

VISION · INTEGRITY · PARTNERSHIP

2005 Annual Report



Powered By
Nlets



Inside front cover blank

What is Nlets?

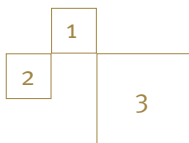
Nlets is the International Justice and Public Safety Information Sharing Network.

Nlets is an international, virtual, information-sharing network that links together state, local and federal law enforcement, justice and public safety agencies for the purpose of exchanging critical data. The primary goal of the Nlets system is to save lives, protect property and improve security for Americans. Nlets has been providing this service for nearly 40 years.

More than 70 million messages are transacted each month among all U.S. states/territories, all federal agencies with a justice component and selected international agencies. The types of data exchanged vary from motor vehicle and drivers' data, to Canadian "Hot File" records, to INS databases, to state criminal history records.

Nlets supports secure links to state networks and federal and international systems using a private frame relay service—guaranteeing sub-second response times to this critical data. The primary Nlets operational site is located in Phoenix, Arizona, with a disaster recovery site co-located with the Idaho State Police for full continuity of operations.

Nlets is a 501(c)(3) not-for-profit organization and is owned and governed by the states. Representatives from each state elect a Board of Directors and Officers annually. They set policies and procedures, define standards, approve members and establish fees.



Photos courtesy of
1. Department of Defense, 2. & 3. U.S. Customs and Border Patrol

Letter from the Executive Director

Dear Members and Friends:

Our focus this year is on V.I.P.s. The traditional connotation is Very Important Person(s). All of our members—whether they are the more than 50 legacy members who formed Nlets in 1966 or our newer members who are adding significantly to our reach—are “Very Important Persons” to us. Our list of VIPs extends even farther to the many partner agencies and other information providers who make it possible to serve the million-plus law enforcement and public safety personnel throughout the country who rely on instant access to mission-critical data.

In a variation on V.I.P. we are focusing on Vision, Integrity and Partnerships. We feel these are the key elements to both the current success of Nlets and its future growth.

In looking back, we recognize that the central focus of Nlets remains the same—serving law enforcement, saving lives and protecting property. But clearly, Nlets’ role in fostering the exchange of information toward this end has evolved. For most of our existence, Nlets served the mission originally determined by its founders, as the hub

of information exchange between and among the states. As times changed and the potential for information sharing developed exponentially, Nlets faced both an amazing opportunity and a daunting challenge. We could rise to the occasion and become the leading force in modern information sharing or potentially become obsolete as other service providers—with millions of federally provided dollars —built parallel networks.

Instead we decided to fully commit to our vision of serving our legacy members and a host of other partners engaged in justice and public safety. We have taken a proactive, visible and assertive stance as the premier network for the exchange of information for the criminal justice, law enforcement and public safety communities. We are perfectly positioned to not only serve our core members, but also to expand our reach and effectiveness.

So, in the following pages you will see how we are decisively executing our “vision.” You’ll read about the duality of “integrity”—both Nlets’ organizational integrity

and the integrity of our network. And, there are excellent examples of how our aggressive and strategic expansion of “partnerships” is fulfilling our core commitment to facilitate information sharing by resolutely “doing the right things for the right reasons.”

As always, we continue to solicit your input as we seek to leverage our collective insight, intelligence, experience and resources to fulfill our role in saving lives and protecting property.



A handwritten signature in black ink that reads "Steven E. Correll". The signature is written in a cursive, flowing style.

Steven E. Correll
Executive Director

Letter from the President

Dear Colleagues:

As I prepare to hand over the presidency of Nlets, I have the opportunity to both look back and look forward. These last few years have been pivotal in the growth and expansion of Nlets as the premier information provider for the law enforcement, criminal justice and public safety communities. We are establishing our value in a way that will allow us to grow our capacity to serve these communities in the 21st century.

Three key initiatives have been imperative in increasing Nlets' impact on the world of information sharing.

