BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

In the Matter of the Application of Talton Communications, Inc. for Registration as an Interexchange Carrier Telephone Corporation Pursuant to the Provisions of Public Utilities Code Section 1013.	A.10-01-004 (Filed January 8, 2010)

SETTLEMENT AGREEMENT

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April 12, 2010

BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

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SETTLEMENT AGREEMENT

The Consumer Protection and Safety Division ("CPSD") of the California Public Utilities Commission ("Commission") and Talton Communications, Inc. ("Talton") (collectively, the "Parties") hereby agree upon the following terms for the settlement (the "Settlement") of CPSD's Protest of Talton's Application, A.10-01-004 (the "Application"), for a Certificate of Public Convenience and Necessity ("CPCN") to provide services as a , switchless reseller pursuant to Public Utilities ("PU") Code section 1013. The date of issuance of the Commission order approving this Settlement shall be deemed, and is referred to below, as the "Effective Date."

I. STATEMENT OF STIPULATED FACTS

a. Talton is an Alabama corporation. Its principal executive office is 910 Ravenwood Drive, Selma AL 36701.

b. Talton registered with the California Secretary of State on December 21, 2009.

c. Talton is a "Telephone corporation" as defined in PU Code section 234,[1] which operates as a "switchless reseller" of inter-Local Access and Transport Area ("LATA") and to the extent authorized by D.94-09-065, intra-LATA telecommunications services offered by communication common carriers in California.

[1] All statutory references herein are to the California Public Utilities Code, unless otherwise indicated.

d. Talton was awarded a contract with the United States Immigration and Customs Enforcement ("ICE") Division on May 6, 2009 to provide the Detainee Telephone System ("DTS") at all ICE Primary Facilities and pro bono telephone service, at all Primary and Secondary Facilities. Talton's customers may purchase prepaid, collect, and debit services.

e. Due to competitors' protests regarding the contract award, Talton did not begin operating in California at the El Centro Processing Facility (El Centro, CA) and the Otay Detention Facility (San Diego, CA) until November, 2009.

f. On January 8, 2010, Talton filed its application with the California Public Utilities Commission for non-dominant interexchange carrier authority to operate as a telecommunications reseller in California.

g. On January 26, 2010, Evercom Systems, Inc. and T-NETIX Telecommunications Services, Inc., competitors of Applicant, (collectively referred to as "E&T") filed a Joint Response to the Application stating that Talton did not seek any California registration to operate as an authorized telecommunications provider until January 8, 2010. (E&T did not participate further in the proceeding and advised the Assigned ALJ that it did not intend to oppose a settlement between CPSD and Applicant.)

h. On February 10, 2010, CPSD filed a timely Protest to A.10-01-004, alleging that (1) Talton had been unlawfully providing telecommunication services in California without prior authorization from the Commission as required under PU Code section 1013; (2) Talton failed to meet the $25,000 financial requirement to operate as a switchless reseller in California as required under Commission Decision D.97-06-107; and (3) Talton failed to make all required disclosures in its Application violating Rule 1.1 of the Commission's Rules of Practice and Procedure in regards to its verification of finances, officers, and affiliation with Evercom Systems.

i. On February 19, 2010, the Commission issued an Administrative Law Judge's (ALJ) Ruling requiring the Applicant to file a response with additional information.

j. On February 22, 2010, Talton responded to CPSD's Protest, the Joint Response of E&T, and the ALJ Ruling stating that (1) Talton has sufficient assets to meet the $25,000 financial requirement to operate as a switchless reseller in California; (2) none of the Applicant's officers or shareholders were affiliated with Evercom Systems at the time Evercom was found to be operating in violation of PU Code Section 885 and (3) Applicant had properly disclosed its officers. The Response also advised the Commission that:

> "in order to alleviate any concerns regarding Applicant's operating authority, Applicant's services are currently limited to equipment services... The communications component of the DTS services is being provided over a certified carrier's network."

k. After discussions and negotiations concerning the specific facts and circumstances at issue between the Parties, and mindful of the fact that litigating the matters at issue could be costly, time-consuming and uncertain, the Parties have determined that they wish to resolve the disputes relating to A. 10-01-004 voluntarily through settlement, without the need for litigation.

l. The Commission has previously found in Decision D.05-02-001 that operating as a telephone corporation without proper Commission authority violates PU Code Section 1013(a) and subjects the offending party to penalties pursuant to PU Code Sections 2107 and/or 2108.

m. Talton has cooperated with CPSD in resolving the issues raised by CPSD in its Protest of A.10-01-004.

NOW, THEREFORE, in consideration of the mutual promises and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties, each on its own behalf and on behalf of its respective successors and assigns, hereby agree as follows:

1. Terms and Conditions

1.1 The execution of this Settlement shall not constitute an admission of any fact nor agreement to any legal position by either CPSD or Applicant except that Talton acknowledges that it operated in California without proper authority from the Commission from November, 2009 through January 8, 2010 in violation of PU Code Sections 702 and 1013(a).

1.2 Talton agrees to pay a fine of $11,000 to the California State General Fund, pursuant to the payment schedule described in Paragraph 1.5 below.

1.3 Talton agrees to timely file any and all reports required by the Commission as long as Talton continues to provide services in California.

1.4 CPSD agrees that A.10-01-004 should be granted.

2. Payment Schedule

1.5 Within 15 days of the Effective Date, Talton shall make a payment of $2750 to the California State General Fund. The remaining $8,250 shall be paid to the Commission in three equal installments of $2,750 each. The three installments shall be due three months, six months and nine months after the due date for the initial payment.[2] No interest shall accrue on this fine amount so long as Talton does not default on any payment made pursuant to this Paragraph. Talton shall be deemed in default if full payment pursuant to this Paragraph is not made within 5 days of the due date. Should Talton default on any of these fine payments, CPSD may seek Commission revocation of Talton's CPCN.

