

**ORIGINAL
OPEN MEETING**



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MEMORANDUM

Arizona Corporation Commission

DOCKETED

DEC 3 2010

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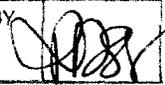
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AZ CORP COM. REG. DIV.
DOCKET CONTROL

TO: THE COMMISSION

FROM: Utilities Division

DATE: December 3, 2010

DOCKETED BY 

RE: IN THE MATTER OF THE APPLICATION OF PUBLIC COMMUNICATIONS SERVICE, INC. AND GLOBAL TEL*LINK CORPORATION FOR APPROVAL OF A TRANSFER OF CONTROL (DOCKET NOS. T-03682A-10-0338 AND T-02871A-10-0338)

Introduction

On August 10, 2010, Public Communications Services, Inc. ("PCS") and Global Tel*Link Corporation ("GTL") notified the Commission of a proposed transaction in which PCS will transfer control and its assets to GTL. Upon closure of the proposed transaction, GTL intends to pledge its assets transferred from PCS pursuant to the terms of existing GTL credit facilities. On August 12, 2010, PCS and GTL filed an amended notification letter to replace the original notification letter in its entirety. On August 13, 2010, PCS and GLT filed an additional notice regarding the sale of assets.

On August 5, 2010, GTL and PCS entered into a Stock Purchase Agreement. Pursuant to the terms of the Stock Purchase Agreement, GTL will purchase all of the issued and outstanding shares of the common stock of PCS from its shareholders, which represents 100% of the equity interests in PCS. The expected date of closing is October 31, 2010; however, the closing is subject to obtaining all necessary state and federal approvals of the Transaction. Upon consummation of the proposed Transaction, PCS will be a wholly owned subsidiary of GTL. Following the stock purchase, the Applicants propose to transfer the assets of PCS to GTL. GTL plans to operate the companies separately for a period of time, until such time as integration can be accomplished in a transparent manner with no negative effect on end users.

PCS and GTL are Customer Owned Pay Telephone ("COPT") providers and, as such, do not qualify as a Class A utilities covered by the Commission's Public Utility Holding Companies and Affiliated Interests Rules which require utilities with greater than \$1 million in jurisdictional revenues to obtain prior approval for a transfer of control transaction.

Staff recommended that this matter be administratively closed on September 23, 2010. With this filing, Staff amends its September 23, 2010 filing, and provides additional information provided by the Company necessary for approval of the proposed transfer of assets.

The Parties

Public Communications Services, Inc.

PCS is a privately-held California corporation whose principal offices are located at 11859 Wilshire Boulevard, Suite 600, Los Angeles, California 90025. PCS provides telecommunications services to inmates of state and county departments of corrections and owns and operates prison payphones and public payphones. PCS provides these services throughout most of the continental United States. In Arizona, PCS was granted a Certificate of Convenience and Necessity ("CC&N") to provide Customer-Owned Pay Telephone Service ("COPT") on March 15, 1999, in Decision No. 61576.

Global Tel*Link Corporation

Global Tel*Link Corporation ("GTL") is a privately-held Delaware corporation whose principal offices are located at 2609 Cameron Street, Mobile, Alabama 36607 and is a wholly-owned, direct subsidiary of GTEL Holdings, Inc. GTL provides telecommunications services to inmates of state and county departments of corrections and owns and operates prison payphones and public payphones. In Arizona, GTL was granted a CC&N to provide COPT on December 20, 1995, in Decision No. 59429.

GTEL Holdings, Inc.

GTEL Holdings, Inc. is a privately held Delaware corporation whose principal offices are located at 2609 Cameron Street, Mobile, Alabama 36607. GTEL Holdings is a holding company, whose only business activities are conducted through GTL. GTEL Holdings is a wholly owned direct subsidiary of GTEL Acquisition Corp.

GTEL Acquisition Corp.

GTEL Acquisition Corp. is a privately held Delaware corporation whose principal offices are located at 590 Madison Avenue, 41st Floor, New York, New York 10022. GTEL Acquisition Corp. is a holding company, whose only business activities are conducted through GTL. GTEL Acquisition Corp. is wholly owned by GTEL Holding LLC, a privately held Delaware limited liability company whose principal offices are located at 590 Madison Avenue, 41st Floor, New York, New York 10022.

