

**AGREEMENT BETWEEN STATE OF WASHINGTON DEPARTMENT OF CORRECTIONS
AND AMERICAN TELEPHONE AND TELEGRAPH COMPANY
FOR INSTALLATION AND OPERATION OF AN INMATE TELEPHONE SYSTEM
AT STATE CORRECTIONAL INSTITUTIONS AND WORK RELEASE FACILITIES**

This Agreement is made and entered into this 16th day of March, 1992, by and between the State of Washington Department of Corrections ("Department"), and American Telephone and Telegraph Company ("Contractor").

WHEREAS, Department issued Request for Proposal No. CRFP2562, dated September 4, 1991, for an Inmate Telephone System and Recording/Monitoring at Department Correctional Institutions and Work Release Facilities (the "RFP");

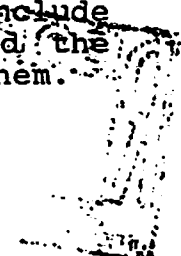
WHEREAS, on November 12, 1991, Contractor responded to the RFP with a total solution, combining a proposal by Contractor, an interexchange carrier, to provide interLATA long distance service, with proposals by three local exchange companies ("LECs"), GTE Northwest Incorporated ("GTE"), Telephone Utilities of Washington, Inc. dba PTI Communications ("PTI") and U S West Communications ("USWC"), to provide inmate telephone stations and enclosures, recording and monitoring equipment and local and intraLATA telephone service (collectively, the "Combined Proposal" and individually, the "AT&T Proposal," the "GTE Proposal, the "PTI Proposal" and the "USWC Proposal");

WHEREAS, on December 20, 1991, the Department announced its selection of Contractor as the successful vendor on the basis of the Combined Proposal, with the understanding that Department and Contractor would enter into an Agreement covering the entire project as set forth in the RFP and that Contractor would enter into Subcontracts with GTE, PTI and USWC to cover those portions of the RFP for which those three LECs would be responsible;

NOW, THEREFORE, Department and Contractor do mutually agree as follows:

1. Incorporation by Reference of RFP and Proposals.

Contractor hereby agrees to provide the equipment and services required by the RFP, on the basis set forth in the Combined Proposal. The RFP and the Combined Proposal, including the AT&T Proposal, GTE Proposal, PTI Proposal and the USWC Proposal (except for USWC's response to Attachment B to the RFP), shall constitute and hereby are made a part of this Agreement as though fully set forth herein. As used herein, the term "Contractor" shall include and refer to AT&T, its subcontractors and suppliers, and the subsidiaries, affiliates, employees and agents of each of them.



2. Scope of Agreement.

A. The terms and conditions of this Agreement apply to the LEC Public Telephones at Department Correctional Institutions and Work Release Facilities listed on Attachment A to the RFP, as well as to new and expanded facilities for which the Department requests service.

B. This Agreement applies to two types of LEC Public Telephones: Public Telephones made available to Inmates, from which only collect calls can be made ("Inmate Public Telephones") and other Public Telephones located on the premises of certain facilities for use by staff and visitors but not inmates ("Staff Public Telephones"), from which both "1+" and "0+" telephone calls can be made. Unless otherwise stated in this Agreement, the term "Public Telephone" shall refer both to Inmate Public Telephones and Staff Public Telephones.

3. Provision of InterLATA and International Service by Contractor.

Contractor agrees to provide "0+" interLATA and international service to all Public Telephones located on the premises of Department Correctional Institutions and Work Release Facilities. The Department hereby selects Contractor as the "0+" primary interexchange carrier ("PIC") for operator assisted ("0+") interLATA and international calls placed from all such LEC Public Telephones. The Department appoints Contractor as its Agent for purposes of submitting the Department's selection of Contractor as its PIC for such LEC Public Telephones. Nothing in this Agreement requires the Department to route "1+" interLATA calls to AT&T from any telephones covered by this Agreement.

