

**BEFORE THE  
NEW YORK PUBLIC SERVICE COMMISSION**

Joint Petition of

**TKC Holdings, Inc.,  
Inmate Calling Solutions, LLC d/b/a  
ICSolutions**

**and**

**Securus Technologies, Inc.**

for Approval to Transfer Control of Inmate  
Calling Solutions, LLC d/b/a ICSolutions to  
Securus Technologies, Inc.

Matter/Case No. \_\_\_\_\_

**JOINT PETITION**

TKC Holdings, Inc. (“Transferor” or “TKC”), Inmate Calling Solutions, LLC d/b/a ICSolutions (“ICS”) and Securus Technologies, Inc. (“Transferee” or “Securus”) (collectively, “Petitioners”), by their undersigned counsel and pursuant to New York Public Service Law §§ 99 and 100, and the regulations of the New York Public Service Commission (“Commission”), request the Commission’s approval, to the extent required, to transfer control of ICS to Transferee.<sup>1</sup>

In support of this Joint Petition (“Petition”), Petitioners provide the following information:

**I. THE PETITIONERS**

**A. Inmate Calling Solutions, LLC d/b/a ICSolutions**

ICS is a California limited liability company with its principal place of business at 2200 Danbury Street, San Antonio, Texas 78217. ICS is a wholly-owned direct subsidiary of Keefe

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<sup>1</sup> A Joint Petition seeking approval for ICS to participate in certain financing arrangements concurrently with or following completion of the Transaction is being filed concurrently with this Petition.

Group, LLC (“Keefe”), a Missouri limited liability company with its principal place of business at 1260 Andes Boulevard, St. Louis, Missouri 63132. Keefe, in turn, is a wholly-owned direct subsidiary of TKC.

ICS is an institutional service provider certificated, registered or otherwise authorized to provide services in all states except Alaska, Delaware, New Jersey, and Vermont, and the District of Columbia. ICS currently contracts with a number of confinement and correctional facilities to provide service in the State of New York and 38 other states. In New York, ICS is authorized to operate as a reseller of telephone service, without authority to provide local exchange service pursuant to a Certificate of Public Convenience and Necessity issued by the Commission in Case No. 03-C-1411 on January 29, 2004. ICS is also authorized by the FCC to provide domestic and international telecommunications services.

Additional information concerning ICS’s legal, technical, managerial and financial qualifications has been submitted to the Commission with its filings for certification and various transactions and is therefore already a matter of public record.<sup>2</sup> ICS requests that the Commission take official notice of these existing descriptions of ICS’s qualifications and incorporate them by reference herein.

**B. TKC Holdings, Inc.**

Transferor, which indirectly holds all of the outstanding membership interests of ICS, is a Delaware corporation and holding company, with its principal business office at 1450 Brickell Ave., 31<sup>st</sup> Floor, Miami, Florida 33131. TKC is indirectly controlled by an affiliate of H.I.G. Capital, L.L.C., a private equity investment firm headquartered in Miami, Florida.<sup>3</sup>

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<sup>2</sup> See e.g., Case Nos. 03-C-1411 and 16-C-0388.

<sup>3</sup> The Commission approved the indirect transfer of control of ICS to TKC in 2016 in Case No. 16-C-0388.

Through its subsidiaries, TKC's principal business includes the provision of commissary management services, correctional food service management, packaging and distribution of food products, personal care products, electronics, clothing, technology, telecommunications and software solutions to the correctional markets, and serving as a holding company of businesses providing such products and services to the correctional markets, as well as the provision of single serve coffee machines, coffee, and hotel supplies to the hospitality and lodging market.

