BUSINESS TELECOMMUNICATION SERVICES, INC.

EXAMINATION REPORT

FOR THE PERIOD ENDED JUNE 30, 2005

MORRISON, BROWN, ARGIZ & FARRA, LLP
Certified Public Accountants

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Federal Communications Commission and
Business Telecommunication Services, Inc.

We have examined Business Telecommunication Services, Inc.'s ("BTS") compliance with the nine factors outlined by the Federal Communications Commission (FCC) pursuant to section 64.1310(a)(1) during the period ended June 30, 2005. Management is responsible for BTS' compliance with those requirements. Our responsibility is to express an opinion on BTS' compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about BTS' compliance with the nine factors outlined by the FCC and performing such other procedures, as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on BTS' compliance with the specified requirements.

In our opinion, BTS complied, in all material respects, with the aforementioned requirements for the period ended June 30, 2005.

Morrison, Brown, Argiz & Farra, LLP

Miami, Florida
July 12, 2005

www.mbafcpa.com

1001 Brickell Bay Drive, 9th floor
Miami, Florida 33131
Tel: 305-373-5500 Fax: 305-373-0056

301 East Las Olas Blvd., 5th floor
Ft Lauderdale, Florida 33301
Tel: 954-760-9000 Fax: 954-760-4465

1113 Spruce Street, Suite 502
Boulder, Colorado 80302
Tel: 303-381-2550 Fax: 303-381-2551

Federal Communications Commission (FCC)

On October 3, 2003, the FCC amended its Dial Around Compensation (DAC) rules to require Switch-Based Resellers (SBR) to compensate Payphone Service Providers (PSP) directly. DAC is the process by which PSP receive reimbursement for toll free calls placed from their payphones.

The previous ruling required the first underlying facilities-based interchange carrier to pay PSP and seek reimbursement from the SBR. Under the new rules, carriers that own or lease a switch and use the switch to complete the calls are directly responsible for compensating PSP for each toll free call placed from a payphone.

BTS is a FCC licensed, Florida registered, Miami-based Inter-Exchange Carrier and full service telecommunications provider that acts as a Switch-Based Reseller.

FCC Certification & Audit Requirements:

The FCC requires the SBRs to comply with the following criteria:

- Whether the Completing Carrier's procedures accurately track calls to completion. A Completing Carrier is a long distance carrier or switch-based long distance reseller or a local exchange carrier (LEC) that completes a coin less access code or subscriber toll-free payphone call.

- Whether the SBR has a person or persons responsible for tracking, compensating, and resolving disputes concerning payphone completed calls

- Whether the SBR has effective data monitoring procedures

- Whether the SBR adheres to established protocols to ensure that any software, personnel or any other network changes do not adversely affect its payphone call tracking ability

- Whether the SBR has created a compensable payphone call file by matching call detail records against payphone identifiers

- Whether the SBR has procedures to incorporate call data into required reports

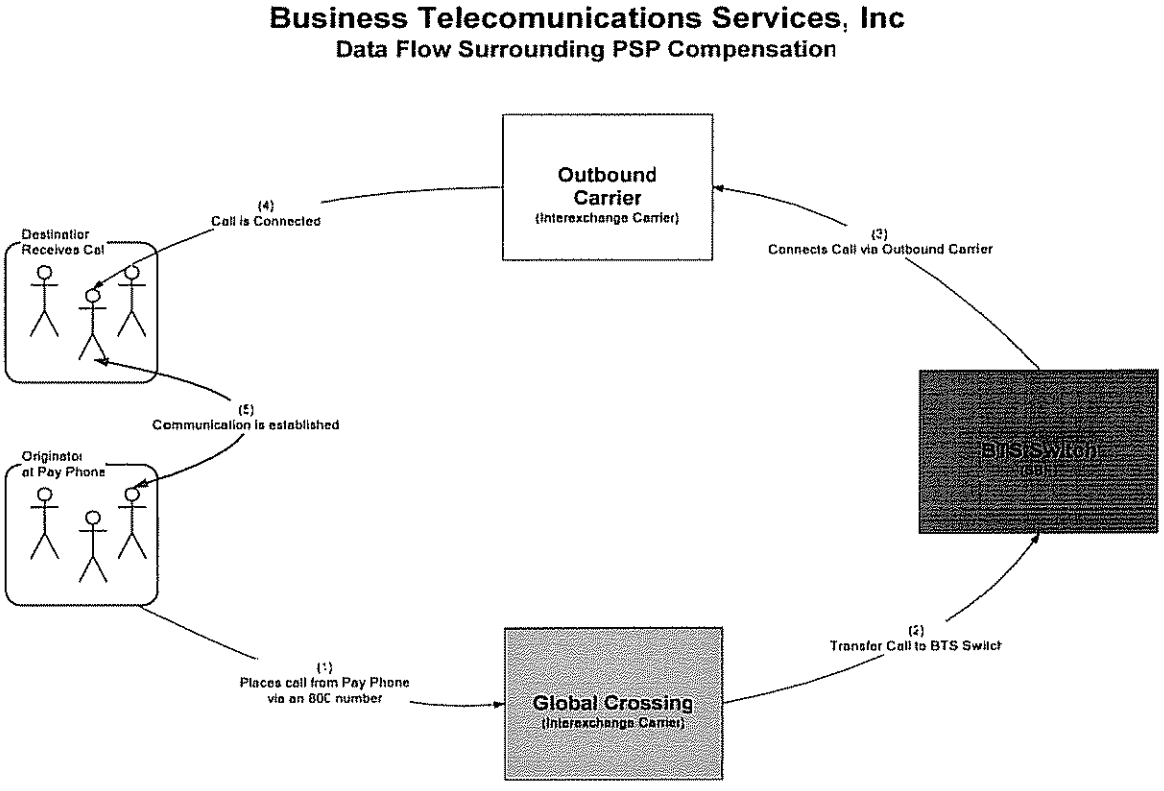
- Whether the SBR has implemented procedures and controls needed to resolve disputes

- Whether the independent third-party auditor can test all critical controls and procedures to verify that errors are insubstantial

- Whether the SBRs have adequate and effective business rules for implementing and paying payphone compensation, including rules used to: (i) identify calls originated from payphones; (ii) identify compensable payphone calls; (iii) identify incomplete or otherwise non-compensable calls; and (iv) determine the identities of the PSPs to which the SBR owes compensation

We have performed various procedures to determine whether BTS is in compliance with the nine factors stated above. Refer to each respective criteria for procedures performed.

Payphone Service Provider Compensation Data Flow



As demonstrated in the sketch above, an originator places a phone call by using one of the 8XX number assigned to BTS by Global Crossing, the inbound carrier. The call is then transferred to an outbound carrier through the BTS switch. This outbound carrier connects the call to its final destination.

All calls are assigned a two digit code, known as *info digits* (payphone indicator), by the

Local Exchange Carrier (LEC) and passed on to the switch indicating the type of phone where the call originated. The info digit is used to differentiate whether the call originated from a payphone. Payphone indicator values include "08" which represents a call originating from an Owner Payphone, "70" which identifies all calls originating from a payphone line which do not use network provided coin control signaling, "27" which identifies calls originating from a payphone line which uses network provided coin control signaling, and "29" is used to payphone within a confinement/detention facility that are intended for inmate/detainee use and require outward call screening and restriction.

An automated script is executed automatically once a month. This program connects to the database, and runs a query with the following parameters to identify payphone-completed calls:

- Dialing an 800 number (Search the switch for the DNIS Number) and/or
- Payphone originated calls (Search the switch for calls with payphone specific info digits) and
- completed (answered duration > 0) and
- over specific defined trunk groups (23, 26, and 54)

Once the Call Detail Records (CDRs) are obtained, the information is formatted with the specifications provided by Atlantax Systems Inc, the third party retained as the clearinghouse for dial around compensation.

