

ORIGINAL NEW APPLICATION



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BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

COMMISSIONERS
BOB STUMP-CHAIRMAN
GARY PIERCE
BRENDA BURNS
BOB BURNS
SUSAN BITTERS SMITH

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MAR 20 2013

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IN THE MATTER OF THE APPLICATION OF) DOCKET NO. T-03479A-13-0062
SECURUS TECHNOLOGIES, INC. FOR)
FOR APPROVAL TO ENCUMBER ASSETS)
IN CONNECTION WITH CERTAIN) **APPLICATION**
DEBT FINANCING ARRANGEMENTS)
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)

Securus Technologies, Inc. ("STI"), which holds a Customer Owned Pay Telephone ("COPT") Certificate of Convenience in Arizona (Decision No. 60924), by undersigned counsel and pursuant to A.R.S. 40-285.A, hereby respectfully requests approval of the Arizona Corporation Commission ("Commission") for STI to enter into certain debt financing arrangements in connection with, and subsequent to, the acquisition of its ultimate parent, Connect Acquisition Corp. ("Connect"), by Securus Investment Holdings, LLC ("SIH"). As more fully described below, STI seeks authority to participate in certain financing arrangements, whereby STI and certain of its affiliates will pledge their assets and act as guarantors¹ with respect to certain financing agreements in the amount of up to \$640 million undertaken concurrently with the acquisition of STI's parent. STI further requests expeditious approval of this Application.

STI holds only a COPT certificate in Arizona. As a result, STI understands that it is not subject to the Commission's Public Utility Holding Companies and Affiliated Interests Rules, A.A.C. R14-2-801 et seq. ("Affiliated Interests Rules"). See Decision No. 72051 (January 6, 2011), Finding of Fact No. 5, 15; Administrative Closure Memorandum (dated September 23,

¹ STI will only provide security interests through encumbrance of its assets and a guarantee, but is not a borrower.

1 2010), Docket Nos. T-02871A-10-0338 *et al.* However, should COPT certificate holders be
2 subject to the Affiliated Interests Rules, STI requests that the Commission grant STI authority
3 under A.A.C. R14-2-803 for the indirect change of control that will result from the acquisition of
4 its current ultimate parent to SIH.

5 In support of this Application, STI states as follows:

6 **I. DESCRIPTION OF PARTICIPANTS.**

7 **A. Securus Technologies, Inc.**

8 STI is a Delaware corporation with its principal place of business at 14651 Dallas Parkway,
9 6th Floor, Dallas, Texas 75254. STI is a privately held and wholly-owned subsidiary of Securus
10 Technologies Holdings, Inc. (“STHI”), which is a State of Delaware corporation. STHI is in turn a
11 wholly-owned subsidiary of Securus Holdings, Inc. (“SHI”), also a Delaware corporation. SHI is
12 in turn a subsidiary of Connect. STHI, SHI, and Connect do not provide telecommunications
13 services in the State of Arizona or elsewhere. The ultimate controlling interests in Connect are
14 held by Castle Harlan Partners V, L.P. (“Castle Partners”), which is managed by Castle Harlan,
15 Inc. (“Castle”), a New York-based private equity firm.

16 As noted above, STI holds a COPT Certificate of Convenience in Arizona (Decision No.
17 60924). Pursuant to that authorization, STI is currently providing telecommunications services to
18 a number of confinement and correctional facilities in the State of Arizona.

19 **B. Securus Investment Holdings, LLC**

20 SIH is a newly-formed corporation established for purposes of acquiring a controlling
21 interest in STI. It is expected that approximately 96.4% of the interests in STI will ultimately be
22 held by Securus Special Investments, LLC (“SSI”), with the remaining interests held by members
23 of STI and its affiliates’ management. SSI (and thus indirectly STI) will be controlled by ABRY
24 Partners VII, L.P. (“ABRY VII”), an affiliate of ABRY Partners (“ABRY”), a Boston-based
25 private equity firm focused solely on media, communications, business, and information services
26 investments. Since its founding in 1989, ABRY has completed over \$36.0 billion in transactions
27 and other private equity, mezzanine or preferred equity placements, presenting investments in over

1 450 properties. SIH, SSI, ABRY VII, and ABRY do not themselves provide telecommunications
2 services.

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4 **II. DESCRIPTION OF UNDERLYING ACQUISITION TRANSACTION.**

5 **A. General Description of Merger Agreement** – Connect has entered into an
6 Agreement and Plan of Merger, dated March 14, 2013 among (a) SIH, (b) Connect Merger Sub,
7 Inc. (“Connect Merger Sub”), and (c) Connect Acquisition, LLC (“Merger Agreement”). A more
8 detailed description of the terms of the Merger Agreement is set out below, but upon the
9 completion of the proposed transaction STI will be a wholly-owned, indirect subsidiary of SIH.

