APPLICATION OF

PUBLIC COMMUNICATIONS SERVICES, INC.

EXHIBIT III

Financials

PUBLIC COMMUNICATIONS SERVICES, INC.

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY FINANCIAL DATA
MARCH 31, 2001

CONTENTS

Independent Auditors' Report 1

Balance Sheet 2

Statement of Income and Retained Earnings 3

Statement of Cash Flows 4

Notes to the Financial Statements 5-11

Independent Auditors' Report on Supplementary Financial Data 12

Schedule of General and Administrative Expenses 13

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Public Communications Services, Inc.

We have audited the accompanying balance sheet of Public Communications Services, Inc. as of March 31, 2001, and the related statements of income and retained earnings, and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Public Communications Services, Inc. as of March 31, 2001, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Windes & McClaughry

Long Beach, California
June 29, 2001

PUBLIC COMMUNICATIONS SERVICES, INC.

BALANCE SHEET
MARCH 31, 2001

ASSETS

CURRENT ASSETS	
Cash	$ 99,407
Accounts receivable	6,501,629
Prepaid expenses and other assets	242,946
Due from related parties	7,240,019
	14,084,001
FURNITURE AND EQUIPMENT, net	4,762,158
TOTAL ASSETS	$18,846,159

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES	
Bank overdraft	$ 696,036
Accounts payable	4,371,389
Accrued expenses	4,052,497
Short-term borrowings	1,500,000
Income taxes payable	139,843
Due to related parties	2,489,430
Note payable and capital lease obligation, current portion	536,926
	13,786,121
NONCURRENT LIABILITIES	
Notes payable - stockholder	1,300,000
Note payable and capital lease obligation, net of current portion	1,934,096
	3,234,096
COMMITMENTS (Note 9)	
STOCKHOLDERS' EQUITY	
Common stock, no par value, 10,000 shares authorized, 1,000 shares issued and outstanding	3,400
Retained earnings	1,822,542
	1,825,942
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$18,846,159

The accompanying notes are an integral part of these statements.

PUBLIC COMMUNICATIONS SERVICES, INC.

STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED MARCH 31, 2001

REVENUES	$52,079,179
COST OF REVENUES	40,372,219
GROSS PROFIT	11,706,960
GENERAL AND ADMINISTRATIVE EXPENSES	10,212,467
INCOME FROM OPERATIONS	1,494,493
OTHER EXPENSE	
Interest expense, net of interest income	558,267
Loss on disposal of furniture and equipment	155,908
	714,175
INCOME BEFORE INCOME TAXES	780,318
PROVISION FOR INCOME TAXES	29,984
NET INCOME	750,334
RETAINED EARNINGS, BEGINNING	1,072,208
RETAINED EARNINGS, ENDING	$ 1,822,542

The accompanying notes are an integral part of these statements.

PUBLIC COMMUNICATIONS SERVICES, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2001

CASH FLOWS FROM OPERATING ACTIVITIES	
Net income	$ 750,334
Adjustments to reconcile net income to net cash provided by operating activities	
Depreciation	1,049,617
Loss on disposal of furniture and equipment	155,908
Change in deferred taxes	(118,262)
(Increase) decrease in:	
Accounts receivable	(2,883,937)
Other receivable	642,387
Prepaid expenses and other assets	(84,365)
Increase in:	
Bank overdraft	168,609
Accounts payable	1,078,957
Accrued expenses	4,052,497
Income taxes payable	43,963
Net Cash Provided By Operating Activities	4,855,708
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of furniture and equipment	(2,509,504)
Proceeds on sale of furniture and equipment	27,570
Net Cash Used In Investing Activities	(2,481,934)
CASH FLOWS FROM FINANCING ACTIVITIES	
Net change in short-term borrowings	(1,000,000)
Net change in due to (from) related parties	(4,956,912)
Proceeds from note payable	2,500,000
Repayment of note payable and capital lease obligation	(191,653)
Proceeds from notes payable - stockholder	1,300,000
Net Cash Used In Financing Activities	(2,348,565)
NET CHANGE IN CASH	25,209
CASH AT BEGINNING OF YEAR	74,198
CASH AT END OF YEAR	$ 99,407

The accompanying notes are an integral part of these statements.

PUBLIC COMMUNICATIONS SERVICES, INC.

