

RESPONSE TO
STATE OF WEST VIRGINIA
PURCHASING DIVISION
REQUEST FOR QUOTE RECMGT07
RECORDS MANAGEMENT

ARCHIVE SERVICES
(A NOVA RECORDS, LLC COMPANY)

1545 HANSFORD STREET
CHARLESTON, WV 25311

304-346-8878

AUTHORIZED CONTACTS:

JOHN S. GRIFFIN
304-610-0901

DONNA M. JARRELL
304-552-7557

Donna M. Jarrell
March 28, 2007

**GENERAL TERMS & CONDITIONS
REQUEST FOR QUOTATION (RFQ) AND REQUEST FOR PROPOSAL (RFP)**

1. Awards will be made in the best interest of the State of West Virginia.
2. The State may accept or reject in part, or in whole, any bid.
3. All quotations are governed by the *West Virginia Code* and the *Legislative Rules* of the Purchasing Division.
4. Prior to any award, the apparent successful vendor must be properly registered with the Purchasing Division and have paid the required \$125.00 registration fee.
5. All services performed or goods delivered under State Purchase Orders/Contracts are to be continued for the term of the Purchase Order/Contract, contingent upon funds being appropriated by the Legislature or otherwise being made available. In the event funds are not appropriated or otherwise available for these services or goods, this Purchase Order/Contract becomes void and of no effect after June 30.
6. Payment may only be made after the delivery and acceptance of goods or services.
7. Interest may be paid for late payment in accordance with the *West Virginia Code*.
8. Vendor preference will be granted upon written request in accordance with the *West Virginia Code*.
9. The State of West Virginia is exempt from federal and state taxes and will not pay or reimburse such taxes.
10. The Director of Purchasing may cancel any Purchase Order/Contract upon 30 days written notice to the seller.
11. The laws of the State of West Virginia and the *Legislative Rules* of the Purchasing Division shall govern all rights and duties under the Contract, including without limitation the validity of this Purchase Order/Contract.
12. Any reference to automatic renewal is hereby deleted. The Contract may be renewed only upon mutual written agreement of the parties.
13. **BANKRUPTCY:** In the event the vendor/contractor files for bankruptcy protection, this contract is automatically null and void, and is terminated without further order.
14. **HIPAA Business Associate Addendum** - The West Virginia State Government HIPAA Business Associate Addendum (BAA), approved by the Attorney General, and available online at the Purchasing Division's web site (<http://www.state.wv.us/admin/purchase/vrc/hipaa.htm>) is hereby made part of the agreement. Provided that, the Agency meets the definition of a Covered Entity (45 CFR §160.103) and will be disclosing Protected Health Information (45 CFR §160.103) to the vendor.

INSTRUCTIONS TO BIDDERS

1. Use the quotation forms provided by the Purchasing Division.
2. **SPECIFICATIONS:** Items offered must be in compliance with the specifications. Any deviation from the specifications must be clearly indicated by the bidder. Alternates offered by the bidder as **EQUAL** to the specifications must be clearly defined. A bidder offering an alternate should attach complete specifications and literature to the bid. The Purchasing Division may waive minor deviations to specifications.
3. Complete all sections of the quotation form.
4. Unit prices shall prevail in cases of discrepancy.
5. All quotations are considered F.O.B. destination unless alternate shipping terms are clearly identified in the quotation.
6. **BID SUBMISSION:** All quotations must be delivered by the bidder to the office listed below prior to the date and time of the bid opening. Failure of the bidder to deliver the quotations on time will result in bid disqualifications.

SIGNED BID TO:

Department of Administration
Purchasing Division
2019 Washington Street East
Post Office Box 50130
Charleston, WV 25305-0130

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SECTION I
PROJECT UNDERSTANDING
SECTION 3.2 AND ITS SUBSECTIONS

Archive Services (a Nova Records, LLC Company) has been managing all State records stored off-site under RECMGT94 and RECMGT00. In 1994, Archive Services successfully completed the transfer of 35,000 plus cubic feet of records from the old State facility at Broad Street and Piedmont Road on budget and ahead of schedule. Subsequently, State agencies that were hesitant to store sensitive records at that facility moved significant numbers of records to Archive Services. Among those agencies were the State Tax and Revenue Department, Department of Health and Human Resources, Department of Motor Vehicles, Department of Transportation, and Department of Corrections. All of these agencies did not move immediately; for example, Health and Human Resources. Only after carefully reviewing the satisfactory performance Archive Services had provided other departments did the Office of Social Services decide to move its entire archive of extremely sensitive records. Not only are we assisting in the storage of these documents, but have re-indexed and cross-referenced these records to provide a much needed improvement in their document management system. During the twelve years we have been managing the State's records, we have never received a complaint. To the contrary, we have letters of commendation from numerous agencies.

During the RECMGT94 and RECMGT00 contracts, we have accomplished the indexing and bar-coding necessary for the economical storage, inventorying, retrieval, and destruction of state records. We will continue to provide each agency with updated inventory reports and detailed cost and service analysis. Archive Services will continue to provide state-of-the-art records management by:

1. Bar-coding all boxes, thus providing cost effective, safe tracking and inventory of records
 2. Detailing the data-based indexing that will enhance customized reporting (activity by agency, department, and sub-department, if requested) while enhancing record search efforts
 3. Bar coding file retrieval and re-files
 4. Computerized, detailed invoicing by agency with copy or summation to Department of Administration upon request
 5. Scheduling personnel on call 24 hours a day, 365 days a year for pick up and delivery
 6. Providing Retention Schedule Maintenance and timely notification requesting permission to destroy prior to confidential shredding
- 3.2.1 Archive Services' fully operational commercial records centers are located at 1545 Hansford Street, Charleston, and 1401 Charles Avenue, Dunbar, West Virginia. The facilities contain 166,000 square feet and have been fully engineered as commercial records centers. The Hansford Street facility is less than 2,000 feet from the State Capitol complex and less than 3,000 feet from the State Tax Department facility on Lee Street in downtown Charleston. The records facilities are all-masonry and steel buildings containing no windows or skylights. There are seven loading docks available exclusively for Archive Services that are readily accessible to the Interstate highway system I-64,

SECTION I
PROJECT UNDERSTANDING
SECTION 3.2 AND ITS SUBSECTIONS

I-77, and I-79 at the Greenbrier and Dunbar exits. Archive Services has a 24-hour on-line security system covering unauthorized intrusion, heat, fire and smoke by an ADT central station.

3.2.2 Archive Services currently is managing all the State's off-site records, therefore this section is not applicable.

3.2.3 Archive Services feels its facilities are in compliance with mandatory industry guidelines. Archive Services is an active member of Prism International, formerly the Association of Commercial Record Centers (ACRC), Association of Records Managers and Administrators (ARMA), and National Association for Information Destruction (NAID).

3.2.4 Archive Services owns its own dies and produces a 200# burst strength box with the following dimensions: 16" wide x 12" long x 10" high; paper combination 69-29-69. Archive Services maintains an inventory of these boxes no smaller than 3,000 at any given time.

3.2.5 User Tracking and System Security - Archive Services records management system will enable Archive Services to provide the Department of Administration with the following monthly reports:

- I. Agency reports describing the following:
 - A. List of all agencies storing documents
 - B. Total inventory and location of each record by agency and even sub-agency or department, if requested

- II. Billing Reports – Invoices will be issued to each agency with a master copy to the Department of Administration broken down by agency and sub-agency and department, if requested. All billing reports will be broken down by category, i.e.,
 - A. New files indexed
 - B. Retrievals
 - C. Refiles
 - D. Destruction
 - E. Pickups
 - F. Deliveries
 - G. Other Services

- III. Management reports detailing all activity including:
 - A. Inventory list and location of each record, including ability to monitor items on dock awaiting refileing
 - B. Status report of each file (retrieved, partial retrieval, accountability of retrieval, permanent removal, destruction, and date

SECTION I
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SECTION 3.2 AND ITS SUBSECTIONS

- C. Security authorization list and verification of password identification with ability to restrict or limit accessibility by individual or code
- D. Audit trail from initial receipt of records through invoicing
- E. Audit trail of all inventory changes
- F. Tracking and monitoring capability for all work performed and/or status of all records
- G. Retention schedules to include monthly suspense reports of documents scheduled for destruction as well as certificates of destruction for records destroyed
- H. List of all records destroyed from inception by date and description
- I. Retrieval by agency box number, record center number, or key word (if detailed indexing is used)
- J. Daily, monthly, and annual activity reports by service for each agency and/or department, if requested

Archive Services' system allows us to design special management reports as needed.