**C. Securus Technologies, Inc.**

Securus is a Delaware corporation with its principal place of business at 4000 International Parkway, Carrollton, Texas 75007. Securus provides inmate calling services to a number of confinement and correctional facilities in the District of Columbia and approximately 46 other states, including in the State of New York. Securus is an indirect wholly-owned subsidiary of SCRS Acquisition Corporation ("SCRS") and in turn its parent, SCRS Holding Corporation ("SCRS Parent"), both Delaware corporations.<sup>4</sup> The ultimate majority owner of Securus is Platinum Equity Capital Partners IV, L.P., a Delaware limited partnership ("PECP IV"), which is a private equity investment vehicle of Platinum Equity, LLC.<sup>5</sup>

**II. DESIGNATED CONTACTS**

Questions, correspondence or other communications concerning this Petition should be directed to:

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<sup>4</sup> The Commission approved the indirect transfer of control of Securus to SCRS and PECP IV in Case No. 17-C-0254.

<sup>5</sup> The Petition in Case 17-C-0254 noted that the investment in Securus's ultimate parent would be made by PECP IV together with certain private investment vehicles sponsored by Platinum Equity, noting that PECP IV would be the majority owner of SCRS Parent and hold up to approximately 93% of the equity. The current ownership structure has PECP IV with 68.32% equity and 93% voting interest; Platinum Equity SCRS Co-Investors, LLC with 20.41% equity and 0% voting interest; management with 6.13% equity and 0% voting interest; and Platinum SCRS Principals, LLC with 5.14% equity and 7% voting interest. Platinum Equity SCRS Co-Investors, LLC is simply a passive aggregator of individual investors, none of which or whom own 10% or more of the equity of ICS or Securus, and none of which or whom have any voting rights.

For Transferee:

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With copy for Transferee to:

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Counsel  
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For Transferor:

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305-379-2013 (fax)  
mgallagher@higcapital.com

### **III. DESCRIPTION OF THE TRANSACTION**

Pursuant to that certain Unit Purchase Agreement by and among ICS, TKC, Keefe and Securus, dated as of April 22, 2018 (the "Agreement"), Securus will acquire all the issued and outstanding membership interests of ICS from Keefe (the "Transaction"). As a result, ICS will become a wholly owned, direct subsidiary of Securus and, in turn, an indirect subsidiary of SCRS and SCRS Parent. PECP IV will be the ultimate majority owner of ICS. Petitioners

intend to consummate the Transaction as promptly as possible after the necessary federal and state regulatory approvals have been received.

For the Commission's reference, a chart depicting the pre- and post-Transaction ownership structure of ICS is provided as Exhibit A.

#### **IV. PUBLIC INTEREST CONSIDERATIONS**

Petitioners respectfully submit that the proposed Transaction is in the public interest.

The consummation of the Transaction will not result in an interruption, reduction, loss, impairment or disruption of ICS-provided services. The Transaction does not involve a transfer of operating authority, assets or customers in New York or elsewhere. As such, no customer notice is required as a result of the Transaction.

While the ownership of ICS will change, the management team will remain substantially the same and ICS's corporate identity, name and operations will remain in place. In other words, post-closing, ICS will remain operational as a separate business. Following the Transaction, ICS will continue to honor its correctional facility customer contracts and in doing so, will continue to provide and support the ICS technologies and services enjoyed by its customers. Any future changes in the rates, terms and conditions of service to ICS's correctional facility and end-user customers will be undertaken in conformance with the applicable federal and state law, including notice and tariff requirements and ICS's contractual obligations.

As a result, the change in ownership will be entirely transparent to ICS's correctional facility customers and the end-users of ICS's services. However, there will be additional services accessible to such customers as a result of the Transaction.

After closing, and where permitted by the governmental entities operating the correctional facilities served by ICS, inmates who use the ICS services now will have access to use of inmate tablets that provide controlled internet access, including, as part of that program,

access to education (e.g., the ability to obtain a GED), media content and job opportunities upon release (e.g., through Securus's JobView program).<sup>6</sup> Inmate calling can also be permitted from such tablets, further facilitating the ability of inmates to connect with their friends and family.

