Transformation Overview

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Following is an overview of Platinum Equity’s investment in Aventiv Technologies, parent company of Securus Technologies, and efforts underway to transform the company.

Overview

Investment Overview

Platinum Equity acquired Securus in November, 2017 from ABRY Partners. The company is headquartered in Dallas and provides telephone, email, education, entertainment and security services to the corrections industry in the United States.

Affiliates of Securus include several related businesses, including JPay, a money transfer and email services platform; AllPaid, a government services provider that manages payment processing; and Aventiv Technologies, the umbrella parent company focused on diversified technology products and services.

Customers comprise approximately 3,500 correctional facilities in all 50 states, providing services that impact approximately 1.2 million incarcerated individuals.

Criminal Justice Reform and Social Justice Concerns

Within the scope of their operations, both the industry and the companies have long faced calls to reform certain business practices and make products and services more affordable. Beyond that, they have also received attention in the context of a broader debate over social justice, criminal justice reform and mass incarceration in America.

Platinum Equity wholeheartedly supports efforts to reform business practices in the corrections services industry, and we are acting as change agents to make Securus a responsible industry leader in affordability, accessibility, accountability and transparency. Areas of focus include pricing, privacy, data security and other issues that have been highlighted by policymakers and advocates for both customers and consumers.

Reform in Action

Installed New Leadership

Hired seven new executives to help drive the transformation, including new CEO David Abel

Reduced Rates by 30%

Cost of calls have declined 30% over the past three years; committed to additional 15% reduction over next three years

Drove Avg. Cost Below $0.15 Per Minute

Rates for Securus phone calls are now below $0.15 per minute on average, or less than $2.25 for a 15-minute call
These services, and its consumers, who are predominantly incarcerated individuals and their families who use and in some cases are charged for the services.

Upon acquiring the business, Platinum launched a transformation agenda that included management changes, price reductions, policy and business practices reform and technology investment. Among other critical leadership changes, we went outside the corrections services industry to recruit technology and government services executive Dave Abel to lead the transformation program.

Further underscoring the importance of the reform agenda, we subsequently named Mr. Abel as President and Chief Executive Officer of both Securus Technologies and its parent, Aventiv Technologies, in January 2020.

As his first order of business, Mr. Abel accelerated the reform program and announced an ambitious multi-year program that he pledged would “acknowledge past criticism, pursue present opportunities and lead future innovation.”

In the interest of both transparency and accountability, we have published that transformation agenda and encouraged all parties to track our progress.
1. **Accessibility and Affordability**

While Securus has reduced the average cost of calls by 30% over the past 3 years, not all consumers felt the same relief. The company pledges to work with all our institutional customers to broaden rate relief for more consumers by targeting the elimination of legacy outlier rates and reinvesting in the development innovations and tools to further reduce costs.

In 2019 Securus became the only service provider to announce full neutrality on the presence of site commissions and the provision of products regardless of the funding source and model determined by each locality. The organization will build on that in 2020 by working with all interested institutional customers on implementing these lower-cost-to-consumer alternatives.

Securus will reduce the application of third-party funding fees by investing in technology solutions where possible—and negotiating lower rates where outside vendors are still required—to provide savings to consumers of at least 35% on these fees by year end.

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2. **Transparency**

Securus will provide a clear and simple recitation of call rates to both customers and consumers, ensuring that those call rates are always available online and at the time of each call before they are accepted.

The Company will commission an annual report of calling costs, produced and published by an independent third party, including a breakdown of what is being charged beyond the specific cost of the call (for example, additional costs necessary for the provision of safety protocols and service).

Securus will publish by the middle of this year an industry-leading report detailing a terms-of-use policy for its products, and memorializing comprehensive data privacy standards.
3. **Education, Reentry and Recidivism**

Securus will immediately sign the Society for Human Resource Management Getting Talent Back to Work Pledge.

The Company will contribute at least $3 million in 2020 to efforts focused on reducing recidivism rates and improving reentry rates, including support for The Securus Foundation to connect justice agencies more closely to their communities utilizing technology.

The Company will create a post-incarceration scholarship program to facilitate the completion of post-secondary degrees begun under Securus’ existing educational product and service opportunities.

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4. **Listening and Responsiveness**

Mr. Abel and other company executives will meet each quarter with families and individuals personally impacted by incarceration to hear their recommendations and address their concerns about the company’s products and services.