Atlantax Systems, Inc.

For the purpose of accurately compensating PSPs for all connected calls originating from payphones, BTS has retained the services of Atlantax Systems, Inc. Atlantax Systems, Inc. is a ten year old privately owned company with offices in Atlanta, Georgia and Torrence, California. Atlantax offers both license and service bureau tax compliance solutions, including tax related and dial around compensation clearinghouse services for the telecommunication, utility and retail industries. Atlantax requires, that on a monthly basis, an electronic file be transmitted to them incorporating all completed payphone originated toll free calls identified on BTS' network.

The Atlantax Dial Around Compensation Clearinghouse provides a complete mechanism for complying with the FCC dial around compensation directives. Atlantax uses a proprietary program, which provides reliable, automated processing, calculation, remittance, and dispute resolution.

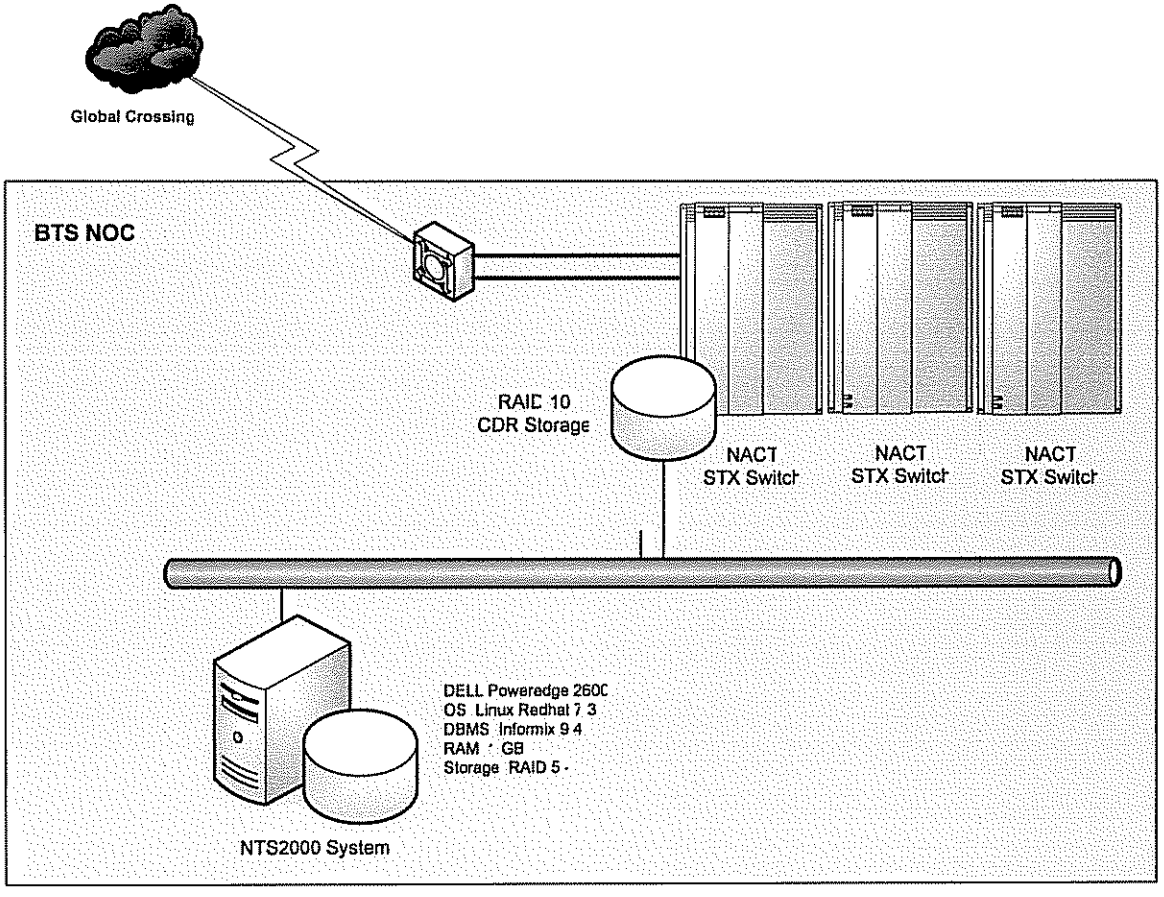
Agreed-upon procedures were performed by certified public accountants to evaluate the adequacy of Atlantax's Dial Around Compensation. Procedures performed were in the following areas:

1. General Control Environment
2. Payphone ANI (i.e., telephone numbers) Data

3. Call Detail Record (CDR) Data
4. Comparison of ANI and CDR Data Sets
5. DAC Program to Determine Liabilities to PSP's

The independent accountants' report on agreed-upon procedures in connection with the Dial Around Process of Atlantax Systems, Inc. dated June 24, 2005 did not reveal any significant deficiencies. Refer to Appendix C for a copy of this report.

Overview of BTS Call Tracking System:



The payphone call tracking system is part of BTS' larger infrastructure for other services provided to customers and consists primarily of an NACT STX switch, tree inbound trunk groups from Global Crossing, and the NTS2000 Billing/OSS System. All three components are housed in the NOC located at 444 Brickell Avenue.

The NACT consists of two parts: (1) the STX switch and (2) the NTS Billing System. The STX switch is where the physical T1's are connected both incoming and outgoing to either the PSTN or to another switch.

The STX switch is kept redundant by a RAID 10, where CDR's are stored. A daily backup is done of the STX on a DAT 4mm Data Cartridge. There is also redundancy on the power supply.

A proprietary Unix variant called WMCS is the operating system that runs the STX. The STX software is composed of log files, data files and processes that use the information in the data files. Processes are programs written to link pieces of information found in data file records. Log files contain information gathered as a process runs.

Data files store information to be retrieved and linked to other information through various processes. The information found on the data files is organized by fields and records. Certain fields are known as key fields. Key fields have two purposes: first, they must be filled in order for a record to exist. Second, they reference information found in records of other data files.

The NTS is powered by a Dell Power Edge 2600 Server running on Red Hat Linux 7.3. It has a RAID 5 with a dual channel controller. It also has redundancy on the power supply. Data is collected from the STX by the NTS and stored in an Informix database 9.4. Collections can be performed manually or as many times a day as necessary or they can be set up to run automatically as many times a day as necessary through the cron process (Cron is the name of program that enables UNIX users to execute commands or scripts (groups of commands) automatically at a specified time/date).

BTS runs the collection process every two minutes. The NTS connects to the STX via TCP/IP socket and downloads all the new records from the last successful collection.

Data on the STX is maintained for two weeks while the Informix database on the NTS keeps completed calls for one year. In the event that it is necessary to recover data from the STX, it is possible to reconstruct two weeks worth of calls. Both systems also have backup to tape.

Criteria # 1 - Whether the Completing Carrier's procedures accurately track calls to completion

We examined BTS's policies and procedures to accurately track calls to completion and determined that they were appropriate. In addition, we performed certain procedures, which verified that BTS was in compliance with their policies and procedures. Such procedures are outlined below:

Observation:

BTS has created a SQL query as part of an automated script in order to extract the specified information from the database to determine completed

calls. In order to correctly identify a completed call, BTS considers that a call was connected when the answered duration is not zero.

Procedures:

We reviewed the SQL query and the Perl script that was being used to produce the monthly CDR for Atlantax.

Findings:

We found that both the query and the script reflected the business rules and internal policies of BTS and its clearinghouse, Atlantax. There was no material changes in the process to track calls.