- 3.2.6 Archive Services' system requires identification of the authorized person requesting records. Pass codes can be built into the system for identification and access purposes. Each agency will provide to Archive Services an authorization list. Only those individuals will have access to the agency's records. Furthermore, access can be restricted by category (i.e., personnel, accounts payable, accounts receivable, travel, etc.). Before any work is done, the person requesting work or records is checked against the authorization list which is immediately pulled up on the computer screen. Identification will be required as instructed by State Records Manager.

All records are considered confidential and are treated as such from receipt until destruction. Each Archive Services' employee must sign a Confidentiality Agreement and shall undergo an NCIC background check as a condition of employment.

Only Archive Services' personnel are authorized in the record center (exception being tours for prospective customers and/or auditors when accompanied by Archive Services' management). If Archive Services' customers wish to review their records at the record center, audit rooms will be provided on our premises for that purpose. The audit rooms are climate-controlled, comfortable, and have access to copiers, fax, and telephone.

- 3.2.7 The Archive Services records centers currently meet the requirements of protecting all documents from disaster as defined by West Virginia Code Section 5A-8-3 within reason. We do not know if our facilities will withstand a direct nuclear attack by any enemy of the United States or acts of terrorism such as 9-11-01. Archive Services has documented the following Disaster Planning/Business Continuity Plan:

All servers and associated peripherals essential to business continuation
are protected under maintenance contracts purchased from our hardware

SECTION I
PROJECT UNDERSTANDING
SECTION 3.2 AND ITS SUBSECTIONS

vendors. In the event of a hardware failure, these maintenance contracts provide for same day, four-hour response time twenty four hours a day, seven days a week. Procedures are in place that specifies the escalation process local representatives must follow to report and subsequently have repaired any and all hardware failures.

Our database server and associated peripherals are connected to an Uninterruptible Power Supply (UPS) that provides a constant source of power to each hardware component. These UPS units provide protection from electrical brown outs, spikes, and surges that could destroy sensitive computer equipment. Each UPS unit provides enough constant power to sustain approximately 10-15 minutes of total power loss. After that time, monitoring software resident on the server will shut the system down gracefully, protecting the hardware and data from a sudden crash.

A complete backup of the database server is performed on an automated schedule each night. The nightly backup captures a complete backup of the entire system, including the system state at that time. In addition to tape backups, an online backup is performed each night. Online backups are sent to a secure off-site data vault located in Pennsylvania.

A plan has been developed to utilize a second Nova Records data center as a long-term, fail-safe site in the event of a disaster or extended service outage.

Archive Services' Charleston facility is out of the 100 year flood plain. The Dunbar facility is on the edge of the 100 year flood plain and no records are stored at or below flood stage.

Archive Services has installed a state-of-the-art ADT 7188 FOCUS 45 Security System along with a Notifier SGL-404 Control Panel with battery and cell phone backup system. This system is a microprocessor-based integrated security and fire system for the monitoring of a total of eight zones of protection. In addition to intrusion and fire detection, this system can monitor for critical environmental conditions. It provides for silent and rapid processing of intrusion alarms to the central control station monitored 24 hours a day by ADT. This 24 hours a day fire protection system conforms to UL standards 864 and 985 and complies with NFPA 70, 71, 72A, 72B, 72C or 72D.

Archive Services' 1545 Hansford Street, Charleston, WV, and 1401 Charles Avenue, Dunbar, WV, records centers are all steel and masonry construction. Archive Services' Charleston facility houses a climate-controlled vault with a burglar-rated door for storing the most valuable and sensitive documents. The vault is an environmentally-controlled four-hour fire vault meeting archival requirements for temperature and relative humidity.

SECTION I
PROJECT UNDERSTANDING

SECTION 3.2 AND ITS SUBSECTIONS

Temperature is maintained at 67° Fahrenheit and relative humidity at 45 percent + / - 2 percent. The vault uses a Liebert environmental control system. Accessibility can be limited as previously noted.

Archive Services contracts with Orkin to inspect our facilities on a regularly scheduled basis as a pest control preventive maintenance program.

The records centers have no windows or skylights which would subject records to damage by storm, vandalism, unauthorized intrusion, or ultraviolet light.

We hereby certify, to our knowledge, we are in compliance with all building codes applicable to our facilities.

SECTION II
ABILITY TO MEET AGENCIES' NEEDS

SECTION 3.4 AND ITS SUBSECTIONS

The following information demonstrates Archive Services' (a Nova Records, LLC Company) ability to meet all the State's requirements as described in Section I.

- 3.4.1 Pickup of Documents - Archive Services' personnel will pickup documents within 24 hours of notification by a given agency within 25 miles of the State Capitol. To enhance response time and efficiency, all vehicles and/or employees are equipped with mobile telephones. In the event emergency service is required, Archive Services has personnel on call at any time, day or night. Our company's objective of professionally serving clients is taken quite seriously and the entire staff works closely with clients to provide accurate and timely transfers to and from storage.
- 3.4.2 Indexing of Documents - Archive Services' system enables indexing of records from a minimum of 60 characters to in excess of 2,000 characters and to search on any and all fields. In simple language, this means we can index all records coming in as to:
1. Account number
 2. Agency name
 3. Date of record
 4. Destruction date
 5. Description or subject matter of record; further index by subcategories and recall on subcategories available
 6. Date received by Archive Services
 7. Accession number (batch number)

We can search at will in any of the above categories of information.

Also, we can add additional fields to allow indexing of each record within the box and further search on that information. For example: If the Department of Health and Human Services should detail index all records, we could search and determine which boxes would contain the file of "Joe Smith" or which files would contain "Joe Smith" between 1975 and 1980, or 1981 and 1982, etc. Another example: If the Tax Department wanted all boxes pulled containing Social Security Number 418-82-1975, we could immediately search on that Social Security Number and printout a listing of all boxes containing that number.

Once a record is received by Archive Services, it is indexed and, from that point on, we can furnish at any given time a complete and updated inventory of all records transferred to Archive Services, along with a complete status report. The status report would tell us:

1. If a record was stored or retrieved
2. If retrieved, by whom and on what date
3. If any files had been removed from the record or box and, if so, by whom and on what date, along with the Service Order number (show who signed for receipt of record)

SECTION II
ABILITY TO MEET AGENCIES' NEEDS

SECTION 3.4 AND ITS SUBSECTIONS

4. All records previously destroyed and on what date with authorization number
 5. The location of all records on file
 6. List of all records on dock awaiting refile
- 3.4.3 Retrieval requirements - Archive Services guarantees retrieval and delivery within 24 hours of any record requested if within 25 miles of the State Capitol. If retrieval request is a "Rush", we guarantee delivery within two hours if request is made during regular business hours. Other areas in the State will be serviced by Archive Services personnel and vehicles and Federal Express service where appropriate. Archive Services has personnel on call 24 hours a day for emergency retrieval.
- 3.4.4 Billing of Agencies – Archive Services will invoice each State Agency storing records monthly in arrears with a detailed listing of each service provided (as per the RFP and vendor's response). Therefore, the State has a full audit trail for each service provided and billed.
- 3.4.5 Archive Services offers document destruction. Paper will be cross-cut and shredded. Microfilm will be shredded to 1/35" or smaller strip.

Archive Services' system automatically prints out a suspense file for records scheduled for destruction per agency retention date (part of the indexing process). A letter of reminder will be written to each agency listing the boxes scheduled for destruction three months in advance. The agency will approve by signing the reminder letter and returning it to Archive Services. Archive Services will then destroy according to schedule and issue a Certificate of Destruction to the agency showing:

1. Agency name
2. Box numbers
3. Description of record
4. Date of destruction
5. Agency personnel authorizing destruction

In addition, Archive Services' computer records will permanently show the date the record was received, a description of the record, and the date it was destroyed.

- 3.4.6 Vendor Accountability – Archive Services takes full and complete responsibility for all physical documents placed in storage in our facilities. All records are considered confidential and are treated as such from receipt until destruction. Each Archive Services' employee must sign a Confidentiality Agreement and submit to a thorough NCIC background check as a condition of employment.
- 3.4.6 Facsimile Capability – Archive Services has a Canon Laser Class 9000 plain paper fax machine with the following specifications:

SECTION II
ABILITY TO MEET AGENCIES' NEEDS
SECTION 3.4 AND ITS SUBSECTIONS

Modem speeds: Fax unit is equipped with the ITU-T standard V.34mode which enables transmission speeds up to 33,600 bps

Memory capacity: 1.25 MB (approximately 80 pages)

Data compression: Fax is designed using MH, MR, MMR, and JBIG – a new ITU-T standard image data compression method. JBIG is especially effective when transmitting halftone image documents.

