Service Providers	551,382	9.8
Purchases	604,893	10.7
Freight	<u>1,138</u>	<u>0.0</u>
<b>TOTAL COST OF SALES</b>	<u><b>1,157,413</b></u>	<u><b>20.5</b></u>
<b>GROSS PROFIT</b>	4,493,471	79.5
<b>OPERATING EXPENSES</b>		
Advertising	34,411	0.6
Automobile Expense	45,638	0.8
Bank Service Charges	10,722	0.2
Bonuses	60,570	1.1
Commissions	1,061,592	18.8
Consulting Fees	21,840	0.4
Contract Labor	169,625	3.0
Conventions and Seminars	25,764	0.5
Delivery Expense	11,771	0.2
Depreciation and Amortization	545,572	9.6
Donations	3,760	0.1
Dues and Subscriptions	19,231	0.3
Equipment Rental	9,464	0.2
Filing Fees	370	0.0
Fines and Penalties	712	0.0
Insurance	145,664	2.6
Meals and Entertainment	26,586	0.5
Miscellaneous Expense	502	0.0
Office Expense	53,330	0.9
Payroll Expenses	1,369,747	24.2
Pension Expense (Note 10)	10,771	0.2
Postage	18,664	0.3
Professional Fees	60,695	1.1
Professional Development	4,570	0.1
Rent	13,006	0.2
Repairs and Maintenance	34,758	0.6
Service Fees	14,358	0.3
Supplies	2,811	0.0
Staff Travel	162,269	2.9
Taxes, Licenses, and Permits	54,920	1.0
Telephone	39,028	0.7

The accompanying notes are an integral part  
of these financial statements

DIGITAL SOLUTIONS, INC. AND AFFILIATES  
 COMBINED STATEMENT OF INCOME (Continued)  
 SEE ACCOUNTANT'S COMPILATION REPORT  
 For the Year Ended December 31, 2000

Training	5,819	0.1
Uniforms	6,049	0.1
Utilities	<u>19,124</u>	<u>0.3</u>
TOTAL OPERATING EXPENSES	<u>4,063,713</u>	<u>71.9</u>
Net Operating Income (Loss)	429,758	7.6
 <b>OTHER INCOME AND (EXPENSES)</b>		
Income Tax (Note 4)	(117,499)	(2.1)
Rental Income	6,600	0.1
Interest Income	24,741	0.4
Interest Expense	(85,536)	(1.5)
Commission Income	32,713	0.6
Miscellaneous Income	<u>5,495</u>	<u>0.1</u>
TOTAL OTHER INCOME AND EXPENSES	<u>(133,486)</u>	<u>(2.4)</u>
 <b>NET INCOME (LOSS)</b>	 <u><u>\$ 296,272</u></u>	 <u><u>5.2</u></u>

The accompanying notes are an integral part  
of these financial statements

DIGITAL SOLUTIONS, INC. AND AFFILIATES  
COMBINED STATEMENT OF RETAINED EARNINGS  
SEE ACCOUNTANT'S COMPILATION REPORT  
For the Year Ended December 31, 2000

Retained Earnings, Beginning	\$ 35,374
Net Income (Loss)	296,272
Dividend Distributions	<u>0</u>
Retained Earnings, Ending	<u>\$ 331,646</u>

The accompanying notes are an integral part  
of these financial statements

DIGITAL SOLUTIONS, INC. AND AFFILIATES  
COMBINED STATEMENT OF CASH FLOWS  
SEE ACCOUNTANT'S COMPILATION REPORT  
For the Year Ended December 31, 2000

<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>	
Cash Received From Customers and Others	\$ 5,889,375
Interest Income	<u>24,741</u>
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	5,914,116
Cash Paid to Suppliers and Others	(4,194,085)
Interest Expense	<u>(91,106)</u>
CASH FLOWS USED BY OPERATING ACTIVITIES	<u>(4,285,191)</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	1,628,925
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>	
Purchase of Fixed Assets, Net Trade-Ins	<u>(1,549,148)</u>
NET CASH FLOWS FROM INVESTING ACTIVITIES	(1,549,148)
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>	
Proceeds from Debt, Net of Repayments	<u>256,520</u>
NET CASH FLOWS FROM FINANCING ACTIVITIES	<u>256,520</u>
Net Change in Cash	336,297
Cash and Cash Equivalents, Beginning	<u>119,719</u>
Cash and Cash Equivalents, Ending	<u>\$ 456,016</u>
Income Tax Paid	<u>\$ 0</u>

The accompanying notes are an integral part  
of these financial statements

DIGITAL SOLUTIONS, INC. AND AFFILIATES  
COMBINED STATEMENT OF CASH FLOWS (Continued)  
SEE ACCOUNTANT'S COMPILATION REPORT  
For the Year Ended December 31, 2000

**Reconciliation of Net Income to Net Cash  
Provided by Operating Activities:**

Net Income (Loss) \$ 296,272

**Adjustments to Reconcile Net Income to  
Net Cash Provided by Operating Activities:**

Depreciation and Amortization 545,572

**Change in Current Assets and Liabilities:**

(Increase) Decrease in Accounts Receivable	193,683
(Increase) Decrease in Inventory	21,754
(Increase) Decrease in Employee Loan Receivable	(20,064)
(Increase) Decrease in Prepaid Expenses	27,562
(Increase) Decrease in Prepaid Income Taxes	6,565
(Increase) Decrease in Security/Rent Deposit	0
Increase (Decrease) in Accounts Payable	367,323
Increase (Decrease) in Payroll Taxes Payable	(13,529)
Increase (Decrease) in Sales Tax Payable	(119)
Increase (Decrease) in Other Taxes Payable	119,476
Increase (Decrease) in Accrued Salary	90,000
Increase (Decrease) in Accrued Interest Payable	(5,570)
TOTAL ADJUSTMENTS	<u>1,332,653</u>

**Net Cash Provided by Operating Activities** \$ 1,628,925

The accompanying notes are an integral part  
of these financial statements

DIGITAL SOLUTIONS, INC. AND AFFILIATES  
NOTES TO THE COMBINED FINANCIAL STATEMENT  
December 31, 2000

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Digital Solutions, Inc. (DSI), Inmate Telephone, Inc. (ITI), and Corrections Development International, Inc. (CDI) are affiliated entities with similar stockholders in common. DSI writes software and sells hardware for prison management. ITI installs and services telephone systems in prisons. CDI writes correctional service software and provides support.

