

ORIGINAL

OPEN MEETING



0000130482

MEMORANDUM

Arizona Corporation Commission

DOCKETED

OCT 14 2011

RECEIVED

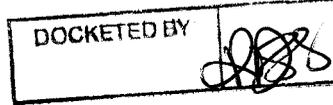
2011 OCT 14 P 12: 18

AZ CORP COMMISSION  
DOCKET CONTROL

TO: THE COMMISSION

FROM: Utilities Division

DATE: October 14, 2011



RE: VALUE-ADDED COMMUNICATIONS, INC. FOR APPROVAL OF A TRANSFER OF CONTROL TO GLOBAL TEL\*LINK CORPORATION (DOCKET NOS. T-03789A-11-0307 AND T-02871A-11-0307)

**Introduction**

On August 2, 2011, Value-Added Communications, Inc. ("Value-Added") and Global Tel\*Link Corporation ("GTL") notified the Commission of a proposed transaction in which Value-Added will transfer control and its assets to GTL. On September 28, 2011, Value-Added and GTL amended its filing to clarify that only approval of a transfer of control is being requested of the Commission.

On September 12, 2011, Staff sent its First Set of Data Requests to Value-Added and GTL. On September 21, 2011, the Applicants filed Responses to Staff's First Set of Data Requests. On September 26, 2011, the Applicants filed a Supplemental Response to Staff's First Set of Data Requests.

**The Parties**

Value-Added Communications, Inc.

Value-Added is a privately-held Delaware corporation whose principal offices are located at 3801 East Plano Parkway, Suite 100, Plano, Texas 75074. Value-Added provides telecommunications services to inmates of state and county departments of corrections and owns and operates prison payphones and public payphones. Value-Added provides these services throughout most of the continental United States. In Arizona, Value-Added was granted a Certificate of Convenience and Necessity ("CC&N") to provide Alternative Operator Services ("AOS") on October 24, 2003, in Decision No. 66456.

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. GTL provides these services throughout most of the continental United States. In Arizona, GTL was

granted a CC&N to provide Customer-Owned Pay Telephone Service ("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, 41<sup>st</sup> 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, 41<sup>st</sup> 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 III, L.P. and GS Direct, L.L.C. The Veritas Capital Fund III, L.P. is a private equity investment partnership managed by its sole general partner, Veritas Capital Partners III, L.L.C., a Delaware limited liability company. Veritas Capital Partners III, 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 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**

Value-Added and GTL entered into a Stock Purchase Agreement on April 19, 2011. Pursuant to the terms of the Stock Purchase Agreement, GTL will purchase all of the issued and outstanding shares of the common stock of Value-Added from its shareholders, which represents 100 percent of the equity interests in Value-Added. The stock purchase does not require action by the Commission; however, the reorganization resulting from the transfer of control of Value-Added to GTL does require Commission approval pursuant to the Public Utility Holding Companies and Affiliated Interests Rules.

The proposed transaction is expected to provide Value-Added 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. The Applicants have indicated in the Application that there will be no impact on Value-Added's current customers and services to Value-Added customers will continue pursuant to the same terms and conditions. In addition, the Applicants anticipate that certain key members of the current management of Value-Added will remain in place after the proposed transaction is consummated.

## **Staff's Analysis**

### **The Affiliated Interests Rules**

The Public Utility Holding Companies and Affiliated Interests Rules apply to all Class A – investor-owned utilities, defined as telecommunications carriers that have Arizona jurisdictional annual revenues of more than \$1 million. GTL is a COPT provider and does not qualify as a Class A utility. Value-Added is an AOS provider with 2010 Arizona revenues that qualify it as a Class A utility. As a result, the Application is subject to the Public Utility Holding Companies and Affiliated Interests Rules (Arizona Administrative Code (“A.A.C.”) R14-2-801 through 806).

In its Supplemental Response to Staff Data Request STF 1.3, Value-Added provided the information as required by A.A.C. R14-2-803(A) (1-11). The information meets the requirements of the Affiliated Interests Rules.

Value-Added and GTL stated in the Application that the proposed transaction will be conducted in a manner that will be seamless and transparent to Value-Added's customers and in no event will it result in the discontinuance, reduction, loss, or impairment of service to customers. After the transfer of control, Value-Added will exist as a separate subsidiary and no assets will be transferred from Value-Added to Global Tel\*Link until approval for such a transfer is secured from the Arizona Corporation Commission

The Consumer Services Section of the Utilities Division reports that there have been no complaints, inquiries, or opinions filed against Value-Added or GTL through August 10, 2011.

The Consumer Services Section also reports that both utilities are in Good Standing. In addition, the Compliance Section states that there are no delinquencies for either utility.