First, Nlets has embarked on an active internal and external public awareness campaign. For more than three decades, Nlets has been one of the best kept secrets in law enforcement. But times have changed and so has Nlets. We recognize the importance of letting people know who Nlets is, what we can do now and will do in the future. The number of messages carried across the Nlets network has exploded to more than 70 million per month. We know that police officers, investigators, agents, fire investigators, border patrol, marshals, sheriffs and other first responders

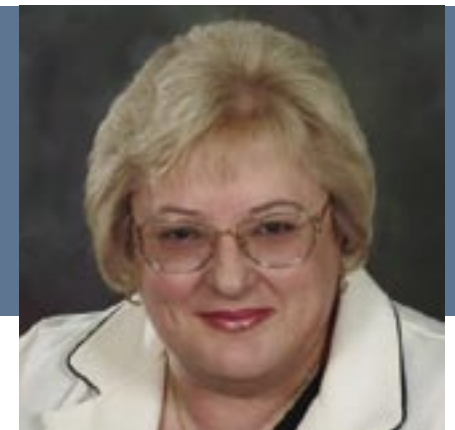
are using Nlets. But we are invisible to most, if not all of them. Everyone from chiefs of police to state attorney generals to senators and congressmen need to know about Nlets and the critical role we play in the safety of our country and its citizens.

The second vitally important initiative is increased capacity for data sharing. We live in an increasingly mobile society. While there is a staggering amount of information, unless access is seamless and instantaneous, it's virtually useless. That's the role of Nlets—to provide the network, the infrastructure and the ready access. We are taking aggressive steps every day to ensure that the Nlets network is being utilized to its best advantage. You will find some excellent examples of such sharing on the following pages.

The third initiative is Nlets' continuing leadership in the development and use of off-the-shelf information sharing protocols such as XML, a common language for the transmission of information. When this protocol is properly implemented and supported by the Nlets membership, an officer in Oregon can access, read and understand a criminal

history record from Alabama, regardless of how Alabama may have entered the data into its system. The beauty of these technologies is that each agency that adapts them increases the information available at the touch of a finger—to more than 550,000 devices and more than a million law enforcement and public safety officials across the country.

I believe Nlets – through the tenacity and commitment of each of its staff, members and partners – is on the road to realizing its full potential. On a personal note, I'm very proud of this organization and its role in protecting lives and property. I'm proud of Nlets ability to assume a leadership role in the whirlwind environment of information sharing. I'm proud of the deeply committed and caring staff I've been privileged to work with at Nlets. And I have to say, I'm proud to have served as the first female president of this outstanding organization.



Brenda O. Owens

Brenda O. Owens
Nlets President

2005 Financials

Revenue

Member Fees	\$ 3,652,000
Reimbursable Charges	\$ 554,382
Strategic Alliances	\$ 185,000
Restricted Grant Income	\$ 726,940
Non-operating Activities	\$ 0

TOTAL REVENUES	\$ 5,118,322
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Expenses

Network Operations	\$ 2,118,572
Member Services & Outreach	\$ 350,112
Grant Expenditures	\$ 572,513
Management & General	\$ 735,207

TOTAL EXPENSES	\$ 3,776,404
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Non-operating Activities

Loss on Disposal of Property & Equipment	\$ (547,378) *
Interest & Dividend Income	\$ 66,042
Net realized/unrealized investment gains	\$ 10,214

TOTAL NON-OPERATING ACTIVITIES	\$ (471,122)
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Excess Revenues over Expenses **\$ 870,796**

Allocation of Excess

Land and Down Payment on New Building	\$ 844,880
Operating Reserves	\$ 367,640
Inc/Dec in Bal Sheet Accts	\$ (341,724)

Total Excess	\$ 870,796
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* Nlets recorded one-time write-offs and write-downs of property and equipment totaling \$547,378, due in large part to the retirement of the legacy Nlets message switching system, which was phased out as the new XML Message Routing System was brought on to better position Nlets in the use of off-the-shelf technologies necessary for the expanded and enhanced information sharing. Other write-downs resulted from a change in the life of certain network hardware and software from 5 to 3 years.

Revenue Highlights

Prior to 2003, Nlets' revenue was derived exclusively from membership fees. In an effort to increase income and expand network capabilities without additional burden on existing members, the Board of Directors and management began exploring new revenue sources. It was soon apparent that the Nlets mission could be furthered through strategic alliances with other nonprofits, agencies and corporations that provide services to the law enforcement and public safety communities.

