

ORIGINAL

NEW APPLICATION



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BEFORE THE ARIZONA CORPORATION COMMISSION

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Arizona Corporation Commission

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MAY 16 2017

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T-03479A-17-0144

IN THE MATTER OF)
APPLICATION OF SECURUS)
TECHNOLOGIES, INC. TO ENCUMBER)
ASSETS)

Docket No. T-03479A-17-_____

APPLICATION
(Expedited Approval Requested)

APPLICATION FOR APPROVAL
OF ENCUMBRANCE UNDER A.R.S § 40-285

Securus Technologies, Inc. ("STI"), pursuant to A.R.S. § 40-285(A), requests approval for STI to pledge or otherwise encumber its assets in connection with Financing Arrangements (as defined below) concurrently with or following completion of the Transaction (as defined below).

In support of this filing, STI provides the following information:

I. BACKGROUND.

This Application is being filed in connection with the proposed transfer of indirect control of STI to SCRS. Pursuant to that certain Stock Purchase Agreement by and among Securus Investment Holdings, LLC ("SIH"), Connect Acquisition Corp. ("Connect")¹ and SCRS Acquisition Corporation ("SCRS"), dated as of April 29, 2017 (the "Agreement"), SCRS will acquire all the stock of Connect from SIH (the "Transaction"). As a result, Connect will become a wholly owned, direct subsidiary of SCRS; STI will become a wholly owned, indirect subsidiary of SCRS (and its parent companies).

¹ STI is a wholly owned, indirect subsidiary of Connect, which is a wholly owned, direct subsidiary of SIH.

1 STI holds only a COPT certificate in Arizona. As a result, STI understands that it is not subject to
2 the Commission's Public Utility Holding Companies and Affiliated Interests Rules, A.A.C. R14-2-801 et
3 seq. ("Affiliated Interests Rules"). See Decision No. 73870 (May 8, 2013), at Finding of Fact No. 17;
4 Decision No. 72051 (January 6, 2011), at Finding of Fact No. 5, 15; Administrative Closure Memorandum
5 (dated September 23, 2010), Docket Nos. T-02871A-10-0338 et al.

6 In addition, STI is a "foreign public service corporation" that provides "communications service"
7 within Arizona "whose physical facilities are also used in providing communications service in interstate
8 commerce." A.R.S. § 40-301(D). As such, STI is exempt from the debt-approval requirements of A.R.S.
9 §§ 40-301 and 40-302. However, STI may be subject to the provisions of A.R.S. § 40-285 regarding
10 encumbering assets, and accordingly, STI hereby seeks approval for the pledge of its assets as described
11 below.

12 The pre- and post-Transaction ownership structures of STI is provided in **Exhibit A**. In addition,
13 verifications of this application are attached as **Exhibit B**.

15 **II. DESCRIPTION OF THE APPLICANT AND THE ACQUIRING ENTITY.**

16 **A. Securus Technologies, Inc.**

17 STI is a Delaware corporation with its principal place of business at 4000 International Parkway,
18 Carrollton, Texas 75007. STI is a wholly owned, indirect subsidiary of Connect, a Delaware corporation
19 and a wholly owned, direct subsidiary of by SIH, a Delaware limited liability company. SIH's principal
20 address is c/o ABRY Partners, 111 Huntington St., 29th Floor, Boston, Massachusetts 02199. The
21 controlling interests in SIH are currently held by ABRY Partners VII, L.P., an affiliate of ABRY Partners,
22 a Boston-based private equity investment firm focused solely on media, communications, business, and
23 information services investments.

24

1 STI provides telecommunications services to a number of confinement and correctional facilities in
2 the District of Columbia and approximately 46 states. STI currently provides telecommunications services
3 to a number of confinement and correctional facilities in the State of Arizona. In Arizona, STI is
4 authorized to provide telephone services as a COPT provider pursuant to Decision No. 60924 (Nov. 6,
5 1997). STI is also authorized by the FCC to provide domestic and international telecommunications
6 services.