GTEL Holding LLC

GTEL Holding LLC is controlled by a board of managers including the CEO of GTL and other managers appointed by The Veritas Capital Fund 111, L.P. and GS Direct, L.L.C. The Veritas Capital Fund 111, L.P. is a private equity investment partnership managed by its sole general partner, Veritas Capital Partners 111, L.L.C., a Delaware limited liability company. Veritas Capital Partners 111, L.L.C. is controlled by its managing member, Robert B. McKeon,

the managing member of Veritas Capital Fund Management, L.L.C., d/b/a Veritas Capital. Veritas Capital is a private equity investment firm headquartered in New York. Founded in 1992, Veritas Capital invests in a broad range of companies through buyouts, growth capital investments, and leveraged recapitalizations.

The Goldman Sachs Group, Inc. owns all of the equity interests in GS Direct, L.L.C. All of the limited partner equity interests in Goldman, Sachs & Co. are held directly or indirectly by The Goldman Sachs Group, Inc., and The Goldman, Sachs & Co. L.L.C. controls Goldman, Sachs & Co. as its sole general partner. All of the equity interests (voting and non-voting) in The Goldman, Sachs & Co. L.L.C. are held by The Goldman Sachs Group, Inc., which is a public company listed on the New York Stock Exchange. GS Direct, L.L.C. invests capital primarily alongside corporate and sponsor clients in situations in which access to its or its affiliates' capital, relationships or advisory services can enhance the value of the investment. The Goldman Sachs Group, Inc., a bank holding company, provides investment banking, securities, and investment management services primarily to corporations, financial institutions, governments, and high-net-worth individuals worldwide.

The Transaction

On August 5, 2010, GTL and PCS entered into a Stock Purchase Agreement which closed on November 10, 2010. GTL plans to operate the companies separately for a period of time until integration can be accomplished in a transparent manner with no negative effect on operations. At such time, and with the Commission's approval, the Applicants propose to transfer the assets of PCS to GTL.

The proposed transfer of assets is expected to provide the Applicants with greater operating flexibility to pursue operating purposes, including, without limitation, (a) expansion of its telecommunications infrastructure; and (b) improvement of customer service, billing, financial reporting and other management information systems. There will be no impact on PCS's current customers and services to PCS customers will continue pursuant to existing terms and conditions. In addition, it is anticipated that the current management of PCS will remain in place after the Transaction is consummated.

Staff's Analysis

PCS and GTL are Customer Owned Pay Telephone ("COPT") providers and, as such, do not qualify as a Class A utilities covered by the Commission's Public Utility Holding Companies and Affiliated Interests Rules. As PCS and GTL do not have local exchange or long distance end users, a customer notice is not needed or required. The Inmate Facilities with whom PCS has a business relationship will be notified by the Applicants prior to the asset transfer. PCS is not requesting cancellation of its COPT CC&N at this time.

Staff's Recommendations

Since GTL is purchasing the stock of PCS, the transfer of control portion of this transaction does not require Commission approval. In addition, PCS and GTL do not qualify as Class A utilities subject to the Commission's Public Utility Holding Companies and Affiliated Interests Rules.

Staff recommends approval of the proposed transfer of assets associated with the Public Communications Service, Inc. and Global Tel*Link Corporation August 10, 2010 notification of the transfer of control.



for Steven M. Olea
Director
Utilities Division

SMO:AFF:lh\RM

ORIGINATOR: Armando Fimbres

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BEFORE THE ARIZONA CORPORATION COMMISSION

- KRISTIN K. MAYES
Chairman
- GARY PIERCE
Commissioner
- PAUL NEWMAN
Commissioner
- SANDRA D. KENNEDY
Commissioner
- BOB STUMP
Commissioner

IN THE MATTER OF THE APPLICATION
OF PUBLIC COMMUNICATIONS
SERVICE, INC. AND GLOBAL TEL*LINK
CORPORATION FOR APPROVAL OF A
TRANSFER OF CONTROL