The combined financial statements include the assets, liabilities, revenues, and expenses of the affiliated entities: Digital Solutions, Inc., Inmate Telephone, Inc., and Corrections Development International, Inc. All significant intercompany transactions have been eliminated in the combination. Transactions for DSI are recorded on an accrual basis of accounting, whereas transactions for ITI and CDI are recorded on a cash basis of accounting. DSI, ITI, and CDI all have December 31 year-ends.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at December 31, 2000 and revenues and expenses during the year then ended. The actual outcome of the estimates could differ from the estimates made in the preparation of the financial statement.

Inventory is stated at lower of cost or market. Cost is determined using the first-in first-out method.

The Companies extend credit to customers in the Eastern United States region.

Accounts receivable are written off when they are considered uncollectible by management.

The Companies have no accrued compensated absences because the amount cannot be reasonable estimated.

2. PROPERTY AND EQUIPMENT

Depreciation on property and equipment is provided using the straight-line method, accelerated cost recovery system, and modified accelerated cost recovery system.

Maintenance and repair costs are charged to expense in the year incurred. Expenditures that increase the life or extend the productivity of the asset are capitalized.

Intangible assets are amortized over periods of five through ten years using the straight-line method.

3. LIFE INSURANCE

Digital Solutions, Inc. is the owner and beneficiary of \$100,000 key man life insurance policies on Alan Larson and Rodger Larson. The cash surrender value is shown net of loans and withdrawal charges.



DIGITAL SOLUTIONS, INC. AND AFFILIATES  
NOTES TO THE COMBINED FINANCIAL STATEMENT (Continued)  
December 31, 2000

4. INCOME TAXES

Inmate Telephone, Inc. and Corrections Development International, Inc. have elected by unanimous consent of the shareholders to be taxed under the provisions of Subchapter S of the Internal Revenue Code. Under those provisions the Companies do not pay federal or state corporate income taxes. The shareholders pay individual federal and state income taxes on the Companies' taxable income.

Digital Solutions, Inc. has accrued income taxes for the current tax year. This Company does not have any net operating loss that may be carried forward to offset future taxable income.

5. LONG-TERM DEBT

	<u>Current Portion</u>	<u>Long-Term Portion</u>	<u>Total</u>
Loan from Mid State Bank to Digital Solutions, Inc. payable in monthly installments of \$810 including 11.0% interest collateralized by a building.	\$ 8,246	\$ 9,200	\$ 17,446
Unsecured demand note from the Larsons to Digital Solutions, Inc., Inmate Telephone, Inc., and Corrections Development International, Inc. that bears interest at 10.0%.	0	209,120	209,120
Loan from First Commonwealth Bank to Digital Solutions, Inc. payable in monthly installments of \$270 including 7.9% interest collateralized by a vehicle.	2,605	6,670	9,275
Loan from First Commonwealth Bank to Digital Solutions, Inc. payable on demand including 8.15% interest collateralized by real estate.	0	660,000	660,000
Loan from Hollidaysburg Trust Co. to Inmate Telephone, Inc. payable in monthly installments of \$1,981 including 8.0% interest collateralized by vehicles.	7,792	0	7,792

DIGITAL SOLUTIONS, INC. AND AFFILIATES  
NOTES TO THE COMBINED FINANCIAL STATEMENT (Continued)  
December 31, 2000

5. LONG-TERM DEBT (Continued)

	<u>Current Portion</u>	<u>Long-Term Portion</u>	<u>Total</u>
Loan from Hollidaysburg Trust Co to Inmate Telephone, Inc. payable in monthly installments of \$784 including 8.0% interest collateralized by a vehicle.	8,151	11,149	19,300
Loan From First Commonwealth Bank to Inmate Telephone, Inc. payable in monthly installments of \$313 including 7.25% interest collateralized by a vehicle.	3,338	3,900	7,238
Loan from First Commonwealth Bank to Inmate Telephone, Inc. payable in monthly installments of \$774 including 7.9% interest collateralized by a vehicle.	7,411	19,740	27,151
Loan from First Commonwealth Bank to Inmate Telephone, Inc. payable in monthly installments of \$288 including 8.75% interest collateralized by a vehicle.	2,502	0	2,502
Loan from Hollidaysburg Trust Co. to Inmate Telephone, Inc. payable in monthly installments of \$651 including 7.25% interest collateralized by a vehicle.	7,246	3,824	11,070
Line of Credit from First Commonwealth Bank to Inmate Telephone, Inc. payable on demand collateralized by company assets.	85,000	0	85,000
Loan from Hollidaysburg Trust Co. to Inmate Telephone, Inc. payable in monthly installments of \$825 including 9.25% interest collateralized by a vehicle.	9,068	4,032	13,100
Loan from Hollidaysburg Trust Co. to Inmate Telephone, Inc. payable in monthly installments of \$383 including 9.25% interest collateralized by a vehicle.	3,318	0	3,318

DIGITAL SOLUTIONS, INC. AND AFFILIATES  
NOTES TO THE COMBINED FINANCIAL STATEMENT (Continued)  
December 31, 2000

5. LONG-TERM DEBT (Continued)

	<u>Current Portion</u>	<u>Long-Term Portion</u>	<u>Total</u>
Loan from Hollidaysburg Trust Co. to Inmate Telephone, Inc. payable in monthly installments of \$345 including 8.0% interest collateralized by a vehicle.	3,644	0	3,644
Loan from Hollidaysburg Trust Co. to Inmate Telephone, Inc. payable in monthly installments of \$571 including 8.8% interest collateralized by a vehicle.	5,855	8,080	13,935
Loan from Hollidaysburg Trust Co. to Inmate Telephone, Inc. payable in monthly installments of \$1,873 including 7.75% interest collateralized by vehicles.	19,832	23,287	43,119
Loan from Hollidaysburg Trust Co. to Inmate Telephone, Inc. payable in monthly installments of \$479 including 9.25% interest collateralized by a vehicle.	4,910	6,331	11,241
Loan from Hollidaysburg Trust Co. to Digital Solutions, Inc. payable in monthly installments of \$278 including 9.75% interest collateralized by a vehicle.	2,480	7,367	9,847
Loan from Hollidaysburg Trust Co. To Inmate Telephone, Inc. payable in Monthly installments of \$1,895 including 8.5% interest collateralized by a vehicle.	18,585	38,469	57,054
Loan from Hollidaysburg Trust Co. to Inmate Telephone, Inc. payable in monthly installments of \$747 including 7.25% interest collateralized by a vehicle.	<u>7,153</u>	<u>21,061</u>	<u>28,214</u>
	<u>\$ 207,136</u>	<u>\$ 1,032,230</u>	<u>\$ 1,239,366</u>