Procedures:

We obtained calling cards provided by the client's affiliated company and utilized these cards to perform actual calls from various payphones (i.e. Prepaid Phone Cards - Miami Phone Bus). We placed international/domestic calls using residential, business, and cellular phones with the pin number provided by the prepaid cards in order to verify that the system captures these calls as non-compensable. In addition, we placed long distance calls using the local numbers from the prepaid cards by depositing coins into payphones and we verified that these calls are not identified as compensable. All calls performed were traced and agreed to the data on the query report for accuracy and completeness.

Findings:

We verified the accuracy of the SQL queries utilized to extract pertinent information from the database. We noted that the system queries created by BTS identified all calls made using the callings cards. In addition, the system was able to identify calls originating from payphones and the duration of these calls.

Criteria # 2 - Whether the Completing Carrier has a person or persons responsible for tracking, compensating, and resolving disputes concerning payphone completed calls.

We noted that BTS's has a person responsible for tracking, compensating, and resolving disputes concerning payphone completed calls. We also were informed that last years audit report was sent to all parties as required by the FCC Guideline.

Observation:

Per review of the policies and procedures regarding dispute resolution, we noted that there are two types of disputes that can arise from 8XX toll free traffic as follows:

(1) Different PSP claiming ownership of the same payphone.

(2) PSP requesting payment for more calls than the number of compensable calls identified in the carrier's network, however, such disputes are very rare.

Under Scenario #1, Atlantax manages all disputes until closure is reached. Payments attributable to disputed or unidentified ANI's are suspended pending verification and dispute resolution (Refer below).

Under Scenario #2, BTS will provide the PSP with the CDRs of all completed and uncompleted calls originated from the payphone in question with detailed call supervision results explaining the reason calls were marked as not completed.

BTS has appointed and designated the CFO as the person ultimately in charge of resolving disputes concerning payphone completed calls.

Criteria # 3 - Whether the Completing Carrier has effective data monitoring procedures

We examined BTS's policies and procedures for data monitoring procedures and determined that they are appropriate and effective. In addition, we performed certain procedures, which verified that BTS was in compliance with their policies and procedures. Such procedures are outlined below:

Procedures:

We discussed with the CFO the procedures in place for quality assurance on the information contained in the database. We reviewed the SQL queries set up to verify the accuracy of the data extracted.

Findings:

We noted that the system is programmed to run automated daily queries to test data accuracy, integrity and completeness. The queries are run to identify the following problems:

1. There are no calls missing info digits
2. All source and DNIS numbers contain 10 digits
3. Call completion volume variation
4. Identify completed calls over the defined trunk groups and the set of 800 numbers for which invalid info digits are found – these may be possible errors.

An exception report with any detected problems is then sent by e-mail to the appropriate personnel for investigation.

We ran the SQL query created by BTS on the CDRs provided to us. The SQL query appears to be adequate for identifying problems.

Criteria # 4 - Whether the Completing Carrier adheres to established protocols to ensure that any software, personnel or any other network changes do not adversely affect its payphone call tracking ability.

We noted that BTS has the controls and technical/human resources needed to ensure that software, hardware, or personnel changes do not adversely affect its payphone call tracking ability. We found adequate knowledge distributed among the various levels of employees and found available documentation of the corresponding procedures for operating and maintaining the systems.

Procedures:

The Information Technology (IT) specialist visited Business Telecommunications Services, Inc. (BTS) NOC where the NACT switch is located and met with the senior network engineers, Humberto Proaño and Luis Benevente in June 2005 to assess the internal controls as they relate to the policies, procedures and practices surrounding the Call Tracking system and processes. A question and answer session was conducted with each of the persons mentioned above to obtain an understanding of any changes to the organization's system controls in the past year.

Findings:

We did not find any significant deficiencies in BTS' general controls. Management has reported that no significant changes have been made to the infrastructure. Call center reports are reviewed daily by senior network engineers to ensure that there are no major degradations of the quality of service.

Refer to Appendix B.

Criteria # 5 - Whether the Completing Carrier has created a compensable payphone call file by matching call detail records against payphone identifiers.

We noted that BTS has created a compensable payphone call file by matching call detail records against payphone identifiers. We performed certain procedures, which verified that BTS was in compliance with such criteria. Procedures are outlined below:

Procedures:

We verified the accuracy of the SQL query to extract the information necessary to determine the pay phone provider (i.e. origination/source number). We verified that the origination numbers represented valid payphone numbers and were not NULL.

Findings:

We noted that the SQL query is able to capture the origination number of all calls and that this information was being sent to the clearinghouse, Atlantax. The payphone indicator was appended with "29" in March of 2005 by Atlantax.

Atlantax Fields Layout – Required Fields for DacPac:

Header Record:

Position	Description	Values Accepted
1-8	SBR ID	Provided by Atlantax
9-12	Claim Period	YYMM

Our systems require a carriage return / line feed (CR/LF) at the end of each record.

Detail Record:

Position	Description	Values Accepted
1-2	Category	"01"
3-4	Group	"01"
5-6	Record Type	"25"
7-12	Call Date	YYMMDD (Year, Month, Day)
13-14	From Number Length	"10"
15-24	From Number (Origination)	NPANXXNNNN
28-29	800 Number Dial Length	"10"
30-39	800 Number	800NNNNNNN
40-41	Final Connect Number Length	"10"
42-51	Final Connected Number	NPANXXNNNN (If International use 42-54)
55-60	Connect Time	HHMMSS (Hour, Minute, Second)
81-82	Pay phone indicator	"8", "08" or "70" or "27" or "29"
83-86	CIC Code	Carrier Identification Code of the Facilities Based Carrier that Routed call to Completing Carrier
87-97	Client Defined	Client Defined
98-150	Filler – Atlantax Reserve	Zero Fill or Leave Blank

Our systems require a carriage return / line feed (CR/LF) at the end of each record.

Trailer Record:

Position	Description	Values Accepted
1-2	ZZ	"ZZ"
3-10	Atlantax Reserve	Leave Blank
11-22	Total Record Count	XXXXXXXXXXXX (Right Justified)

Our systems require a carriage return / line feed (CR/LF) at the end of each record.

If you only have a DNIS for the 800 Number, Zero Fill the first three positions.