DOCKET NOS. T-03682A-10-0338
T-02871A-10-0338

DECISION NO. _____

ORDER

Open Meeting
December 14, and 15, 2010
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. On August 10, 2010, Public Communications Services, Inc. ("PCS") and Global Tel*Link Corporation ("GTL") notified the Commission of a proposed transaction in which PCS will transfer control and its assets to GTL. Upon closure of the proposed transaction, GTL intends to pledge its assets transferred from PCS pursuant to the terms of existing GTL credit facilities.
2. On August 12, 2010, PCS and GTL filed an amended notification letter to replace the original notification letter in its entirety.
3. On August 13, 2010, PCS and GLT filed an additional notice regarding the sale of assets.
4. On August 5, 2010, GTL and PCS entered into a Stock Purchase Agreement. Pursuant to the terms of the Stock Purchase Agreement, GTL will purchase all of the issued and outstanding shares of the common stock of PCS from its shareholders, which represents 100 percent of the equity interests in PCS. The expected date of closing is October 31, 2010; however,

1 the closing is subject to obtaining all necessary state and federal approvals of the Transaction.
2 Upon consummation of the proposed Transaction, PCS will be a wholly owned subsidiary of GTL.
3 Following the stock purchase, the Applicants propose to transfer the assets of PCS to GTL. GTL
4 plans to operate the companies separately for a period of time, until such time as integration can be
5 accomplished in a transparent manner with no negative effect on end users.

6 5. PCS and GTL are Customer Owned Pay Telephone (“COPT”) providers and, as
7 such, do not qualify as a Class A utilities covered by the Commission’s Public Utility Holding
8 Companies and Affiliated Interests Rules which require utilities with greater than \$1 million in
9 jurisdictional revenues to obtain prior approval for a transfer of control transaction.

10 6. Staff recommended that this matter be administratively closed on September 23,
11 2010. Staff amended its September 23, 2010 filing and provided additional information necessary
12 provided by the Company for approval of the proposed transfer of assets.

13 The Parties

14 7. PCS is a privately-held California corporation whose principal offices are located at
15 11859 Wilshire Boulevard, Suite 600, Los Angeles, California 90025. PCS provides
16 telecommunications services to inmates of state and county departments of corrections and owns
17 and operates prison payphones and public payphones. PCS provides these services throughout
18 most of the continental United States. In Arizona, PCS was granted a Certificate of Convenience
19 and Necessity (“CC&N”) to provide Customer-Owned Pay Telephone Service (“COPT”) on
20 March 15, 1999, in Decision No. 61576.

21 8. GTL is a privately-held Delaware corporation whose principal offices are located at
22 2609 Cameron Street, Mobile, Alabama 36607 and is a wholly-owned, direct subsidiary of GTEL
23 Holdings, Inc. GTL provides telecommunications services to inmates of state and county
24 departments of corrections and owns and operates prison payphones and public payphones. In
25 Arizona, GTL was granted a CC&N to provide COPT on December 20, 1995, in Decision No.
26 59429.

27 9. GTEL Holdings, Inc. is a privately held Delaware corporation whose principal
28 offices are located at 2609 Cameron Street, Mobile, Alabama 36607. GTEL Holdings is a holding

1 company, whose only business activities are conducted through GTL. GTEL Holdings is a wholly
2 owned direct subsidiary of GTEL Acquisition Corp.

3 10. GTEL Acquisition Corp. is a privately held Delaware corporation whose principal
4 offices are located at 590 Madison Avenue, 41st Floor, New York, New York 10022. GTEL
5 Acquisition Corp. is a holding company, whose only business activities are conducted through
6 GTL. GTEL Acquisition Corp. is wholly owned by GTEL Holding LLC, a privately held
7 Delaware limited liability company whose principal offices are located at 590 Madison Avenue,
8 41st Floor, New York, New York 10022.

9 11. GTEL Holding LLC is controlled by a board of managers including the CEO of
10 GTL and other managers appointed by The Veritas Capital Fund 111, L.P. and GS Direct, L.L.C.
11 The Veritas Capital Fund 111, L.P. is a private equity investment partnership managed by its sole
12 general partner, Veritas Capital Partners 111, L.L.C., a Delaware limited liability company.
13 Veritas Capital Partners 111, L.L.C. is controlled by its managing member, Robert B. McKeon, the
14 managing member of Veritas Capital Fund Management, L.L.C., d/b/a Veritas Capital. Veritas
15 Capital is a private equity investment firm headquartered in New York. Founded in 1992, Veritas
16 Capital invests in a broad range of companies through buyouts, growth capital investments, and
17 leveraged recapitalizations.