7 **B. SCRS Acquisition Corporation.**

8 SCRS is a newly formed Delaware corporation established for the purposes of the Transaction (as
9 defined below). SCRS's principal address is c/o Platinum Equity, 360 North Crescent Drive, South
10 Building, Beverly Hills, California 90210. SCRS is ultimately wholly owned by SCRS Holding
11 Corporation ("SCRS Parent"), a Delaware corporation. SCRS Parent is a holding company in which
12 certain private equity investment vehicles sponsored by Platinum Equity, LLC (together with its affiliates,
13 "Platinum Equity") will contribute their equity investments in connection with the Transaction. Platinum
15 Equity Capital Partners IV, L.P., a Delaware limited partnership, will be the majority owner of SCRS
16 Parent.

17 Founded in 1995 by Tom Gores, Platinum Equity (www.platinumequity.com) is a global
18 investment firm with more than \$11 billion of assets under management and a portfolio of approximately
19 30 operating companies that serve customers around the world. The firm is currently investing from
20 Platinum Equity Capital Partners IV, L.P., a \$6.5 billion global buyout fund. Platinum Equity specializes
21 in mergers, acquisitions and operations, acquiring and operating companies in a broad range of business
22 markets, including manufacturing, distribution, transportation and logistics, equipment rental, metals
23 services, media and entertainment, technology, telecommunications and other industries. Over the past 22
24 years Platinum Equity has completed more than 185 acquisitions. While Platinum Equity does not have

1 any telecommunication carriers in its current portfolio, Platinum Equity's prior investments in
2 telecommunications carriers include but are not limited to: Covad, DSLnet and Matrix Telecom. These
3 entities are, or were, authorized by this Commission to provide competitive local exchange service and/or
4 interexchange service. *See e.g.* Decision No. 71847 (August 25, 2010) (approving pledge of assets of
5 Covad Communications and DSLnet and noting those entities are controlled by Platinum Equity);
6 Decision No. 70184 (Feb. 27, 2008) (approving pledge of assets by entities controlled by Platinum
7 Equity); Decision No. 69357 (March 2, 2007) (same). As such, the Commission has previously reviewed,
8 and approved, pledges of assets by telecommunications carriers controlled by Platinum Equity.

9 **III. DESIGNATED CONTACTS.**

10 Questions or any correspondence, orders or other materials pertaining to this filing should be
11 directed to the following:

12 Timothy J. Sabo
13 Snell & Wilmer
14 400 E. Van Buren Street #1900
15 Phoenix, AZ 85004-2202
16 602-382-6347 (tel)
17 tsabo@swlaw.com

18 With copies for SCRS to:

19 William B. Wilhelm, Jr.
20 Brett P. Ferenchak
21 Morgan, Lewis & Bockius LLP
22 1111 Pennsylvania Avenue, N.W.
23 Washington, DC 20004-2541
24 202-739-3000 (tel)
202-739-3001 (fax)
william.wilhelm@morganlewis.com
brett.ferenchak@morganlewis.com

and:

Eva M. Kalawski
Executive Vice President, General Counsel
& Secretary
c/o Platinum Equity
360 North Crescent Drive
South Building
Beverly Hills, California 90210
ekalawski@platinumequity.com

1 with a copy for STI to:

and:

2 Paul C. Besozzi
3 Squire Patton Boggs (US) LLP
4 2550 M Street, N.W.
5 Washington, DC 20037
6 202-457-5292 (tel)
7 202-457-6315 (fax)
8 paul.besozzi@squirepb.com

Dennis J. Reinhold
Vice President, General Counsel &
Secretary
Securus Technologies, Inc.
4000 International Pkwy.
Carrollton, TX 75007
dreinhold@securustechnologies.com

6 **IV. DESCRIPTION OF THE FINANCING ARRANGEMENTS.**

7 Approval is sought for STI to pledge or otherwise encumber its assets, concurrently with or
8 following completion of the Transaction, in connection with new, amended and restated financing
9 arrangements (the "Financing Arrangements") up to an aggregate principal amount of \$2.6 billion. To
10 maintain adequate flexibility to respond to market conditions and requirements, to fund some or all of the
11 purchase price for the Transaction (including the repayment of existing long-term debt of Connect and its
12 subsidiaries² and costs and fees) and to respond to future acquisition and other business opportunities,
13 authority is sought for Financing Arrangements that are generally consistent with the terms outlined
14 below:

15
16 **Aggregate Amount:** Up to \$2.6 billion (the "Aggregate Amount").

