Decision 11-12- 041 December 15, 2011

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Joint Application of Securus Technologies, Inc. (U6888C), T-NETIX Telecommunications Services, Inc. (U5324C), and Castle Harlan Partners V, L.P. for approval of acquisition by Castle Harlan Partners V, L.P. of indirect control over Securus Technologies, Inc. and T-NETIX Telecommunications Services, Inc.	Application 11-04-012 (Filed April 15, 2011)

DECISION AUTHORIZING TRANSFER OF CONTROL OF SECURUS TECHNOLOGIES, INC. AND T-NETIX TELECOMMUNICATIONS SERVICES INC., TO CASTLE HARLAN PARTNERS V, L.P.

1. Summary

This decision grants the unopposed joint application of Securus Technologies, Inc. (Securus), T-NETIX Telecommunications Services, Inc. (T-NETIX) and Castle Harlan Partners V, L.P. (Castle Partners) (together, Applicants) for authorization pursuant to Public Utilities Code Section 854[1] to transfer the control of Securus and T-NETIX, which are both California certificated telecommunications carriers, to Castle Partners. We also grant the motion of Applicants for authorization to file certain confidential information under seal.

This proceeding is closed.

[1] All Code references are to the Public Utilities Code, unless otherwise stated.

2. Parties to the Transaction

Securus, a Delaware corporation, holds a certificate of public convenience and necessity (CPCN) authorizing the company to provide resold interLATA and intraLATA interexchange services to customers in California.[2]

T-NETIX Telecommunications Services, Inc. (T-NETIX), a Texas corporation, also holds a CPCN authorizing the company to provide resold interLATA and intraLATA services to customers in California.[3]

According to the application, both Securus and T-NETIX provide similar telecommunications services in other states and also provide interstate and international telecommunications services pursuant to authority granted by the Federal Communications Commission.

Securus Holdings, Inc. (Securus Holdings), a Texas corporation founded in 2010, is currently the ultimate parent company of Securus and T-NETIX and owns 100 percent of both companies. Securus Holdings provides telecommunications services to prisoners in correctional institutions through its subsidiaries.

Castle Partners is a Delaware limited liability partnership, which is managed by Castle, a New York-based investment firm. Castle, founded in l987, invests in controlling interests in the buyout and development of middle-market

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[2] In Decision (D.) 04-05-049, the Commission authorized Securus, then operating under its former name, Evercom Systems, Inc., to provide resold interLATA and intraLATA services in California. According to the application, Securus notified the Commission of its name change by advice letter filed on September 21, 2010.

[3] In D.93-08-012, the Commission authorized T-NETIX, then operating under its former name, Gateway Technologies, Inc., to provide resold interLATA and intraLATA services in California. According to the application, T-NETIX notified the Commission of its name change by advice letter filed on March 14, 2001.

companies principally in North America. The application states that since Castle's inception, Castle has completed over 50 acquisitions with a total value of approximately $10 billion. Castle currently manages investment funds with equity commitments of approximately $3.5 billion. Castle and its affiliates do not directly provide telecommunications services to customers.

3. Proposed Transaction

As a result of this transaction, Castle Partners will indirectly acquire a controlling amount of stock in Securus Holdings, the ultimate parent company of Securus and T-NETIX. More specifically, Connect Acquisition Corp., which is 94 percent owned by Castle Partners, will acquire 100 percent of the stock of Securus Holdings through a merger of Securus Holdings and a direct subsidiary of Connect Acquisition Corp. This subsidiary of Connect Acquisition Corp. will be merged into Securus Holdings and will no longer exist after the merger. After this merger, Castle Partners will indirectly control Securus and T-NETIX.

Applicants represent that the proposed transfer of control will be transparent to customers. Applicants state that after the merger, Securus and T-NETIX will continue to operate as separate entities, with no changes in rates, terms, or conditions of service resulting from the transaction. Securus and T-NETIX will retain their current day-to-day management, with no definitive plans for any changes.