Scanning method: Solid state electronic scanning by contact image sensor

Printing method: Laser beam electronic circuit

Document size: Maximum width = 11”; minimum width = 5.8”

Automatic Document Feeder: 50 Letter; 20 legal

Archive Services can easily retrieve, fax, and refile in excess of 25 single-sided pages within four working hours upon agency request.

It should be noted that Archive Services has a 24-hour dedicated facsimile telephone line. Also, Archive Services has modem capability so that we and/or our customers can access their file or inventory list by off-site computer. Modem capability also allows technicians to access, troubleshoot, and upgrade our software from out-of-state.

SECTION III
PHYSICAL MOVING OF DOCUMENTS

SECTION 3.5 AND ITS SUBSECTIONS

Archive Services (a Nova Records, LLC Company) has been managing all State records stored off-site under RECMGT94 and RECMGT00. As such, no expense will be incurred by the State for retrieval/permanent removal/transfer of stored inventory.

SECTION IV
VENDOR STABILITY AND EXPERIENCE

SECTION 3.6 AND ITS SUBSECTIONS

Archive Services' (a Nova Records, LLC Company) mission is to provide the highest quality of record management and storage at a price that is fair to our customers while allowing a reasonable return to our investors. We will accomplish our mission by (1) maintaining trained and dedicated employees, (2) constant vigilance to insure confidentiality of the information entrusted to us, (3) maintaining our facility at a constant state of readiness, and (4) continually upgrading our information management systems to meet the needs of our customers.

3.6.1 Archive Services was established in 1991. Nationally recognized experts in commercial record center design and operation were employed by Archive Services. A 30,000 square foot facility at 1545 Hansford Street, Charleston, West Virginia, was acquired and construction began immediately on new office facilities and a state-of-the-art climate controlled vault. The facility was originally designed and engineered as a transfer and storage facility and is 100% steel and masonry construction. There are seven covered loading docks available for receiving and shipping of records. All bays are available and can be used simultaneously.

Archive Services currently operates 166,000 square feet of record facilities employing 16 full-time employees. We serve over 500 customers including government (federal, state, county, and city), industrial, legal, medical, banking, insurance and professional organizations. We currently have over 425,000 cubic feet of hardcopy records under management with the capacity to store and manage in excess of 750,000 cubic feet of hardcopy records on all-steel shelving.

We continue to upgrade our information management systems and use the latest proven technology to bar code, index, track, and report on records maintained at Archive Services. In the very near future, our customers will be able to access their inventory on-line and to request specific services such as retrievals over the internet.

Archive Services has continued to upgrade its confidential destruction capacity and currently operates the largest facility for the confidential shredding of documents in West Virginia with the capacity to shred up to 8,000 pounds per hour. Archive Services is an active member of the National Association Information Destruction (NAID) and subscribes to its code of ethics for confidential destruction.

3.6.2 Archive Services' management has over 50 years of combined experience in records management and administration. Our management team has become recognized as innovators in providing the highest levels of service to clients with diverse requirements similar to that of the State of West Virginia. The experience of our people, our high level of service, and our flexibility in customizing the right solution to the needs of our customers has set us apart from others in our field.

SECTION IV
VENDOR STABILITY AND EXPERIENCE

SECTION 3.6 AND ITS SUBSECTIONS

Archive Services is an active member of Prism International, formerly the Association of Commercial Record Centers (ACRC), Association of Records Managers and Administrators (ARMA), and National Association for Information Destruction (NAID).

Archive Services management listed below comprises a seasoned team of professionals with recognized experience in the records management industry.

John S. Griffin, Consultant and Past President. B.S. Economics, Samford University; M.A. Finance, University of Alabama. Mr. Griffin has 21 years full time experience as chief executive officer, for the past 16 years as President of Archive Services, Inc. Mr. Griffin has worked directly with nationally recognized experts in record center management in setting up Archive Services' systems.

Prior to forming Archive Services, Mr. Griffin was Executive Vice President and Chief Administrative Officer of P-G&H, Inc. and had primary responsibility for financial control, personnel, and marketing for a 110 employee company (including record management systems).

From 1969 until 1975, Mr. Griffin was a National Division Corporate Loan Officer with Bankers Trust Company, New York. Mr. Griffin's tenure at Bankers Trust included extensive training in operating systems and management.

Faye O'Gwynn, Consultant and Past Vice President. B.S. University of Alabama. Ms. O'Gwynn has served 16 years as Chief Operating Officer at Archive Services, Inc. Experience in records management and transportation coordinator at Trubarco, Inc. Full responsibility for all records including accounts receivable, accounts payable, and transportation coordination. Trained in Total Recall Information and Record Management Systems by certified personnel.

Donna M. Jarrell, General Manager. Oversees West Virginia operations with a focus on client services and relationship driven sales and records management opportunities. Currently involved in the local development and marketing of the records management industry. Ms. Jarrell has 18 years full time experience in marketing and records management in the banking and financial industry.

In addition, Archive Services has on retainer a nationally recognized CRM who works in consultation with our staff.

SECTION IV
VENDOR STABILITY AND EXPERIENCE
 SECTION 3.6 AND ITS SUBSECTIONS

3.6.3 Archive Services hereby submits for review the following list of government entities and private institutions to which we provide local storage and related destruction services:

INSTITUTION	ADDRESS	CONTACT	PHONE	DATE
Bowles Rice McDavid Law Firm	600 Quarrier Street Charleston, WV 25301	Kathy House	347-1748	08/95
Charleston Area Medical Center	3100 MacCorkle Avenue Charleston, WV 25304	Sherry Peyton	388-1185	01/94
Electronic Data Systems	3200 Kanawha Turnpike So. Charleston, WV 35303	Ted Danford	746-5753	09/04
Jackson Kelly Law Firm	1600 Laidley Street Charleston, WV 25301	Kathy Hudnall	340-1182	06/97
State of West Virginia Department of Tax and Revenue	1001 Lee Street Charleston, WV 25301	Melody Parker	558-8605	9/94
Toyota Motor Manufacturing Of West Virginia	One Sugar Maple Drive Buffalo, WV 25033	Shiela Cornell	937-7217	11/98
Wells Fargo Insurance Services Of West Virginia	602 Virginia Street East Charleston, WV 25301	Sandy Smith	353-7811	10/99
WV Investment Board	One Cantley Drive Charleston, WV 25314	John Cole	345-2672	09/98

Respectfully submitted, customers under Nova Records, LLC management:

State of Rhode Island	Judicial Records Center One Hill Street Pawtucket, RI 02860	Steven Grimes	401-721-2645
Tillinghast Licht Perkins Cohen & Smith Law Firm	10 Weybosset Street Providence, RI 02903	Lisa Haerick	401-456-1200
Blue Cross & Blue Shield Of Rhode Island	7 Jackson Walkway Providence, RI 02903	Dennis Cardente	401-459-5208
Beacon Mutual Insurance Company	One Beacon Center Warwick, RI 02886	Melanie Stanley	401-825-2934
Davis Polk & Wardwell	450 Lexington Avenue New York, NY 10017	Arlene Bronstein	212-450-5620

3.6.4 Archive Services (a Nova Records, LLC Company) is submitting herewith as Exhibit A our most recent audited financial statements dated December 31, 2005. We have been advised that audited financial statements for December 31, 2006, will be available April, 2007.

SECTION V
COST

**NOVA RECORDS MANAGEMENT, LLC
AND SUBSIDIARIES**

**Consolidated Financial Statements and
Independent Auditors' Report**

As of December 31, 2005 and 2004 and for the year
ended December 31, 2005 and the period from February 18,
2004 (date of inception) through December 31, 2004

NOVA RECORDS MANAGEMENT, LLC AND SUBSIDIARIES
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Independent Auditors' Report

To the Board of Directors of
Nova Records Management, LLC

We have audited the accompanying consolidated balance sheets of Nova Records Management, LLC and Subsidiaries as of December 31, 2005 and 2004 and the related consolidated statements of operations, changes in members' equity, and cash flows for the year ended December 31, 2005 and the period from February 18, 2004 (date of inception) to December 31, 2004. 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 audits.

We conducted our audits 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 financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nova Records Management, LLC and Subsidiaries as of December 31, 2005 and 2004 and the consolidated results of their operations and their cash flows for the year ended December 31, 2005 and the period from February 18, 2004 (date of inception) through December 31, 2004 in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2 to the financial statements, the Company restated its 2004 financial statements to account for costs of issuing equity securities as a deduction from proceeds received and to correct deferred financing fees.