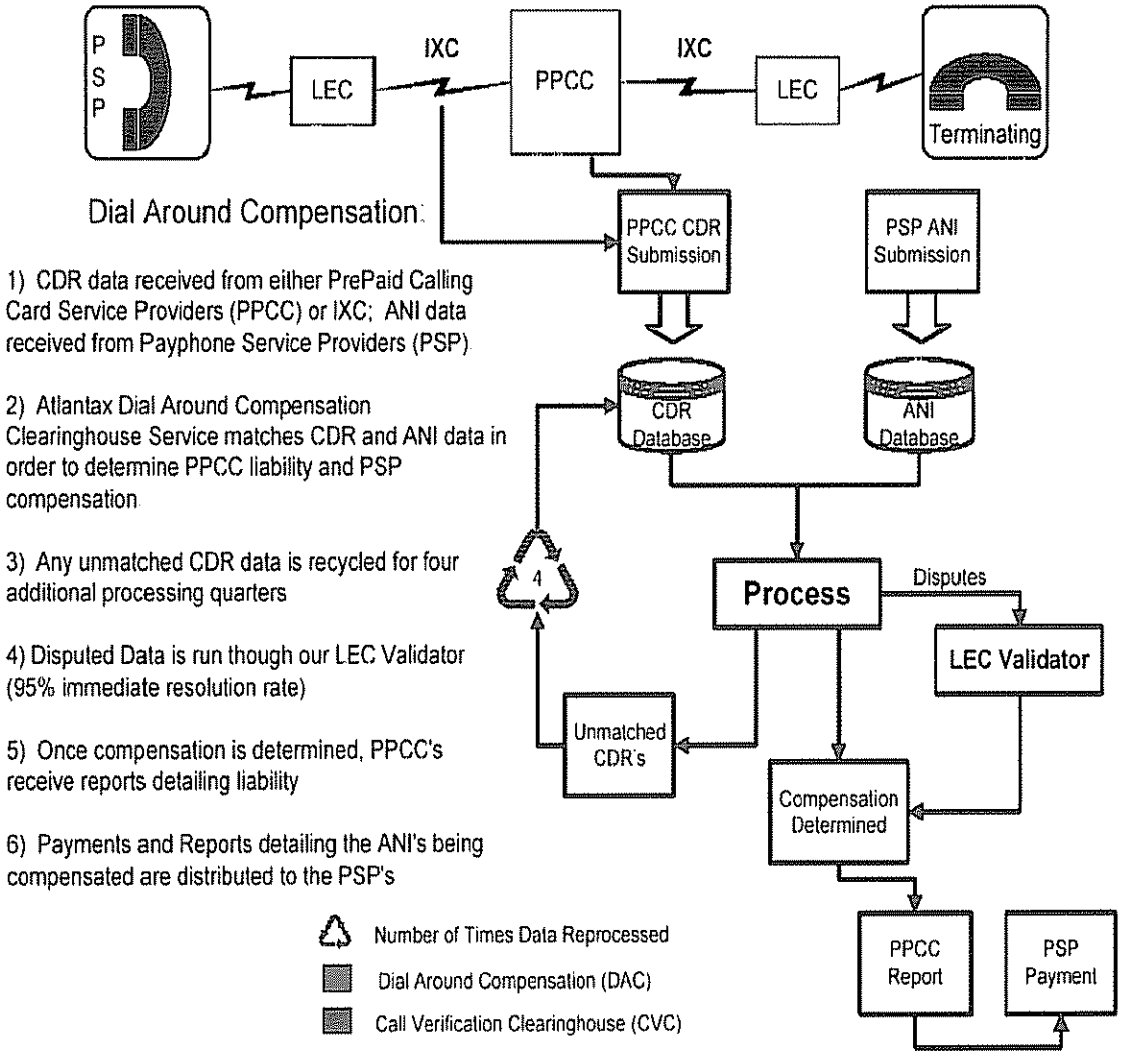
Payphone Indicator Values:

"8" or "08" – if just "8" then character must appear in position 82. Owner Payphone.
"70" – Flex Ani 70- Identifies calls originating from a payphone line which does not use network provided coin control signaling.

"27" – Identifies calls originating from a payphone line which uses network provided coin control signaling.
"29" – Identifies calls originating from within a confinement/detention facility that are intended for inmate/detainee use and require outward call screening and restriction.

Procedures:

We reviewed Atlantax's procedures with regards to reimbursement. Below is a sketch detailing the process:



Findings:

Per review of the procedures provided by Atlantax with regards to Dial Around Compensation, we have determined that the procedures to identify compensable payphone calls appear adequate.

Criteria # 6 - Whether the Completing Carrier has procedures to incorporate call data into required reports.

We examined BTS policies and procedures to incorporate call data into required reports. We performed certain procedures, which verified that BTS was in compliance with such criteria. Procedures are outlined below:

Procedures:

We reviewed BTS's Payphone Call Tracking Procedures Manual to ensure all procedures to incorporate call data into required reports are adequate and properly documented. In addition, we reviewed the actual SQL query used for accuracy. We ran this query against our own set of sample data (29 transactions as is explained in Criteria 9).

Findings:

We noted that BTS procedures manual with regards to payphone call tracking appears complete. In addition, the query appears to be well designed as it captured all required information that is needed by Atlantax for the DAC process.

Criteria # 7 - Whether the Completing Carrier has implemented procedures and controls needed to resolve payphone compensation disputes.

We noted that BTS has implemented procedures and controls needed to resolve payphone compensation disputes. We performed certain procedures, which verified that BTS was in compliance with such criteria. Procedures are outlined below:

Procedures:

We reviewed the procedures in place to handle disputes documented in the Payphone Call Tracking Procedures. We also reviewed the documentation of the only dispute where BTS had to provide additional information.

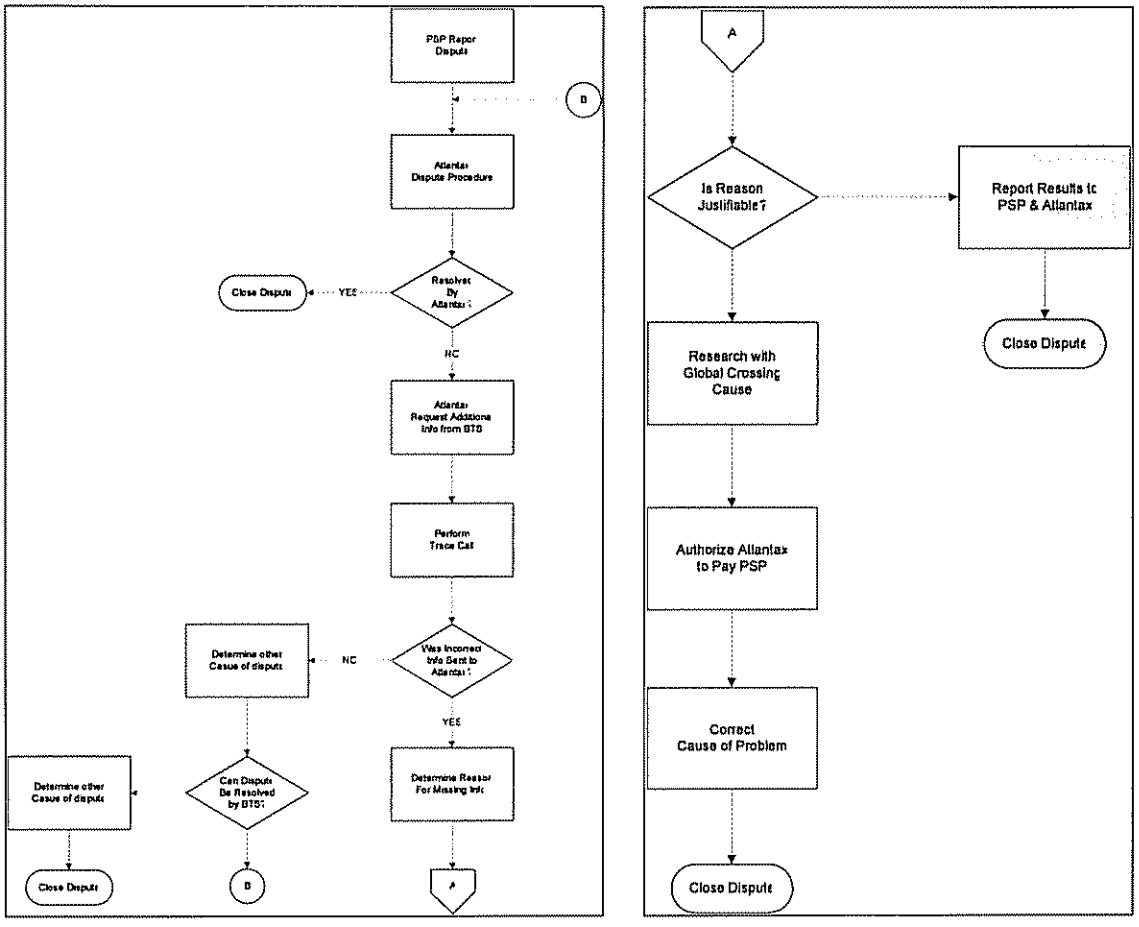
Findings:

We noted that for the most part the dispute process is handled by Atlantax. BTS will provide additional information when deemed necessary. We also noted that BTS procedures manual properly address the function and responsibility of obtaining and providing the necessary information to Atlantax.

Refer to Appendix A.