During 2004 and 2005, Nlets added two new Federal members, three strategic partners and a data provider, increasing annual member fees by nearly \$250,000 in just two years. In early 2006, the Board approved six new members and partners which will increase annual member fees by over \$300,000. In addition, transaction fees will be generated by several of these relationships, further diversifying Nlets' revenue sources.

Government resources also proved available to Nlets with grant income of \$300,131 and \$726,940, in 2004 and 2005, respectively. In all cases, this grant income is used to pilot new services or provide resources directly to member states to expand critical services.

Expense Highlights

Network Operations expenses declined in 2005, a result of renegotiations of contracts with service providers, as well as increased efficiencies and lower maintenance costs created with the replacement of the legacy system with the new XML router.

Management and General expenses were up from 2004 by 51%, due to an increase in staff in a response to the need for additional support of new information sharing opportunities along with the monthly transmissions of data that continue to increase exponentially. Outside contractors were also engaged for accounting services, grant writing and project management.

The Board approved significant investment in member outreach and services, doubling the 2004 budget to accommodate additional educational and informational materials, seminars and support for new and existing members. Public relations efforts were also expanded, including outreach to elected officials and others with a need to better understand the contributions and capabilities of the Nlets network.

Allocation of Excess Revenues over Expenses

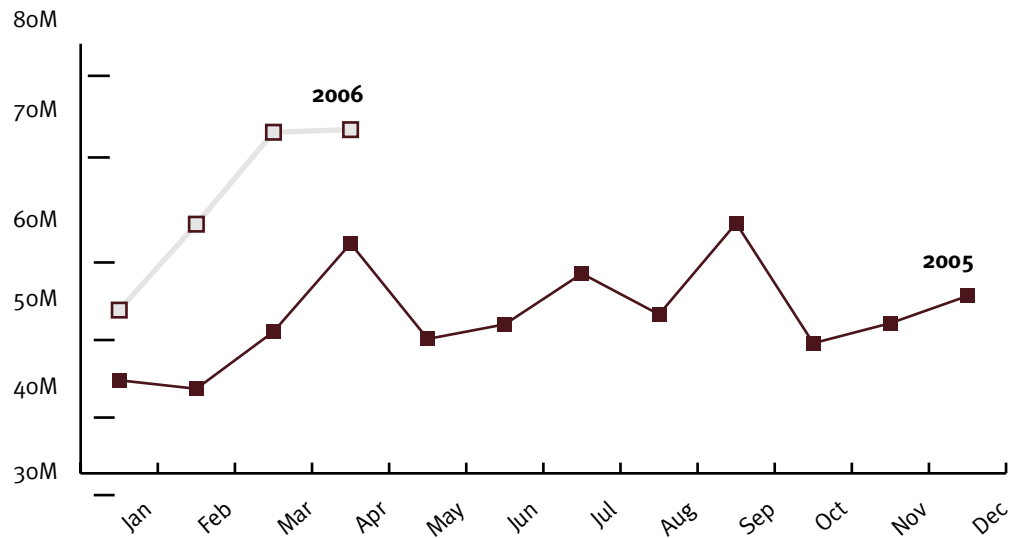
For 2005, Nlets recorded excess revenues over expenses of \$870,796. Of this amount, \$844,880 was committed to the purchase of land and a down payment on construction of the new Nlets' building which will house all administrative and day-to-day operations activities for Nlets. The remaining cost of the facility will be financed over 10 to 15 years.

The remaining excess of \$25,916 is made up of the operating reserves of \$367,640, offset by a decrease in balance sheet accounts of \$341,724.