17 **Borrower:** SCRS and STI currently expect that SCRS will be the initial borrower. After giving
18 effect to the Transaction, the borrower(s) may change to be one or more of the other parent
19 companies or operating companies, including STI. In order to maintain flexibility, therefore,
20 authorization is sought for STI to be a borrower or co-borrower under the Financing Arrangements.

21 **Debt Instruments:** The Financing Arrangements may include one or more of the following debt
22 instruments: notes or debentures (including notes convertible into equity and private notes that may
23 be exchanged for public notes); conventional credit facilities, such as revolving and term loan
24 credit facilities; letters of credit; and bridge loans; or a combination thereof

Maturity: Up to ten (10) years after issuance or amendment depending on the type of debt
instrument.

Interest: Interest rates will be the market rate for similar financings and will not be determined
until the Financing Arrangement(s) are finalized. Depending on the type of debt securities,

² Currently, Connect's outstanding long-term debt is approximately \$785 million as of May 2, 2017.

1 facility(ies) or other arrangements, indebtedness will accrue interest at a rate(s) that may be fixed
2 (typically set at signing or closing based on then current market conditions) or floating (consisting
3 of a base rate, which will float with a rate index such as LIBOR or Federal Funds Rate, plus an
4 applicable margin), or a combination of fixed rates and floating rates. To maintain flexibility,
5 authorization is sought for Financing Arrangements at an interest rate(s) at the then current market
6 conditions.

7 **Security:** Some or all of the Financing Arrangements may be secured facilities, which may include
8 a grant of a security interest in the assets of SCRS and all or certain of its current and future
9 subsidiaries, including STI. A portion of the Financing Arrangements may be unsecured facilities.
10 For the secured facilities, the equity of SCRS and all or certain of its current and future subsidiaries
11 may be pledged as additional security. Additionally, SCRS, its parent company, SCRS
12 Intermediate Holding II Corporation, and its current and future subsidiaries, including STI, may
13 provide a guaranty as security for the full Aggregate Amount in Financing Arrangements.

14 **Purpose:** The Financing Arrangements may be used for acquisitions--including the purchase price
15 for the Transaction and associated fees and costs, and repayment of existing long-term
16 indebtedness of Connect and its subsidiaries--future refinancing(s) of existing debt, working capital
17 requirements and other general corporate purposes of the company.

18 Commission authorization is sought for STI to pledge its assets as security for Financing
19 Arrangements up to the Aggregate Amount with terms generally consistent with those outlined above.

20 **V. PUBLIC INTEREST CONSIDERATIONS.**

21 Approval of any pledge of assets by STI in connection with the Financing Arrangements will serve
22 the public interest by providing SCRS with the ability to use debt financing for some or all of the
23 consideration for the Transaction, which itself will serve the public interest,³ allow repayment of the
24 existing debt of Connect and its subsidiaries, and make available working capital to Connect and its
25 subsidiaries, including STI, for their operations. Any pledge of assets by STI in connection with the
26 Financing Arrangements is necessary and appropriate, consistent with the performance by STI of its

³ The Transaction is in the public interest. STI will continue to be managed and operated by the same officers and
personnel, but will be supplemented by management of SCRS and Platinum Equity. Further, STI will have access to additional
financial resources through its relationship with SCRS and Platinum Equity, enabling STI to better meet the needs of its
customers and thus better compete in the telecommunications marketplace. At the same time, the Transaction will have no
adverse impact on the customers of STI. Immediately following the Transaction, STI will continue to provide high-quality
services at the same rates and on the same terms and conditions as are currently in effect. Future changes in the rates, terms and
conditions of service to STI's customers, if any, will be undertaken pursuant to the applicable federal and state notice and tariff
requirements and STI's contractual obligations. The Transaction will also not result in an interruption or disruption of service,
and will be seamless and transparent to customers. The only change immediately following closing of the Transaction from a
customer's perspective will be that that STI's ownership will change, with SCRS (and its parent companies) being its indirect
owner.

1 services to the public, and will not impair its ability to perform such services and will promote its
2 corporate purposes. By providing financial support to STI, which may allow STI to increase the breadth
3 and scope of its services, the Financing Arrangements will ultimately inure to the benefit of Arizona
4 consumers, and accordingly, the pledge of assets by STI in connection with the Financing Arrangements
5 should be approved.

