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**BEFORE THE ARIZONA CORPORATION COMMISSION**

BOB STUMP  
Chairman  
GARY PIERCE  
Commissioner  
BRENDA BURNS  
Commissioner  
BOB BURNS  
Commissioner  
SUSAN BITTER SMITH  
Commissioner

Arizona Corporation Commission  
**DOCKETED**  
MAY - 8 2013  
DOCKETED BY NR

IN THE MATTER OF THE APPLICATION )  
OF SECURUS TECHNOLOGIES, INC. FOR )  
APPROVAL TO ENCUMBER ASSETS IN )  
CONNECTION WITH CERTAIN DEBT )  
FINANCING ARRANGEMENTS. )

DOCKET NO. T-03479A-13-0062  
DECISION NO. 73870  
ORDER

Open Meeting  
May 1 and May 2, 2013  
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. On March 20, 2013, Securus Technologies, Inc. ("STI" or "Applicant") filed an application requesting approval by the Arizona Corporation Commission ("Commission"), pursuant to A.R.S. § 40-285, 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").

2. STI seeks authority to participate in certain financing arrangements, whereby STI and certain of its affiliates will pledge their assets and act as guarantors with respect to certain financing agreements in the amount of up to \$640 million undertaken concurrently with the acquisition of STI's parent.

3. The following background and transaction information was provided by the Applicant.  
...

1 Background

2 **Securus Technologies, Inc.**

3 4. STI is a Delaware corporation with its principal place of business at 14651 Dallas  
4 Parkway, 6th Floor, Dallas, Texas 75254. STI is a privately-held and wholly-owned subsidiary of  
5 Securus Technologies Holdings, Inc. ("STHI"), a Delaware corporation and wholly-owned  
6 subsidiary of Securus Holdings, Inc. ("SHI").

7 5. STHI, SHI, and Connect do not provide telecommunications services in the State of  
8 Arizona or elsewhere. The ultimate controlling interests in Connect are held by Castle Harlan  
9 Partners V, L.P. ("Castle Partners"), which is managed by Castle Harlan, Inc. ("Castle"), a New  
10 York-based private equity firm.

11 6. STI only holds a Customer Owner Pay Telephone ("COPT") Certificate of  
12 Convenience ("CC&N") in Arizona (Decision No. 60924). STI is currently providing  
13 telecommunications services to a number of confinement and correctional facilities in the State of  
14 Arizona.

15 **Securus Investment Holdings, LLC**

16 7. SIH is a newly-formed corporation established for purposes of acquiring a controlling  
17 interest in STI. It is expected that approximately 96.4% of the interests in STI will ultimately be  
18 held by Securus Special Investments, LLC ("SSI"), with the remaining interests held by members  
19 of STI and its affiliates' management.

20 8. SSI (and thus indirectly STI) will be controlled by ABRY Partners VII, L.P. ("ABRY  
21 VII"), an affiliate of ABRY Partners ("ABRY"), a Boston-based private equity firm focused solely  
22 on media, communications, business, and information services investments. Since its founding in  
23 1989, ABRY has completed over \$36.0 billion in transactions and other private equity, mezzanine  
24 or preferred equity placements, presenting investments in over 450 properties.

25 9. SIH, SSI, ABRY VII, and ABRY do not themselves provide telecommunications  
26 services.

27 ...

28 ...

1 The Transaction

2 10. STI seeks approval to participate in certain financing arrangements, whereby STI and  
3 certain of its affiliates will pledge their assets and act as guarantors with respect to certain  
4 financing agreements in the amount of up to \$640 million undertaken concurrently with the  
5 acquisition of STI's parent.

6 11. To finance the acquisition of Connect and for other general business purposes, SIH has  
7 arranged credit facilities, as noted below, that total \$640 million, with STHI as the borrower:

- 8 a. a 7-year first lien term credit facility (up to \$355 million),  
9 b. a 5-year revolving credit facility (up to \$50 million),  
10 c. an 8-year second lien term credit facility (up to \$155 million), and  
11 d. an additional \$100 million in incremental funding, subject to meeting certain  
12 financial criteria (collectively, "Credit Facilities").

13 12. The Credit Facilities also will allow the retirement and replacement of approximately  
14 \$400 million of existing debt for which STI was the borrower under credit facilities approved by  
15 the Commission.

16 13. A syndicate of financial institutions arranged and led by Deutsche Bank Securities Inc.  
17 and BNP Paribas Securities Corp., or one or more of their respective affiliates (collectively, "DB"  
18 and "BNP", respectively) will provide the Credit Facilities.

19 14. STHI will be the borrower. Pursuant to the financing arrangements, SHI, Connect  
20 Acquisition Cop, and each of STHI's direct and indirect wholly-owned U.S. subsidiaries (with  
21 certain agreed upon exceptions), including STI (collectively, the "Guarantors"), will guarantee the  
22 obligations under the Credit Facilities.