Further, ICS correctional facility customers will gain access to Securus-developed advanced technology, including an expanded set of law enforcement-related services and investigative technologies offered by Securus.

According to Securus's information, there are a number of other competing providers of inmate calling services authorized to operate in New York aside from Securus and ICS, including Global Tel\*Link Corporation, Pay Tel Communications, Inc., Legacy Long Distance, International, Inc. d/b/a Legacy Inmate Communications, and Network Communications International Corp d/b/a NCIC Inmate Communications. Thus, approval of the Petition will not foreclose the opportunity for continued competitive bidding to provide inmate calling services to facilities in the various states in which the two companies currently operate.

The Transaction will have no material effect on the operations of ICS, which will remain the licensee, and will be virtually seamless to customers. Again, rates, terms, and conditions of service, which are governed in part by contractual relationships between ICS and governmental agencies (as well as tariffs where required), will not change while such contracts remain in force.

## **V. SUBMISSION OF FINANCIAL INFORMATION**

The Commission has adopted a policy of dispensing with the submission of detailed financial information regarding transactions by non-dominant carriers such as Securus and ICS:

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<sup>6</sup> Further information on the JobView program is available at: <https://www.businesswire.com/news/home/20171201005587/en/Securus-Acquires-Jobview-Released-Inmates-Find-Jobs>. Securus has also established the Securus Foundation to help "modernize the reentry process [or inmates] to increase successful community reengagement." *See The Securus Foundation is Launched to Modernize Reentry and Reduce Recidivism*, Business Wire, (Jul. 17, 2017), <https://www.businesswire.com/news/home/20170713005624/en/Securus-Foundation-Launched-Modernize-Reentry-Reduce-Recidivism>.

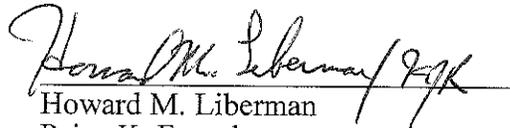
“The Commission has previously determined that regulations intended to apply to monopoly utilities may be relaxed when a company operates in a competitive environment. Therefore, we shall grant petitioners’ request to waive Parts 37 and 39 of the Commission’s Rules. The financial and other information called for in Parts 37 and 39 are of little value in the competitive sector where the financial status of the players is of little, if any, interest to the Commission in discharging its regulatory responsibilities.”

See Case 92-C-1218, *Petition of Teleport Communications Group, et. al. for Authority to Issue and Acquire Shares, and to Issue Evidence of Indebtedness*, “Order Approving Petition,” issued and effective April 13, 1993. See also Case 90-C-0166, *Petition of Alltel Corporation for a Declaratory Ruling that the Commission Lacks Jurisdiction Over the Proposed Change of its State of Incorporation or, in the Alternative for Approval of the Proposed Transaction*, “Declaratory Ruling,” issued and effective April 23, 1990.

Accordingly, the Petitioners respectfully request that the Commission act upon and approve this Petition in accordance with the information contained herein.

**VI. CONCLUSION**

For all of the foregoing reasons, Petitioners submit that the public interest, convenience and necessity would be furthered by grant of this Petition permitting the Transaction described above.



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*Counsel for Transferor and ICS*