4. Subcontractors.

The Department hereby approves Contractor's use of GTE, PTI and USWC as Subcontractors under this Agreement. Set forth below is a list of the equipment and services for which each of the Subcontractors will be responsible to provide to the Department, in accordance with the specifications of the RFP and the GTE Proposal, PTI Proposal and USWC Proposal:

A. GTE. GTE shall install and maintain public telephone sets, all associated equipment, lines, Dictaphone recording/monitoring equipment and call timing and call blocking software at the following location:

- i. Washington State Reformatory, Monroe

GTE shall install and maintain public telephone sets, all associated equipment, lines, call timing and blocking software at the following locations:

- ii. Twin Rivers Corrections Center
- iii. Indian Ridge Corrections Center, Arlington
- iv. Special Offender Center, Monroe

GTE shall also provide local and intraLATA telephone service and operator service to the GTE Public Telephones at the above four locations.

B. PTI. PTI shall install and maintain public telephone sets, all associated equipment, lines, Dictaphone recording/monitoring equipment and call timing and call blocking software at the following locations:

- i. Clallam Bay Corrections Center
- ii. Washington Correction Center for Women

PTI shall install and maintain public telephone sets, all associated equipment, lines, call timing and call blocking software at the following locations:

- iii. Olympic Corrections Center
- iv. Pine Lodge Pre-Release
- v. Coyote Ridge

PTI shall also provide local telephone service and operator service to PTI Public Telephones at the above five locations.

C. USWC. USWC shall install and maintain public telephone sets, all associated equipment, lines, Dictaphone recording/monitoring equipment and call timing and blocking software at the following locations:

- i. Washington Corrections Center, Shelton
- ii. McNeil Island Penitentiary
- iii. Washington State Penitentiary, Walla Walla
- iv. Airway Heights

USWC shall install and maintain public telephone sets, all associated equipment, lines, call timing and blocking software at the following locations:

- v. Tacoma Pre-Release
- vi. Cedar Creek Corrections Center
- vii. Larch Corrections Center

USWC shall also provide local and intraLATA telephone service and operator service to USWC Public Telephones at the above six locations.

5. Term.

The term of this Agreement shall be five (5) years, commencing as of March 16, 1992 ("Effective Date"). Upon at least sixty (60)

days' written notice prior to the end of the initial term or a renewal term, either party may request renewal of the Agreement, in which case the Agreement may be renewed for any length of time agreed upon by the parties. Upon expiration of the initial term or a renewal term without either notice of termination or signing of an agreement to renew, this Agreement shall automatically continue on a month-to-month basis.

6. Ownership of Equipment.

All equipment installed on Department premises pursuant to this Agreement shall be provided as a service to the Department in accordance with the RFP. No equipment shall be sold or leased to the Department under this Agreement. Title to all public telephone equipment, monitoring/recording equipment, software, wiring, hardware and enclosures installed pursuant to this Agreement shall remain in Contractor, or the applicable subcontractor or supplier, during the term of this Agreement.

7. Commissions Payable to the Department

A. In return for the right to provide Inmate and Public Telephone Service under this Agreement, Contractor, GTE, PTI and USWC shall each pay to the Department on a monthly basis the commissions set forth in Attachment 1 to this Agreement. Each carrier's monthly commission checks shall be sent to the Superintendent of each covered Correctional Institution or Work Release Program, made payable to the Inmate Welfare Fund, unless and until the Department shall specify a different payee for the carriers' commission checks.

B. For all facilities in USWC territory, commissions shall be payable as of the Effective Date of this Agreement. For all facilities in GTE and PTI territory, commissions shall be payable as of the cutover date established pursuant to the implementation schedule mutually agreed upon by the Department, Contractor and its Subcontractors.

C. The commission schedule set forth in Attachment 1 shall also apply to LEC public telephones at any new Department Correctional Institutions or Work Release Facilities which are added to this Agreement at the request of the Department.

D. If any of the Commissions set forth in Attachment 1 are not paid within 45 days after the end of any billing cycle, interest at an annual rate of 10% shall be paid commencing as of the 46th day. This interest charge shall not apply to the true-up commission payments made by Contractor and USWC with respect to the initial billing cycles of this Agreement.

