



0000161654

NEW APPLICATION

ORIGINAL

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

SUSAN BITTER SMITH, CHAIRMAN
BOB STUMP
BOB BURNS
DOUG LITTLE
TOM FORESE

RECEIVED

2015 APR 13 P 4: 22

DOCKETED

APR 13 2015

AZ CORP COMMISSION
DOCKET CONTROL

DOCKETED BY 

IN THE MATTER OF THE NOTICE OF)
ENCUMBRANCE OF ASSETS OR IN THE)
ALTERNATIVE, APPLICATION OF SECURUS)
TECHNOLOGIES, INC. TO ENCUMBER ASSETS)
IN CONNECTION WITH LONG TERM DEBT)
ISSUANCE AND FINANCING)
ARRANGEMENTS)

DOCKET NO. T-03479A-15-0125
**NOTICE OF ENCUMBRANCE OF
ASSETS, OR IN THE
ALTERNATIVE, APPLICATION**
(Expedited Action Requested)

NOTICE OF EXEMPT ENCUMBRANCE UNDER A.R.S. § 40-285

Securus Technologies, Inc. ("STI") provides notice that it is encumbering its assets in connection with a financing. Under A.R.S. § 40-285(A), a public service corporation is required to obtain Commission approval to "sell, lease, assign, mortgage or otherwise dispose of or encumber the whole or any part of its railroad, line, plant or system necessary or useful in the performance of its duties to the public". STI is a provider of pay telephone services, and STI has obtained a Customer Owned Pay Telephone ("COPT") Certificate of Convenience and Necessity under A.A.C. R14-2-903. STI has previously obtained approval to encumber its assets from the ACC. STI now seeks to further encumber its assets as part of its immediate parent company obtaining additional financing as borrower.

In 2013, the Arizona Legislature enacted Laws 2013, Ch. 176, which added a new subsection (F) to A.R.S. § 40-285. The new section reads, "This section does not apply to a telecommunications corporation whose retail telecommunications services are all classified as competitive by the commission, except as may otherwise be determined by a commission order after the effective date of this amendment to this section." As a pay telephone provider, STI is a "telecommunications provider" in the highly competitive pay telephone business. The

1 Commission, in adopting the COPT rules, recognized that COPT providers were not traditional
2 non-competitive utilities; *See* A.A.C. R14-2-901(3):

3 “Customer-owned pay telephone (COPT) provider” means an entity authorized by
4 the Commission to provide public pay telephone service to end-users and which is
5 not a certificated LEC on the effective date of this Article. For purposes of
6 compliance with Article 5 of this Chapter, “COPT provider” does not mean a
“utility” as defined in R14-2-501(24).

7 In addition, the Commission allows COPT providers offer a streamlined COPT tariff. *See* A.A.C.
8 R14-2-905. Further, the Legislature has recognized the competitive nature of pay telephone
9 service in A.R.S. § 40-282(C)(1), because it is one of the few types of services for which the
10 Commission may issue a CC&N without a hearing. Thus, STI’s COPT services are competitive,
11 and STI qualifies for the exemption under A.R.S. § 40-285(F). However, for the avoidance of any
12 doubt, STI provides this notice and requests that this docket be administratively closed if approval
13 is not necessary due to A.R.S. § 40-285(F), or in that alternative, that the Commission issue a
14 declaratory order that A.R.S. § 40-285(F) applies.

15 **ALTERNATIVE APPLICATION FOR APPROVAL OF ENCUMBRANCE**

16 However, to the extent that the Commission believes that A.R.S. § 40-285(F) does not
17 apply, STI respectfully requests approval from the Commission for STI to pledge or otherwise
18 encumber its Arizona assets in connection with certain amendments to debt financing
19 arrangements, for which the assets were already pledged.¹ As more fully described below, STI
20 now seeks authority to pledge or otherwise encumber its Arizona assets in connection with an
21 amendment to the previous financing arrangements, which would increase the aggregate principal
22 amount thereof from up to \$640.0 million to up to \$845.0 million.²

23 ///

24 ///

25

26 ¹ The Commission approved the previous pledge of assets in Decision No. 73870 (May 8, 2013).