23 15. The Guarantors will grant to the administrative agent or collateral agent (or equivalent)  
24 under the Credit Facilities for the benefit of the lenders thereunder a security interest in  
25 substantially all of their tangible and intangible assets, including (i) all of the outstanding equity  
26 interest of STI and (i) the assets of STI used to provide inmate telephone services in Arizona. As a  
27 result, Petitioners also seek consent for the pledge of assets by STI, and the pledge of the stock of  
28 STI, as contemplated by the Credit Facilities.

1 Staff's Analysis and Conclusions

2 16. A.R.S. § 40-285 requires public service corporations to obtain Commission  
3 authorization to assign or dispose of a utility's assets as proposed by the merger in this transaction.  
4 The statute serves to protect captive customers from a utility's act to dispose of any of its assets  
5 that are necessary for the provision of service; thus, it serves to preempt any service impairment  
6 due to disposal of assets essential for providing service.

7 17. COPTs are not subject to the Commission's Public Utility Holding Companies and  
8 Affiliated Interests Rules, A.A.C. R14-2-801 *et seq.* ("Affiliated Interests Rules"). The pre-closing  
9 structure and post-closing structure arrangements illustrated in Attachment A and B, respectively,  
10 of STI's application in this matter will not impact the COPT CC&N granted by the Commission in  
11 Decision No. 60924 issued May 22, 1998.

12 18. STI states that the proposed transaction will not affect the rates, terms and conditions  
13 by which STI offers service in Arizona.<sup>1</sup> STI also states that the financing arrangements will not  
14 result in an interruption or disruption of service, and will be seamless and transparent to  
15 customers.<sup>2</sup>

16 19. Additionally, the Applicant confirmed via email that any deposits, prepayments or  
17 advance payments held by STI will not be included in the proposed encumbrance. Staff concludes  
18 that the proposed transaction will not impair the availability of service to customers since the  
19 Applicant provides competitive services that are available from alternative service providers.

20 20. STI published a legal notice in the Arizona Republic on March 27, 2013. STI filed its  
21 affidavit of publication with the Commission on April 2, 2013.

22 21. Based on its analysis of the proposed transaction, Staff concludes that the transaction  
23 would not impair the financial status of STI, would not impair its ability to attract capital, nor  
24 would it impair the ability of the STI to provide safe, reasonable, and adequate service.

25 ...

26 \_\_\_\_\_  
27 <sup>1</sup> *In The Matter of the Application of Securus Technologies, Inc. For Approval To Encumber Assets In Connection  
With Certain Debt Financing Arrangements*, Docket No. T-03479A-13-0062, Page 5, lines 19 – 20.

28 <sup>2</sup> *In The Matter of the Application of Securus Technologies, Inc. For Approval To Encumber Assets In Connection  
With Certain Debt Financing Arrangements*, Docket No. T-03479A-13-0062, Page 5, lines 23 – 24.



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ORDER

IT IS THEREFORE ORDERED that the Securus Technologies, Inc. application requesting approval to pledge or otherwise encumber its Arizona assets be and hereby is approved, subject to the condition that all customer deposits and prepayments be excluded from encumbrance.

IT IS FURTHER ORDERED that Securus Technologies, Inc. be and hereby is authorized to engage in any transactions and to execute any documents necessary to effectuate the authorizations granted.

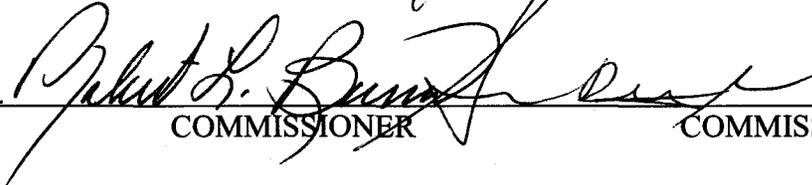
IT IS FURTHER ORDERED that one copy of executed security documents shall be filed with the Utilities Division Director and a letter confirming such filing shall be docketed as a compliance item in this docket within 90 days following execution of the proposed transaction.

**BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

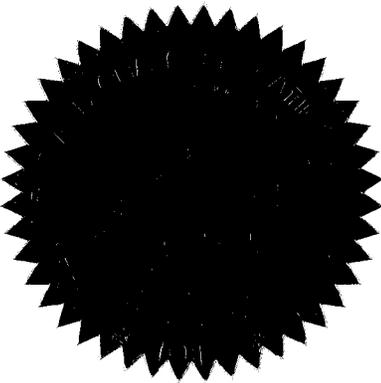
  
CHAIRMAN

  
COMMISSIONER

  
COMMISSIONER

  
COMMISSIONER

  
COMMISSIONER



IN WITNESS WHEREOF, I, JODI JERICH, 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 8<sup>th</sup> day of May, 2013.

  
JODI JERICH  
EXECUTIVE DIRECTOR

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

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

SMO:AFF:sms/RRM

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