Smart and Associates, LLP

April 21, 2006 (except for note 14 as to
which the date is October 16, 2006)

NOVA RECORDS MANAGEMENT, LLC AND SUBSIDIARIES

Consolidated Balance Sheets
December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 243,133	\$ 2,362,371
Accounts receivable, net of allowance for doubtful accounts of \$26,605 and \$0 in 2005 and 2004, respectively	2,081,997	366,064
Prepaid expense and other current assets	<u>198,920</u>	<u>163,362</u>
Total current assets	2,524,050	2,891,797
Property and equipment, net	4,438,668	1,754,578
Deferred financing costs, net	705,608	549,902
Capitalized customer costs, net	526,235	-
Other intangibles, net	6,705,706	3,793,685
Other assets	80,537	25,400
Goodwill	<u>16,870,758</u>	<u>4,360,057</u>
Total assets	<u>\$ 31,851,562</u>	<u>\$ 13,375,419</u>
LIABILITIES AND MEMBERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,418,234	\$ 297,082
Accrued expenses	396,009	260,789
Accrued interest payable	219,851	74,063
Line of credit	4,971,844	500,000
Current portion of note payable to bank	27,077	23,389
Capital leases, current portion	59,427	-
Deferred income	<u>171,628</u>	<u>93,391</u>
Total current liabilities	7,264,070	1,248,714
Note payable to bank, long term	97,987	86,343
Capital leases, long term	135,875	-
Senior subordinated notes payable, net of unamortized discounts	<u>9,763,228</u>	<u>2,924,623</u>
Total liabilities	<u>17,261,160</u>	<u>4,259,680</u>
Commitments and contingencies	-	-
Members' equity:		
Preferred units, 3,000,000 units authorized, 1,289,842 units issued and outstanding	17,330,606	10,284,492
Common units, 3,000,000 units authorized, 226,666 units issued and outstanding	-	-
Additional paid-in capital	276,057	84,900
Undistributed members' deficit	(2,151,764)	(668,963)
Less: receivables from members	<u>(864,499)</u>	<u>(584,690)</u>
Total members' equity	<u>14,590,401</u>	<u>9,115,739</u>
Total liabilities and members' equity	<u>\$ 31,851,562</u>	<u>\$ 13,375,419</u>

The accompanying notes are an integral part of these consolidated financial statements.

NOVA RECORDS MANAGEMENT, LLC AND SUBSIDIARIES
Consolidated Statements of Operations

	<u>For the year ended December 31, 2005</u>	<u>For the period from February 18, 2004 (date of inception) through December 31, 2004</u>
Revenues	\$ 7,733,000	\$2,087,873
Cost of revenues	<u>5,155,498</u>	<u>1,638,244</u>
Gross profit	2,577,502	449,629
Selling, general and administrative expenses	<u>3,354,412</u>	<u>858,493</u>
Loss from operations	(776,910)	(408,864)
Other income (expense):		
Other income	46,947	38,712
Other expense	-	(413)
Income tax expense	(17,348)	(37,000)
Interest expense	<u>(735,490)</u>	<u>(261,398)</u>
Net loss	<u><u>\$(1,482,801)</u></u>	<u><u>\$ (668,963)</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

NOVA RECORDS MANAGEMENT, LLC AND SUBSIDIARIES

Consolidated Statements of Changes in Members' Equity

For the period from February 18, 2004 (date of inception) through December 31, 2005

	Preferred Units		Common Units		Additional Paid-In Capital	Undistributed Members' Deficit	Loans to Member	Total
	Shares	Amount	Shares	Amount				
Issuance of common units	-	\$ -	226,666	\$ -	\$ -	\$ -	\$ -	\$ -
Issuance of preferred units, net of issuance costs of \$415,507	649,998	8,584,493	-	-	-	-	-	8,584,493
Issuance of preferred units in connection with business acquisitions	122,779	1,700,000	-	-	-	-	-	1,700,000
Issuance of warrants	-	-	-	-	84,900	-	-	84,900
Issuance of profits interest units	-	-	56,484	-	-	-	-	-
Loans to member	-	-	-	-	-	-	(584,690)	(584,690)
Net loss	-	-	-	-	-	(668,963)	-	(668,963)
Balance at December 31, 2004	772,777	10,284,493	283,150	-	84,900	(668,963)	(584,690)	9,115,740
Issuance of preferred units, net of issuance costs of \$428,887	413,794	5,571,113	-	-	-	-	-	5,571,113
Issuance of preferred units in connection with business acquisitions	103,271	1,475,000	-	-	-	-	-	1,475,000
Issuance of warrants	-	-	-	-	191,157	-	-	191,157
Loans to member	-	-	-	-	-	-	(279,809)	(279,809)
Net loss	-	-	-	-	-	(1,482,801)	-	(1,482,801)
Balance at December 31, 2005	1,289,842	\$ 17,330,606	283,150	\$ -	\$ 276,057	\$ (2,151,764)	\$ (864,499)	\$ 14,590,401

The accompanying notes are an integral part of these consolidated financial statements.

NOVA RECORDS MANAGEMENT, LLC AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the period from February 18, 2004 (date of inception) through December 31, 2005

	<u>For the year ended December 31, 2005</u>	<u>For the period from February 18, 2004 (date of inception) through December 31, 2004</u>
Cash flows from operating activities:		
Net loss	\$(1,482,801)	\$ (668,963)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	907,716	293,239
Accretion of interest on subordinated notes payable	29,720	9,523
Changes in operating assets and liabilities:		
Increase in:		
Accounts receivable	(957,798)	(202,064)
Prepaid expenses and other current assets	(17,883)	(76,604)
Capitalized customer cost, net	(556,775)	
Other assets	(55,137)	(13,570)
Increase (decrease) in:		
Accounts payable	416,343	270,005
Accrued expenses	281,007	260,511
Deferred income	(153,027)	(58,301)
Net cash used in operating activities	<u>(1,588,635)</u>	<u>(186,224)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(1,287,278)	(380,149)
Acquisition of business, net of cash acquired	(15,654,720)	(7,255,357)
Due from affiliate	(279,809)	-
Net cash used in investing activities	<u>(17,221,807)</u>	<u>(7,635,506)</u>
Cash flows from financing activities:		
Proceeds from issuance of preferred units	6,000,000	9,000,000
Issuance costs of preferred units	(428,887)	(415,507)
Proceeds from issuance of senior subordinated notes	7,000,042	3,000,000
Issuance costs of debt	(366,953)	(637,091)
Borrowings from line of credit	4,971,669	500,000
Payments on debt	(500,000)	(1,263,301)
Loans for equipment	38,011	-
Payments on equipment loans	(22,679)	-
Net cash provided by financing activities	<u>16,691,203</u>	<u>10,184,101</u>
Net (decrease) increase in cash and cash equivalents	(2,119,239)	2,362,371
Cash and cash equivalents at beginning of period	<u>2,362,371</u>	<u>-</u>
Cash and cash equivalents at end of period	<u>\$ 243,133</u>	<u>\$2,362,371</u>
Supplemental disclosures of noncash financing and investing activities:		
Preferred units issued in conjunction with acquisitions	\$ 1,475,000	\$ 1,700,000
Issuance of stock warrants in conjunction with senior subordinated notes	\$ 191,157	\$ 84,900
Capitalized lease obligations incurred	\$ 195,477	\$ 114,474
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	\$ 524,717	\$ 179,280

NOVA RECORDS MANAGEMENT, LLC AND SUBSIDIARIES
Notes to Consolidated Financial Statements
December 31, 2005 and 2004

1. Nature of Activities and Summary of Significant Accounting Policies:

This summary of significant accounting policies of Nova Records Management, LLC (the "Company") is presented to assist in the understanding of the Company's consolidated financial statements. The consolidated financial statements and notes are representations of the Company's management who is responsible for their integrity and objectivity. These accounting policies conform to accounting policies generally accepted in the United States of America and have been consistently applied in the preparation of the consolidated financial statements.

Nature of Activities:

The Company is an enterprise incorporated in the State of Delaware on February 18, 2004. The Company was organized to provide records management and related services which will allow customers to outsource their records storage and data management functions.

Principles of Consolidation:

The consolidated financial statements include the accounts of Nova Records Management, LLC and its wholly owned subsidiaries, Nova Records LLC, Nova Records Inc., Capital Records Management, Inc., and Garden State Consulting, LLC. All intercompany accounts have been eliminated in consolidation.

