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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS
MARC SPITZER - CHAIRMAN
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
MIKE GLEASON
KRISTIN K. MAYES

AZ CORP COMMISSION
DOCUMENT CONTROL

2004 AUG 27 P 4: 39

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IN THE MATTER OF THE APPLICATION OF
EVERCOM SYSTEMS, INC. IN CONNECTION
WITH AN INDIRECT TRANSFER OF CONTROL
AND THE PROVISION OF CERTAIN SECURED
AND UNSECURED GUARANTEES.

DOCKET NO. T-03479A-04-0549

Arizona Corporation Commission
DOCKETED

AUG 27 2004

AMENDMENT TO APPLICATION

DOCKETED BY

Evercom Systems, Inc. ("ESI"), by its undersigned counsel, hereby amends the captioned Application, originally filed on July 29, 2004 pursuant to the Commission's Public Utility Holding Companies and Affiliated Interests Rules, A.A.C. R14-2-801 et seq. ("Affiliated Interest Rules") and Section 40-285 of the Arizona Revised Statutes ("Section 40-285"), to reflect certain changes in the facts reflected therein that have occurred since the filing of the Application. Specifically, ESI hereby amends the Application as follows:

1. All references to TZ Holdings, Inc., abbreviated as TZ, are hereby amended to Securus Technologies, Inc., abbreviated as STI. TZ Holdings, Inc. has changed its corporate name to Securus Technologies, Inc.

2. The final maturity date of the Credit Facility as reflected in Paragraph 10 of the Application is amended from July, 31, 2009 to September 2009.

3. The description of the guarantees contained in Paragraph 11 of the Application relating to senior debt is replaced in its entirety by the following description:

In addition, ESI shall be a secured guarantor of up to \$154 million in senior notes to be issued by STI, in connection with STI's acquisition of all of the stock of EHI ("Senior Notes").

1 The Senior Notes will also be guaranteed, on a similar basis, by Evercom, EHI and the other
2 affiliates of ESI, including other subsidiaries of STI. These guarantees of STI's Senior Notes will
3 be secured by the assets (including any stock) owned by the guarantors ("Collateral"), although the
4 security interest of the holders of the Senior Notes in the Collateral will be second in priority to the
5 security interest granted to the lenders under the Credit Facility. Finally, STI will issue an
6 additional \$40 million in senior subordinated notes ("Senior Subordinated Notes"), for which ESI,
7 Evercom, EHI and the other affiliates of ESI, including other subsidiaries of STI, will provide
8 unsecured guarantees on a senior subordinated basis (i.e., subordinated to the secured guarantees
9 made in connection with the Credit Facility and the Senior Notes). The proceeds of these
10 guaranteed debt obligations of STI shall be used to repay the previously-approved ESI debt
11 obligations in the amount of \$40 million, pay the purchase price of the EHI stock in the amount of
12 approximately \$87 million, with the balance to be used for working capital in support of ESI's
13 operations and STI's other inmate telecommunications operations through its other subsidiary, T-
14 NETIX, Inc.

15 4. In light of the change in the nature and scope of the guarantees as revised above, the
16 following additional amendments are made:

17 a. Paragraph 13.d is amended to remove the statement that "the guarantee relating to
18 the senior notes to be issued by TZ is unsecured by any assets of ESI in the State of
19 Arizona." While the assets and stock of ESI will secure ESI's guarantee on the
20 Senior Notes, as defined above, all direct ESI-issued debt is being eliminated and
21 similar guarantees are being provided by all the various subsidiaries of STI.

22 b. Paragraph 15 is amended to remove the statement that the financing would "limit
23 the encumbrance of its assets in Arizona to \$30 million, substantially less than the
24 \$59.5 million most-recently authorized by the Commission and far less than the
25 \$72.5 million authorized before that." There will no longer be any encumbrance of
26 ESI's Arizona assets as a result of direct borrowings by ESI; the encumbrances
27

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1 outlined will be due to guarantees of debt issued by STI and similar guarantees are
2 being provided by all of the various subsidiaries of STI.

3 c. Paragraph 16 is amended to remove the statement that "ESI will be exposed on a
4 secured guaranteed basis to a maximum of \$30 million, far less than the \$59.5
5 million and, before that, \$72.5 million encumbrance that the Commission
6 previously-approved." ESI will provide secured guarantees with respect to STI
7 debt as reflected in the revised Paragraph 11 above. Similar guarantees are being
8 provided by all of the other affiliates of ESI, including other subsidiaries of STI. As
9 noted in Paragraph 14.j of the Application, the financial strength and other
10 resources of STI and HIG will position ESI to have access to adequate capital for
11 the current and expected future needs of its customers.

12 **WHEREFORE**, ESI respectfully requests that subject to the foregoing amendments the
13 Commission promptly approve the encumbrance of assets as contemplated herein.

14 RESPECTFULLY SUBMITTED this 27th day of August, 2004,

15 **EVERCOM SYSTEMS, INC.**

16
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1 Original and 13 copies of the foregoing
2 filed this 27th day of August, 2004 with:

3 Docket Control
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7 Copy of the foregoing hand-delivered
8 this 27th day of August, 2004 to:

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