We were informed of one dispute this year which involved unreported completed calls. This was caused by incorrect reporting of the info digit which is used to identify

payphone originated calls. The problem has been addressed to and resolved by the Interexchange Carrier, Global Crossing, in accordance with the following flowchart.



Criteria # 8 - Whether the independent third party auditor can test all critical controls and procedures to verify that errors are insubstantial.

We were able to test critical controls and procedures to verify that errors are insubstantial. Procedures performed are as follows:

Procedures:

We obtained confirmation from management that no material changes were made to the infrastructure or the procedures to track and report payphone calls.

Findings

No significant findings.

Refer to Appendix B

Criteria # 9 - Whether the Completing Carrier has in place adequate and effective business rules for implementing and paying payphone compensation, including rules to — identify calls originated from payphones, identify compensable payphone calls, identify incomplete or otherwise noncompensable calls, and determine the identities of the payphone service providers to which the Completing Carrier owes compensation.

We noted that BTS has adequate and effective business rules to identify calls originated from payphones, identify compensable payphone calls, identify incomplete or otherwise non-compensable calls, and determine the identities of the payphone service providers to which BTS owes compensation. Since there were no significant changes made to the infrastructure we reduced our sample size 20% of last year's. Procedures performed are as follows:

Procedure:

Step 1
We acquired several prepaid cards that are associated with BTS and used them to make select calls in a variety of scenarios:

- Coinless payphone calls with International destination
- Coinless payphone calls with Domestic destination
- Coin payphone calls with International destination
- Coin payphone calls with Domestic destination
- Cell phone calls with International destination
- Cell phone calls with Domestic destination
- Other non-payphone calls with International destination
- Other non-payphone calls with Domestic destination
- Disconnected calls before connection could be established

These calls were made on different days at varying time throughout the day and in two counties. The rate of completed versus uncompleted calls was also mimicked.

Step 2
We then used the PIN for card to capture all transactions and verify against our logs for completeness. Using the criteria published by the FCC and provided by Atlantax we categorized the calls as follows to ensure that all calls placed were accounted for:

- Total Number of Transactions Created
- Total Number of Compensable Calls
- Total Number of Non-compensable Calls
- Total Number of Uncompleted Payphone Calls
- Total Number of Non-Coinless Non-payphone Calls
- Total Number of Calls from Payphone

Step 3
The third and final step of our analysis was to run the standard query used to identify and transmit compensable payphone calls to Atlantax for compensation to the PSPs and compare the results with that from the previous step.

Findings

We were able to account for all of the transactions that we created through the system based on the categorization process and log file comparison mentioned in the above procedure.

Summary:	
Total Number of Transactions Created:	29
Total Number of Compensable Calls:	10
Total Number of Non-compensable Calls:	19
Total Number of Uncompleted Payphone Calls:	4
Total Number of Non-Coinless Non-payphone Calls:	15
Total Number of Calls from Payphone:	14

The standard query used to identify and transmit compensable payphone calls to Atlantax for compensation to the PSPs also resulted in the 10 calls that we had previously tagged as compensable. These samples provided verification that the process was working as intended and designed to identify calls originated from payphones, identify compensable payphone calls, identify incomplete or otherwise non-compensable calls, and determine the identities of the payphone service providers to which BTS owes compensation.

Appendix A

Atlantax Dispute Resolution Process:

1. Local Exchange Carrier Validation (LEC) and Dispute Resolution.

   This process involves cross-referencing the PSP ANI and LEC ANI databases. All the disputed ANIs and their Owner Names, as passed in the PSP ANI data, are listed on screen with the corresponding LEC ANI and Owner Name information from the LEC ANI data. A comparison is made to identify the "true owner" based upon the LEC ANI data.

   If the "PSP Owner Name" from the LEC matches the 'PSP Owner Name' submitted by one of the disputing PSP owners, that PSP owner's ANI record is assigned a status code of 7 (Dispute Winner), with all other disputing owners ANI records being assigned a status code of 8 (Dispute Loser). In cases where no PSP owner name matches the LEC data, those ANI's are skipped and retain the status of 5 (Disputed). Performing a LEC Validation immediately after Processing is the fastest and easiest way to reduce the number of Disputed ANIs prior to generating a 'Disputed ANI' report. Records that maintain a status of 5 after this LEC validation process are included in the Disputed ANI report, which is submitted to each PSP claiming ownership. It is then the responsibility of the PSP to provide sufficient information to establish ownership of the ANI. As per the FCC, sufficient information may be provided as follows:

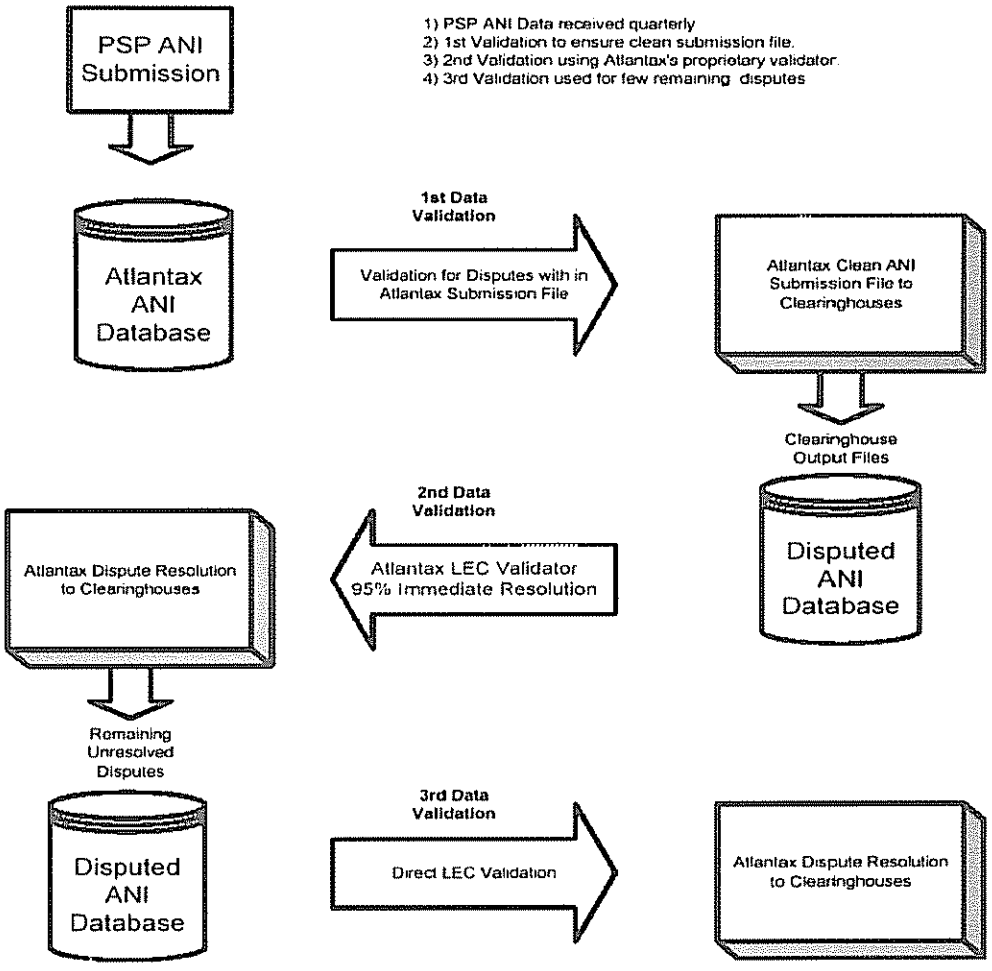
   A payphone service provider that seeks compensation for payphones that are not included on the Local Exchange Carrier's list satisfies its obligation to provide alternative reasonable verification to a payer carrier if it provides to that carrier:

   (1) A notarized affidavit attesting that each of the payphones for which the payphone service provider seeks compensation is a payphone that was in working order as of the last day of the compensation period; and

   (2) Corroborating evidence that each such payphone is owned by the payphone service provider seeking compensation and was in working order on the last day of the compensation period. Corroborating evidence shall include, at a minimum, the telephone bill for the last month of the billing quarter indicating use of a line screening service.