Use of Estimates:

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and notes to the consolidated financial statements. While management believes that the estimates and related assumptions used in the preparation of these consolidated financial statements are reasonable, actual results could differ from those estimates.

Revenue Recognition:

Revenues are recognized based on monthly fees earned under the terms of contractual agreements and variable fees charged for storage activity for the month.

Cash and Cash Equivalents:

Cash and cash equivalents include cash on hand and cash invested in short-term securities which have remaining maturities at the date of purchase of less than 90 days. Cash and cash equivalents are carried at cost, which approximates fair value.

Accounts Receivable:

Accounts receivable are stated at the amount management expects to collect from outstanding balances. The Company uses the allowance method based on its business, its history of collections, and current trends. The Company's policy is to perform in-house collections on trade receivables thirty days after the due date. An account is considered past due if the Company has not received any payments for ninety days after due date.

NOVA RECORDS MANAGEMENT, LLC AND SUBSIDIARIES
Notes to Consolidated Financial Statements, continued
December 31, 2005 and 2004

1. Nature of Activities and Summary of Significant Accounting Policies, continued:

Property and Equipment:

Property and equipment are carried at cost. Expenditures for minor maintenance and repairs are expensed as incurred. Major improvements which extend the life, increase the capacity or improve the safety of property owned are capitalized. Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets or lease terms that range from two to seven years. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. When assets are sold or otherwise disposed of, the cost and accumulated depreciation are removed from the related accounts, and the resulting gains or losses are recorded in the statement of operations.

Goodwill and Other Intangible Assets:

In accordance with the provisions of Statement of Financial Accounting Standards ("SFAS") No. 142, *Goodwill and Other Intangible Assets*, goodwill and intangible assets acquired in a purchase business combination and determined to have an indefinite useful life are not amortized, but instead are tested for impairment at least annually. The Company is required to review its goodwill for impairment at least annually. Any future impairment, if any, will be recorded in the consolidated statement of operations as "goodwill impairment" and will reduce income from operations.

SFAS No. 142 also requires that separable intangible assets with estimable useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with SFAS No. 144, *Accounting for Impairment or Disposal of Long-Lived Assets*. The Company's assessment of the value of goodwill and intangible assets resulted in no impairment adjustment to the carrying value at December 31, 2005 and 2004.

Deferred Financing Costs:

Deferred financing costs are amortized over the life of the related debt. If debt is retired early, the related unamortized deferred financing costs are written off in the period the debt is retired to other (income) expense, net. As of December 31, 2005 and 2004, the gross carrying amount of deferred financing costs was approximately \$1,004,047 and \$637,092, respectively. The accumulated amortization of those costs was recorded as amortization expense in the amount of \$211,250 and \$87,189 respectively.

Customer Capitalized Costs:

Costs related to the acquisition of large volume accounts, net of revenues received for the initial transfer of the records, are capitalized and amortized for periods up to five years. If the customer terminates its relationship with the Company, the unamortized cost is charged to expense. Amortization expense of \$30,540 was recorded in 2005.

NOVA RECORDS MANAGEMENT, LLC AND SUBSIDIARIES
Notes to Consolidated Financial Statements, continued
December 31, 2005 and 2004

1. Nature of Activities and Summary of Significant Accounting Policies, continued:

Equity-Based Compensation:

The Company offers employees and consultants options to purchase membership units of the Company. As allowed under SFAS No. 123, *Accounting for Stock-Based Compensation*, the Company accounts for the unit options granted to employees using the "intrinsic value" method permitted by Accounting Principles Board ("APB") Opinion No. 25, *Accounting for Stock Issued to Employees*.

The Company accounts for equity instruments issued to non-employees in accordance with the provisions of SFAS No. 123(R) and Emerging Issues Task Force ("EITF") Issue No. 96-18, *Accounting for Equity Instruments that Are Issued to Other Than Employees for Acquiring or in Conjunction with Selling, Goods or Services*. No options were granted to non-employees during 2005 and 2004.

Fair Value of Financial Instruments:

The carrying amounts of cash and cash equivalents, accounts receivable/payable, accrued expenses and short-term indebtedness approximate their fair value because of the short-term nature of these instruments. The estimated fair value of notes payable and long-term debt approximates fair value due to its stated interest rates approximating market rates for debt with similar characteristics.

Debt with Detachable Warrants:

The Company accounts for debt obligations issued with detachable warrants to purchase the Company's stock in accordance with APB Opinion No. 14, *Accounting for Convertible and Debt Issued with Stock Purchase Warrants*, which requires the Company to allocate a portion of the proceeds of the debt obligation to the warrants based on the relative fair values of the securities at issuance. The value of the warrants is recognized as additional paid-in capital or a liability in accordance with EITF Issue No. 00-19, *Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock*. Any resulting discount or premium on the debt obligation is accounted for as such and recognized as interest expense or income over the term of the debt obligation.

Income Taxes:

The Company is a Limited Liability Company (LLC) and has elected to be taxed as a partnership. Therefore, the Company is solely a pass-through entity and does not have any tax liability. One of its consolidated subsidiaries is a corporation and this entity's provision for income taxes and related tax liabilities are contained in the financial statements. The provision for the years ended December 31, 2005 and 2004 were \$500 and \$37,000, respectively.

Advertising Costs:

Advertising costs are expensed as incurred and approximated \$41,270 and \$17,500 for December 31, 2005 and 2004.

NOVA RECORDS MANAGEMENT, LLC AND SUBSIDIARIES
Notes to Consolidated Financial Statements, continued
December 31, 2005 and 2004

2. 2004 Restatement:

We have restated our 2004 financial statements to reflect the cost of issuing equity securities as a deduction from proceeds received in accordance with Statement of Financial Accounting Standards No. 141, *Business Combinations*, ("SFAS No. 141"). We previously reflected these costs as an intangible asset and amortized the asset over 30 years. The effect of this restatement decreased net loss by \$3,681, reduced intangible assets by \$411,827, and decreased preferred units by \$415,508. There was no effect on cash flows from operating activities. Cash used in investing activities was reduced by \$415,507 and cash flows from financing activities was reduced by \$415,507.

We also made an adjustment to correct deferred financing fees. We previously reflected these costs as an intangible asset and amortized the asset over 30 years. The effect of this restatement reduced intangible assets by \$351,020, and increased deferred financing costs by \$351,020 and amortized the asset over 5 years. This net change to amortization increased net loss by \$37,816. There was no effect on cash flows from operating activities; cash used in investing activities was reduced by \$351,020 and cash flows from financing activities was reduced by \$351,020.

The aggregate effect of this restatement to previously issued financial statements is as follows:

	As Previously Reported	Adjustments	As Restated
Balance Sheet			
Deferred financing costs, net	\$ 239,835	\$ 310,067	\$ 549,902
Other intangibles, net	4,154,801	(361,116)	3,793,685
Goodwill	4,758,651	(398,594)	4,360,057
Total assets	13,825,062	(449,643)	13,375,419
Preferred units	10,700,000	(415,508)	10,284,492
Undistributed loss	(634,828)	(34,135)	(668,963)
Total members' equity	9,565,382	(449,643)	9,115,739
Statement of Operations			
Selling, general and administrative expenses	824,358	34,135	858,493
Loss from operations	(374,729)	(34,135)	(408,864)
Net loss	(634,828)	(34,135)	(668,963)
Statement of Cash Flows			
Cash flows from operating activities	(186,224)	-	(186,224)
Cash flows from investing activities	(8,402,032)	766,526	(7,635,506)
Cash flows from financing activities	10,950,627	(766,526)	10,184,101

These changes are also reflected in Note 1, Deferred Financing Costs, Note 3, Acquisition of a Business, and Note 6, Goodwill and Amortizable Intangible Assets.

NOVA RECORDS MANAGEMENT, LLC AND SUBSIDIARIES
Notes to Consolidated Financial Statements, continued
December 31, 2005 and 2004

3. Acquisition of Business:

On November 18, 2005, the Company purchased the assets of Infoguard, Inc. The adjusted purchase price, which included \$487,454 in transaction costs, was \$13,612,454 and was financed through the purchase of equity interests in the Company and subordinated notes payable. The Company will record additional consideration, if any, as an adjustment to the purchase price in the year paid. The purpose of the acquisition was to acquire existing record storage business and to provide adequate growth capital to meeting the Company's sales objectives. The acquisition was accounted for using the purchase method of accounting. The purchase price was allocated to the assets purchased and the liabilities assumed based upon the estimated fair values at the date of acquisition. Identifiable intangible assets acquired totaled \$3,049,044. The excess of the cost over the fair value of net assets purchased of \$9,142,760 has been recorded as goodwill.