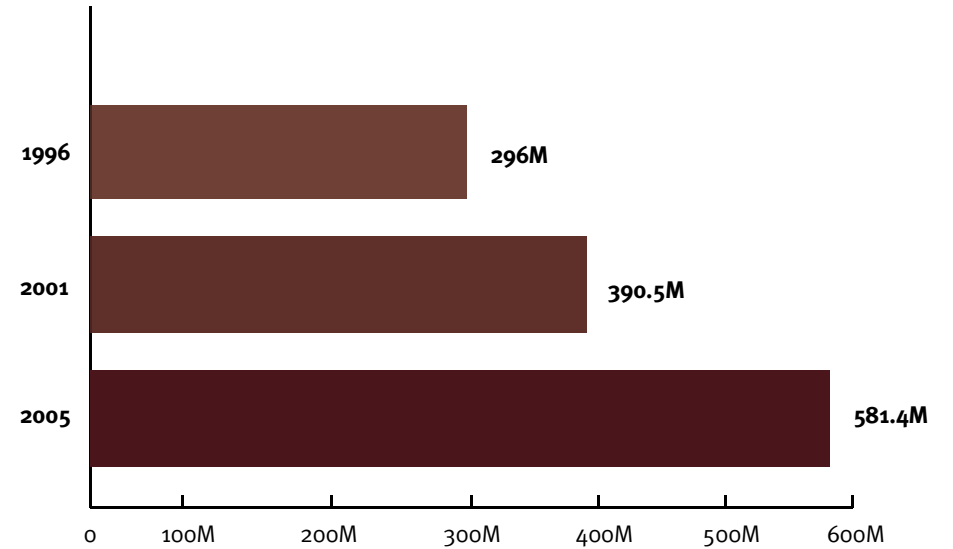
Ten Years of Growth

The need for information sharing is evident when you look at the growth of messages delivered across the Nlets secure network. As you can see from the chart on the right, transaction numbers have risen nearly 100% since 1996 and the growth shows no signs of slowing. In just the first few months of 2006, messages transmitted increased to over 70 million per month. With the implementation of standardized and powerful protocols such as eXtensible Mark-up Language (XML) and Webservices, it's easier for justice and public safety to exchange vital information.

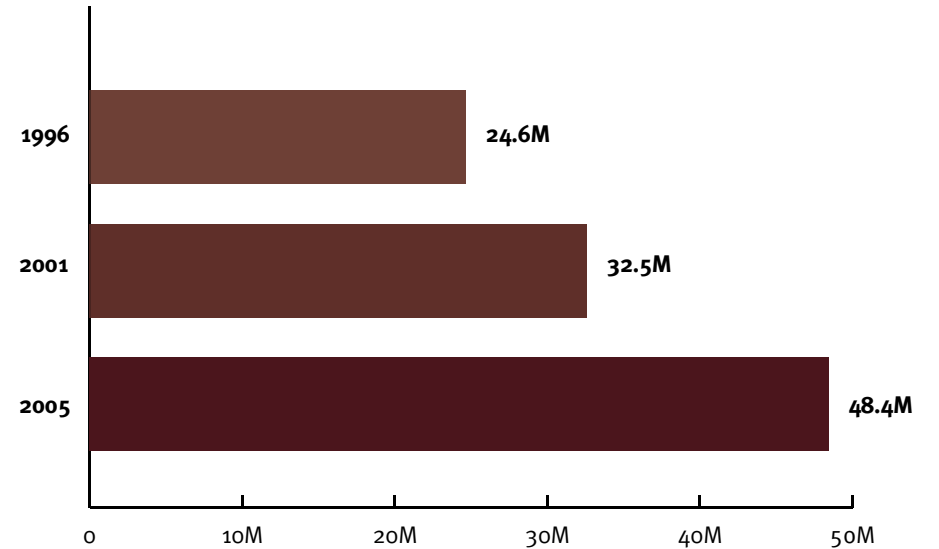
2005-06
Number of messages transmitted per month



Total number of messages transmitted



Average number of messages transmitted per month



VISION

Anticipation. Expansion. Innovation. These are the key elements of vision. Constantly anticipating the ever-changing needs of our members. Diligently growing the network and relationships to allow access to more valuable information, instantaneously. Taking calculated risks to deliver new services, in more user-friendly ways, at the lowest possible cost.

Nlets is proud of its track record: pioneering off-the-shelf internet protocols that are readily available and scalable; Global Justice XML (GJXDM) implementations; and piloting programs for the exchange of critical information that was previously unavailable.

Nlets is value-added for the states when it comes to grants. We leverage grants to jumpstart programs that an individual state might not be able to institute. Over the past several years, we facilitated information exchange by passing through 75% of all grant dollars, totaling more than \$2M to Delaware, Maine, New York, Wisconsin, and Iowa to expand and update their systems, thus gaining access to a broader range of information.