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2001

NOTE 1 – Summary of Significant Accounting Policies

Organization and Operations

Public Communications Services, Inc. (the company) is incorporated under the laws of the States of California. The company is an added value provider of telecommunications services in three distinct niche markets: inmate telephone services, management of wireless telephone services, and management of Fortune 500 companies' payphone portfolio. The company is ultimately a system integration company, providing the delivery of multiple solutions for each specific client where the company's proprietary internet-based project management software, SOPHIA, provides a flexible user-friendly platform for facilitating these services.

Change in Reporting Entity

Effective January 31, 2001, Public Communications Services (a Nevada corporation) and Public Payphone U.S.A. (a Nevada corporation) were merged into Public Communications Services, Inc. (PCS-CA) (a California corporation) in a statutory merger with PCS-CA the surviving entity. Prior to the merger, all of the entities were commonly owned and managed, and all material intercompany accounts were eliminated.

Use of Estimates and Assumptions

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

Furniture and Equipment

Furniture and equipment items are stated at cost. Depreciation has been computed by using the straight-line method based on the estimated useful lives of the assets, which range from five to forty years.

PUBLIC COMMUNICATIONS SERVICES, INC.

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2001

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Revenue Recognition

The majority of the company's revenues come from long distance and local phone service providers who provide service to the company's customers. The company has entered into a number of agreements with service providers, which outline the commission rates that the company will earn. The company then shares this revenue with its customers based on agreed-upon revenue sharing percentages as defined in the individual contracts. In addition, the company provides pay phone management services on a fee basis.

Income Taxes

Effective February 1, 2001, the company's stockholders have elected to be taxed as an S corporation for federal and California tax purposes and, as such, the income is taxed directly to the stockholders. There is a 1-1/2 percent California franchise tax charged at the corporate level.

NOTE 2 - Furniture and Equipment

A summary of the cost and accumulated depreciation is as follows:

Furniture and fixtures	$ 542,679
Computers	678,957
Office equipment	318,059
Customer premise equipment	5,192,076
	6,731,771
Less: accumulated depreciation	1,969,613
	$ 4,762,158

NOTE 3 - Short-Term Borrowings

The company has a line of credit agreement with a bank whereby it may borrow up to $2,500,000 at the bank's prime rate (8.0% at March 31, 2001) plus 0.5%. The line of credit commitment expires on July 16, 2001.

The line of credit is collateralized by a general security interest in accounts receivable, intangibles, and equipment. The line is also collateralized by the continuing guaranty of the stockholders.

PUBLIC COMMUNICATIONS SERVICES, INC.

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2001

NOTE 4 – Note Payable and Capital Lease Obligation

Note payable to a bank, secured by equipment and accounts receivable, payable in monthly principal installments of $41,667, plus interest at the bank's prime rate plus 1.5%, with final payment due November 2005	$ 2,333,333
Capital lease, secured by equipment, payable in monthly installments of $4,267, including imputed interest of 11.79%, with final payment due July 2004	137,689
	2,471,022
Less: current portion	536,926
	$ 1,934,096

Future maturities of the note payable and capital lease obligation are as follows:

Year Ending March 31,	
2002	$ 536,926
2003	541,521
2004	546,689
2005	512,552
2006	333,334
	$ 2,471,022

Interest expense for all debt obligations for the year ended March 31, 2001 was $588,089.

NOTE 5 - Notes Payable - Stockholder

Notes payable - stockholder consists of two unsecured subordinated notes, bearing interest at 10%, due monthly, with unpaid balance of $1,000,000 and $300,000 due April 2003 and May 2003, respectively.

PUBLIC COMMUNICATIONS SERVICES, INC.

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2001

NOTE 6 – Provision for Income Taxes

The provision for income taxes consists of the following for the year ended March 31, 2001:

Currently payable:	
Federal	$ 147,446
State	800
Deferred	(118,262)
	$ 29,984

In connection with the stockholders' election to be taxed as an S corporation, the deferred liabilities have been eliminated and adjusted through the provision for income taxes.

NOTE 7 – Pension Plan

The company has a Salary Savings Plan under Section 401(k) of the Internal Revenue Code. The company matches 50% of any voluntary employee contributions up to a maximum of 5% of the employee's base compensation. The company's contributions to this plan were approximately $56,000 for the year ended March 31, 2001.

NOTE 8 – Related Party Activities

The company paid commissions in the ordinary course of business to P.J.J. Associates in the amount of $250,000 for the year ended March 31, 2001. This entity is owned and controlled by a stockholder of the company.