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed at November 18, 2005:

Accounts receivable	\$ 586,457
Prepays	17,675
Unbilled service revenue	52,132
Property and equipment	1,420,650
Due from affiliate	279,809
Other intangibles	3,049,044
Goodwill	<u>9,142,760</u>
Total assets acquired	<u>14,548,527</u>
Accounts payable	704,809
Deferred revenue	190,757
Unearned storage	<u>40,507</u>
Total liabilities assumed	<u>936,073</u>
Net assets acquired	<u><u>\$ 13,612,454</u></u>

During 2005, the Company entered into two additional asset acquisitions for a total cost of \$3,799,536. US Shred based in Wellsville, NY, providing shredding trucks for the record storage business and Copy Request based in South River, NJ, a copying business. Assets recognized in those transactions consisted of Goodwill, \$3,367,940, Accounts Receivable \$119,546, and Property & Equipment \$309,588.

On June 9, 2004, the Company purchased the stock of Capital Records Management, Inc. The adjusted purchase price, which included \$452,164 in transaction costs, was \$7,606,242 (excluding cash acquired of \$118,692) and was financed through the purchase of equity interests in the Company, subordinated notes payable and a credit facility. The Company will record additional consideration, if any, as an adjustment to the purchase price in the year paid. The purpose of the acquisition was to acquire existing records storage businesses and to provide adequate growth capital to meet the Company's sales objectives. The acquisition was accounted for using the purchase method of accounting. The purchase price was allocated to the assets purchased and the liabilities assumed, based upon the estimated fair values at the date of acquisition. Identifiable intangible assets acquired totaled \$3,349,412. The excess of the cost over the fair value of net assets purchased of \$3,628,530 was recorded as goodwill.

NOVA RECORDS MANAGEMENT, LLC AND SUBSIDIARIES
Notes to Consolidated Financial Statements, continued
December 31, 2005 and 2004

3. Acquisition of Business, continued:

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at June 9, 2004:

Accounts receivable	\$ 164,000
Property and equipment	1,174,000
Goodwill	3,628,530
Other intangibles	3,349,412
Shareholder receivable	584,690
Other assets	98,588
	8,999,220
Total assets acquired	
Accounts payable and accrued expenses	253,110
Long-term debt	1,258,560
	1,511,670
Total liabilities assumed	
Net assets acquired	\$ 7,487,550

During 2004, Nova entered into two additional asset acquisitions for a total cost of \$1,467,805. Apex Archives based in Manayunk, PA, provides a warehouse for record storage and Accurate Archives, based in Mt. Holly, NJ, is a record storage business.

Intangible assets recognized in those transactions amounted to \$1,239,318. Goodwill of \$182,674 was assigned to the acquisition of Apex Archives and \$549,455 of goodwill and \$507,189 of other intangibles was assigned to the record storage business.

4. Receivables from Members:

In connection with the acquisition of Infoguard, Inc. on November 18, 2005, the Company assumed a receivable from the seller, now a member and related party, totaling \$279,809. Due to the possibility that this receivable may not be collected, it appears as a reduction to the equity section in accordance with EITF Issue No. 85-1, *Classifying Notes Received for Capital Stock*.

In connection with the acquisition of Capital Records Management, Inc. on June 9, 2004, the Company assumed two existing notes receivable from the seller, now a member and related party, totaling \$584,690. The notes bear interest at a rate of 5% per annum. Interest is due quarterly on the last day of each calendar quarter. Payment is due upon the consummation of an Extraordinary Transaction, as defined in the notes receivable, within 5 years. The notes shall terminate in the event that no Extraordinary Transaction is consummated within 5 years or all of the Preferred Units held by the member are redeemed. Due to the possibility that this note may not be collected, it appears as a reduction to the equity section in accordance with EITF Issue No. 85-1, *Classifying Notes Received for Capital Stock*.

NOVA RECORDS MANAGEMENT, LLC AND SUBSIDIARIES
Notes to Consolidated Financial Statements, continued
December 31, 2005 and 2004

5. Property and Equipment:

Property and equipment consist of the following:

	December 31,	
	2005	2004
Office equipment	\$ 377,661	\$ 170,627
Warehouse equipment	3,235,665	1,125,791
Trucks/vehicles	1,352,642	563,689
Construction in progress	98,739	5,175
Leasehold improvements	45,995	32,430
	5,110,702	1,897,712
Less: accumulated depreciation	672,034	143,134
Total	\$ 4,438,668	\$ 1,754,578

Depreciation expense for the year ended December 31, 2005 and 2004 was \$528,900 and \$143,134, respectively.

Assets recorded under capital lease agreements included above consist of the following:

	December 31,	
	2005	2004
Warehouse equipment	\$ 18,524	\$ 4,114
Trucks/vehicles	209,132	-
	227,656	4,114
Less: accumulated depreciation	26,983	810
Total	\$ 200,673	\$ 3,304

6. Goodwill and Amortizable Intangible Assets:

Goodwill and amortizable intangible assets consisted of the following:

Goodwill	\$16,870,758
Amortizable intangible assets:	
Customer relationships (amortized over 30 years), net	6,705,706
Total goodwill and other intangible assets, net	\$23,576,464

Amortization expense for intangible assets for the year ended December 31, 2005 and for the period from February 18 (date of inception) to December 31, 2004 was \$137,023 and \$76,550, respectively.

NOVA RECORDS MANAGEMENT, LLC AND SUBSIDIARIES
Notes to Consolidated Financial Statements, continued
December 31, 2005 and 2004

6. Goodwill and Amortizable Intangible Assets, continued:

Estimated amortization expense for customer relationships is as follows:

<u>Years ending December 31,</u>	<u>Customer Relationships</u>
2006	\$ 230,188
2007	230,188
2008	230,188
2009	230,188
2010	230,188

The changes in the carrying amount of goodwill and other intangibles for the period ended December 31, 2005, are as follows:

	<u>Goodwill</u>	<u>Other Intangibles</u>	<u>Total</u>
Balance as of December 31, 2004	\$ 4,360,057	\$ 3,793,685	\$ 8,153,742
Additions	12,510,701	3,049,044	15,559,745
Amortization of other intangibles during period	-	(137,023)	(137,023)
Impairment losses	-	-	-
Balance as of December 31, 2005	<u>\$ 16,870,758</u>	<u>\$ 6,705,706</u>	<u>\$ 23,576,464</u>

7. Line of Credit:

The Company repaid the \$500,000 revolving line of credit outstanding at December 31, 2004 when the Company refinanced its line of credit on July, 20, 2005 with a different lender. The 2005 line of credit has the availability to borrow up to \$6,200,000 for working capital purposes and is due July 31, 2007. The line of credit bears interest at LIBOR plus an applicable margin (7.39% at December 31, 2005). Also, the Company has the availability with the same lender, to borrow up to \$2,000,000 to finance equipment for the ordinary course of business and is due June 30, 2007. The equipment line of credit bears interest at LIBOR plus an applicable margin (7.89% at December 31, 2005).

The Company obtained additional financing on August 26, 2005 for a line of credit with a different lender with the availability to borrow up to \$500,000 for capital expenditures and is due June 24, 2006. The line of credit bears interest at prime rate (7.25% at December 31, 2005).

Borrowings under the first line of credit are collateralized by a priority lien on substantially all of the Company's assets. The amount available under the line is based on eligible accounts receivable and the assigned liquidation value of the Company's equipment. The Company had \$4,971,844 and \$500,000 outstanding and \$3,000,000 available under the lines of credit as of December 31, 2005.

NOVA RECORDS MANAGEMENT, LLC AND SUBSIDIARIES
Notes to Consolidated Financial Statements, continued
December 31, 2005 and 2004

8. Debt:

The Company's debt is comprised of the following:

	December 31,	
	2005	2004
Notes payable to bank	\$ 125,064	\$ 109,732
Less: current maturities	27,077	23,389
Note payable to bank, long term	\$ 97,987	\$ 86,343
For 2005 and 2004 senior subordinated notes consisted of \$10,000,000 and \$3,000,000, bearing interest at 13%, payable in full at maturity on June 9, 2009; as of December 31, 2005 and 2004, the notes payable were recorded net of unamortized discounts of \$236,772 and \$75,377, respectively.	\$ 9,763,228	\$ 2,924,623

In connection with the senior subordinated notes, the Company issued warrants to purchase common units to certain subordinated debt holders. The warrants enable the holder to purchase units for \$.001 per unit and expire on June 9, 2014. At December 31, 2005 and 2004, warrants to purchase 126,667 and 53,385 units were outstanding and exercisable. The estimated fair value of these warrants at the date issued was \$276,057 and \$84,900, respectively.