18 12. The Goldman Sachs Group, Inc. owns all of the equity interests in GS Direct,
19 L.L.C. All of the limited partner equity interests in Goldman, Sachs & Co. are held directly or
20 indirectly by The Goldman Sachs Group, Inc., and The Goldman, Sachs & Co. L.L.C. controls
21 Goldman, Sachs & Co. as its sole general partner. All of the equity interests (voting and non-
22 voting) in The Goldman, Sachs & Co. L.L.C. are held by The Goldman Sachs Group, Inc., which
23 is a public company listed on the New York Stock Exchange. GS Direct, L.L.C. invests capital
24 primarily alongside corporate and sponsor clients in situations in which access to its or its
25 affiliates' capital, relationships or advisory services can enhance the value of the investment. The
26 Goldman Sachs Group, Inc., a bank holding company, provides investment banking, securities,
27 and investment management services primarily to corporations, financial institutions,
28 governments, and high-net-worth individuals worldwide.

1 The Transaction

2 13. On August 5, 2010, GTL and PCS entered into a Stock Purchase Agreement which
3 closed on November 10, 2010. GTL plans to operate the companies separately for a period of time
4 until integration can be accomplished in a transparent manner with no negative effect on
5 operations. At such time, and with the Commission's approval, the Applicants propose to transfer
6 the assets of PCS to GTL.

7 14. The proposed transfer of assets is expected to provide the Applicants with greater
8 operating flexibility to pursue operating purposes, including, without limitation, (a) expansion of
9 its telecommunications infrastructure; and (b) improvement of customer service, billing, financial
10 reporting and other management information systems. There will be no impact on PCS's current
11 customers and services to PCS customers will continue pursuant to existing terms and conditions.
12 In addition, it is anticipated that the current management of PCS will remain in place after the
13 Transaction is consummated.

14 Staff's Analysis and Recommendations

15 15. PCS and GTL are Customer Owned Pay Telephone ("COPT") providers and, as
16 such, do not qualify as a Class A utilities covered by the Commission's Public Utility Holding
17 Companies and Affiliated Interests Rules.

18 16. As PCS and GTL do not have local exchange or long distance end users, a customer
19 notice is not needed or required. The Inmate Facilities with whom PCS has a business relationship
20 will be notified by the Applicants prior to the asset transfer.

21 17. PCS is not requesting cancellation of its COPT CC&N at this time

22 18. Since GTL is purchasing the stock of PCS, the Transfer of Control portion of this
23 transaction does not require Commission approval.

24 19. Staff has recommended approval of the proposed transfer of assets associated with
25 this Public Communications Service, Inc. and Global Tel*Link Corporation on August 10, 2001
26 notification of the transfer of control.

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CONCLUSIONS OF LAW

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1. Public Communications Services, Inc. and Global Tel * Link Corporation are public service corporations within the meaning of Article XV of the Arizona Constitution and A.R.S. § 40-285.

2. The Commission has jurisdiction over Public Communications Services, Inc. and Global Tel * Link Corporation, Inc. and the subject matter in this filing.

3. The Commission, having reviewed the filing and Staff's Memorandum dated December 3, 2010, concludes that it is in the public interest to grant approval for the Applicants to transfer control and transfer assets as proposed and discussed herein.

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ORDER

IT IS THEREFORE ORDERED that the application of Public Communications Services, Inc. and Global Tel * Link Corporation seeking approval to transfer control and transfer assets be and hereby is approved.

IT IS FURTHER ORDERED that this Decision shall be become effective immediately.

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN

COMMISSIONER

COMMISSIONER

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I, ERNEST G. JOHNSON, Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this _____ day of _____, 2010.

ERNEST G. JOHNSON
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

SMO:AFF:lhM\RM

1 SERVICE LIST FOR: PUBLIC COMMUNICATIONS SERVICE, INC. AND GLOBAL
TEL*LINK CORPORATION
2 DOCKET NOS. T-03682A-10-0338, T-02871A-10-0338

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10 Ms. Janice M. Alward
Chief Counsel, Legal Division
11 Arizona Corporation Commission
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