10 **B. Details of Proposed Transaction** – The below description of the proposed
11 transaction includes the following:

- 12 a. The current ownership structure of STI and its affiliates.
- 13 b. The acquiring entities involved in the merger.
- 14 c. The merger process.
- 15 d. The resulting ownership structure of STI and its affiliates.
- 16 e. Details of the financing of the transaction.

17 a. **Current Ownership** – As noted above, Connect is a Delaware corporation and the
18 sole shareholder of SHI. SHI is a Delaware corporation and the sole shareholder of STHI, also a
19 Delaware corporation. STHI has two wholly-owned, direct subsidiaries that are both Delaware
20 corporations: STI and T-NETIX, Inc. (“TNI”).² Attachment A hereto shows the existing ownership
21 structure of STI.

22 b. **Acquiring Entities** – Connect Merger Sub is a Delaware corporation and wholly-
23 owned subsidiary of SIH.

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27 ² TNI is in turn the parent of T-NETIX Telecommunications Services, Inc. (“TNTSI”) TNI and TNTSI
presently are not providers of telecommunications services in the State of Arizona.

1 c. **The Merger Process** – The proposed indirect transfer of STI will occur through a
2 merger with Connect Merger Sub, which will include the following steps:

3 (i) SIH has formed Connect Merger Sub solely for the purpose of effecting the
4 proposed transaction.

5 (ii) Connect Merger Sub shall merge with and into Connect. Upon completion
6 of this merger, the separate existence of Connect Merger Sub will cease and Connect will be the
7 surviving corporation.

8 d. **The Resulting Ownership Structure** – Upon completion of the proposed
9 transaction, the current existing, intercorporate relationships between Connect, STHI and STI shall
10 remain unchanged. However, Connect will become an indirect wholly-owned subsidiary of SIH.
11 Attachment B hereto shows the post-merger-closing ownership structure of STI.

12 **III. REQUEST FOR APPROVAL.**

13 To finance the acquisition of Connect and for other general business purposes, SIH has arranged
14 the following credit facilities that total \$640 million, with STHI as the borrower: (a) 7-year first
15 lien term credit facility (up to \$355 million), (b) a 5-year revolving credit facility (up to \$50
16 million), (c) an 8-year second lien term credit facility (up to \$155 million), and (d) an additional
17 \$100 million in incremental funding, subject to meeting certain financial criteria (collectively,
18 “Credit Facilities”). The Credit Facilities also will allow the retirement and replacement of
19 approximately \$400 million of existing debt for which STI was the borrower under credit facilities
20 approved by the Commission.³ Thus, the total amount of the financing for which the Petition
21 seeks approval is \$640 million.

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27 ³In the Matter of the Application of Securus Technologies, Inc. to Encumber Assets In Connection
With Long Term Debt Issuance And Financing Arrangements, Decision Nos. 72438 and 73239.

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2 A syndicate of financial institutions arranged and led by Deutsche Bank Securities Inc. and
3 BNP Paribas Securities Corp., or one or more of their respective affiliates (collectively, “DB” and
4 “BNP”, respectively) will provide the Credit Facilities. STHI will be the borrower. Pursuant to the
5 financing arrangements, SHI, Connect Acquisition Corp., and each of STHI’s direct and indirect
6 wholly-owned U.S. subsidiaries (with certain agreed upon exceptions), including STI (collectively,
7 the “Guarantors”), will guarantee the obligations under the Credit Facilities. The Guarantors will
8 grant to the administrative agent or collateral agent (or equivalent) under the Credit Facilities for
9 the benefit of the lenders thereunder a security interest in substantially all of their tangible and
10 intangible assets, including (i) all of the outstanding equity interest of STI and (i) the assets of STI
11 used to provide inmate telephone services in Arizona. As a result, Petitioners also seek consent
12 for the pledge of assets by STI, and the pledge of the stock of STI, as contemplated by the Credit
13 Facilities.

14 **IV. PUBLIC INTEREST CONSIDERATIONS.**

15 The proposed financing arrangements will serve the public interest because they will
16 provide financing for SIH to acquire Connect, allow STI to replace existing debt, and make
17 available working capital to STI for its operations. By enabling the acquisition of Connect, the
18 financing arrangements will enable the combined entity to enhance and expand its Arizona COPT
19 service, including its Arizona inmate telephone services. The proposed financing arrangements
20 will not affect the rates, terms and conditions under which STI presently offers service in Arizona.
21 Future changes in the rates, terms and conditions of service to STI’s customers, if any, will be
22 undertaken pursuant to the applicable federal and state notice and tariff requirements and STI’s
23 contractual obligations. The financing arrangements will also not result in an interruption or
24 disruption of service, and will be seamless and transparent to customers.