Upon receipt of substantiating evidence as per the above rules, Atlantax makes edits to that quarter's databases to adjust subsequent quarter resubmissions and processes.

3-Point Dispute Resolution Process



Copyright 2003
Atlantax Systems, Inc
For Express Use Only

Appendix B

OVERVIEW OF BUSINESS TELECOMUNICATION SERVICES (BTS) DIAL AROUND COMPENSATION (DAC) INTERNAL CONTROLS

Control Environment

Integrity and Ethical Values
Organizational policy statements and codes of conduct communicate entity values and behavioral standards to personnel.

Commitment to Competence
Management has considered the competence levels for particular jobs and translated those levels into skills and knowledge requirements for each job.

Board of Directors and Audit Committee Participation
BTS operations are overseen by a board of directors and an audit committee that is primarily comprised of senior management.

Management's Philosophy and Operating Style
Management's philosophy and operating style is documented and communicated to employees via the employee handbook. Management is periodically briefed on regulatory and industry changes affecting BTS services and user institutions. Management meetings are held on a weekly basis and operational issues are discussed and documented.

Organizational Structure and Assignment of Authority and Responsibility
Organizational charts are in place to communicate key areas of authority, responsibility and appropriate lines of reporting to personnel. Organizational charts are updated on a periodic basis.

Job descriptions are fully documented and generally include the following information:

- Position purpose
- Reporting relationships
- Direct reports
- Responsibilities
- Education requirements
- Experience requirements
- Requisite skills and/or knowledge

Human Resource Policies and Practices
Pre-hire screening is performed for all personnel. Pre-hire screening activities include the following components:

- Background check

Each employee completes certain training sessions and a log sheet is completed for each training session and tracked by personnel. Annual evaluations are performed for each employee at year end. The results of each annual evaluation are documented and maintained in the applicable personnel file. A termination checklist is used to guide the termination process.

Risk Assessment

BTS management has placed into operation a risk assessment process to identify and manage risks that could affect the organization's ability to provide reliable transaction processing for user organizations. This process requires management to identify significant risks in their areas of responsibility and to implement appropriate measures to address those risks. Risks that are considered during management's risk assessment activities include consideration of the following events:

- Changes in operating environment
- New personnel
- New or revamped information systems
- Rapid growth
- New technology
- New business models, products, or activities
- Corporate restructurings
- Expanded operations
- New accounting pronouncements

Management's recognition of risks that could affect the organization's ability to provide reliable transaction processing for its user organizations is generally implicit, rather than explicit.

Management's involvement in the daily operations allows them to learn about risks related to transaction processing through direct personal involvement with employees and outside parties, thus reducing the need for formalized and structured risk assessment processes.

Monitoring

BTS' management and supervisory personnel monitor the quality of internal control performance as a routine part of their activities. To assist them in this monitoring, BTS has implemented a series of comprehensive and summary reports that measure the results of the various check processing systems. These key reports include reports of actual transaction processing volumes compared with anticipated volumes and actual system availability and response times compared with established service level goals defined in the various service agreements. All exceptions to normal or scheduled processing related to hardware, software, or procedural problems are logged and reported until resolved. These key reports are reviewed daily and weekly by appropriate levels of management, and action is taken as necessary.

Information and Communication

Information and communication systems support the identification, capture, and exchange of information in a form and timeframe that enables employees to perform their responsibilities. The information system consists of the procedures, whether automated or manual, and records established to initiate, record, process, and report entity transactions (as well as events and conditions), and to maintain accountability for the related assets, liabilities, and equity. The quality of system-generated information affects management's ability to make appropriate decisions in controlling the entity's activities and to prepare reliable financial reports.

Upper management is involved with day-to-day operations and is able to provide personnel with an understanding of their individual roles and responsibilities pertaining to internal controls. This includes the extent to which personnel understand how their activities relate to the work of others and the means of reporting exceptions to an appropriate higher level within the Company. BTS management believes that open communication channels help ensure that exceptions are reported and acted on. For that reason, formal communication tools such as organizational charts, employee handbooks, training classes and job descriptions are in place. Management's communication activities are made electronically, verbally, and through the actions of management.

GENERAL COMPUTER CONTROLS

Organization and Administration

BTS is structured into various departments to ensure that business processes are performed in an efficient and effective manner and to help ensure that an adequate segregation of duties is maintained between and within the various departments. In addition all jobs have been defined within this organizational structure to make certain that adequate segregation of duties is maintained in assigning individual job responsibilities. Individual job responsibilities are communicated to employees, supervisors, and managers through formal job descriptions.

To help reduce the risk associated with sensitive positions within BTS, all new hires and internal transfers to sensitive areas are subject to background checks (e.g. ACH file processing and Information Technology management), conducted by a firm specializing in such checks.

Physical Security

The Operations facility is monitored through the use of security cameras that record and archive events for two months before being overwritten.

A card access system and key combination control access to and movement within the Operations facility. Documented policies and procedures define physical access levels for each job function.

Visitors to the operations facility are required to register at the front desk and show proper identification before being granted access to the facility. All visitors must be escorted in non-public areas of the building.

Only Operations Center personnel or employees with a valid business need are granted card access to the Operations Center. Only IT personnel are granted card and key access to computer operations, storage media, infrastructure and software.

Alarm systems and motion sensors exist within the facility. All restricted and highly restricted doors are equipped with card access control systems and all windows are secured from entry. Third party contractors must be escorted by an authorized BTS employee when in restricted and highly restricted areas.

The Human Resources Manager reviews card access listings on a weekly basis to identify and remove any unauthorized or unnecessary access levels. Department managers and supervisors are responsible for providing immediate notification of changes in employees' job responsibilities or employee terminations to the HR department. Termination procedures require that all access cards be recovered from terminated employees. Termination procedures require that terminated employee card access rights

be removed from the card access system. Documented policies and procedures require that network administrators be immediately notified via email of any changes in employees' job responsibilities or employee terminations. Upon termination, the employee's cards access is immediately terminated and an escort is provided to remove the employee from the facility. Upon termination, the employee signs a termination form acknowledging the return of all company property in their possession, including access cards.

Environmental Security

All areas of the facility are protected by fire detection and suppression controls that include fire alarms, fire detectors and hand-held fire extinguishers.

The security operations center is equipped with a separate air conditioning unit connected to the generator that is used to keep critical infrastructure equipment at vendor recommended temperatures.

Redundant Uninterrupted Power Supplies (UPS) are deployed on critical network infrastructure to allow for the availability of systems during temporary power outages and surges. A generator placed in automatic activation mode is deployed on critical network infrastructure to allow for availability of systems during extended power outages and surges. It is equipped with a diesel tank that can run the critical infrastructure for four days. Every Friday a self test is performed for five minutes and once a week a manual test is performed.

Fire alarm systems are periodically inspected by the fire department to verify compliance with fire regulations.

BTS maintains business interruption and fire insurance with The Hartford.

Computer Operations

Data center managers are responsible for replicating all data to redundant servers both in the local data center. Data center managers utilize automated tools to perform daily data replications. Procedures are in place to ensure that replicated data is available on the standby servers. Documented procedures are in place for restoring data from the online disk storage device or tape backups into the production environment depending on the scenario. Daily tests are performed to ensure that BTS can successfully restore from the online data storage devices. These redundant servers, carrying 15 minutes latent data, are used for research and inquiry.