9. Commitments:

Employment Agreements:

The Company has entered into employment contracts for three and five years with certain of its officers, which expire between 2006 and 2009, respectively. The agreements provide for minimum aggregate annual salaries approximating \$749,000 and \$468,000 for 2005 and 2004, respectively. Salary expense of \$783,000 and \$253,000 was recognized in 2005 and 2004, respectively, in connection with these agreements.

Consulting Agreements:

The Company entered into two consulting agreements with affiliates of two preferred unit holders of the Company, whereby the affiliated companies provide the Company certain corporate development and financial advisory services relating to the Company's customer relationship management business. The agreements require a monthly payment of \$10,000 and \$3,125, respectively, plus a percent of consolidated revenue when it exceeds a monthly target. The maximum fees are not to exceed \$20,000 and \$6,250 in any month. These agreements expire on June 9, 2009.

Under the terms of one of the agreements, the Company also paid a total of \$706,500 in fees in connection with the acquisition of Infoguard, Copy Request, and US Shred in 2005 and \$555,000 in 2004 in connection with the acquisition of Capital Records Management.

NOVA RECORDS MANAGEMENT, LLC AND SUBSIDIARIES
Notes to Consolidated Financial Statements, continued
December 31, 2005 and 2004

9. Commitments, continued:

Operating Leases:

The Company leases office space and equipment under non-cancelable capital and operating leases, which expire through May 2009 and require monthly payments ranging from \$500 to \$22,000. The Company leases equipment with monthly payments of \$4,143, under a capital lease from a related party, which expires in May 2009. The following is a schedule of future minimum annual payments under lease agreements as of December 31, 2005:

	Capital Leases	Operating Leases
<u>For the years ending December 31,</u>		
2006	\$ 59,427	\$ 1,749,442
2007	54,498	1,529,015
2008	51,167	1,587,980
2009	49,718	834,625
2010	24,650	348,799
Thereafter	-	262,283
	239,460	\$ 6,312,144
Total minimum payments	239,460	\$ 6,312,144
Amount representing interest	44,158	
Obligations under capital leases	195,302	
Obligations due within one year	59,427	
	\$ 135,875	

Rent expense under all operating leases for December 31, 2005 and 2004, approximated \$1,263,000 and \$459,000, respectively.

Contingencies:

The Company may be involved from time to time in certain legal actions arising in the ordinary course of business. Management believes, based on the advice of outside legal counsel, that the outcome of such actions will not have a material adverse effect on the Company's financial position or results of operations.

10. Income Tax Distributions:

The Company has elected to be taxed as a partnership. As such, each member is responsible for paying the income taxes on his proportionate share of the Company's net income which passes through to his individual tax return. In accordance with the operating agreement, the Company makes distributions to each member to reimburse these taxes. Because the Company experienced a loss, no distribution will be made to its members in March 2006.

NOVA RECORDS MANAGEMENT, LLC AND SUBSIDIARIES
Notes to Consolidated Financial Statements, continued
December 31, 2005 and 2004

11. 2004 Incentive Equity and Bonus Plan:

The Company adopted a 2004 Incentive Equity and Bonus Plan (the "Plan") on June 3, 2004. The Plan provides for the granting of options, restricted common units, and/or profits interest common units to employees, independent contractors, consultants, and advisors to the Company. The terms and conditions of grants are determined by the Administrator of the Plan in accordance with the terms of the Plan. A total of 112,968 units have been reserved under this plan. The number of units available for grant as of December 31, 2005 is 32,484.

No options were granted to employees in 2005. Options granted to employees during 2004 totaled 24,000. The fair market value at the time of grant was determined to be \$0. The exercise price is \$4.50. These options become exercisable ratably over a period of five years unless the holder terminates employment.

Profits interest common units issued during 2004 totaled 56,484. None were issued in 2005. The fair market value at the time of issuance in 2004 was determined to be \$0.

12. Major Customers:

During 2005 and 2004, revenue earned from three customers approximated 25% (14%, 6%, and 5%) and 43% (21%, 13%, and 9%), respectively, of total revenues. As of December 31, 2005 and 2004 the largest customer represented 4% and 15% of accounts receivable, respectively.

13. Concentration of Credit Risk:

The Company maintains its cash accounts primarily with banks located in Pennsylvania. The total cash balances are insured by the FDIC up to \$100,000 per bank. As of December 31, 2005 there were no amounts uninsured.

The Company provides credit in the normal course of business to customers. The Company performs ongoing credit evaluations of its customers and generally does not require collateral with regard to extending credit to customers.

14. Subsequent Events:

On March 16, 2006, the Company purchased Archive Services, Inc., a Charleston, West Virginia based records and information management business. The Company financed the acquisition through the issuance of an additional \$4,500,000 in aggregate senior subordinated notes with 45,000 detachable warrants to exercise common units.

On August 28, 2006, the Company purchased Total Compliance Solutions, Inc. and Release of Information Services, Inc., both Boston based consulting and medical records copying businesses. The Company financed the acquisition with an expansion of the senior credit facility from \$8,200,000 to \$17,800,000. In addition, the former owners invested \$400,000 of the proceeds in Preferred Membership Units of the Company.

On October 3, 2006, the Company purchased Records Management Corporation, a Philadelphia based records and information management business. The Company financed the acquisition with senior debt and the former owners invested \$600,000 of the proceeds in Preferred Membership Units of the Company.

NOVA RECORDS MANAGEMENT, LLC AND SUBSIDIARIES
Notes to Consolidated Financial Statements, continued
December 31, 2005 and 2004

14. Subsequent Events, continued:

On October 16, 2006, the Company purchased Braincore, Inc., a New Castle, Delaware based records and information management business. The Company financed the acquisition with an expansion of the senior credit facility from \$17,800,000 to \$21,750,000. In addition, the Company issued \$4,500,000 of Preferred Membership units to existing investors as part of the financing.

STATE OF WEST VIRGINIA VENDOR PREFERENCE CERTIFICATE

Certification and application* is hereby made for Preference in accordance with West Virginia Code, §5A-3-37. (Does not apply to construction contracts).

West Virginia Code, §5A-3-37, provides an opportunity for qualifying vendors to request (at the time of bid) preference for their residency status. Such preference is an evaluation method only and will be applied only to the cost bid in accordance with the **West Virginia Code**. This certificate for application is to be used to request such preference. The Purchasing Division will make the determination of the Resident Vendor Preference, if applicable.

A. Application is made for 2.5% preference for the reason checked:

- Bidder is an individual resident vendor and has resided continuously in West Virginia for four (4) years immediately preceding the date of this certification;
- or**
Bidder is a partnership, association or corporation resident vendor and has maintained its headquarters or principal place of business continuously in West Virginia for four (4) years immediately preceding the date of this certification; or 80% of the ownership interest of Bidder is held by another individual, partnership, association or corporation resident vendor who has maintained its headquarters or principal place of business continuously in West Virginia for four (4) years immediately preceding the date of this certification;
- or**
Bidder is a nonresident vendor which has an affiliate or subsidiary which employs a minimum of one hundred state residents and which has maintained its headquarters or principal place of business within West Virginia continuously for the four (4) years immediately preceding the date of this certification.

B. Application is made for 2.5% preference for the reason checked:

- Bidder is a resident vendor who certifies that, during the life of the contract, on average at least 75% of the employees working on the project being bid are residents of West Virginia who have resided in the state continuously for the two years immediately preceding submission of this bid;
- or**
Bidder is a nonresident vendor employing a minimum of one hundred state residents or is a nonresident vendor with an affiliate or subsidiary which maintains its headquarters or principal place of business within West Virginia employing a minimum of one hundred state residents who certifies that, during the life of the contract, on average at least 75% of the employees or Bidder's affiliate's or subsidiary's employees are residents of West Virginia who have resided in the state continuously for the two years immediately preceding submission of this bid.

Bidder understands if the Secretary of Tax & Revenue determines that a Bidder receiving preference has failed to continue to meet the requirements for such preference, the Secretary may order the Director of Purchasing to: (a) rescind the contract or purchase order issued; or (b) assess a penalty against such Bidder in an amount not to exceed 5% of the bid amount and that such penalty will be paid to the contracting agency or deducted from any unpaid balance on the contract or purchase order.

By submission of this certificate, Bidder agrees to disclose any reasonably requested information to the Purchasing Division and authorizes the Department of Tax & Revenue to disclose to the Director of Purchasing appropriate information verifying that Bidder has paid the required business taxes, provided that such information does not contain the amounts of taxes paid nor any other information deemed by the Tax Commissioner to be confidential.