6 **VI. CONCLUSION.**

7 WHEREFORE, STI submits that the public interest, convenience and necessity will be furthered
8 by Commission approval of this Application to enable STI to pledge or otherwise encumber its assets for
9 Financing Arrangements as described herein.

10 Respectfully submitted,

11 

12 Timothy J. Sabo
13 Snell & Wilmer, L.L.P.
14 400 E. Van Buren Street #1900
15 Phoenix, AZ 8500-2202
16 602-382-6347 (tel)
17 tsabo@swlaw.com

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19
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21
22
23
24
Counsel for STI

1 ORIGINAL and thirteen (13) copies of the foregoing
Filed this 16th day of May, 2017 with:

2 The Arizona Corporation Commission
3 Docket Control
1200 W. Washington Street
4 Phoenix, Arizona 85007

5
6 Copy of the foregoing delivered via Overnight Courier
this 16th day of May, 2017, to:

7 Elijah Abinah
8 Director, Utilities Division
Arizona Corporation Commission
9 1200 W. Washington Street
Phoenix, Arizona 85007

10 Dwight Nodes, Chief Administrative Law Judge
11 Hearing Division
Arizona Corporation Commission
12 1200 W. Washington Street
Phoenix, Arizona 85007

13 Andy Kvesic
15 Director, Legal Division
Arizona Corporation Commission
16 1200 W. Washington Street
Phoenix, Arizona 85007

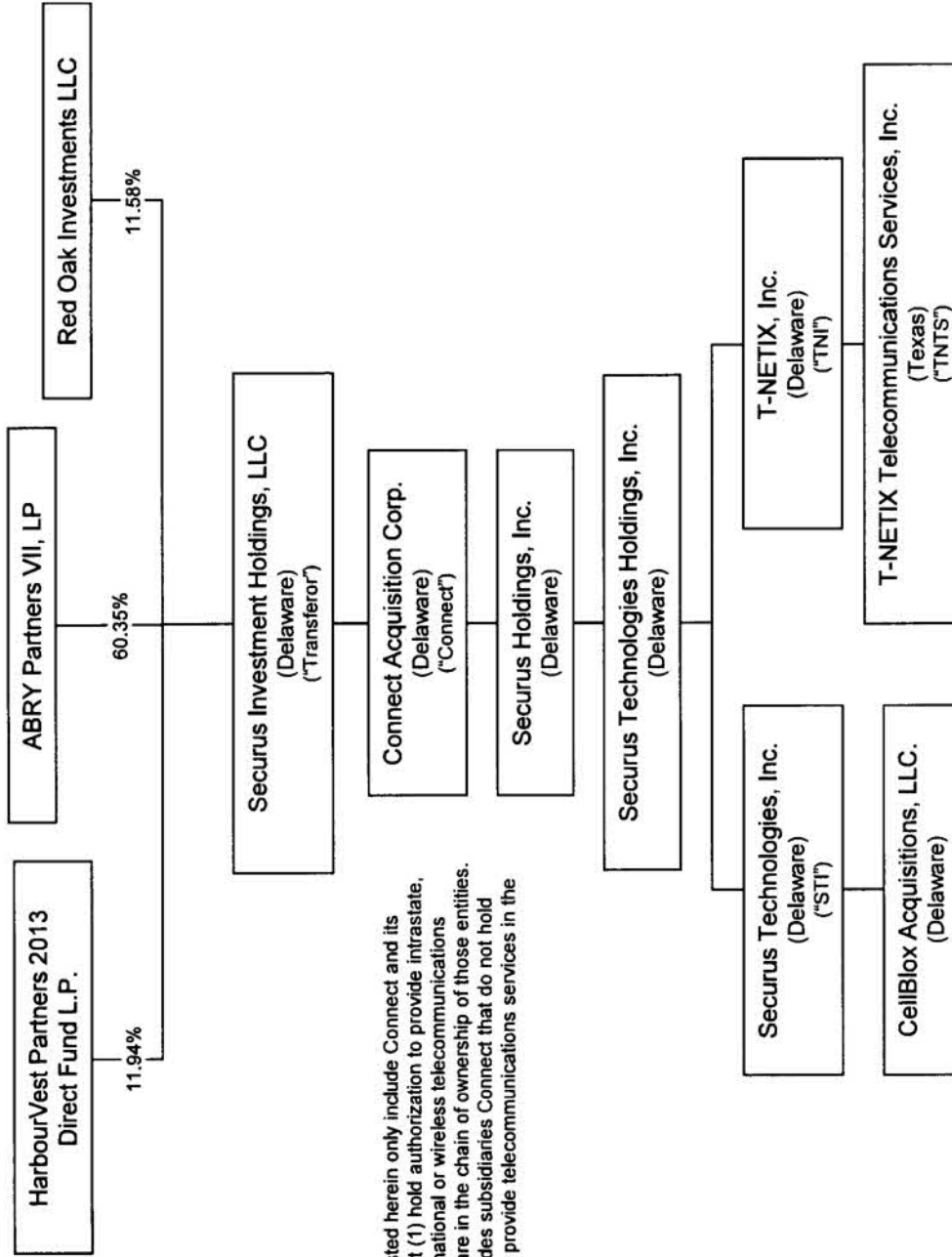
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EXHIBIT A