Data center managers are responsible for replicating certain data center files to electronic media on a daily basis. Procedures are in place to rotate tapes to an offsite location for

safe storage on a weekly basis. Monthly tests are performed to ensure that BTS can successfully restore from tape backups. Backup tapes containing one week of data are stored at an offsite location to mitigate the risk of temporary loss of data or corruption by viruses and month-end tapes are kept indefinitely.

Designated fail over servers are activated manually in the event of a server outage. A redundant network is maintained for availability purposes. Alert notices regarding server and network outages are generated by network availability software and are sent to network administrators via email and mobile page. Network availability software is deployed that detects server and network failures and outages in real-time. Documented procedures exist to respond to application, server and network outages.

Automated monitor systems are deployed to monitor Transaction processing and image upload systems. Alert notices regarding systems outage are generated by monitor systems and sent to system administrator via email and mobile page.

Redundant Uninterrupted Power Supplies (UPS) are deployed on critical network infrastructure to allow for the availability of systems during temporary power outages and surges.

Operations procedures are documented for daily, weekly and monthly operational activities. Operations procedures are reviewed and updated on a periodic basis by the Director of Operations. Operations procedures are accessible by all operations personnel via the corporate intranet. BTS management reviews and approves all security operations procedures before issuance. Incident response procedures are documented to guide operations personnel in the event of a computer security incident. Documented policies and procedures define proper management escalation procedures for certain events.

Weekly meetings are held to train the operations personnel on new security threats and related incident response procedures, as well as renewing personnel's understanding of existing procedures. Incident response procedures are documented to guide operations personnel in the event of a computer security incident. Documented policies and procedures define proper management escalation procedures for certain events. Incident response procedures are reviewed and appropriately updated on a periodic basis by the IT Manager. BTS management reviews and approves all incident response procedures before issuance.

Automated systems are utilized to centrally track the status of computer incidents, including:

- Date and time of incident
- Level of severity
- Current status
- Type of incident

Management reviews unresolved incidents on a weekly basis to ensure that the incidents' criticality levels are appropriately classified and that the incidents are receiving the appropriate level of response from security operations personnel. Management reviews the resolution of all detected security incidents to ensure that the incidents were appropriately processed in accordance with incident processing standards.

Infrastructure Implementation and Modification Procedures

Enhancements to BTS' DAC infrastructure are performed using vendor provided patches and upgrades. Security Engineers subscribe to vendor news bulletins that alert the engineer regarding new patches, software versions and/or upgrades available.

Testing of new system software changes, upgrades or patches are tested by Level II network engineers in an isolated testing environment before being placed into production. The Level II and higher engineers are responsible for approving infrastructure changes before being moved into production. The Level II and higher engineers have authorization and access capabilities to move items into the BTS production environment.

Infrastructure implementations are governed by BTS change Control policy.

Data Communications

Documented policies are in place to guide the administration of communications activities. Firewall and intrusion detection systems are placed at network perimeter to protect BTS' internal networks. Firewall systems are in place between BTS' networks and dedicated third party connections. A Demilitarized Zone (DMZ) is deployed on the perimeter network that segregates publicly accessible BTS information from the company's private internal network.

A Demilitarized Zone (DMZ) is deployed on the perimeter network that segregates publicly accessible BTS information from the company's private internal network. Remote access to BTS' internal networks from external networks is controlled through the varying use of firewall systems, Active Directory and VPN technology.

Antivirus software is configured to monitor traffic within the internal network, as well as communications with external networks, and detect and prevent the transmission of data or files that contain certain virus signatures recognized by the antivirus software. Antivirus software is automatically updated with current virus signatures on a daily basis. Internal desktops and servers are configured for antivirus software scans that detect and eliminate data or files that contain certain virus signatures recognized by the antivirus software.

Perimeter entry points to the BTS internal network are protected by intrusion detection devices. Third party correlation and analysis tools analyze all BTS intrusion detection and firewall device logs and the results are reviewed by IT personnel. IT personnel review alerts from third party correlation and analysis tools as they are identified. Security incidents and unusual activities are documented in incident ticket reports within the automated help desk system and addressed by the security operations department for corrective action.

Documented corporate policies require the performance of a risk assessment of the internal network on a bi-annual basis. Documented corporate policies require the performance of a risk assessment of the internal network following major internal network modifications. BTS management reviews the results of all internal risk assessments and dictates the necessary action items to the appropriate network operations personnel. The BTS consulting division performs all external and internal network risk assessments. These personnel have no responsibility for the day-to-day operations within the security operations division representing a proper separation of responsibility.

Dial-in connections are allowed within the BTS network environment from authorized partners only. No internal modems are permitted within the organization except for conducting internal banking transactions. The banking transaction connection is only connected when in use.

Capacity Planning

Capacity planning reports are produced on a quarterly basis that compares key metrics, including current processing times and storage levels, to benchmark levels. Capacity planning reports include forecasts that estimate future needs and allow BTS management the ability to proactively plan for future capacity levels. BTS management inspects weekly capacity planning reports to monitor trends in processing and storage levels. Capacity plans are reviewed on a quarterly basis by BTS executive management to assure that proper resources are allocated to monitor and manage customer equipment. Measures are in place to monitor the capacity of server and database limits through real time alerts generated if server capacity exceeds the accepted threshold.

Disaster Recovery Planning

Documented disaster recovery and business continuity plans provide guidance to personnel on their responsibilities during a business interruption or natural disaster. BTS's formal disaster recovery and business continuity plans are periodically reviewed and updated by the Vice President of managed services.

A fully redundant hot site facility exists that mirrors the production equipment and data for continued operations in the event of a business interruption or natural disaster.

A current generator is installed in automatic activation mode to allow business continuance in the event of extended electrical outages at the Miami data center. The generator has refueling capabilities that allows for continued operations.

Procedures are in place to test the backup facility by means of a parallel test, where critical systems are run at the alternate site to assure all critical operations are functioning in the event of a disaster.

Structured walk through of the disaster recovery and business continuity plans are conducted on an annual basis.

BTS maintains business interruption and fire with The Hartford.

Appendix C

Atlantax 2005 Audit Report

McKean
Paul, Chrycy
Fletcher & Co.
certified public accountants

6401 Southwest 87th Avenue
Suite 210
Miami, FL 33173

Phone (305) 270-0880
Fax (305) 598-1011
www.mpcf.com

INDEPENDENT ACCOUNTANTS' REPORT ON AGREED-UPON PROCEDURES IN CONNECTION WITH THE DIAL AROUND COMPENSATION PROCESS OF ATLANTAX SYSTEMS, INC. DURING THE PERIOD FROM JULY 1, 2004 TO MARCH 31, 2005

Ms. Jill Gabriel
Chief Financial Officer
Atlantax Systems, Inc.
200 Ashford Center North, Suite 350
Atlanta, GA 30338

Dear Ms. Gabriel:

At your request, we have performed the procedures enumerated below, which were agreed upon by Atlantax Systems, Inc., ("Atlantax" or "the Company") solely to assist you with evaluating the adequacy of Atlantax's Dial Around Compensation ("DAC") process during the period from July 1, 2004 to March 31, 2005. This engagement to apply agreed upon procedures was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of Atlantax. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The Company's DAC processing occurs on a quarterly basis. Our agreed upon procedures encompassed certain aspects of processing for the third and fourth quarter of 2004 which occurred during the period from July 1, 2004 to March 31, 2005. Our procedures and findings are as follows:

1. General Control Environment-

Procedure:

a. Meet with Jill Gabriel, Atlantax's CFO and speak with Gary Rhodes, Atlantax's President to gain an overall understanding of management's attitude, awareness and actions concerning the importance of internal control and the emphasis placed on controls in the Company's policies, procedures, methods, and organizational structure.