DIGITAL SOLUTIONS, INC. AND AFFILIATES  
 NOTES TO THE COMBINED FINANCIAL STATEMENT (Continued)  
 December 31, 2000

The aggregate amounts of installment debt maturing in each of the next five years are as follows:

2001	\$207,136
2002	973,294
2003	48,364
2004	10,572
	<u>\$1,239,366</u>

6. STOCKHOLDERS' EQUITY

	<u>DSI</u>	<u>ITI</u>	<u>CDI</u>	<u>TOTAL</u>
Common Stock	100,000	1,000	7,500	108,500
Additional Paid-In-Capital	146,250	151,999	50,000	348,249
Retained Earnings	316,319	9,312	6,015	331,646

7. ACCOUNT AND NOTE RECEIVABLE-OTHER

Digital Solutions, Inc. has a receivable from Raodware, which the time frame of collection is uncertain. A Canadian company had acquired Roadware, along with the receivable, which will be repaid when the entity is sold.

8. RELATED PART TRANSACTION

The Companies had the following transactions with related parties during the fiscal year:

<u>Nature of Transaction</u>	<u>Amount</u>	<u>Relationship</u>
Unsecured demand note payable to Alan Larson and Roger Larson	\$ 209,120	Shareholders
Accrued interest payable to the Larsons	\$ 5,884	Shareholders

9. STATEMENT OF CASH FLOWS

For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less.

10. PENSION PLAN

The Company sponsors a defined contribution SIMPLE pension plan covering all of its eligible employees. Contributions and costs, which are determined as a percentage of each covered employees' salary, totaled \$10,771 as of December 31, 2000.

11. COMPREHENSIVE INCOME

Generally accepted accounting principles (SAFS No. 130) require unrealized gain and loss on certain investments in debt and equity securities to be reported in a "primary" financial statement. The amount of unrealized gains and losses for the year ended, December 31, 2000 were deemed immaterial and therefore (SAFS No. 130) was inappropriate for financial statement disclosure.

DIGITAL SOLUTIONS, INC. AND AFFILIATES  
NOTES TO THE COMBINED FINANCIAL STATEMENT (Continued)  
December 31, 2000

12. CONCENTRATIONS OF CREDIT RISK

The Company maintains its cash balances in several financial institutions located in Altoona, Pa. The balances are insured by the Federal Deposit Insurance Corporation up to \$100,000. At December 31, 2000 the Company's uninsured cash balances totaled \$476,859.

13. RESTRICTION OF CASH

The Company is in the process of constructing a new building. As of December 31, 2000 \$369,558 of the cash balance was held in an escrow account and a certificate of deposit. These funds are designated for building construction costs.

DIGITAL SOLUTIONS, INC.  
AND AFFILIATES  
COMBINED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 1999

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To the Board of Directors and Stockholders of  
Digital Solutions, Inc. and Affiliates  
Altoona, Pennsylvania

I have compiled the accompanying combined balance sheet of Digital Solutions, Inc. and Affiliates as of December 31, 1999 and the related combined statements of income, retained earnings, and cash flows for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. I have not audited or reviewed the accompanying combined financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Guy J. Landolfi, CPA  
May 2, 2000

DIGITAL SOLUTIONS, INC. AND AFFILIATES  
COMBINED BALANCE SHEET  
SEE ACCOUNTANT'S COMPILATION REPORT  
December 31, 1999

ASSETS

CURRENT ASSETS

Cash	\$ 119,719
Accounts Receivable	238,547
Inventory	37,938
Security / Rent Deposit	679
Prepaid Income Taxes	10,304
Prepaid Expenses	37,728
Employee Loan Receivable	<u>1,520</u>
TOTAL CURRENT ASSETS	446,435

PROPERTY, PLANT, AND EQUIPMENT, AT COST (Note 2)

Land	135,560
Fixed Assets	2,199,425
Accumulated Depreciation	<u>(1,246,599)</u>
TOTAL PROPERTY, PLANT, AND EQUIPMENT	1,088,386

OTHER ASSETS

Investments	10,000
Intangible Assets, Net Amortization (Note 2)	22,232
Cash Surrender Value (Note 3)	3,948
Account and Note Receivable-Other (Note 7)	<u>47,214</u>
TOTAL OTHER ASSETS	<u>83,394</u>

TOTAL ASSETS \$ 1,618,215

The accompanying notes are an integral part  
of these financial statements



DIGITAL SOLUTIONS, INC. AND AFFILIATES  
 COMBINED BALANCE SHEET (Continued)  
 SEE ACCOUNTANT'S COMPILATION REPORT  
 December 31, 1999

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES		\$ 76,962
Accounts Payable		23,331
Payroll Taxes Payable		124
Sales Tax Payable		2,701
Other Taxes Payable		11,454
Accrued Interest Payable		28,673
Stockholders' Loans		<u>305,760</u>
Current Portion of Long-Term Debt (Note 5)		449,005
TOTAL CURRENT LIABILITIES		<u>677,087</u>
 LONG-TERM DEBT (Note 5)		 <u>677,087</u>
 TOTAL LIABILITIES		 1,126,092
 STOCKHOLDERS' EQUITY (Note 6)		
Common Stock		108,500
Additional Paid-In-Capital		348,249
Retained Earnings		<u>35,374</u>
TOTAL STOCKHOLDERS' EQUITY		<u>492,123</u>
 TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		 <u>\$ 1,618,215</u>