27 ² STI will continue to be a guarantor and pledgor of its assets and stock.

1 **I. The Applicant.**

2 STI is a Delaware corporation with its principal place of business at 14651 Dallas
3 Parkway, 6th Floor, Dallas, Texas 75254. STI is a privately-held and wholly-owned subsidiary of
4 Securus Technologies Holdings, Inc. ("STHI"), a Delaware corporation and wholly-owned
5 indirect subsidiary of Securus Holdings, Inc. ("SHI"). The ultimate controlling interests in SHI
6 are held by ABRY Partners VII, L.P. ("ABRY VII"), which is an affiliate of ABRY Partners
7 ("ABRY"), a Boston based-based investment firm focusing solely on media, communications, and
8 business and information services investments. STI is authorized to provide telephone services as
9 a COPT provider in the State of Arizona pursuant to Decision No. 60924. Pursuant to that
10 authorization, STI is currently providing telecommunications services to a number of confinement
11 and correctional facilities in the State of Arizona.

12 **II. Prior Approvals and Background.**

13 In Decision No. 73870, the Commission, in connection with the acquisition of STI's
14 ultimate parent, Connection Acquisition Corp. ("Connect") by Securus Investment Holdings,
15 LLC, approved STI's pledge of assets in connection with certain financing arrangements to be
16 used for that acquisition and the subsequent operations of STI. Specifically, the financing
17 arrangements included: (a) 7-year first lien term credit facility (up to \$335 million) ("First Lien
18 Credit Agreement"); (b) a 5-year first lien revolving credit facility (up to \$50 million); and (c) an
19 8-year second lien term credit facility (up to \$155 million); and (d) an additional \$100 million in
20 incremental funding, subject to meeting certain financial criteria (collectively, "Credit Facilities").
21 These Credit Facilities allowed for the retirement and replacement of approximately \$400 million
22 of existing debt for which STI was the borrower under credit facilities previously approved by the
23 Commission.³ Thus, the total amount of the financing which was deemed approved was up to
24 \$640.0 million.

25
26
27 ³ In the Matter of Application of Securus Technologies, Inc. to Encumber Assets In Connection
With Long Term Debt issuance and Financing Arrangements, Decision Nos. 72438 and 73239.

1 A syndicate of financial institutions arranged and led by Deutsche Bank Securities, Inc.
2 and BNP Paribas Securities Corp., or one or more of their respective affiliates (collectively, "DB"
3 and "BNP", respectively) provided the Credit Facilities. STHI was the borrower. Pursuant to the
4 financing arrangements, SHI, Connect and each of SHI's direct and indirect wholly-owned U.S.
5 subsidiaries (with certain agreed upon exceptions), including STI (collectively, the "Guarantors"),
6 guaranteed the obligations under the Credit Facilities. The Guarantors granted to the
7 administrative agent or collateral agent (or equivalent) under the Credit Facilities for the benefit of
8 the lenders thereunder a security interest in substantially all of their tangible and intangible assets,
9 including: (i) all of the outstanding equity interests of STI and (ii) the assets of STI used to
10 provide inmate telephone services in Arizona. The Commission thus also approved STI's pledge
11 of its assets and its stock, as contemplated by the financing arrangements.

12 **III. Current Transaction For Which Approval Is Sought.**

13 STI seeks approval to pledge its Arizona assets in connection with an amendment to the
14 existing financing arrangements that would increase the aggregate principal amount of permitted
15 borrowing to up to \$845.0 million. The additional borrowing authority of \$205.0 million will be
16 used to fund in part the acquisition of all of the stock of JPay Inc. ("JPay"), a Delaware
17 corporation and a national payment processing firm.

18 The additional borrowing will be funded in the form of a senior secured term loan ("Term
19 Loan") to be arranged by Deutsche Bank Trust Company Americas and its affiliates and BNP
20 Paribas and its affiliates. The Term Loan will be incurred as a new class of loans pursuant to the
21 First Lien Credit Agreement that was a component of the previously-approved financial
22 arrangements. The Term Loan is expected to mature on the same date as the First Lien Credit
23 Agreement and will be repaid through future cash flows of STI and JPay.