25 The financing arrangements described above are necessary and appropriate and are
26 consistent with STI’s performance of its services to the public. Further, the arrangements should
27 not impair the ability of STI to perform its services and will promote the enhanced deployment of

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1 its services in Arizona by enabling the acquisition of STI by SHI. By increasing the breadth and
2 scope of STI's services, the financing transaction will ultimately inure to the benefit of Arizona
3 consumers. As such, the proposed financing transactions are in the public interest.

4 **V. CONCLUSION.**

5 **WHEREFORE**, for the reasons stated herein, STI submits that the public interest,
6 convenience, and necessity will be furthered by Commission approval of this Application to
7 enable STI to participate in the financing arrangements as described herein.

8 RESPECTFULLY SUBMITTED this 20th day of March, 2013.

9
10
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25 Of Counsel

26 Attorneys for Securus Technologies, Inc.

27 Original and 13 copies of the foregoing
filed this 20th day of March 2013 with:

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Copy of the foregoing hand-delivered/mailed
this 20th day of March 2013 to:

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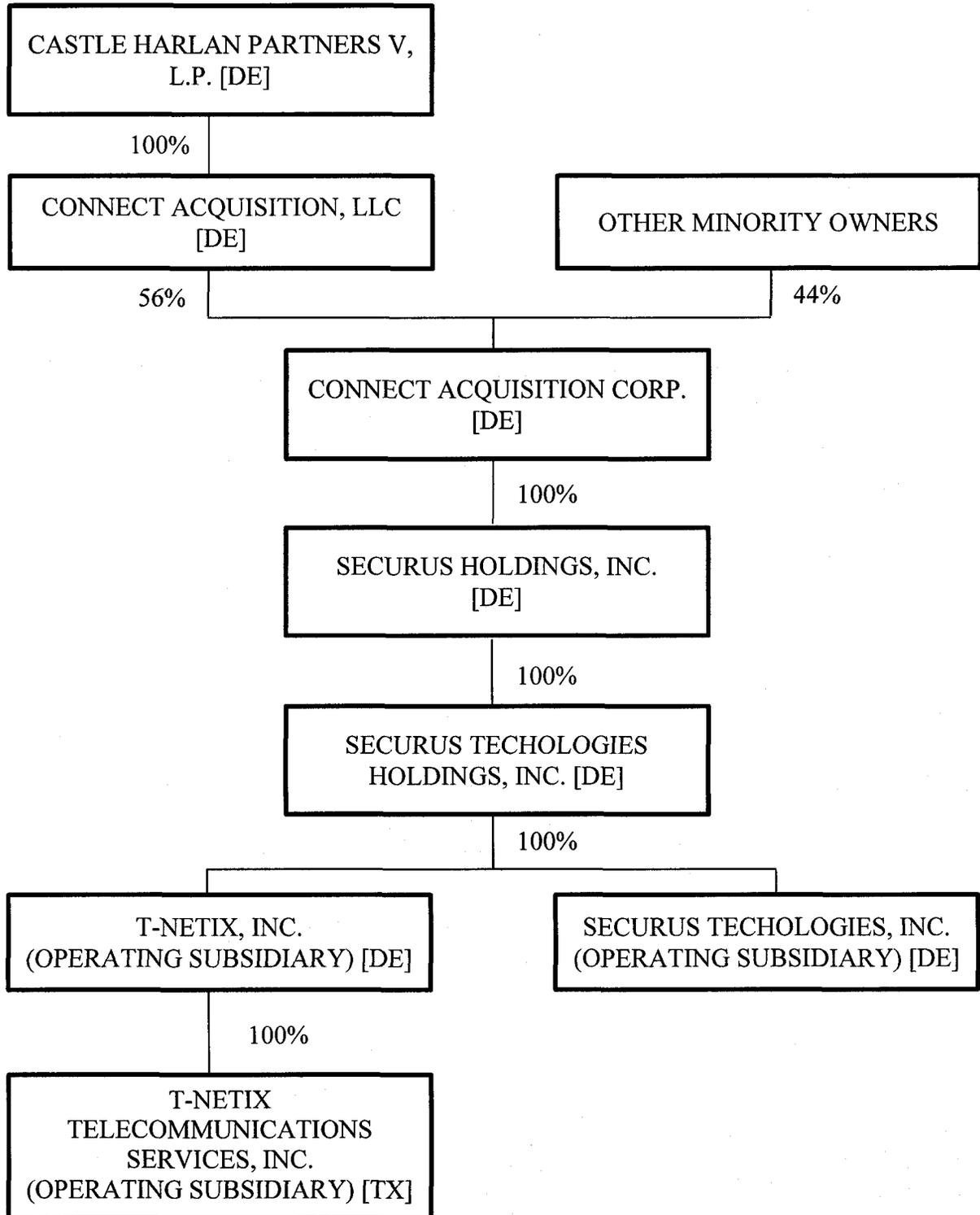
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ATTACHMENT A

PRE-CLOSING STRUCTURE



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ATTACHMENT B

Post-Closing Holding Structure