The accompanying notes are an integral part  
of these financial statements

DIGITAL SOLUTIONS, INC. AND AFFILIATES  
 COMBINED STATEMENT OF INCOME  
 SEE ACCOUNTANT'S COMPILATION REPORT  
 For the Year Ended December 31, 1999

INCOME	\$ 4,116,754	100.0
COST OF SALES		
Telephone Service Providers	334,966	8.1
Purchases	1,172,630	28.5
Freight	<u>3,365</u>	<u>0.1</u>
TOTAL COST OF SALES	<u>1,510,961</u>	<u>36.7</u>
GROSS PROFIT	2,605,793	63.3
OPERATING EXPENSES		
Advertising	14,568	0.4
Automobile Expense	45,538	1.1
Bank Service Charges	12,939	0.3
Bonuses	13,033	0.3
Commissions	539,021	13.1
Consulting Fees	71,800	1.7
Contract Labor	10,110	0.2
Conventions and Seminars	27,899	0.7
Delivery Expense	11,701	0.3
Depreciation and Amortization	427,905	10.4
Donations	700	0.0
Dues and Subscriptions	4,567	0.1
Fines and Penalties	1,238	0.0
Insurance	122,550	3.0
Meals and Entertainment	28,830	0.7
Miscellaneous Expense	1,471	0.0
Office Expense	54,872	1.3
Payroll Taxes	84,984	2.1
Postage	7,479	0.2
Professional Fees	28,111	0.7
Rent	6,587	0.2
Repairs and Maintenance	3,292	0.1
Salaries	659,336	16.0
Salaries-Officers	170,780	4.1
Service Fees	15,294	0.4
Supplies	3,290	0.1
Staff Travel	77,791	1.9
Taxes and Licenses	16,100	0.4
Telephone	25,744	0.6
Training	52,165	1.3
Uniforms	1,911	0.0
Utilities	<u>7,878</u>	<u>0.2</u>
TOTAL OPERATING EXPENSES	<u>2,549,484</u>	<u>61.9</u>
Net Operating Income (Loss)	56,309	1.4

The accompanying notes are an integral part  
of these financial statements

DIGITAL SOLUTIONS, INC. AND AFFILIATES  
COMBINED STATEMENT OF INCOME (Continued)  
SEE ACCOUNTANT'S COMPILATION REPORT  
For the Year Ended December 31, 1999

OTHER INCOME AND (EXPENSES)		
Income Tax (Note 4)	(0)	(0.0)
Rental Income	6,000	0.1
Gain on Sale of Assets	884	0.0
Interest Expense	(50,102)	(1.2)
Commission Income	28,556	0.7
Miscellaneous Income	<u>2,967</u>	<u>0.1</u>
TOTAL OTHER INCOME AND EXPENSES	<u>(11,695)</u>	<u>(0.3)</u>
NET INCOME (LOSS)	\$ <u>44,614</u>	<u>1.1</u>

The accompanying notes are an integral part  
of these financial statements

DIGITAL SOLUTIONS, INC. AND AFFILIATES  
COMBINED STATEMENT OF RETAINED EARNINGS  
SEE ACCOUNTANT'S COMPILATION REPORT  
For the Year Ended December 31, 1999

Retained Earnings (Deficit), Beginning	\$ (9,240)
Net Income (Loss)	44,614
Dividend Distributions	<u>    0</u>
Retained Earnings (Deficit), Ending	<u>\$ 35,374</u>

The accompanying notes are an integral part  
of these financial statements

DIGITAL SOLUTIONS, INC. AND AFFILIATES  
STATEMENT OF CASH FLOWS  
SEE ACCOUNTANT'S COMPILATION REPORT  
For the Year Ended December 31, 1999

<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Cash Received From Customers and Others	\$ 4,190,846
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	4,190,846
Cash Paid to Suppliers and Others	(3,585,729)
Interest Expense	<u>(52,479)</u>
CASH FLOWS USED BY OPERATING ACTIVITIES	<u>(3,638,208)</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	552,638
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Purchase of Fixed Assets, Net Trade-Ins	(655,870)
Purchase of Land	(125,720)
Cash Paid for Intangible Assets	(16,520)
Proceeds from Sale of Assets	<u>1,000</u>
NET CASH FLOWS FROM INVESTING ACTIVITIES	(797,110)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>	
Proceeds from Debt, Net of Repayments	344,189
Change in Stockholders' Loans	(27,867)
Change in Intercompany Loans Between Affiliates	<u>(20,086)</u>
NET CASH FLOWS FROM FINANCING ACTIVITIES	<u>296,236</u>
Net Change in Cash	51,764
Cash and Cash Equivalents, Beginning	<u>67,955</u>
Cash and Cash Equivalents, Ending	\$ <u>119,719</u>
Income Tax Paid	\$ <u>0</u>

The accompanying notes are an integral part  
of these financial statements

DIGITAL SOLUTIONS, INC. AND AFFILIATES  
STATEMENT OF CASH FLOWS (Continued)  
SEE ACCOUNTANT'S COMPILATION REPORT  
For the Year Ended December 31, 1999

Reconciliation of Net Income to Net Cash  
Provided by Operating Activities:

Net Income (Loss)	\$ 44,614
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:	
Depreciation and Amortization	427,905
Gain on Sale of Assets	(884)
Change in Current Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	36,569
(Increase) Decrease in Inventory	10,791
(Increase) Decrease in Employee Loan Receivable	(1,520)
(Increase) Decrease in Prepaid Expenses	(23,482)
(Increase) Decrease in Prepaid Income Taxes	2,083
(Increase) Decrease in Security/Rent Deposit	(350)
Increase (Decrease) in Accounts Payable	48,954
Increase (Decrease) in Payroll Taxes Payable	9,068
Increase (Decrease) in Sales Tax Payable	66
Increase (Decrease) in Other Taxes Payable	1,201
Increase (Decrease) in Accrued Interest Payable	<u>(2,377)</u>
TOTAL ADJUSTMENTS	<u>508,024</u>
Net Cash Provided by Operating Activities	<u>\$ 552,638</u>

The accompanying notes are an integral part  
of these financial statements

DIGITAL SOLUTIONS, INC. AND AFFILIATES  
NOTES TO THE COMBINED FINANCIAL STATEMENT  
December 31, 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Digital Solutions, Inc. (DSI), Inmate Telephone, Inc. (ITI), and Corrections Development International, Inc. (CDI) are affiliated entities with similar stockholders in common. DSI writes software and sells hardware for prison management. ITI installs and services telephone systems in prisons. CDI writes correctional service software and provides support.