Penalty/Fine payments shall be paid by a separate check or money order and made payable to the "California State General Fund". The memo section of each check shall contain the Decision number and state "State General Fund Remittance." Penalty/Fine payments shall be sent to the following address:

California Public Utilities Commission
Attn: Fiscal Office Room 3000
505 Van Ness Avenue
San Francisco, CA 94102

A copy of each check shall be sent to Linda Woods, CPSD Supervisor at the following address:

California Public Utilities Commission
Attn: Linda Woods
505 Van Ness Avenue, 2nd Floor
San Francisco, CA 94102

3. Enforcement

3.1 Each material breach of this Settlement will constitute a separate violation and will entitle the Commission to take any necessary action to enforce its orders.

3.2 The Parties agree that the Commission has primary jurisdiction over any interpretation, enforcement, or remedies pertaining to this Settlement. No Party may bring an action pertaining to this Settlement in any local, State, Federal court or

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[2] By way of example only, if the Commission approves this settlement at its meeting of June 3, 2010, the initial payment of $2,750 would be due on June 18, 2010. The remaining three payments of $2,750 each would be due on September 18, 2010, December 18, 2010 and March 18, 2011.

administrative agency, without first having exhausted its administrative remedies at the Commission. This Settlement shall be governed by and interpreted in accordance with the laws of the State of California and Commission rules and regulations.

3.3 The Commission adoption of this Settlement is binding on all Parties to this action. Parties agree that pursuant to Rule 12.5 of the Commission's Rules of Practice and Procedure, this Settlement shall not constitute approval of, or precedent regarding, any principle or issue in the proceeding or in any future proceeding.

3.4 After the Effective Date of the Decision adopting this Settlement Agreement, CPSD will initiate no enforcement action, seek no administrative or other penalties against Talton based on the evidence of the violations recited above in this case. This provision will not apply if Talton breaches this Settlement or violates the Commission order approving it.

3.5 The Parties agree that they will not take any other action that would in any manner be inconsistent with fully supporting this Settlement. The Parties agree to furnish such additional information, documents, and/or testimony as the Commission or CPSD may request to implement the Settlement.

4. Other Proceedings

4.1 The Parties agree that nothing contained in this Settlement Agreement constitutes a binding admission or concession in any other proceeding. The Parties have entered into this Agreement to effect a compromise and settlement of the contested matters pending before the Commission.

5. Execution of Settlement

5.1 This Settlement is subject to approval and adoption by the Commission. The Parties agree to execute or furnish any other additional information, documents, and/or testimony, or take any other action, that the Commission or CPSD may request, as necessary to implement the Joint Motion for Approval of the Settlement Agreement and Settlement Agreement.

5.2 This Settlement may be executed in any number of counterparts and by different Parties hereto in separate counterparts, with the same effect as if all Parties had signed the same document. All such counterparts will be deemed an original and will together constitute the same Settlement. This Settlement is the entire agreement among the Parties, which cannot be amended or modified without the express written consent of all the Parties.

5.3 This Settlement is not severable. If, pursuant to Rule 12.4, the Commission materially modifies or negates any provision of this Settlement, the Parties must consent to such change. A Party will be deemed to have consented to the Commission

modification unless within 15 calendar days following the date of issuance of the Commission proposed modification(s), (or such longer period as may be directed by the Commission) that Party notifies in writing the other Party and files with the Commission its objection to the modification(s). After the 10th day following the filing of the objection if the objecting Party has not withdrawn, canceled, or modified its objection, the Settlement will be deemed rescinded. If this Settlement is rescinded following payment of any sums by Respondents, those sums shall be refunded within 15 calendar days of rescission.

5.4 Each Party represents that it has investigated the facts and law pertaining to the matters described in this Settlement. No Party has relied or presently relies upon any oral or written statement, promise, or representation by any other Party, except as specifically set forth in this Settlement.

5.5 This Settlement will be binding upon the respective Parties, their successors, assignees, executors and administrators.

5.6 The Parties acknowledge and stipulate that this Settlement is fair and not the result of any fraud, duress, or undue influence by any other Party. Each Party hereby states that it has read and fully understands its rights, privileges, and duties under this Settlement. Moreover, each Party has had its respective attorney or other authorized person review the terms of this Settlement. By executing this Settlement each Party declares that the provisions herein are adequate, reasonable, and mutually agreed upon; and that they are entering this Settlement freely and voluntarily.

IN WITNESS WHEREOF, the Parties hereby execute the Settlement Agreement on the date first set forth opposite their signatures.

TALTON COMMUNICATIONS, INC.

Dated: April 12, 2010

JULIUS TALTON
President
Talton Communications, Inc.
910 Ravenwood Drive
Selma, AL 36701

Dated: April 12, 2010

THOMAS J. MACBRIDE, JR.
Counsel to Talton Communications, Inc.
Goodin, MacBride, Squeri, Day & Lamprey, LLP
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San Francisco, CA 94111

CONSUMER PROTECTION AND SAFETY DIVISION

Dated: April __, 2010

RICHARD W. CLARK
Director of Consumer Protection and Safety Division
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Dated: April 13, 2010

SINDY J. YUN
Staff Counsel
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

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CONSUMER PROTECTION AND SAFETY DIVISION

Dated: April 13, 2010

RICHARD W. CLARK
Director of Consumer Protection and Safety Division
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Dated: April __, 2010

SINDY J. YUN
Staff Counsel
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(END OF ATTACHMENT E)