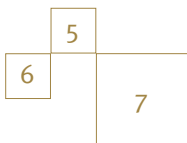
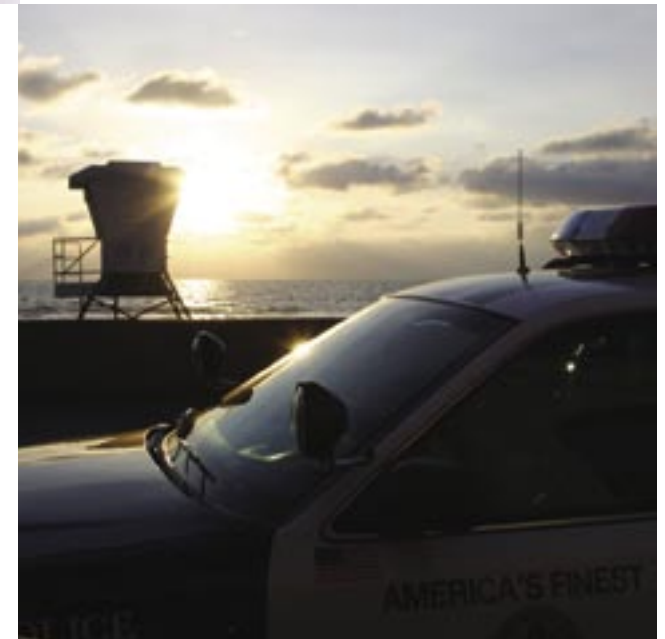
As we look to the future, we will remain fearless in seizing opportunities to build bridges and relationships so that vital information is delivered into the hands of law enforcement, criminal justice and first responders.

“Information sharing is a critical part of ensuring the security of the United States and fighting crime in our neighborhoods. Nlets is a critical partner with the Office of Justice Program’s National Institute of Justice (NIJ) in information sharing and technology development. Through Nlets, our nation’s law enforcement community is rapidly adopting ground-breaking information sharing technologies and approaches that enhance the administration of justice and public safety.”

Dr. John Morgan,

Assistant Director of Science and Technology National Institute of Justice

Driver license information is critical to officers on the street, but information from outside of a state may be difficult to interpret, wasting time and jeopardizing officer safety. That's why Nlets championed a pilot project called CANDLE (Collaboration between AAMVA and Nlets for Driver License Exchange). With the support of a grant from the National Institute of Justice (NIJ) and the Bureau of Justice Assistance (BJA), the goal of providing standardized information to Nlets users has been a resounding success. Wisconsin, Delaware, Iowa and Maine have all implemented pilot CANDLE services. In addition, New York State has implemented a fully operational CANDLE interface for all interstate and in-state DMV transactions.



Photos courtesy of
5. Kentucky State Police, 6. U.S. Marshals Service, 7. iStock

INTEGRITY

Doing the right thing for the right reasons. It's not always easy and it's not always popular. But it is the way Nlets conducts itself in all of its business.

Nlets is steadfast in taking on the appropriate challenges and seizing the right opportunities in an increasingly demanding and information-pivotal world. Because we are a not-for-profit corporation, wholly owned by all the states, we are not dependent on the federal government for funding or earmarks. This autonomy allows us to be agile and responsive to the shifting needs of our members.

Time and time again we have met and exceeded our membership's expectations, not for financial reward, not for

the credit or publicity—simply because it is the right thing to do. As a result, Nlets is often referred to as the “honest broker” in the justice and public safety information sharing arena.

When it comes to the network itself, integrity is key. Security is of paramount importance to every single user, every agency, every state. That's why Nlets operates a state-of-the-art, high-speed, secure frame relay network. Information is 100% encrypted and fire-walled. We take security seriously while tempering this important need with the even more important need to share information.

Because of the timely and vital nature of the information

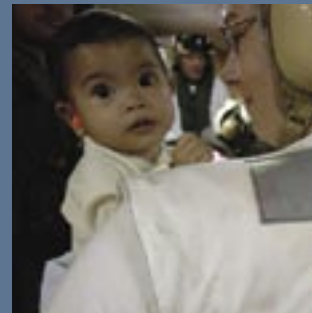
that constantly flows over our network, we have redundancy of equipment and a back-up system in our home facility in Phoenix. Add to that a disaster recovery site in Idaho. And, on-going efforts with the FBI to develop a network backup scenario that benefits both Nlets and the FBI.