According to the application, as part of the merger, Castle Partners will extend a long-term credit arrangement to Securus and T-NETIX in order to both fund the proposed merger and to provide Securus and T-NETIX and their affiliates with refinancing of their current indebtedness and access to significant sources of capital to meet their operating needs. Applicants state that this transaction will benefit both Securus and T-NETIX by ensuring that each company has the financial resources necessary to continue serving its customers and to potentially expand or enhance its services. Castle Partners views this acquisition as a promising investment opportunity for the benefit of its investors.

Discussion

The Applicants request Commission authorization pursuant to § 854 for the transfer of indirect control of Securus and T-NETIX to Castle Partners. Section 854 states, in relevant part, as follows:

> No person or corporation…shall merge, acquire, or control either directly or indirectly any public utility organized and doing business in this state without first securing authorization to do so from the commission…Any merger, acquisition, or control without that prior authorization shall be void and of no effect.

The purpose of § 854 is to enable the Commission to review a proposed transaction, before it takes place, in order to take such action as the public interest may require. The Commission has broad discretion under § 854 to approve or reject a proposed transaction. If necessary and appropriate, the Commission may attach conditions to a transaction in order to protect and promote the public interest.[4]

When a company that does not possess a CPCN desires to acquire control of a company or companies that do possess a CPCN, the Commission will apply the same requirements to the acquiring company as would be applied to an initial applicant seeking the type of CPCN held by the company being acquired. An applicant who desires to operate as a provider of resold interexchange services must demonstrate that it has a minimum of $25,000 in cash or cash

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4 D.01-06-007, 2001 Cal. PUC LEXIS 390, *24.

equivalent for operations of the company, plus the costs of deposits to be paid to other carriers. In addition, the applicant is required to make a reasonable showing of technical expertise in telecommunications or a related business.

In confidential exhibits to the application, Applicants have provided financial documents which demonstrate that Castle Partners more than meets the Commission's financial requirements for the issuance of a CPCN authorizing the provision of resold interexchange services. Since, after the merger, the day-to-day management of Securus and T-NETIX will remain the same, Applicants have met the Commission's requirement for a showing of technical expertise in telecommunications.

This transaction will provide Securus and T-NETIX with increased access to capital and with the business expertise of Castle Partners, which will allow Securus and T-NETIX to become stronger competitors in California's telecommunications marketplace. The transaction will be transparent to customers, and will not harm the public. In addition, the application is unopposed.

We therefore find that the transaction is in the public interest and grant the application pursuant to § 854.

4. Request to File Documents Under Seal

Pursuant to Rule 11.4, Applicants have filed a motion for leave to file Exhibits C and E to the application as confidential materials under seal. Applicants represent that the information is sensitive, and disclosure could place them at an unfair business disadvantage. We have granted similar requests in the past, and do so here.

5. Categorization and Need for Hearings

In Resolution ALJ 176-3273, dated May 5, 2011, the Commission preliminarily categorized this proceeding as ratesetting and preliminarily determined that hearings were not necessary. Based on the record, we affirm that this is a ratesetting proceeding and that hearings are not necessary.

6. Waiver of Comment Period

This is an uncontested matter in which the decision grants the relief requested. Therefore, the otherwise applicable 30-day period for public review and comment is waived pursuant to § 311(g)(2).

7. Assignment of Proceeding

Catherine J.K. Sandoval is the assigned Commissioner and Myra J. Prestidge is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. Securus, a Delaware corporation, was granted a CPCN authorizing the company to provide resold interLATA and intraLATA interexchange services in California, under its former name, Evercom Sytems, Inc., in D.04-05-049.
2. T-NETIX, a Texas corporation, was granted a CPCN authorizing the company to provide resold interLATA and intraLATA interexchange services in California, under its former name, Gateway Technologies, Inc., in D.93-08-012.
3. Both Securus and T-NETIX have previously filed advice letters to notify the Commission of the change in their company names.
4. Securus Holdings, a Texas corporation, is currently the ultimate parent company of Securus and T-NETIX and owns 100 percent of both Securus and T-NETIX.
5. Castle Partners, a Delaware limited liability partnership, is managed by Castle, a New York-based investment firm.

6. Castle invests in controlling interests in the buyout and development of middle-market companies principally in North America.