The combined financial statements include the assets, liabilities, revenues, and expenses of the affiliated entities: Digital Solutions, Inc., Inmate Telephone, Inc., and Corrections Development International, Inc. All significant intercompany transactions have been eliminated in the combination. Transactions for DSI are recorded on an accrual basis of accounting, whereas transactions for ITI and CDI are recorded on a cash basis of accounting. DSI elected to change its fiscal year end from March 31 to December 31. DSI's information is based upon a short year of April 1, 1999 to December 31, 1999. DSI, ITI, and CDI all have December 31 year-ends.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at December 31, 1999 and revenues and expenses during the year then ended. The actual outcome of the estimates could differ from the estimates made in the preparation of the financial statement.

Inventory is stated at lower of cost or market. Cost is determined using the first-in first-out method.

The Companies extend credit to customers in the Mid-Atlantic region.

Accounts receivable are written off when they are considered uncollectible by management.

The Companies have no accrued compensated absences because the amount cannot be reasonably estimated.

2. Property and Equipment

Depreciation on property and equipment is provided using the straight-line method, accelerated cost recovery system, and modified accelerated cost recovery system.

Maintenance and repair costs are charged to expense in the year incurred. Expenditures that increase the life or extend the productivity of the asset are capitalized.

Intangible assets are amortized over periods of five through ten years using the straight-line method.

3. LIFE INSURANCE

Digital Solutions, Inc. is the owner and beneficiary of \$100,000 key man life insurance policies on Alan Larson and Rodger Larson. The cash surrender value is shown net of loans and withdrawal charges.

DIGITAL SOLUTIONS, INC. AND AFFILIATES  
 NOTES TO THE COMBINED FINANCIAL STATEMENT (Continued)  
 December 31, 1999

4. INCOME TAXES

Inmate Telephone, Inc. and Corrections Development International, Inc. have elected by unanimous consent of the shareholders to be taxed under the provisions of Subchapter S of the International Revenue Code. Under those provisions the Companies do not pay federal or state corporate income taxes. The shareholders pay individual federal and state income taxes on the Companies' taxable income.

Digital Solutions, Inc. has income taxes of \$-0- for the current tax year. This Company has a net operating loss that may be carried forward to offset future taxable income as follows:

<u>Amount</u>	<u>Year of Expiration</u>
\$4,922	2013
<u>3,009</u>	2019
\$7,931	

5. LONG-TERM DEBT

	<u>Current Portion</u>	<u>Long-Term Portion</u>	<u>Total</u>
Loan from Mid State Bank to Digital Solutions, Inc. payable in monthly installments of \$810 including 11.0% interest collateralized by a building.	\$ 7,345	\$ 17,339	\$ 24,684
Unsecured demand note from the Larsons to Digital Solutions, Inc., Inmate Telephone, Inc., and Corrections Development International, Inc. that bears interest at 10.0%.	0	535,494	535,494
Loan from First Commonwealth Bank to Digital Solutions, Inc. payable in monthly installments of \$270 including 7.9% interest collateralized by a vehicle.	2,408	9,275	11,683
Loan from First Commonwealth Bank to Digital Solutions, Inc. payable on demand including 8.15% interest collateralized by land.	141,686	0	141,686
Loan from Hollidaysburg Trust Co. to Inmate Telephone, Inc. payable in monthly installments of \$1,981 including 8.0% interest collateralized by vehicles.	22,172	7,792	29,964



DIGITAL SOLUTIONS, INC. AND AFFILIATES  
NOTES TO THE COMBINED FINANCIAL STATEMENT (Continued)  
December 31, 1999

5. LONG-TERM DEBT (Continued)

	<u>Current Portion</u>	<u>Long-Term Portion</u>	<u>Total</u>
Loan from Laurel Bank to Inmate Telephone, Inc. payable in monthly installments of \$499 including 9.75% interest collateralized by a vehicle	4,612	11,667	16,279
Loan From First Commonwealth Bank to Inmate Telephone, Inc. payable in monthly installments of \$313 including 7.25% interest collateralized by a vehicle.	3,106	7,238	10,344
Loan from First Commonwealth Bank to Inmate Telephone, Inc. payable in monthly installments of \$774 including 7.9% interest collateralized by a vehicle.	6,850	27,152	34,002
Loan from First Commonwealth Bank to Inmate Telephone, Inc. payable in monthly installments of \$288 including 8.75% interest collateralized by a vehicle.	3,091	2,502	5,593
Loan from Hollidaysburg Trust Co. to Inmate Telephone, Inc. payable in monthly installments of \$651 including 7.25% interest collateralized by a vehicle.	6,739	11,070	17,809
Line of Credit from First Commonwealth Bank to Inmate Telephone, Inc. payable on demand collateralized by company assets.	85,000	0	85,000
Loan from Hollidaysburg Trust Co. to Inmate Telephone, Inc. payable in monthly installments of \$825 including 9.25% interest collateralized by a vehicle.	8,270	13,099	21,369
Loan from Hollidaysburg Trust Co. to Inmate Telephone, Inc. payable in monthly installments of \$383 including 9.25% interest collateralized by a vehicle.	4,145	2,600	6,745

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DIGITAL SOLUTIONS, INC. AND AFFILIATES  
NOTES TO THE COMBINED FINANCIAL STATEMENT (Continued)  
December 31, 1999

5. LONG-TERM DEBT (Continued)

	<u>Current Portion</u>	<u>Long-Term Portion</u>	<u>Total</u>
Loan from Hollidaysburg Trust Co to Inmate Telephone, Inc. payable in monthly installments of \$345 including 8.0% interest collateralized by a vehicle	3,083	3,645	7,328
Loan from Hollidaysburg Trust Co to Inmate Telephone, Inc. payable in monthly installments of \$747 including 7.25% interest collateralized by a vehicle.	6,653	28,214	34,867
	<u>\$ 305,760</u>	<u>\$ 677,087</u>	<u>\$ 982,847</u>