Company leaders will also meet with corrections facility customers, correctional trade associations and advocates of alternative incarceration approaches to hear their recommendations and hear their concerns.

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5. **Technology and Innovation**

Securus pledges to invest at least $40 million this year in facility communication infrastructure for the advancement of public safety and community needs.

The Company will devote at least $30 million to fund innovations in the development of secure products to take on the ever-evolving challenges facing correctional agencies in the new decade.
Past Practices

We are acutely aware that prior to our ownership, the company and the industry engaged in certain business practices that could fairly be perceived as pro-customer but anti-consumer.

Some of those practices had already been discontinued by the time we acquired the company. For example, in offering video connection technology some Securus contracts limited in-person visitation hours. That practice was discontinued in 2016, prior to Platinum’s ownership, and we have directed management of the company to ensure that it is not resurrected in any new contracts.

Using Technology to Improve Outcomes

It is important to underscore that the company and the industry provide a broad array of services that benefit incarcerated individuals, including not just communications technology but also education and job search tools designed to smooth post-incarceration transition.

Reform in action

Eliminated Outlier Rates

Renegotiated 57 of 58 outlier contracts since January, with new rates in effect May 1

Providing Relief During Covid-19

Provided 22.4 million free calls totaling 170.8 million free minutes, and 4.9 million free video connections in response to Covid-19

Investing in Infrastructure

Securus invested $50 million last year to equip facilities with infrastructure needed to support modern communications technology.
re-entry and help reduce recidivism, as well as law library access, entertainment programming, free e-books, mental health materials and other tools.

The company’s education platform is the largest digital education program in corrections, offering a full-service education platform with the capability to support college courses, high school equivalency prep, GED prep, and personal development content from a network of reputable academic partners.

We are actively engaged in expanding and improving those services, while at the same time improving policies and business practices at the company. We are meeting with all impacted parties, including not only the law enforcement and corrections agencies who are the company’s customers, but also with advocates for incarcerated individuals, their families and friends who are the company’s consumers.

**Technology and Product Diversification**

Some have questioned the company’s commitment to continue decreasing calling rates for incarcerated individuals and supporting programs to reduce recidivism given the perceived impact those trends would have on financial performance. What that fails to recognize is that a core component of Platinum’s investment strategy is based on product diversification away from core telecommunications, and away from business lines driven solely by the average daily population of corrections facilities. The company is investing substantial resources to expand its product portfolio to include not only more and better products and services for corrections agency customers and
incarcerated consumers, but also on post-incarceration services that can help people develop skill sets necessary to be successful outside an incarceration environment. Separately, the company is also expanding its product portfolio of technology solutions outside of corrections entirely.

**Calls to Divest Securus**

Platinum Equity has invested considerable financial and operational resources in Securus with a demonstrable reform agenda that is lowering rates, reducing the company’s reliance on telecom, and developing new technologies, products and services that benefit incarcerated individuals. Our objective is to turn Securus into a successful, responsible market leader, and then to divest it. The path to exit runs through our transformation and reform program. If we succeed, we will have delivered a positive outcome for the company, its customers and the consumers it serves.

**Reform in Action: Current Progress**

**New Leadership**

In January 2020, we appointed technology and government services executive Dave Abel as President and Chief Executive Officer of both Securus Technologies and its parent Aventiv Technologies.

Mr. Abel joined Securus as President in April of 2019, recruited from outside the industry to bring new ideas and urgency with respect to accelerating and expanding the reform agenda and technology transformation mandated by Platinum Equity. He is an experienced executive with a long career in helping governments use technology to improve mission effectiveness and lower costs to taxpayers and consumers.

Prior to joining Aventiv, he founded and ran a business focused on performance improvement and software automation. As an executive at IBM and a partner at PwC, he was responsible for turning around and growing service and software businesses worldwide. While applying technology to some of society’s greatest challenges, he is known for balancing the often competing needs of security, privacy and consumer value.

Mr. Abel is the most visible example of a sweeping overhaul of management under Platinum that includes replacement of the company’s CEO, Chief Information Officer, Chief Information Security Officer, Chief Human Resources Officer and Chief Operating Officer among others.
Coronavirus Response

On March 13, the day COVID-19 was declared a national emergency in the United States, Securus began offering free and discounted services to every one of its state and county corrections agency customers.