Respectfully submitted,



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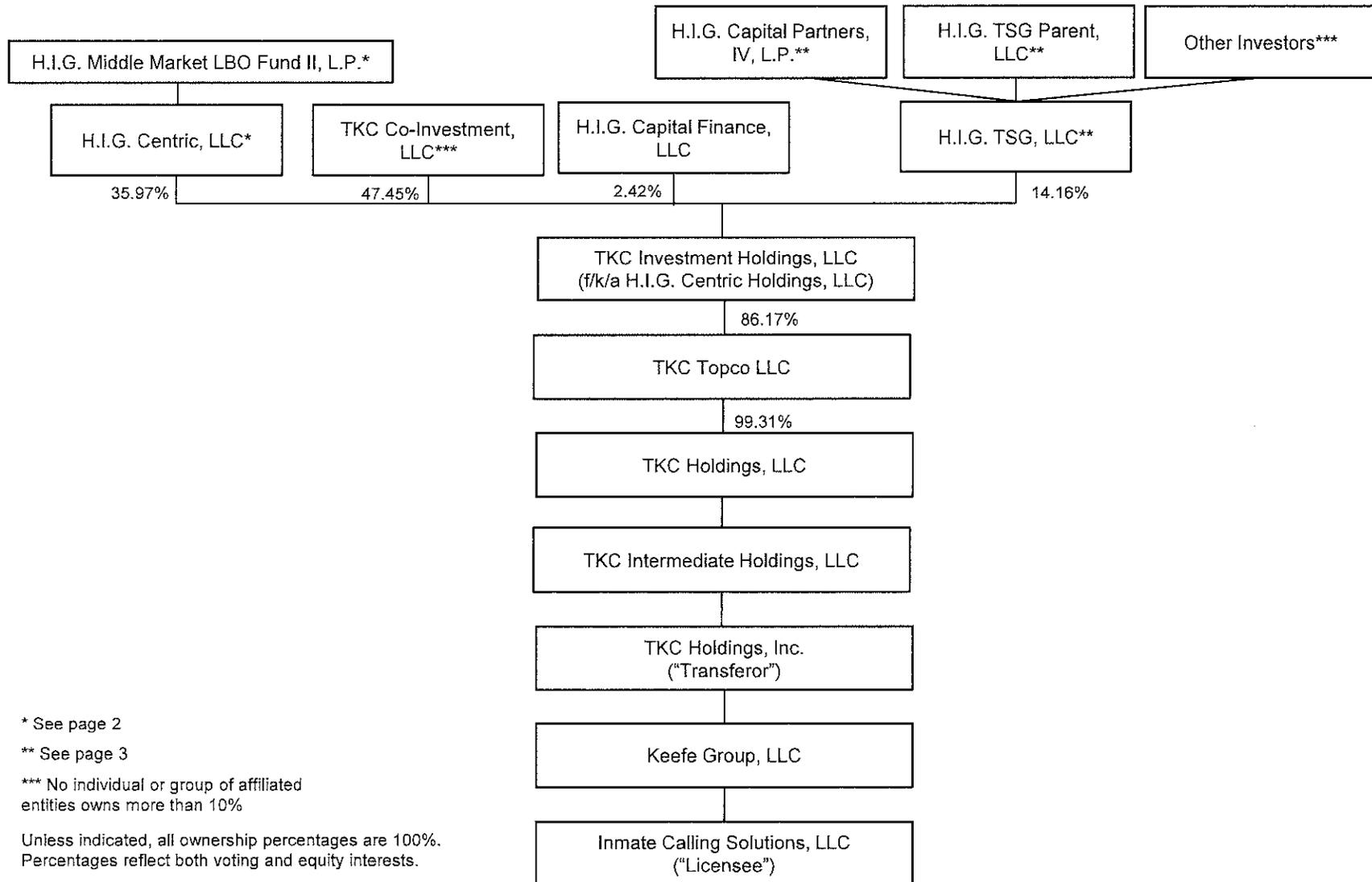
*Counsel for Transferee*

