

TAB 26

T-NETIX PRODUCTS

DUE DILIGENCE

EXHIBIT	<u>4</u>
WIT:	_____
DATE:	_____
RACHEL CHAVEZ	

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switching	process of connecting appropriate lines and trunks to form a desired communications path between two points in a telecommunications network. Included are all kinds of related functions, such as signaling, monitoring circuit status, testing circuit status, routing, and detecting and recording troubles.
T1	widely used digital carrier that supports 24 channels (or 24 conversations) on two pairs of copper twisted cable (one pair for each transmission direction).
telephony	transmission of voice, data, video, or image signals over distance; from a Greek word meaning far sound.
test jack access port	ports used to connect the SAGE to the CSU; located in front of the CSU.
test switch (FAR-LOC)	switch on the outside of the CSU used to loop the circuit back to the telephone company; has 2 positions called Far and Local.
traffic	flow of information within a telecommunications network.
transformer	device that transforms current from one voltage into another voltage.
Transmission Level Point (TLP)	a point on a circuit, specified by the designer, that allows comparison with other TLPs for reference to measure performance.
trunk	set of cables that handles traffic from one switch to another switch or from a switch to an end-user.
Trunk Processing Unit (TPU)	card in the D4 Channel Bank used to sequentially process calls.
trunk type	set of cables or trunk used in a location; determined by the features needed at the location; Feature Group D is an example of a trunk type.
Uninterrupted Power Supply (UPS)	provides back-up power in the event of main power failure.
Unshielded Twisted Pair (UTP)	standard telephone wire, consisting of two copper wires, twisted together and covered with a plastic jacket. The twists are varied in length to reduce the potential for interference between pairs.

About Your Company

T-NETIX Corporation ("The Company") is a Englewood, Colorado based firm engaged in the design, assembly, and management of specialized communication hardware and software systems. The Company provides its proprietary systems on a service fee per call ("transaction") basis to Regional Bell Operating Companies ("RBOC's"), other local exchange carriers ("LEC's"), and major long distance carriers ("LXC's") as well as to major foreign telecommunication companies and governmental entities. The Company's systems are composed of central processing units, disk storage devices, modems, monitors, keyboards, etc., circuit boards and software.

Systems in the Company's current domestic product line address the communications control needs of the fast growing correction facilities market. These systems are designed to allow the local exchange carrier, long distance carrier, and prison administrative personnel to control calling from detention facilities and to gather and report on calling activities for billing and administrative purposes.

The Company acts as an automated services subcontractor to the telecommunication provider. As such, its services are not generally subject to state or federal tariff regulation. T-NETIX has established contractual and strategic relationships with American Telephone and Telegraph ("AT&T"), and several of the RBOCs, including Bell Atlantic, U S West, Southwestern Bell, and NYNEX, as well as the larger Independent Telephone Companies ("ICOs"), such as GTE, United Telephone, and Alltel. It is currently negotiating with Bell South, Pacific Telesis, Ameritech, and several other independent telephone companies for similar service agreements.

Background

In recent years, corrections officials have begun permitting inmates general access to telephone communications for the purpose of minimizing inmate frustrations and generating revenues from the commissions paid by the telephone providers. However, this has led to the traditional prison telephone service providers, the RBOCs, having to deal with massive telephone fraud by inmates, competition from the private payphone industry, and a new set of industry economics. As a result, there is tremendous political and economic pressure for both the prison facilities and the communication providers to improve the capabilities of their traditional coinless payphones.

Historically, the RBOCs were slow to respond to the correction industry's needs for additional "features and functions". Lack of certain "control" features lead to large write-offs by the RBOCs due to uncollectible accounts and limited the commissions the RBOCs were willing to pay prison facilities. For these reasons, independent pay phone operators have been able to gather approximately 15%-20% of the prison market and, prior to the introduction of the Company's product, were continuing to gain market share.

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The Product

T-NETIX's Inmate Calling System is a state-of-the-art system which allows LECs and the IXCs the ability to provide correctional facilities with flexible and heretofore unavailable tools for controlling inmate calling, fraud reduction, and administrative reporting. Features include three-way call detection and prevention, inmate Personal Identification Numbers ("PINs"), automated operators, automated calling party identification, answer detection and supervision, number blocking, approved number lists, free numbers, instructional voice prompts, and automatic call timing.

T-NETIX believes its patented devices are the only ones currently available with the ability to prevent the type of "three-way calling" generally used by inmates to commit fraud. For this and other reasons, the Company's system has been especially well received by prison authorities as well as by U.S. Secret Service employees responsible for investigating interstate fraud and Federal Communications law violations.

AT&T selected T-NETIX as their solution and partner of choice in competitive bidding situations after an exhaustive evaluation by Bell Laboratories of potential solutions in inmate phone control problems provided by approximately 15 companies. This selection was based on T-NETIX's technological superiority, especially in the area of fraud prevention, its system's flexibility and comprehensiveness of features and functions, and the low initial investment and payment method associated with using T-NETIX's services.

The Company's system allows the current LECs, to provide these sophisticated control services to prison facilities while leaving its existing telephones in place. This is accomplished by connecting an "intelligent controller board" to the existing telephone set. The controller boards are "networked" to the Con-Quest Inmate Processor System and provide an interface between the pay phone set and the telephone network. The T-NETIX system software, customized for each individual inmate, then provides complete and flexible control of the telephone.

In addition to the LEC's ability to leave their phones in place, the T-NETIX Inmate Calling Service also allows them to substantially reduce costs and enhance revenue. The system's "automated operator" feature eliminates the need for a live operator. Its fraud control features greatly reduces the number of uncollectible calls and its software allows flexibility in limiting the length of calls. This timing feature and T-NETIX's exclusive 3-way call detection and prevention feature has generally caused an increase in the number of calls, an increase in revenue to the phone company, and has resulted in increased commission to the facility.

In contrast, T-NETIX's system is provided to the local exchange and long distance carrier on a "fee per transaction" basis in conjunction with a 3-7 year contract. This method of charge has been favorably received by the industry because it does not require adding equipment to the telephone company's rate base, and does not require long and drawn out procurement procedures. In addition, by providing the prison the additional services offered by the Company's system, the current contract holder (generally an RBOC) can often leave their existing phone lines in place and extend their contract with the prison without going through the costly rebidding process.

T-NETIX's ability to utilize the existing pay phones and its transaction fee arrangement limit the amount of capital investment which T-NETIX and the RBOC must make to provide sophisticated inmate services.