Several other entities, which are owned and controlled by the stockholders, have short-term advances to and from the company. Interest at 10% is payable monthly and the advances are due on or before December 31, 2001. The advances are as follows:

PCS Development, Inc.	$ 7,211,587
PCS Employment, Inc.	28,432
Due from related parties	$ 7,240,019
PCS Property Management LLC	$ 2,417,303
8611 Venice Corporation	72,127
Due to related parties	$ 2,489,430

PUBLIC COMMUNICATIONS SERVICES, INC.

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2001

NOTE 9 – Commitments

Major Customer

The company paid 13% of commissions to one customer for the year ended March 31, 2001.

Major Provider

The company derived 26% of total revenue from one provider for the year ended March 31, 2001. The accounts receivable balance from this provider is $1,171,839 as of March 31, 2001.

Capital Lease

Included in furniture and equipment on the balance sheet is leased computer equipment with a cost of $162,675 and related accumulated depreciation $24,401.

Operating Leases

The company leases its office facilities from PCS Property Management, LLC on several leases totaling $49,300 per month. The terms of the leases vary depending on the suite. The leases expire at various dates from August 2002 through February 2006. The agreements provide that the company pays for property taxes and maintenance.

The company also leases equipment under three- to five-year operating lease agreements, expiring at different dates through December 2003. The leases generally provide that the company pays for insurance, maintenance and operating costs.

NOTE 9 – Commitments (Continued)

Operating Leases (Continued)

The following is a schedule by years of future minimum rental payments required under capital and noncancellable operating leases:

Year Ending March 31,	Capital Lease	Operating Leases	Totals
2002	$ 51,204	$ 628,391	$ 679,595
2003	51,204	462,938	514,142
2004	51,204	247,573	298,777
2005	12,799	163,638	176,437
2006		101,750	101,750
Total minimum lease payments	166,411	$ 1,604,290	$ 1,770,701
Less: interest	28,722		
Present value of minimum lease payments	$ 137,689		

The total rent expense for the year ended March 31, 2001 was $753,672.

Riverside County Sheriff's Department Agreement

The company has entered into an agreement with the Riverside County Sheriff's Department (Riverside County Sheriff) to provide management services and maintenance for all inmate phones. The agreement expires April 11, 2003 and shall renew for an additional five years unless either party cancels the agreement at any time with a 90-day written notice of cancellation prior to expiration date. The agreement requires the company to pay the Riverside County Sheriff a guaranteed monthly commission of at least $125,000. In addition, the company is obligated to pay the Riverside County Sheriff an additional amount of $1,500,000, payable in installments of $300,000 per year on each September 15, with the last payment due September 15, 2001. The company pays six and one-half percent commission annually on the remaining balance.

PUBLIC COMMUNICATIONS SERVICES, INC.

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2001

NOTE 10 – Supplemental Disclosures of Cash Flow Information

Cash paid during the year for:

Interest	$527,075
Income taxes	$97,039

Supplemental Schedule of Noncash Investing and Financing Activity

During the year ended March 31, 2001, the company acquired $162,675 of computer equipment through capital lease financing.

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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY FINANCIAL DATA

To the Board of Directors of
Public Communications Services, Inc.

The report on our audit of the basic financial statements of Public Communications Services, Inc. for March 31, 2001 appears on page 1. This audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary financial data on page 13 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Windes & McClaughry

Long Beach, California
June 29, 2001

PUBLIC COMMUNICATIONS SERVICES, INC.

SUPPLEMENTARY FINANCIAL DATA
SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED MARCH 31, 2001

Officers' compensation	$ 1,700,000
Salaries	4,514,006
Employee benefits	11,964
401(k) contribution	57,625
Auto	28,962
Outside services	453,531
Building maintenance	65,679
Mail and postage	95,137
Travel and transportation	258,385
Telephone and pager	395,225
Office supplies and expense	447,244
Management fees	13,446
Professional fees	416,562
Equipment rent	73,692
Advertising and promotions	204,059
Insurance	336,268
Real estate taxes	15,866
Rent	651,018
Meals and lodging	54,131
Taxes and licenses	136,381
Training and recruiting	24,754
Miscellaneous	54,212
Depreciation	204,320
	$10,212,467

See Independent Auditors' Report
on Supplementary Financial Data on page 12.