5. LONG-TERM DEBT (Continued)

The aggregate amounts of installment debt maturing in each of the next five years are as follows:

2000	\$ 305,760
2001	602,129
2002	45,025
2003	20,981
2004	8,952
	<u>\$ 982,847</u>

6. STOCKHOLDERS' EQUITY

	<u>DSI</u>	<u>ITI</u>	<u>CDI</u>	<u>TOTAL</u>
Common Stock	100,000	1,000	7,500	108,500
Additional Paid-In-Capital	146,250	151,999	50,000	348,249
Retained Earnings	(45,114)	67,748	12,740	35,374

7. ACCOUNT AND NOTE RECEIVABLE-OTHER

Digital Solutions, Inc. has a receivable from Roadware, which the time frame of collection is uncertain. A Canadian company had acquired Roadware, along with the receivable, which will be repaid when the entity is sold.

8. RELATED PARTY TRANSACTION

The Companies had the following transactions with related parties during the fiscal year:

<u>Nature of Transaction</u>	<u>Amount</u>	<u>Relationship</u>
Unsecured demand note payable to Alan Larson and Roger Larson	\$ 535,494	Shareholders
Accrued interest payable to the Larsons	\$ 11,454	Shareholders

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DIGITAL SOLUTIONS, INC.  
AND AFFILIATES

COMBINED FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED  
MARCH 31, 1999

# Guy J. Landolfi P. C.

Certified Public Accountant


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2903 7th Avenue • Altoona, PA 16602 • (814) 942-5345 • FAX (814) 942-6594 • In PA 1-800-284-5263

To the Board of Directors and Stockholders of  
Digital Solutions, Inc. and Affiliates  
Altoona, Pennsylvania

I have compiled the accompanying combined balance sheet of Digital Solutions, Inc. and Affiliates as of March 31, 1999 and the related combined statements of income, retained earnings, and cash flows for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. I have not audited or reviewed the accompanying combined financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

  
Guy J. Landolfi, CPA  
August 18, 1999

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DIGITAL SOLUTIONS, INC. AND AFFILIATES  
COMBINED BALANCE SHEET  
SEE ACCOUNTANT'S COMPILATION REPORT  
March 31, 1999

ASSETS

CURRENT ASSETS	
Cash	\$ 67,955
Accounts Receivable	275,116
Inventory	48,729
Security Deposit	329
Prepaid Income Taxes	12,387
Prepaid Expenses	<u>14,246</u>
TOTAL CURRENT ASSETS	418,762
PROPERTY, PLANT, AND EQUIPMENT, AT COST (Note 2)	
Land	9,840
Fixed Assets	1,554,791
Accumulated Depreciation	<u>(831,821)</u>
TOTAL PROPERTY, PLANT, AND EQUIPMENT	732,810
OTHER ASSETS	
Investments	10,000
Intangible Assets, Net Amortization (Note 2)	7,719
Cash Surrender Value (Note 3)	3,948
Account and Note Receivable-Other (Note 7)	<u>47,214</u>
TOTAL OTHER ASSETS	<u>68,881</u>
TOTAL ASSETS	<u>\$ 1,220,453</u>

The accompanying notes are an integral part  
of these financial statements

DIGITAL SOLUTIONS, INC. AND AFFILIATES  
COMBINED BALANCE SHEET (Continued)  
SEE ACCOUNTANT'S COMPILATION REPORT  
March 31, 1999

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES	
Accounts Payable	\$ 28,008
Payroll Taxes Payable	14,263
Sales Tax Payable	58
Other Taxes Payable	1,500
Accrued Interest Payable	13,831
Stockholders' Loans	56,540
Current Portion of Long-Term Debt (Note 5)	<u>521,775</u>
TOTAL CURRENT LIABILITIES	635,975
LONG-TERM DEBT (Note 5)	116,883
INTERCOMPANY LOANS BETWEEN AFFILIATES (Note 8)	<u>20,086</u>
TOTAL LIABILITIES	772,944
STOCKHOLDERS' EQUITY (Note 6)	
Common Stock	108,500
Additional Paid-In-Capital	348,249
Retained Earnings	<u>(9,240)</u>
TOTAL STOCKHOLDERS' EQUITY	<u>447,509</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 1,220,453</u>

The accompanying notes are an integral part  
of these financial statements

DIGITAL SOLUTIONS, INC. AND AFFILIATES  
 COMBINED STATEMENT OF INCOME  
 SEE ACCOUNTANT'S COMPILATION REPORT  
 For the Year Ended March 31, 1999

INCOME	\$ 2,326,918	100.0
COST OF SALES		
Telephone Service Providers	300,600	12.9
Purchases	363,236	15.6
Freight	<u>1,739</u>	<u>0.1</u>
TOTAL COST OF SALES	<u>665,575</u>	<u>28.6</u>
GROSS PROFIT	1,661,343	71.4
OPERATING EXPENSES		
Advertising	36,502	1.6
Automobile Expense	29,399	1.3
Bad Debt Expense	200	0.0
Bank Service Charges	1,173	0.1
Bonuses	4,100	0.0
Commissions	229,399	9.9
Consulting Fees	21,840	0.9
Contract Labor	1,006	0.0
Conventions and Seminars	18,551	0.8
Delivery Expense	11,151	0.5
Depreciation and Amortization	319,190	13.7
Dues and Subscriptions	3,845	0.2
Fines and Penalties	1,999	0.1
Insurance	72,153	3.1
Meals and Entertainment	7,196	0.3
Miscellaneous Expense	2,647	0.1
Office Expense	46,983	2.0
Payroll Taxes	52,815	2.3
Postage	1,261	0.1
Professional Fees	15,355	0.7
Rent	4,690	0.2
Repairs and Maintenance	4,078	0.2
Salaries	480,395	20.7
Salaries-Officers	70,569	3.0
Service Fees	12,567	0.5
Supplies	26	0.0
Staff Travel	54,542	2.3
Taxes and Licenses	9,639	0.4
Telephone	11,654	0.5
Training	23,589	1.0
Utilities	<u>11,117</u>	<u>0.5</u>
TOTAL OPERATING EXPENSES	<u>1,559,631</u>	<u>67.0</u>
Net Operating Income (Loss)	101,712	4.4