Under penalty of law for false swearing (West Virginia Code, §61-5-3), Bidder hereby certifies that this certificate is true and accurate in all respects; and that if a contract is issued to Bidder and if anything contained within this certificate changes during the term of the contract, Bidder will notify the Purchasing Division in writing immediately.

Bidder: Archive Services

Signed: Donna M. Jamell

Date: March 14, 2007

Title: General Manager

*Check any combination of preference consideration(s) in either "A" or "B", or both "A" and "B" which you are entitled to receive. You may request up to the maximum of 5% preference for both "A" and "B".

AGREEMENT ADDENDUM

In the event of conflict between this addendum and the agreement, this addendum shall control:

1. **ARBITRATION** - Any references to arbitration contained in the agreement are hereby deleted. Disputes arising out of the agreement shall be presented to the West Virginia Court of Claims.
2. **HOLD HARMLESS** - Any clause requiring the Agency to indemnify or hold harmless any party is hereby deleted in its entirety.
3. **GOVERNING LAW** - The agreement shall be governed by the laws of the State of West Virginia. This provision replaces any references to any other State's governing law.
4. **TAXES** - Provisions in the agreement requiring the Agency to pay taxes are deleted. As a State entity, the Agency is exempt from Federal, State, and local taxes and will not pay taxes for any Vendor including individuals, nor will the Agency file any tax returns or reports on behalf of Vendor or any other party.
5. **PAYMENT** - Any references to prepayment are deleted. Payment will be in arrears.
6. **INTEREST** - Should the agreement include a provision for interest on late payments, the Agency agrees to pay the maximum legal rate under West Virginia law. All other references to interest or late charges are deleted.
7. **RECOURPMENT** - Any language in the agreement waiving the Agency's right to set-off, counterclaim, recoupment, or other defense is hereby deleted.
8. **FISCAL YEAR FUNDING** - Service performed under the agreement may be continued in succeeding fiscal years for the term of the agreement, contingent upon funds being appropriated by the Legislature or otherwise being available for this service. In the event funds are not appropriated or otherwise available for this service, the agreement shall terminate without penalty on June 30. After that date, the agreement becomes of no effect and is null and void. However, the Agency agrees to use its best efforts to have the amounts contemplated under the agreement included in its budget. Non-appropriation or non-funding shall not be considered an event of default.
9. **STATUTE OF LIMITATION** - Any clauses limiting the time in which the Agency may bring suit against the Vendor, lessor, individual, or any other party are deleted.
10. **SIMILAR SERVICES** - Any provisions limiting the Agency's right to obtain similar services or equipment in the event of default or non-funding during the term of the agreement are hereby deleted.
11. **ATTORNEY FEES** - The Agency recognizes an obligation to pay attorney's fees or costs only when assessed by a court of competent jurisdiction. Any other provision is invalid and considered null and void.
12. **ASSIGNMENT** - Notwithstanding any clause to the contrary, the Agency reserves the right to assign the agreement to another State of West Virginia agency, board or commission upon thirty (30) days written notice to the Vendor and Vendor shall obtain the written consent of Agency prior to assigning the agreement.
13. **LIMITATION OF LIABILITY** - The Agency, as a State entity, cannot agree to assume the potential liability of a Vendor. Accordingly, any provision limiting the Vendor's liability for direct damages or limiting the Vendor's liability under a warranty to a certain dollar amount or to the amount of the agreement is hereby deleted. In addition, any limitation is null and void to the extent that it precludes any action for injury to persons or for damages to personal property.
14. **RIGHT TO TERMINATE** - Agency shall have the right to terminate the agreement upon thirty (30) days written notice to Vendor.
15. **TERMINATION CHARGES** - Any provision requiring the Agency to pay a fixed amount or liquidated damages upon termination of the agreement is hereby deleted. The Agency may only agree to reimburse a Vendor for actual costs incurred or losses sustained during the current fiscal year due to wrongful termination by the Agency prior to the end of any current agreement term.
16. **RENEWAL** - Any reference to automatic renewal is hereby deleted. The agreement may be renewed only upon mutual written agreement of the parties.
17. **INSURANCE** - Any provision requiring the Agency to insure equipment or property of any kind and name the Vendor as beneficiary or as an additional insured is hereby deleted.
18. **RIGHT TO NOTICE** - Any provision for repossession of equipment without notice is hereby deleted. However, the Agency does recognize a right of repossession with notice.
19. **ACCELERATION** - Any reference to acceleration of payments in the event of default or non-funding is hereby deleted.
20. **AMENDMENTS** - All amendments, modifications, alterations or changes to the agreement shall be in writing and signed by both parties. No amendment, modification, alteration or change may be made to this addendum without the express written approval of the Purchasing Division and the Attorney General.

ACCEPTED BY:
STATE OF WEST VIRGINIA

Spending Unit: _____

Signed: _____

Title: _____

Date: _____

VENDOR

Company Name: Archive Services

Signed: Donna M. Farrell

Title: General Manager

Date: March 14, 2007

A F F I D A V I T**West Virginia Code §5A-3-10a states:**

No contract or renewal of any contract may be awarded by the state or any of its political subdivisions to any vendor or prospective vendor when the vendor or prospective vendor or a related party to the vendor or prospective vendor is a debtor and the debt owned is an amount greater than one thousand dollars in the aggregate

DEFINITIONS:

"Debt" means any assessment, premium, penalty, fine, tax or other amount of money owed to the state or any of its political subdivisions because of a judgment, fine, permit violation, license assessment, defaulted workers' compensation premium, penalty or other assessment presently delinquent or due and required to be paid to the state or any of its political subdivisions, including any interest or additional penalties accrued thereon.

"Debtor" means any individual, corporation, partnership, association, limited liability company or any other form or business association owing a debt to the state or any of its political subdivisions. "Political subdivision" means any county commission; municipality; county board of education; any instrumentality established by a county or municipality; any separate corporation or instrumentality established by one or more counties or municipalities, as permitted by law; or any public body charged by law with the performance of a government function or whose jurisdiction is coextensive with one or more counties or municipalities. "Related party" means a party, whether an individual, corporation, partnership, association, limited liability company or any other form or business association or other entity whatsoever, related to any vendor by blood, marriage, ownership or contract through which the party has a relationship of ownership or other interest with the vendor so that the party will actually or by effect receive or control a portion of the benefit, profit or other consideration from performance of a vendor contract with the party receiving an amount that meets or exceed five percent of the total contract amount.

EXCEPTION:

The prohibition of this section does not apply where a vendor has contested any tax administered pursuant to chapter eleven of this code, workers' compensation premium, permit fee or environmental fee or assessment and the matter has not become final or where the vendor has entered into a payment plan or agreement and the vendor is not in default of any of the provisions of such plan or agreement.

LICENSING:

Vendors must be licensed and in good standing in accordance with any and all state and local laws and requirements by any state or local agency of West Virginia, including, but not limited to, the West Virginia Secretary of State's Office, the West Virginia Tax Department, West Virginia Insurance Commission, or any other state agencies or political subdivision. Furthermore, the vendor must provide all necessary releases to obtain information to enable the Director or spending unit to verify that the vendor is licensed and in good standing with the above entities.

CONFIDENTIALITY:

The vendor agrees that he or she will not disclose to anyone, directly or indirectly, any such personally identifiable information or other confidential information gained from the agency, unless the individual who is the subject of the information consents to the disclosure in writing or the disclosure is made pursuant to the agency's policies, procedures and rules. Vendors should visit www.state.wv.us/admin/purchase/privacy for the Notice of Agency Confidentiality Policies.

Under penalty of law for false swearing (West Virginia Code, §61-5-3), it is hereby certified that the vendor acknowledges the information in this said affidavit and are in compliance with the requirements as stated.

Vendor's Name: Archive Services

Authorized Signature: Donna M. Farrell Date: March 14, 2007

Buyer:

Page

Req. or P. O. No.:

Vendor:

Spending Unit:

Requisition No.: RECMT07

ADDENDUM ACKNOWLEDGEMENT

I hereby acknowledge receipt of the following checked addendum(s) and have made the necessary revisions to my proposal, plans and/or specifications, etc.

Addendum No.'s:

No. 1 ✓

No. 2 ✓

No. 3 _____

No. 4 _____

No. 5 _____

I understand that failure to confirm the receipt of the addendum(s) is cause for rejection of bids.

Donna M. Darvell
Signature

Archive Services
Company

March 14, 2007
Date