Diagrams of the Pre- and Post-Transaction Ownership Structures

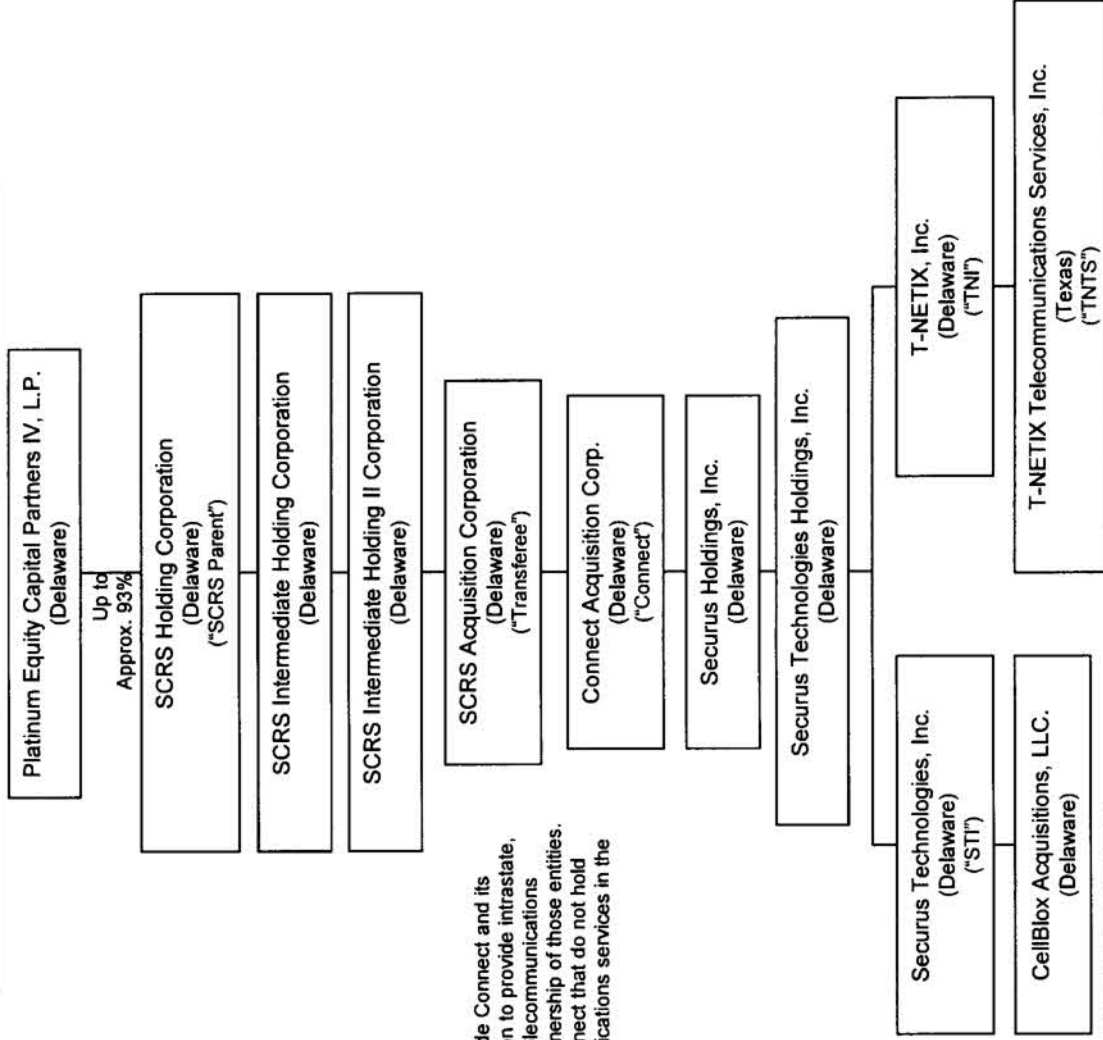
Pre-Transaction Ownership Structure of STI*