The accompanying notes are an integral part  
of these financial statements

DIGITAL SOLUTIONS, INC. AND AFFILIATES  
COMBINED STATEMENT OF INCOME (Continued)  
SEE ACCOUNTANT'S COMPILATION REPORT  
For the Year Ended March 31, 1999

OTHER INCOME AND (EXPENSES)		
Income Tax (Note 4)	(0)	(0.0)
Rental Income	7,200	0.3
Interest Income	110	0.0
Interest Expense	(34,417)	(1.5)
Commission Income	29,501	1.3
Miscellaneous Income	<u>271</u>	<u>0.0</u>
TOTAL OTHER INCOME AND EXPENSES	<u>2,665</u>	<u>0.1</u>
NET INCOME (LOSS)	<u>\$ 104,377</u>	<u>4.5</u>

The accompanying notes are an integral part  
of these financial statements



DIGITAL SOLUTIONS, INC. AND AFFILIATES  
COMBINED STATEMENT OF RETAINED EARNINGS  
SEE ACCOUNTANT'S COMPILATION REPORT  
For the Year Ended March 31, 1999

Retained Earnings (Deficit), Beginning	\$ 8,087
Net Income (Loss)	104,377
Dividend Distributions	<u>(121,704)</u>
Retained Earnings (Deficit), Ending	<u>\$ (9,240)</u>

The accompanying notes are an integral part  
of these financial statements

DIGITAL SOLUTIONS, INC. AND AFFILIATES  
STATEMENT OF CASH FLOWS  
SEE ACCOUNTANT'S COMPILATION REPORT  
For the Year Ended March 31, 1999

<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Cash Received From Customers and Others	\$ 2,146,433
Interest Income	<u>110</u>
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	2,146,543
Cash Paid to Suppliers and Others	(1,901,175)
Interest Expense	<u>(21,839)</u>
CASH FLOWS USED BY OPERATING ACTIVITIES	<u>(1,923,014)</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	223,529
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Purchase of Fixed Assets, Net Trade-Ins	(570,738)
Change in Cash Surrender Value	(1,533)
Cash Paid for Intangible Assets	<u>(1,100)</u>
NET CASH FLOWS FROM INVESTING ACTIVITIES	(573,371)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>	
Proceeds from Debt, Net of Repayments	322,620
Increase in Stockholders' Loans	34,387
Dividend Distributions	(121,704)
Increase in Additional Paid-in-Capital	50,000
Change in Intercompany Loans Between Affiliates	<u>20,086</u>
NET CASH FLOWS FROM FINANCING ACTIVITIES	<u>305,389</u>
Net Change in Cash	(44,453)
Cash and Cash Equivalents, Beginning	<u>112,408</u>
Cash and Cash Equivalents, Ending	<u>\$ 67,955</u>
Income Tax Paid	<u>\$ 0</u>

The accompanying notes are an integral part  
of these financial statements

DIGITAL SOLUTIONS, INC. AND AFFILIATES  
STATEMENT OF CASH FLOWS (Continued)  
SEE ACCOUNTANT'S COMPILATION REPORT  
For the Year Ended March 31, 1999

Reconciliation of Net Income to Net Cash  
Provided by Operating Activities:

Net Income (Loss) \$ 104,377

Adjustments to Reconcile Net Income to  
Net Cash Provided by Operating Activities:

Depreciation and Amortization 319,190

Change in Current Assets and Liabilities:

(Increase) Decrease in Accounts Receivable (217,457)

(Increase) Decrease in Inventory (1,416)

(Increase) Decrease in Advances Receivable 5,174

(Increase) Decrease in Prepaid Expenses (3,451)

(Increase) Decrease in Prepaid Income Taxes 1,204

Increase (Decrease) in Accounts Payable 5,788

Increase (Decrease) in Payroll Taxes Payable (2,452)

Increase (Decrease) in Sales Tax Payable (160)

Increase (Decrease) in Other Taxes Payable 154

Increase (Decrease) in Accrued Interest Payable 12,578

TOTAL ADJUSTMENTS 119,152

Net Cash Provided by Operating Activities \$ 223,529

The accompanying notes are an integral part  
of these financial statements

DIGITAL SOLUTIONS, INC. AND AFFILIATES  
NOTES TO THE COMBINED FINANCIAL STATEMENT  
March 31, 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Digital Solutions, Inc. (DSI), Inmate Telephone, Inc. (ITI), and Corrections Development International, Inc. (CDI) are affiliated entities with similar stockholders in common. DSI writes software and sells hardware for prison management. ITI installs and services telephone systems in prisons. CDI writes correctional service software and provides support.

The combined financial statements include the assets, liabilities, revenues, and expenses of the affiliated entities: Digital Solutions, Inc., Inmate Telephone, Inc., and Corrections Development International, Inc. All significant intercompany transactions have been eliminated in the combination. Transactions for DSI are recorded on an accrual basis of accounting, whereas transactions for ITI and CDI are recorded on a cash basis of accounting. DSI's fiscal year ends on March 31 and ITI and CDI have December 31 year-ends, which are within three months of each other.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at March 31, 1999 and revenues and expenses during the fiscal year then ended. The actual outcome of the estimates could differ from the estimates made in the preparation of the financial statement.

Inventory is stated at lower of cost or market. Cost is determined using the first-in first-out method.

The Companies extend credit to customers in the Mid-Atlantic region.

Accounts receivable are written off when they are considered uncollectible by management.

The Companies have no accrued compensated absences because the amount cannot be reasonable estimated.

2. Property and Equipment

Depreciation on property and equipment is provided using the straight-line method, accelerated cost recovery system, and modified accelerated cost recovery system.

Maintenance and repair costs are charged to expense in the year incurred. Expenditures that increase the life or extend the productivity of the asset are capitalized.

Intangible assets are amortized over periods of five through ten years using the straight-line method.