**Staff's Recommendations**

Although GTL, the new parent, does not qualify as a Class A utility, Value-Added is a Class A utility and is subject to the Commission's Public Utility Holding Companies and Affiliated Interests Rules. Based on the information provided, Staff believes Value-Added has complied with the requirements of A.A.C. R14-2-803(C) and 804(C). Staff recommends that the reorganization resulting from the of transfer of control of Value-Added to GTL be approved pursuant to the Public Utility Holding Companies and Affiliated Interests Rules.



for

Steven M. Olea  
Director  
Utilities Division

SMO:PJG:lm\BH

ORIGINATOR: Pamela Genung

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

BEFORE THE ARIZONA CORPORATION COMMISSION

GARY PIERCE  
Chairman  
BOB STUMP  
Commissioner  
SANDRA D. KENNEDY  
Commissioner  
PAUL NEWMAN  
Commissioner  
BRENDA BURNS  
Commissioner

IN THE MATTER OF THE APPLICATION )  
OF VALUE-ADDED COMMUNICATIONS, )  
INC. FOR APPROVAL OF A TRANSFER )  
OF CONTROL TO GLOBAL TEL\*LINK )  
CORPORATION )

DOCKET NOS. T-03798A-11-0307  
T-02871A-11-0307  
  
DECISION NO. \_\_\_\_\_  
ORDER

Open Meeting  
November 8 and 9, 2011  
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. On August 2, 2011, Value-Added Communications, Inc. ("Value-Added") and Global Tel\*Link Corporation ("GTL") notified the Commission of a proposed transaction in which Value-Added will transfer control and its assets to GTL. On September 28, 2011, Value-Added and GTL amended its filing to clarify that only approval of a transfer of control is being requested of the Commission. Value-Added and GTL entered into a Stock Purchase Agreement on April 19, 2011. Pursuant to the terms of the Stock Purchase Agreement, GTL will purchase all of the issued and outstanding shares of the common stock of Value-Added from its shareholders, which represents 100 percent of the equity interests in Value-Added.

2. On September 12, 2011, Staff sent its First Set of Data Requests to Value-Added and GTL. On September 21, 2011, the Applicants filed Responses to Staff's First Set of Data Requests. On September 26, 2011, the Applicants filed a Supplemental Response to Staff's First Set of Data Requests.

1 The Parties

2 3. Value-Added is a privately-held Delaware corporation whose principal offices are  
3 located at 3801 East Plano Parkway, Suite 100, Plano, Texas 75074. Value-Added provides  
4 telecommunications services to inmates of state and county departments of corrections and owns  
5 and operates prison payphones and public payphones. Value-Added provides these services  
6 throughout most of the continental United States. In Arizona, Value-Added was granted a  
7 Certificate of Convenience and Necessity ("CC&N") to provide Alternative Operator Services  
8 ("AOS") on October 24, 2003, in Decision No. 66456.

9 4. GTL is a privately-held Delaware corporation whose principal offices are located at  
10 2609 Cameron Street, Mobile, Alabama 36607 and is a wholly-owned, direct subsidiary of GTEL  
11 Holdings, Inc. GTL provides telecommunications services to inmates of state and county  
12 departments of corrections and owns and operates prison payphones and public payphones. GTL  
13 provides these services throughout most of the continental United States. In Arizona, GTL was  
14 granted a CC&N to provide Customer-Owned Pay Telephone Service ("COPT") on December 20,  
15 1995, in Decision No. 59429.

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

20 6. GTEL Acquisition Corp. is a privately-held Delaware corporation whose principal  
21 offices are located at 590 Madison Avenue, 41st Floor, New York, New York 10022. GTEL  
22 Acquisition Corp. is a holding company, whose only business activities are conducted through  
23 GTL. GTEL Acquisition Corp. is wholly-owned by GTEL Holding LLC, a privately-held  
24 Delaware limited liability company whose principal offices are located at 590 Madison Avenue,  
25 41st Floor, New York, New York 10022.

26 7. GTEL Holding LLC is controlled by a board of managers including the CEO of  
27 GTL and other managers appointed by The Veritas Capital Fund III, L.P. and GS Direct, L.L.C.  
28 The Veritas Capital Fund III, L.P. is a private equity investment partnership managed by its sole

1 general partner, Veritas Capital Partners III, L.L.C., a Delaware limited liability company. Veritas  
2 Capital Partners III, L.L.C. is controlled by its managing member, Robert B. McKeon, the  
3 managing member of Veritas Capital Fund Management, L.L.C., d/b/a Veritas Capital. Veritas  
4 Capital is a private equity investment firm headquartered in New York. Founded in 1992, Veritas  
5 Capital invests in a broad range of companies through buyouts, growth capital investments, and  
6 leveraged recapitalizations.

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

#### 18 The Transaction

19 9. Value-Added and GTL entered into a Stock Purchase Agreement on April 19, 2011.  
20 Pursuant to the terms of the Stock Purchase Agreement, GTL will purchase all of the issued and  
21 outstanding shares of the common stock of Value-Added from its shareholders, which represents  
22 100 percent of the equity interests in Value-Added. The stock purchase does not require action by  
23 the Commission; however, the reorganization resulting from the transfer of control of Value-  
24 Added to GTL does require Commission approval pursuant to the Public Utility Holding  
25 Companies and Affiliated Interests Rules.