8. Reports.

Contractor, GTE, PTI and USWC shall each provide the following reports with respect to the traffic carried by that entity:

A. A monthly call detail report for Inmate Public Telephones, by institution, and addressed to the superintendent of the institution showing the date, time, payphone number, called number and length of each call.

B. A monthly commission report for Inmate and Staff Public Telephones, by institution, showing total revenues generated by each Inmate and Staff Public Telephone for that monthly commission cycle. Each such report shall be sent to two locations: one copy to the institution and one copy to the Department of Corrections, Attention: Sharon Shue, Telecommunications Manager, P. O. Box 41110, MS: 61, Olympia, WA 98504-41110.

9. Maintenance

Contractor, its subcontractors and suppliers shall provide maintenance for the equipment, software and services supplied under this Agreement pursuant to the terms and conditions of the RFP and Proposals submitted in response to the RFP. The appropriate LEC (GTE, PTI or USWC) shall designate a single point of contact to receive trouble reports for each Correctional Institution or Work Release Program in that LEC's territory. The Department shall address trouble reports relating to any service or equipment provided under this Agreement to these designated points of contact, which are listed in Attachment 2 to this Agreement. Following the installation of equipment under this Agreement, Contractor, its subcontractors and suppliers shall leave the Department's premises in good condition and broom clean.

10. Responsibilities of the Department

The Department shall:

A. Take reasonable precautions to protect the public telephone stations and related equipment and monitoring and recording equipment and software from damage, vandalism, theft or hazardous conditions and promptly report any damage, service failure or hazardous condition to Contractor's points of contact as referred to in Section 9 and listed in Attachment 2 to this Agreement.

B. Subject to the Department's security requirements, provide access as needed to Contractor, its subcontractors, suppliers and agents to service the equipment provided herein.

C. Keep the public telephone stations clean and the station locations free from debris or obstructions.

11. InterLATA "0+ Service

A. Staff Public Telephones shall comply with the signage and unblocking requirement of the Telephone Operator Consumer Services Improvement Act of 1990.

B. If this Agreement is amended to add a Correctional Institution or Work Release Program located in an area where Contractor does not track billed "0+" interLATA revenues from LEC Public Telephones, a monthly average revenue (MAR) mutually agreed upon by the parties will be used in calculating Contractor's monthly "0+" interLATA revenues. The developed MAR will be based upon the monthly revenues generated from a like Washington State institution, with a similar inmate population and a similar ratio of inmates to public telephones.

12. Monitoring/Recording

Contractor shall provide live or mechanical operator announcements for all personal calls made from Inmate Public Telephones that the call is coming from a prison inmate and that it will be recorded and may be monitored and/or intercepted. The Department shall be responsible for instituting procedures at each location to ensure that attorney-client calls are not recorded or monitored.

13. Indemnification

A. The Contractor shall defend, protect and hold harmless the State of Washington, the Department, or any employees thereof, from and against all claims, suits, or actions arising from any negligent or deliberate act or omission of the Contractor or Subcontractor, or agents of either, while performing under the terms of this Agreement. The provisions of this paragraph shall not apply to any act or omission by the Contractor for which the Department, in the text of this Agreement, has agreed to defend and hold the Contractor harmless. The provisions of this section shall survive any termination or the expiration of this Agreement.

B. The Department shall defend, protect and hold harmless Contractor, its employees, agents or subcontractors, from and against all claims, suits, actions, loss or injury arising from any negligent or deliberate act or omission of the Department or any employee thereof, while performing under the terms of this Agreement, except to the extent that the claims result from the negligence or willful acts of Contractor's employees, agents or subcontractors. The Department shall defend, protect and hold harmless the Contractor, its employees, agents or subcontractors, from and against all claims, suits, actions, loss or injury arising out of or in any way connected with Contractor's provision of call

Service, 1420 Fifth Avenue, Suite 400, Seattle, WA 98101). Each party shall share the cost of such mediation.

18. Termination and Termination Procedure

A. In the event that a correctional facility covered by this Agreement is closed for lack of funding, consolidation with other facilities or as a result of other judicial or governmental action, the Department may terminate this Agreement as to that facility.