Finding:

Meetings and conversations with the Company's CFO and President indicated that management places a high degree of importance on maintaining adequate internal controls and adherence to the Company's policies and procedures.

Procedure:

b. Review the Company's policies and procedures as it relates to the DAC process for appropriateness and test them for compliance as considered necessary.

Finding:
We reviewed the Company's DAC processing policies and procedures and determined that they were appropriate. In addition, we performed certain procedures, which verified that the Company was in compliance with their policies and procedures.

Procedure:
c. Determine if procedures exist to identify significant changes in federal, state and local rules and regulations as it relates to the DAC process that have a significant effect on the Company and its customers.

Finding:
The Company subscribes to the Federal Communications Commissions ("FCC") Daily Digest which provides daily information on news releases and public notices issued by the FCC which allows the Company to monitor significant changes in federal, state and local rules and regulations which have an effect on its customers. In addition, the Company periodically monitors all FCC filings in regards to DAC processing CC Docket No. 96-128. Further, the Company is on the International Prepaid Card Association ("IPCA") e-mail distribution list, and receives relevant DAC correspondence from the American Public Communications Council. The Company participates in their conference calls and attends industry forums on a regular basis.

Procedure:
d. Review the Company's information technology security, back-up and off-site storage policies for adequacy.

Finding:
The Company's information and technology security, back-up and off-site storage policies were reviewed and certain areas were noted to require improvement including password security features, and a documented disaster recovery plan. It should be noted that the areas identified to require improvement were also noted in our prior report dated June 22, 2004 for the period from January 1, 2004 to June 15, 2004.

Procedure:
e. Verify that the information system provides adequate reports for the Company and its customers.

Finding:
The Company generates, among other things, quarterly Call Data Record ("CDR") Summary Reports, Switch Based Reseller ("SBR") Payee Lists, and Payphone Service Provider ("PSP") DAC Payment Advices. These Reports are appropriate for processing CDRs received from SBRs, notifying SBRs of amounts due to PSPs, and paying PSPs for placed telephone calls.

2. <u>Payphone ANI (i.e., telephone numbers) Data –</u>

Procedure:
a. Verify that data received is complete
   - Compare volume of ANIs to prior quarters for reasonableness.

Finding:
The Company maintains a log to monitor that all known PSPs have provided their ANIs. We compared the Company's ANI database volume for each of the four quarters ending during 2004 and noted that the volume ranged between approximately 1.32 million (first quarter 2004) and 1.26 million (fourth quarter 2004). It should be noted that the volume of the ANI database fluctuates based upon information submitted by the PSPs and the decline is consistent with industry trends.

Procedure:
b. Verify that data received is accurate
- Review the PSP and Aggregator Log to determine that ANI information is received on a quarterly basis and that the Company's ANI database is updated from this information.

Finding:
We obtained the PSP and Aggregator ANI Log ("the Log") for the fourth quarter of 2004 which the Company uses to monitor that all known PSPs and Aggregators have supplied current ANI ownership information on a quarterly basis. On a test basis we agreed certain PSPs and Aggregators on the Log to a quarterly computer floppy disk or e-mail which the Company uses to update their ANI database.

Procedure:
c. Review and test dispute resolution procedures (more than one PSP claims ownership of the same ANI)
- Compare PSP information to Local Exchange Carrier ("LEC") database.
- If dispute still exists – send letters to disputing PSPs requesting proof of ownership, either in the form of an LEC letter or a phone bill from a LEC.

Finding:
We reviewed the Company's CDR Summary for the third and fourth quarter of 2004 and verified that the Company resolved ANI ownership disputes by comparing ANIs claimed by more than one owner to the LEC database. If the ownership dispute was not resolved by comparison to the LEC database, we noted that correspondence indicating ANI ownership conflicts were sent to the PSP for their review and related resolution documentation.

3. <u>Call Detail Record (CDR) Data –</u>

Procedure:
a. Verify that data received is complete
- Compare to trailer totals.
- Review Atlantax's confirms of receipt with SBR.

Finding:
The SBRs download CDRs to the Company's File Transfer Protocol ("FTP") site on their network. These CDRs contain completed call data, which is then accessed and processed against the ANI Database and a CDR Summary Report is generated which indicates matched, unmatched and disputed ANIs. On a test basis we agreed the number of original record counts in the CDRs downloaded by the SBRs to the number of original record counts processed by the Company and noted on the CDR Summary. In addition, we noted that the Company, in certain situations, corresponded with SBRs to verify that all CDR data downloaded to the FTP file were complete.

Procedure:

b. Verify that data received is accurate
   - Compare call levels with prior periods for reasonableness.

Finding:

We reviewed the number of original record counts contained in the CDR database for each of the four quarters ending during 2004 and noted that the volume ranged between approximately 980,000 (second quarter 2004) and 4.9 million (third quarter 2004). The increase in volume is directly related to the significant increase in the Company's DAC processing client base from the second quarter of 2004 to the third quarter of 2004.

4. Compare ANI and CDR Data Sets-

Procedure:

a. There will be differences between the two data sets – CDR record may have no corresponding ANI data ("unmatched").
   - Review the Company's procedures for resolving those differences
   - Compute accrued liability for ANIs not in LEC database, for possible future payment when ANI data becomes available.

Finding:

We reviewed the Company's CDR Summary Report for data processed relating to the third and fourth quarter 2004 and noted that there was a significant (i.e., 7.8% and 9.0%, respectively) number of unmatched ANIs as a result of the processing procedures (375,732 and 230,088 out of the 4,850,012 and 2,563,264 processed, respectively). It should be noted that a percentage of these unmatched ANIs do not require compensation from the SBRs due to the PSPs having alternative compensation arrangements (e.g., ANIs generated from correctional facilities) or non-reporting PSPs. It should be noted that during September 2004, the DAC compensation rate was increased from $.24 to $.494 which subsequently caused a decline in payphone usage.

5. Atlantax Uses its DAC Program to Determine Liabilities to PSPs-

Procedure:

a. Review how Atlantax updates payphone ownership records.

Finding:

The PSPs and Aggregators provide to clearinghouses (i.e., Atlantax) and other payers a listing of all ANIs in service at the end of each quarter. ANIs are provided directly to Atlantax through e-mails, disks, and FTP sites. The Company maintains a PSP and Aggregator ANI Log and compiles an ANI database (i.e., payphone ownership records) each quarter based upon these ANI lists received from the PSPs.

Procedure:

b. Test the pricing of completed and identified calls for accuracy and completeness
   - Total liability for the quarter should be total completed calls at $0.24 through September 27, 2004 and $.494 thereafter.

Finding:
We reviewed the Company's CDR Summary Report, SBR payee list, and PSP payment advice for the third and fourth quarter of 2004 and on a test basis performed procedures to verify that matched and undisputed ANIs were billed to the SBRs and paid by Atlantax on behalf of the SBRs to the PSPs at a rate of $.24 through September 27, 2004 and $.494 thereafter.

Procedure:
c. Test the payments to PSPs for timeliness and accuracy
- Payment is required within 90 days of quarter-end.
- Payment may be delayed if SBRs do not remit funds to Atlantax for payment to PSPs.

Finding:
On a test basis we reviewed cash receipt advice from the SBRs and cash disbursement advice to the PSPs and noted that in most cases payments were made to the PSP's within 90 days of the quarter end. It should be noted that certain PSPs were not paid by the Company within 90 days of the quarter end as the SBR did not submit their liability payment to Atlantax in a timely manner.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the accounting records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is solely for the information of Atlantax Systems, Inc. and other parties as considered appropriate by Atlantax and is not intended to be and should not be used by anyone other than these specified parties.

McKEAN, PAUL, CHRYCY, FLETCHER & CO.

Miami, Florida,
June 24, 2005