Integrity permeates everything we do and everything we are. It's no wonder Nlets enjoys an international reputation within the justice and public safety community for executing our mission honestly, accurately and with tremendous pride and dedication.

“Working in synergy to the mission of Global to secure the efficient sharing of data among justice entities, commanding at the very heart of modern public safety and law enforcement, stands one of our leading partners: Nlets. Nlets continues to advance and attain the goals of integrated justice by strengthening its profound commitment to leadership for enhancements in law enforcement information sharing, committing to the safety of criminal justice practitioners and the citizens they serve...”

Colonel Kenneth Bouche, Deputy Director, Illinois State Police, and chair of the Global Advisory Committee representing SEARCH, The National Consortium for Justice Information and Statistics

When hurricane Katrina hit, Nlets systems and network stayed up even in the hurricane ravaged states and Nlets responded quickly: to the National Insurance Crime Bureau (NICB) for nationwide vehicle checks pursuant to vehicle related hurricane fraud; to the National Center for Missing and Exploited Children (NCMEC) for assistance getting information regarding a NCMEC nationwide hotline out to all law enforcement; to the New Orleans Police Department to re-route information to the U.S. Marshalls concerning wanted persons; to the FBI for assistance with service disruptions in Florida, Alabama, Mississippi, and Louisiana.



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Photos courtesy of
8. Department of Defense, 9. Royal Canadian Mounted Police, 10. U.S. Customs and Border Patrol

PARTNERSHIP

Nlets is committed to enhancing our network, services and programs for our members. Forging partnerships with new agencies, even new countries, is a win-win for everyone.

Here are just a few examples.

- › We are in the pilot stage of information exchange with Interpol, where users across the United States will be able to electronically access the Interpol files in Lyon, France via the United States National Central Bureau in Washington. Shortly, authorized Nlets users across the U.S. will be able to electronically access information from Interpol's 186 member countries.
- › Users can now query the Coast Guard's undocumented vessels by vessel name over Nlets.
- › We have forged partnerships with several strategically placed corporations to provide new data sources that justice and public safety professionals need to complete their mission.
- › Our partnership with Operation Respond is growing to include such features as interfacing satellite equipped long-haul trucks with law enforcement over the secure Nlets network. If a truck carrying hazardous materials is hijacked or in an accident, the exact location and contents of the vehicle can be surgically delivered to law enforcement, using this new feature. It is this kind of vital information delivered in a timely manner that can save the lives of not only the public, but of the first responders answering the call.
- › As direct evidence of the power of partnerships, a missing child was recovered in Montreal because of the U.S. Customs and Border Patrol license plate reader program. Through Nlets, police in the U.S. were able to obtain the needed information and track the vehicle of her abductor. They determined that he had entered the U.S. the day she went missing and were then able to determine where the vehicle went back into Canada, finally locating her in Montreal.

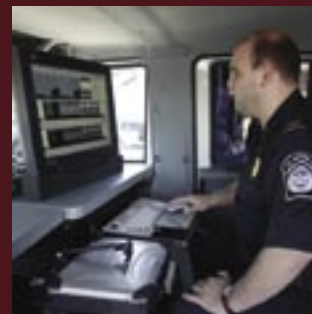
At Nlets, we know we are only beginning to explore the possibility of what we can do with our current and new partners.

“Microsoft is honored to partner with Nlets in delivering on their exciting vision of connected communities around the nation and the world. We are excited about the leadership exhibited by Nlets in enhancing information sharing for national and international law enforcement and public safety agencies.”

Tom Looney, Industry Director

Justice & Public Safety, Microsoft

Our new public/private partnership with Microsoft will help create a secure portal access into Nlets services for both Nlets legacy users, but also for first responders including fire and EMS. Another deliverable of this relationship with Microsoft is the widespread use of geocoding—the ability to assign precision latitude and longitude to addresses or locations. If a child is kidnapped in rural Montana, the exact location can be pinpointed, and an AMBER ALERT notification can go out to law enforcement within an appropriate area—and then widen the alert at regular intervals based upon the perpetrator’s predicted movements, maximizing law enforcement’s strategic opportunities with the greatest protection for the victim and the public.