7. Castle and its affiliates do not directly provide telecommunications services to customers.

8. Castle Partners does not hold a CPCN authorizing the company to provide telecommunications services in California.

9. Connect Acquisition Corp. is 94 percent owned by Castle Partners.

10. In this transaction, Castle Partners will acquire indirect control of Securus and T-NETIX through the merger of Securus Holdings and a direct subsidiary of Connect Acquisition Corp.

11. After the merger, the subsidiary of Connect Acquisition Corp. that merged into Securus Holdings will no longer exist and will be merged into Securus Holdings.

12. After the merger, Securus Holdings will be a wholly-owned subsidiary of Connect Acquisition Corp., and Castle Partners will be the ultimate parent company of Securus Holdings, Securus, and T-NETIX.

13. After the merger, Securus and T-NETIX will retain their CPCNs, will continue to operate as separate companies, and will provide the same range of services to California customers under the same terms and for the same rates.

14. Securus and T-NETIX will retain their current day-to-day management after the merger.

15. Applicants have filed financial documents under seal which show that Castle Partners meets the Commission's financial requirements for issuance of a CPCN authorizing the provision of resold interexchange service.

16. Since Securus and T-NETIX will retain their current day-to-day management after the merger, Applicants have demonstrated sufficient technical

expertise in telecommunications to meet Commission requirements for approval of this transaction.

17. The proposed transaction will strengthen the competitive position of Securus and T-NETIX by increasing the companies' access to capital, refinancing their indebtedness, and giving them access to the business expertise of Castle Partners.

18. Pursuant to Rule 11.4, Applicants have filed a motion for leave to file confidential materials contained in Exhibits C and E to the application, under seal.

19. Notice of this application appeared on the Commission Daily Calendar on April 22, 2011.

20. No protests to this application were filed.

21. No hearing is necessary.

Conclusions of Law

1. Under Section 854, the Commission must approve any transfer of control of a regulated utility in order to ensure that the transfer is in the public interest and is not adverse to the interests of customers interested in receiving service.

2. The Commission will apply the same requirements to a request for approval of an agreement for the transfer of control of a provider of telecommunications services within California as it does to an initial applicant for authority to provide such services.

3. Applicants have met the Commission's requirements for approval of a transfer of control.

4. This transaction is in the public interest.

5. Applicants' motion to file their Exhibits C and E to the application under seal should be granted for two years.

6. Since this matter is uncontested, the decision should be effective on the date it is signed.

O R D E R

IT IS ORDERED that:

1. Pursuant to Pub. Util. Code § 854, the joint application of Securus Technologies, Inc., T-NETIX Telecommunications Services, Inc., and Castle Harlan Partners V, L.P. for authorization to transfer indirect control of Securus Technologies, Inc., and T-NETIX, Inc., to Castle Harlan Partners V, L.P., is approved.

2. Within five days of the closing of the transaction, the surviving entities shall notify the Commission's Communications Division, by letter, of the consummation of the transaction.

3. The joint motion of Securus Technologies, Inc., T-NETIX Telecommunications Services, Inc., and Castle Harlan Partners V, L.P. to file their Exhibits C and E to the application under seal is granted. The information will remain under seal for a period of two years after the date of issuance of this order. During this two-year period, this information may not be viewed by any person other than the assigned Commissioner, the assigned Administrative Law Judge, the Assistant Chief Administrative Law Judge, or the Chief Administrative Law Judge, except as agreed to in writing by the parties or their successors in interest, or as ordered by a court of competent jurisdiction. If Securus Technologies, Inc., T-NETIX Telecommunications Services, Inc., and Castle Harlan Partners V, L.P., or their successors in interest, believe that it is necessary for this information to remain under seal for longer than two years,

they or their successors in interest may file a new motion at least 30 days before the expiration of this limited protective order.

4. Application 11-04-012 is closed.

This order is effective today.

Dated December 15, 2011, at San Francisco, California.

MICHAEL R. PEEVEY
President
TIMOTHY ALAN SIMON
MICHEL PETER FLORIO
CATHERINE J.K. SANDOVAL
MARK J. FERRON
Commissioners