B. In the event of a failure by Contractor to perform any of the provisions hereof with respect to any one or more correctional facilities covered by this Agreement, or with respect to any one or more of the three LEC territories covered by this Agreement (GTE, PTI or USWC), the Department may give Contractor thirty (30) days' written notice of intent to terminate for default, specifying the nature of the alleged failure of performance and identifying the location(s) and/or LEC territory affected. Contractor shall not be deemed to be in default if Contractor cures the failure of performance within the thirty (30) day notice period, or if the nature of Contractor's default is such that more than thirty (30) days are reasonably required for its cure, then Contractor shall not be deemed to be in default if Contractor shall commence such cure within said thirty (30) day period and thereafter diligently prosecute such cure to completion.

C. Unless there is a default consisting of a failure of performance as to the entire Agreement, a termination of this Agreement under the terms of this Section 18 a and b as to any single correctional facility or as to any single LEC territory shall not operate as a termination as to any other correctional facility or other LEC territory, and this Agreement shall remain in full force and effect for all other correctional facilities and LEC territories.

D. During the first three years of this Agreement, the Department may terminate this Agreement in whole or in part only upon one or more of the following events:

1. Termination for the reasons provided for in section 18 a., b. and c. herein, or
2. Any action by the legislature, the Governor's office, the Federal Communication Commission, the Washington Utilities and Transportation Commission or a court of competent jurisdiction which results in or necessitates termination of this Agreement in whole or in part.

Any termination under paragraph 18 D(2) above requires at least 90 calendar days written notice of such action be

provided to Contractor by Department as provided in Section 19 "Notices."

After the first three years of this Agreement, either party may terminate this Agreement without cause by giving written notice to the other party, as provided for herein, at least 180 calendar days prior to the effective date of said termination.

19. Notices

A. Any notices or other communications to be given under this Agreement shall be provided to the following parties by personal delivery, first class U.S. mail or facsimile:

State of Washington
Department of Corrections
P.O. Box 9699, MS: FN-61
Olympia, WA 98504
Attention: Gary L. Banning
Administrator, Contracts
and Regulations
Facsimile no. (206) 586-8723
Tel. no. (206) 753-5770

AT&T
4460 Rosewood Drive, Room 6330
Pleasanton, CA 94588
Attention: Patricia Maitland
Facsimile no.: (510) 224-5498
Tel. no. (510) 224-4926

The name, address or facsimile number for notice may be changed by giving notice in accordance with this Section. If mailed in accordance with this Section, notice shall be deemed given when actually received by the individual addressee or designated agent or three (3) business days after mailing, whichever is earlier. If transmitted by facsimile in accordance with this Section, notice shall be deemed given when actually received by the individual addressee or designated agent or one (1) business day after transmission, whichever is earlier.

B. Courtesy copies of any notices provided by one party to the other under this Agreement shall be provided, using any of the methods specified in Section 19A, to:

U.S. West Communications, Inc.
14808 SE 16th, Basement
Bellevue, WA 98007
Attention: Susan Haynes
Facsimile no. (206) 451-6011
Tel. no. (206) 451-5328

GTE Northwest Incorporated
2312D West Casino Road
Everett, WA 98204
Attention: Joanna Sissons
Facsimile no.: (206) 353-6558
Tel. no. (206) 356-4175

PTI Communications
Post Office Box 90
Forks, WA 98331
Attention: John Fryling
Facsimile no.: (206) 374-9636
Tel. no.: (206) 374-2300

20. Rights in Data

The data covered by General Term "Rights in Data" contained in Attachment B to the RFP does not include information relating to interLATA, intraLATA or local calls, which shall remain the property of the applicable carrier (AT&T, USWC, PTI or GTE), and shall be kept confidential subject to the requirements of Washington public records law. In the event of a third party request for such data, the Department shall notify Contractor in advance of responding to the request in sufficient time to allow Contractor to negotiate any appropriate protective arrangements, consistent with any applicable time limits for the Department to respond to the third party, but in any event prior to disclosing the data.