26 10. The proposed transaction is expected to provide Value-Added with greater  
27 operating flexibility to pursue operating purposes, including, without limitation, (a) expansion of  
28 its telecommunications infrastructure; and (b) improvement of customer service, billing, financial

1 reporting and other management information systems. The Applicants have indicated in the  
2 Application that there will be no impact on Value-Added's current customers and services to  
3 Value-Added customers will continue pursuant to the same terms and conditions. In addition, the  
4 Applicants anticipate that certain key members of the current management of Value-Added will  
5 remain in place after the proposed transaction is consummated.

6 Staff's Analysis

7 The Affiliated Interests Rules

8 11. The Public Utility Holding Companies and Affiliated Interests Rules apply to all  
9 Class A – investor-owned utilities, defined as telecommunications carriers that have Arizona  
10 jurisdictional annual revenues of more than \$1 million. GTL is a COPT provider and does not  
11 qualify as a Class A utility. Value-Added is an AOS provider with 2010 Arizona revenues that  
12 qualify it as a Class A utility. As a result, the Application is subject to the Public Utility Holding  
13 Companies and Affiliated Interests Rules (Arizona Administrative Code (“A.A.C.”) R14-2-801  
14 through 806).

15 12. In its Supplemental Response to Staff Data Request STF 1.3, Value-Added  
16 provided the information as required by A.A.C. R14-2-803(A) (1-11). The information meets the  
17 requirements of the Affiliated Interests Rules.

18 13. Value-Added and GTL stated in the Application that the proposed transaction will  
19 be conducted in a manner that will be seamless and transparent to Value-Added's customers and in  
20 no event will it result in the discontinuance, reduction, loss, or impairment of service to customers.  
21 After the transfer of control, Value-Added will exist as a separate subsidiary and no assets will be  
22 transferred from Value-Added to Global Tel\*Link until approval for such a transfer is secured  
23 from the Arizona Corporation Commission.

24 14. The Consumer Services Section of the Utilities Division reports that there have  
25 been no complaints, inquiries, or opinions filed against Value-Added or GTL through August 10,  
26 2011. The Consumer Services Section also reports that both utilities are in Good Standing. In  
27 addition, the Compliance Division states that there are no delinquencies for either utility.

28 ...

1 Staff's Recommendations

2 15. Although GTL, the new parent, does not qualify as a Class A utility, Value-Added  
3 qualifies as a Class A utility and is subject to the Commission's Public Utility Holding Companies  
4 and Affiliated Interests Rules. Based on the information provided, Staff believes Value-Added has  
5 complied with the requirements of A.A.C. R14-2-803(C) and 804(C).

6 16. Staff has recommended that the reorganization resulting from the transfer of control  
7 of Value-Added to GTL be approved pursuant to the Public Utility Holding Companies and  
8 Affiliated Interests Rules.

9 CONCLUSIONS OF LAW

10 1. Value-Added Communications, Inc. and Global Tel\*Link Corporation are public  
11 service corporations within the meaning of Article XV, Section 2, of the Arizona Constitution and  
12 A.R.S. § 40-285.

13 2. The Commission has jurisdiction over Value-Added Communications, Inc. and  
14 Global Tel\*Link Corporation and the subject matter in this filing.

15 3. The Commission, having reviewed the filing and Staff's Memorandum dated  
16 October 14, 2011, concludes that it is in the public interest to approve the reorganization resulting  
17 from the transfer of control of Value-Added to GTL pursuant to the Public Utility Holding  
18 Companies and Affiliated Interests Rules.

19 ...  
20 ...  
21 ...  
22 ...  
23 ...  
24 ...  
25 ...  
26 ...  
27 ...  
28 ...

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

ORDER

IT IS THEREFORE ORDERED that the reorganization resulting from the transfer of control of Value-Added Communications, Inc. to Global Tel\*Link Corporation be and hereby is approved.

IT IS FURTHER ORDERED that this Decision shall 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 \_\_\_\_\_, 2011.

\_\_\_\_\_  
ERNEST G. JOHNSON  
EXECUTIVE DIRECTOR

DISSENT: \_\_\_\_\_

DISSENT: \_\_\_\_\_

SMO:PJG:lh\BH

1 SERVICE LIST FOR: Value-Added Communications, Inc. and Global Tel\*Link Corporation  
2 DOCKET NOS. T-03798A-11-0307 AND T-02871A-11-0307

3 Mr. Lance J.M. Steinhart, Esq.  
4 Lance J.M. Steinhart, P.C.  
5 1725 Windward Concourse, Suite 150  
6 Alpharetta, Georgia 30005

7 Ms. Joan S. Burke  
8 Law Office of Joan S. Burke  
9 1650 North First Avenue  
10 Phoenix, Arizona 85003

11 Mr. Steven M. Olea  
12 Director, Utilities Division  
13 Arizona Corporation Commission  
14 1200 West Washington Street  
15 Phoenix, Arizona 85007

16 Ms. Janice Alward  
17 Chief Counsel, Legal Division  
18 Arizona Corporation Commission  
19 1200 West Washington Street  
20 Phoenix, Arizona 85007

21  
22  
23  
24  
25  
26  
27  
28