Since then, the company has provided 22.4 million free phone calls totaling 170.8 million free minutes; 4.9 million free video connections; and 10.6 million free email message stamps to 448,000 incarcerated individuals and their families.

In addition to the calls themselves being free, there are no funding or transaction fees associated with those calls.

Further, the company has provided additional free calling cards, or “compassion credits,” to connect incarcerated individuals who have fallen ill during the pandemic with their loved ones. Securus also has provided free phone calls between incarcerated individuals and public defenders in certain locations where permitted, and created an inbound email system by providing printers and supplies at 33 locations in California where incarcerated individuals do not have access to individualized email.

Beyond communications connections, Securus is also providing free access to select games and movies on its tablets in facility locations where permitted. So far, more than 500,000 movie rentals and nearly 1 million games have been downloaded or accessed without charge since April.

Finally, the company has signed the FCC’s Keep Americans Connected Pledge, which is FCC Chairman Ajit Pai’s initiative focused on mitigating the impact of the coronavirus pandemic on telecommunications access.

All of those actions to support individuals impacted by COVID-19 are part of a broader effort to transform the company and make services more accessible and affordable for incarcerated individuals and their loved ones.

Accelerated Reform Agenda

The company moved quickly on the accelerated reform agenda launched in January. In March, the company provided an update on the first 60 days of the transformation.

Highlights included:

- Developed and deployed new technology to reduce reliance on third-party payment services, eliminating their fees and bringing savings to impacted consumers by an average of 30% in the total cost of each call.
- Negotiated new contract with a major county customer lowering the cost of phone calls by more than 60% for over 6,000 incarcerated individuals and their loved ones.
- Integrated commission-free and agency-paid options for telephone calls with both existing institutional customers and potential new institutional customers.
- Convened first quarterly consumer forum with formerly incarcerated individuals and their families in Detroit to hear firsthand about their experiences and how to better serve them which will be used to inform future development efforts.
• Met with leaders and participants of job-training and -placement organizations currently operating inside and outside of correctional facilities to learn about employment best practices and help guide development of re-entry support.

• Signed the Getting Talent Back to Work pledge from the Society for Human Resource Management and committed to give hiring opportunities to deserving individuals with a criminal record.

Substantially more progress has been made since and the company is preparing to publish a detailed update in July.

Rate Reduction

Prices for Securus calling services have fallen by more than 30 percent since Platinum Equity acquired the business, including a 14 percent reduction in the past year. The company has committed to working with its institutional customers to achieve an additional 15 percent reduction over the next three years. Today the average cost per minute of a Securus phone call is below $0.15, inclusive of all fees and commissions.

As rates continue coming down, the company acknowledges that not all consumers have felt the same relief and pledged in January to work with all its institutional customers to broaden rate relief for more consumers by targeting the elimination of legacy outlier rates. (For example, the “$22 for a 15-minute call” often cited in reports critical of the company.) While rare to begin with, the company is taking steps to eliminate those outliers altogether. Since January, Securus proactively renegotiated 57 of 58 contracts identified as outliers and new lower rates went into effect May 1.

Working with Advocates for the Incarcerated

There are many advocates working hard right now on criminal justice reform. We welcome their input and respect their passion. We have met with some directly and their input has helped inform and accelerate our progress.

It’s important to note that the company’s reform agenda includes many of the things advocates are calling for, including:

• Further reduction in the cost of telephone calls and elimination of so-called outlier rates;

• Further reduction in the cost of money transfers;

• Agreement to offer commission-free and fully agency-paid options to every corrections agency customer;

• Greater transparency, including independent third-party reporting on all costs related to telecommunications;

• Greater listening and responsiveness, including quarterly meetings with families and individuals personally impacted by incarceration

These reforms are meaningful, and in keeping with our commitment to be change agents in this business and this industry. We don’t expect them to be praised by all critics, but we are undeterred in our resolve to adopt meaningful reforms in this business and this industry.
For an example of this cooperative approach, Platinum CEO Tom Gores shared an update on the transformation of Securus and the company’s response to Covid-19 with Mignon Clyburn, board chair of the organization Full Color Future and two other executives who served with her as FCC commissioners. The update was sent in response to a letter requesting that Securus take steps to support incarcerated individuals and their families during the pandemic.