21. Bond

Contractor shall post a performance bond or a performance/payment bond in the amount of \$500,000 on a form acceptable to the Department. Such bond shall be for the purpose of guaranteeing satisfactory performance by Contractor of the services required hereunder and the payment of commissions due or owing to the Department.

22. Incorporation of General Terms and Conditions

The Department of Corrections General Terms and Conditions, as set forth in Attachment B to the RFP, are incorporated herein by reference, except as modified are amended herein, and with the exception of the following, which are deleted as inapplicable to this project:

A. General Term "Indemnification" on page 5 of Appendix B is superseded by Section 13 above ("Indemnification").

B. General Term "Disputes" on page 10 of Appendix B is superseded by Section 17 above ("Conflict Resolution"), and Section 18 ("Termination and Termination Procedure").

C. General Terms "Termination by Contractor" and "Termination for Convenience on page 11 of Appendix B are superseded by Section 5 above ("Term") and Section 18 ("Termination and Termination Procedure").

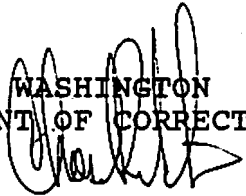
23. Contract Modifications

The parties may supplement or amend this Agreement by mutual consent, provided such supplement or amendment is in writing and signed by authorized representatives of both parties.

24. Entire Agreement

This Agreement and the documents incorporated herein by reference, i.e., the Combined Proposal, the RFP and the Department of Corrections General Terms and Conditions (Attachment B), constitute the entire understanding between the parties and supersede all prior understandings, oral or written representations, statements, negotiations, proposals and undertakings with respect to the subject matter hereof. In the event that any provisions of this Agreement and the incorporated documents are inconsistent, the order of precedence shall be as follows: (1) this Agreement; (2) the Combined Proposal (except for USWC's response to Attachment B to the RFP; (3) the RFP and (4) the Department of Corrections General Terms and Conditions (Attachment B).

STATE OF WASHINGTON
DEPARTMENT OF CORRECTIONS

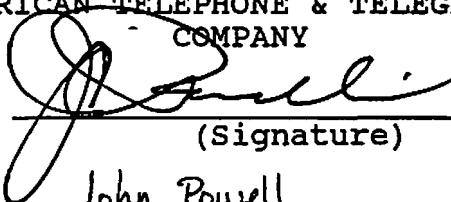
By: 
(Signature)

Chase Riveland
(Typed or Printed Name)

Secretary
(Title)

3/31/92
(Date)

AMERICAN TELEPHONE & TELEGRAPH
COMPANY

By: 
(Signature)

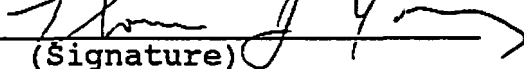
John Powell
(Typed or Printed Name)

Sales V.P.
(Title)

8/12/92
(Date)

Approved as to Form:

OFFICE OF THE ATTORNEY GENERAL
STATE OF WASHINGTON

By: 
(Signature)

Thomas J. Young
(Typed or Printed Name)

Assistant Attorney General
(Title)

3/30/92
(Date)

COMMISSION SCHEDULE

1. AT&T: commission rate of 24% on billed revenues from operator-assisted intraLATA, interLATA and international calls carried by AT&T.
2. GTE: commission rate of 27% on billed revenues from operator-assisted local and intraLATA calls carried by GTE.
3. PTI: commission rate of 27% on billed revenues from operator-assisted local calls carried by PTI.
4. USWC: the following commission rates shall apply to billed revenues from operator-assisted local and intraLATA calls carried by USWC:

USWC agrees to pay the Department a commission rate of 35%. At the end of each calendar year of this Agreement, USWC shall review billed USWC revenues against the schedule shown below and increase the compensation, if appropriate, as follows:

<u>Annual USWC Revenue</u>	<u>Adjustment Level & New Commission Rate</u>
\$2.0 Million	35%
\$3.0 Million	36%
\$4.0 Million	37%

The USWC commission rate will not fall below 35%. Once a level of commission has been achieved, it will remain in place throughout the remaining years of this Agreement unless the next appropriate level is attained.