* The entities listed herein only include Connect and its subsidiaries that (1) hold authorization to provide intrastate, interstate, international or wireless telecommunications services or (2) are in the chain of ownership of those entities. The chart excludes subsidiaries Connect that do not hold authorization to provide telecommunications services in the United States.

Unless indicated all ownership percentages are 100%.

Post-Transaction Ownership Structure of STI*



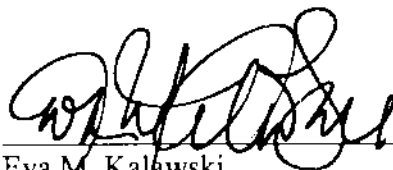
* The entities listed herein only include Connect and its subsidiaries that (1) hold authorization to provide interstate, interstate, international or wireless telecommunications services or (2) are in the chain of ownership of those entities. The chart excludes subsidiaries Connect that do not hold authorization to provide telecommunications services in the United States.

Unless indicated all ownership percentages are 100%.

EXHIBIT B
VERIFICATION

VERIFICATION

I, Eva M. Kalawski, state that I am Vice President and Secretary of SCRS Acquisition Corporation (the “Company”); that I am authorized to make this Verification on behalf of the Company; that the foregoing filing was prepared under my direction and supervision; and that the factual statements and representations made therein by and concerning the Company are true and correct to the best of my knowledge, information, and belief.



Eva M. Kalawski
Vice President and Secretary
SCRS Acquisition Corporation

See attached Acknowledgement by Notary Public

ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California
County of Los Angeles)

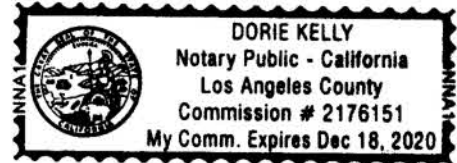
On May 5, 2017 before me, Dorie Kelly, Notary Public
(insert name and title of the officer)

personally appeared Eva M. Kalawski,
who proved to me on the basis of satisfactory evidence to be the person~~(s)~~ whose name~~(s)~~ is/~~are~~-
subscribed to the within instrument and acknowledged to me that ~~he~~/~~she~~/~~they~~ executed the same in
~~his~~/~~her~~/~~their~~ authorized capacity~~(ies)~~, and that by ~~his~~/~~her~~/~~their~~ signature~~(s)~~ on the instrument the
person~~(s)~~, or the entity upon behalf of which the person~~(s)~~ acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature *Dorie Kelly* (Seal)



VERIFICATION

I, Dennis J. Reinhold, am the Vice President, General Counsel and Secretary of Securus Investment Holdings, LLC ("SIH") and Connect Acquisition Corp. and its direct and indirect subsidiaries, including Securus Technologies, Inc. (collectively, the "Connect Entities"). As such I am authorized to execute this Verification on behalf of SIH and the Connect Entities. The portions of the foregoing filing relating to SIH and the Connect Entities have been prepared pursuant to my direction and control and I have reviewed the contents thereof. I hereby declare that the factual statements and representations made therein by and concerning SIH and Connect Entities are true and correct to the best of my knowledge, information and belief.

D.J. Reinhold

Name: Dennis J. Reinhold
Title: VP, General Counsel and Secretary
Securus Investment Holdings, LLC
Securus Technologies, Inc.

County of DENTON)
State of TEXAS)

Subscribed and sworn to before me by Dennis J. Reinhold this 15th day of May, 2017

Diane Wendling
Notary Public

My Commission Expires: July 21, 2018