24 There will be no other material changes to the previously-approved Credit Facilities. STHI
25 will remain as a borrower, but not a guarantor thereunder. STI's assets used to provide inmate
26 telephone services in Arizona and stock will continue to be subject to the previously-approved
27 security interest and stock pledge, respectively.

1 **IV. Public Interest Considerations.**

2 STI respectfully submits that the transactions described in this application will serve the
3 public interest and will not adversely affect the operations of STI or its customers. In
4 particular, STI submits that the proposed transactions will generate efficiencies in STI's overall
5 provision of inmate-only payphone services and generate additional revenues for STI to pay down
6 the Term Loan and other obligations. In doing so, the transactions will help increase competition
7 in the Arizona telecommunications market by reinforcing STI's status as a viable competitor and
8 will allow the company to continue to compete effectively as a leading provider of payphone and
9 inmate-only payphone services. Coupled with the previously approved financing authority, the
10 additional financial flexibility will also allow STI to continue to execute the company's business
11 plan and offer alternative high-quality, competitively priced services to a substantial number of
12 potential customers in its operating areas and consider other investments to further those goals.

13 The proposed transactions do not create any new owners of STI and will not affect the day-
14 to-day management of STI or the services that STI provides, and will also not result in an
15 interruption or disruption of service. Because the transactions are financial in nature and will not
16 affect the rates, terms and conditions under which STI operates, the financing transaction will be
17 entirely transparent to customers of STI in terms of the services those customers receive.

18 The financing arrangements described above are necessary and appropriate and are
19 consistent with STI's performance of its services to the public. By increasing the breadth and
20 scope of STI's services, the financing transaction will ultimately inure to the benefit of Arizona
21 consumers. As such, the proposed financing transactions are in the public interest.

22 **REQUEST FOR EXPEDITED ACTION.**

23 Due to the time-sensitive nature of the proposed transaction, STI requests expedited
24 consideration of this Notice and Alternative Application. Specifically, STI requests that the
25 Commission issue an order or administrative closure on or before **June 1, 2015.**

26 ///

27 ///

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

CONCLUSION.

WHEREFORE, STI requests that this docket be administratively closed if A.R.S. § 40-285(F) applies, or in the alternative, that the Commission issue a declaratory order that the exception in A.R.S. § 40-285(F) applies to STI. However, if the Commission determines that the exception in A.R.S. § 40-285(F) does not apply to STI, then STI submits that the public interest, convenience, and necessity will be furthered by Commission approval of its Application to enable STI to participate in the amended financing arrangements described herein.

RESPECTFULLY SUBMITTED this 13th day of April, 2015.

SNELL & WILMER L.L.P.

By 
Michael W. Patten
Timothy J. Sabo
SNELL & WILMER, L.L.P.
One Arizona Center
400 East Van Buren Street, Suite 1900
Phoenix, Arizona 85004
(602) 382-6339 (Telephone)
(602) 382-6070 (Facsimile)
mpatten@swlaw.com
tsabo@swlaw.com

and

Paul C. Besozzi
SQUIRE PATTON BOGGS (US) LLP
2550 M Street, N.W.
Washington, D.C. 20037
(202) 457-5292 (Telephone)
(202) 457-6315 (Facsimile)
paul.besozzi@squirepb.com

Attorneys for Securus Technologies, Inc.

1 Original and 13 copies of the foregoing
2 filed this 13th day of April 2015 with:

3 Docket Control
4 Arizona Corporation Commission
5 1200 West Washington Street
6 Phoenix, Arizona 85007

7 Copy of the foregoing hand-delivered/mailed
8 this 13th day of April 2015 to:

9 Lyn Farmer, Esq.
10 Chief Administrative Law Judge
11 Hearing Division
12 Arizona Corporation Commission
13 1200 West Washington
14 Phoenix, Arizona 85007

15 Janice M. Alward, Esq.
16 Chief Counsel, Legal Division
17 Arizona Corporation Commission
18 1200 West Washington
19 Phoenix, Arizona 85007

20 Steve Olea
21 Director, Utilities Division
22 Arizona Corporation Commission
23 1200 West Washington
24 Phoenix, Arizona 85007

25
26
27
28 By 