11
12 13

Photos courtesy of
11. U.S. Customs and Border Patrol, 12. Kentucky State Police, 13. U.S. Customs and Border Patrol

Information Available/Agencies with Access

Information available from other states

Amber Alerts
Warrants/Hit Confirmation
Vehicle Registration Information
Driver License Information
Criminal History Record Information
Boat Registration Data*
Snowmobile Registration Data*
Road and Weather Information*
Parole Information*
Probation Information*
Corrections Information*
Sex Offender Registration Information*
Homeland Security Alerts**

*Not available from all states

**Only issued by H.S. authorized agencies

National files available to users

FAA Aircraft Registration Data
National Impound Vehicle File
National Drug Pointer Index (NVPS)
Hazardous Material Information
DHS/ICE Law Enforcement Support Center
Various Vehicle Related Files from NICB
DOS Diplomatic License Files
GSA Fleet Vehicle Registration Files
Mexican Commercial Driver/Vehicle Files

Available from Canada

Wanted Persons Files
Stolen and Registered Vehicles Files
Driver License Files
Stolen Article Files
Stolen Gun Files
Stolen Securities Files
Stolen Boat Files
Criminal History Files

Users and agencies authorized to access Nlets and approved as members

- 50 States, District of Columbia, Puerto Rico, and Virgin Islands
- U.S. Department of State (DOS)
- FBI/CJIS
- Transportation Security Administration
- Treasury Enforcement Communications System (TECS)
 - U.S. Customs
 - IRS Inspection Service
 - Bureau of Alcohol, Tobacco, and Firearms
- U.S. Department of Justice (JUST)
 - Drug Enforcement Administration
 - U.S. Marshal's Service
 - Interpol
- Postal Inspection Service
- Naval Investigative Service
- Air Force Office of Special Investigations

- U.S. Secret Service
- National Center for Missing and Exploited Children (NCMEC)
- Department of the Interior
 - National Park Service
 - Bureau of Indian Affairs
 - U.S. Park Police
 - Hoover Dam Police
 - U.S. Fish & Wildlife
 - Bureau of Land Management, Law Enforcement Division
- Department of the Army
- National Insurance Crime Bureau (NICB)
- Administrative Office of the U.S. Courts
- Office of Personnel Management (OPM)
- National Vehicle Services (NVS)
- U.S. Coast Guard
- Federal Protective Service
- Veterans Administration
- Royal Canadian Mounted Police
- El Paso Intelligence Center (EPIC)
- Federal Motor Carrier Safety Admin.
- Operation Respond
- Perserec (DoD)

Non-members with access to Nlets

- Departments of Army, Navy & Air Force - Armed Forces Police Detachment Washington Navy Yard
- U.S. Capitol Police, Washington, DC

- National Institutes of Health, Protection & Security Management Branch, Bethesda, MD
- U.S. Department of Agriculture, Office of Inspector General Investigations
- U.S. Department of Education, Office of Inspector General Dallas, Texas
- U.S. Government Printing Office, Investigation & Security Group Washington, DC
- U.S. Department of Transportation, Odometer Fraud Division
- U.S. Department of Commerce, Office of Export Enforcement Investigative Division
- U.S. Department of Energy, Office of Inspector General
- U.S. Small Business Administration, Office of Inspector General
- National Gallery of Art (Security Division)
- Smithsonian Institution (Security Force)
- American Samoa Police
- Federal Aviation Administration
- Amtrak Police
- Agency for International Development, Office of Inspector General
- Federal Emergency Management Administration (FEMA)
- Financial Crimes Enforcement Network (FinCEN)
- General Accounting Office, Special Investigations
- Railroad Retirement Board, Office of Inspector General
- Food and Drug Administration, Division of Ethics and Program Integrity Investigative Branch
- Environmental Protection Agency, Office of Inspector General



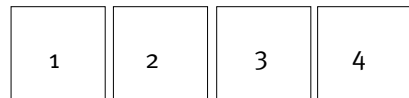
The new Nlets headquarters in Phoenix, Arizona to be completed in 2007

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3. U.S. Immigration and Customs Enforcement

4. Bureau of Alcohol, Tobacco, Firearms and Explosives of the U.S. Department of Justice