3. LIFE INSURANCE

Digital Solutions, Inc. is the owner and beneficiary of \$100,000 key man life insurance policies on Alan Larson and Rodger Larson. The cash surrender value is shown net of loans and withdrawal charges.

DIGITAL SOLUTIONS, INC. AND AFFILIATES  
NOTES TO THE COMBINED FINANCIAL STATEMENT  
March 31, 1999

4. INCOME TAXES

Inmate Telephone, Inc. and Corrections Development International, Inc. have elected by unanimous consent of the shareholders to be taxed under the provisions of Subchapter S of the International Revenue Code. Under those provisions the Companies do not pay federal or state corporate income taxes. The shareholders pay individual federal and state income taxes on the Companies' taxable income.

Digital Solutions, Inc. has income taxes of \$-0- for the current tax year. This Company has a net operating loss that may be carried forward to offset future taxable income as follows:

<u>Amount</u>	<u>Year of Expiration</u>
\$36,444	2013
<u>3,009</u>	2019
\$39,453	

5. LONG-TERM DEBT

	<u>Current Portion</u>	<u>Long-Term Portion</u>	<u>Total</u>
Loan from Mid State Bank to Digital Solutions, Inc. payable in monthly installments including 11.0% interest collateralized by a building.	\$ 7,055	\$ 22,746	\$ 29,801
Unsecured demand note from the Larsons to Digital Solutions, Inc., Inmate Telephone, Inc., and Corrections Development International, Inc. that bears interest at 10.0%.	452,187	0	452,187
Loan from First Commonwealth Bank to Digital Solutions, Inc. payable in monthly installments including 7.9% interest collateralized by a vehicle.	2,270	11,099	13,369
Loan from Hollidaysburg Trust Co. to Inmate Telephone, Inc. payable in monthly installments including 8.0% interest collateralized by vehicles.	20,473	29,964	50,437
Loan from Laurel Bank to Inmate Telephone, Inc. payable in monthly installments including 9.75% interest collateralized by a vehicle.	4,220	15,911	20,131

DIGITAL SOLUTIONS, INC. AND AFFILIATES  
 NOTES TO THE COMBINED FINANCIAL STATEMENT  
 March 31, 1999

	<u>Current Portion</u>	<u>Long-Term Portion</u>	<u>Total</u>
Loan from Hollidaysburg Trust Co. to Inmate Telephone, Inc. payable in monthly installments including 9.25% interest collateralized by a vehicle.	7,542	21,369	28,911
Loan from Hollidaysburg Trust Co. to Inmate Telephone, Inc. payable in monthly installments including 9.25% interest collateralized by a vehicle.	3,780	6,745	10,525
Loan from Hollidaysburg Trust Co. to Inmate Telephone, Inc. payable in monthly installments including 8.0% interest collateralized by a vehicle.	3,400	7,329	10,729
Loan from Hollidaysburg Trust Co. to Inmate Telephone, Inc. payable in monthly installments including 10.0% interest collateralized by a vehicle.	3,195	1,720	4,915
Capital Lease from Keystone Financial to Inmate Telephone, Inc. payable in monthly installments.	<u>17,653</u>	<u>0</u>	<u>17,653</u>
	<u>\$ 521,775</u>	<u>\$ 116,883</u>	<u>\$ 638,658</u>

The aggregate amounts of installment debt maturing in each of the next five years are as follows:

2000	\$ 521,775
2001	54,908
2002	39,538
2003	18,830
2004	<u>3,607</u>
	<u>\$ 638,658</u>

DIGITAL SOLUTIONS, INC. AND AFFILIATES  
 NOTES TO THE COMBINED FINANCIAL STATEMENT  
 March 31, 1999

6. STOCKHOLDERS' EQUITY

	<u>DSI</u>	<u>ITI</u>	<u>CDI</u>	<u>TOTAL</u>
Common Stock	100,000	1,000	7,500	108,500
Additional Paid-In-Capital	146,250	151,999	50,000	348,249
Retained Earnings	(131,787)	108,857	13,690	(9,240)

7. ACCOUNT AND NOT RECEIVABLE-OTHER

Digital Solutions, Inc. has a receivable from Raodware, which the time frame of collection is uncertain. A Canadian company had acquired Roadware, along with the receivable, which will be repaid when the entity is sold.

8. INTERCOMPANY LOANS BETWEEN AFFILIATES

The affiliated entities loan funds between each other to cover fluctuations in cash flow. The intercompany loans are eliminated in the combination. However, due to the discrepancy in the affiliates' year ends, the intercompany loan balances may not coincide. The balance of \$20,086 represents this discrepancy due to timing differences.

9. RELATED PART TRANSACTION

The Companies had the following transactions with related parties during the fiscal year:

<u>Nature of Transaction</u>	<u>Amount</u>	<u>Relationship</u>
Unsecured demand note payable to Alan Larson and Roger Larson	\$ 452,187	Shareholders
Accrued interest payable to the Larsons	\$ 13,831	Shareholders

**Written Statement Regarding  
Financial Stability  
of  
Inmate Telephone Inc.**

Inmate Telephone Inc. (ITI) possesses more than sufficient economic resources to provide Inmate Telephone Service to facilities in the State of Florida. Operating costs remain very low, because ITI solely operates within Correctional Facilities, connecting hardware (telephones and computer workstations) with dial tone purchased from existing telecommunications providers and providing billing.

ITI has a proven history of successful migration into new territories. Originating within its home state of Pennsylvania, ITI has expanded into neighboring New Jersey and Maryland, as well as New Hampshire. With every installation ITI has met the needs of each facility and provided products, customer support, and service of the highest quality.

As ITI is a reseller of dial tone, ITI does not face a majority of the expenses ordinarily involved in the operation of a telecommunications provider. Many of the costs in the operation of Inmate Telephone Services are incurred by the individual facilities. ITI incurs the expense of maintaining its software, maintaining telephones that it installs, and maintaining any computer hardware purchased by the facility. ITI's broad client base provides more than enough revenue to successfully support its facilities.

ITI does not require a physical office in the state of Florida in order to conduct business, therefore there is no consideration as to whether the company can meet its lease or ownership obligations.