Dated: May 17, 2018

**EXHIBIT A**

**Diagrams of the Pre- and Post-Transaction Ownership Structures**

## Pre-Transaction Ownership Structure of ICS



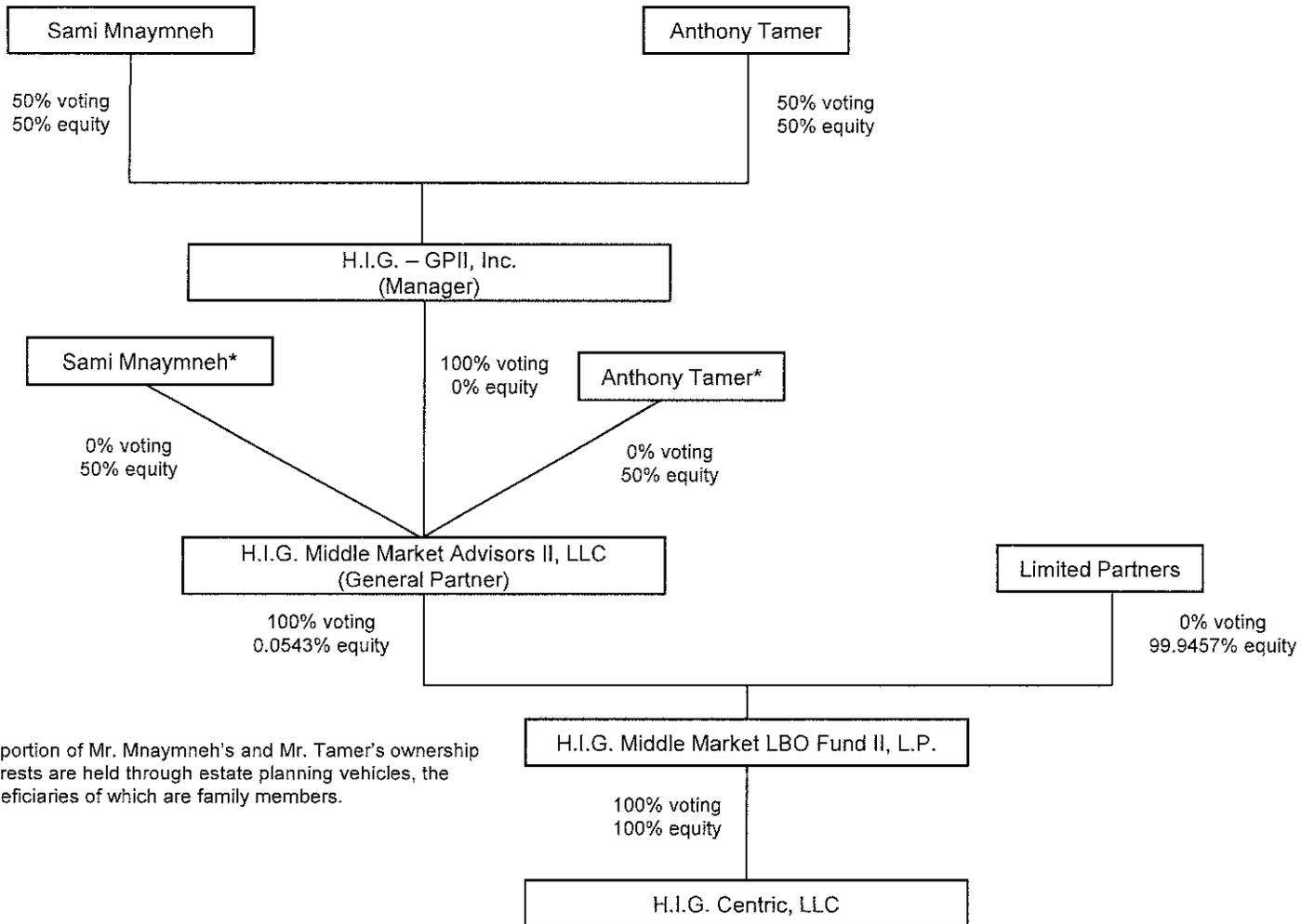
\* See page 2

\*\* See page 3

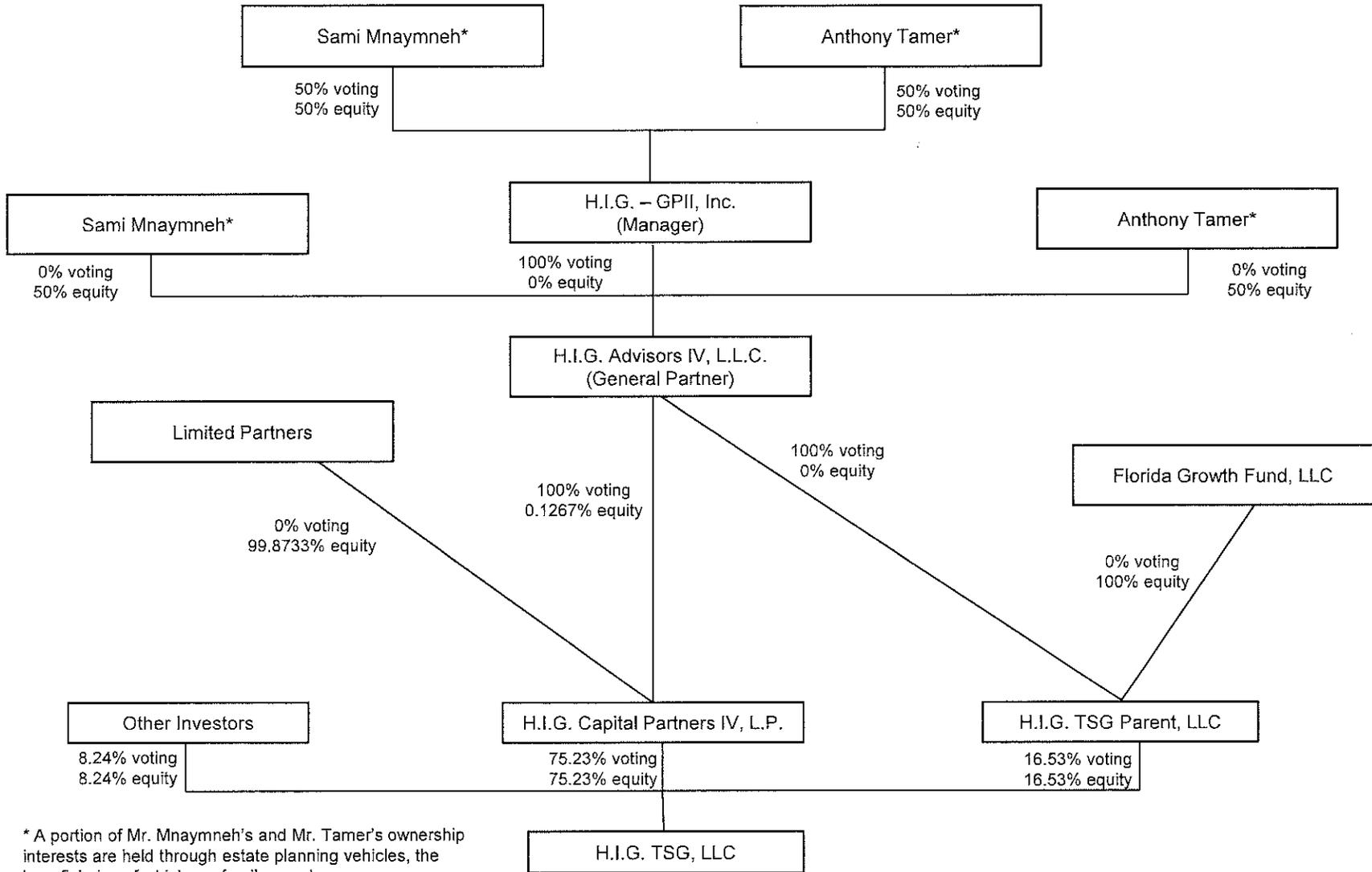
\*\*\* No individual or group of affiliated entities owns more than 10%

Unless indicated, all ownership percentages are 100%. Percentages reflect both voting and equity interests.

## Pre-Transaction Ownership Structure of ICS (continued)

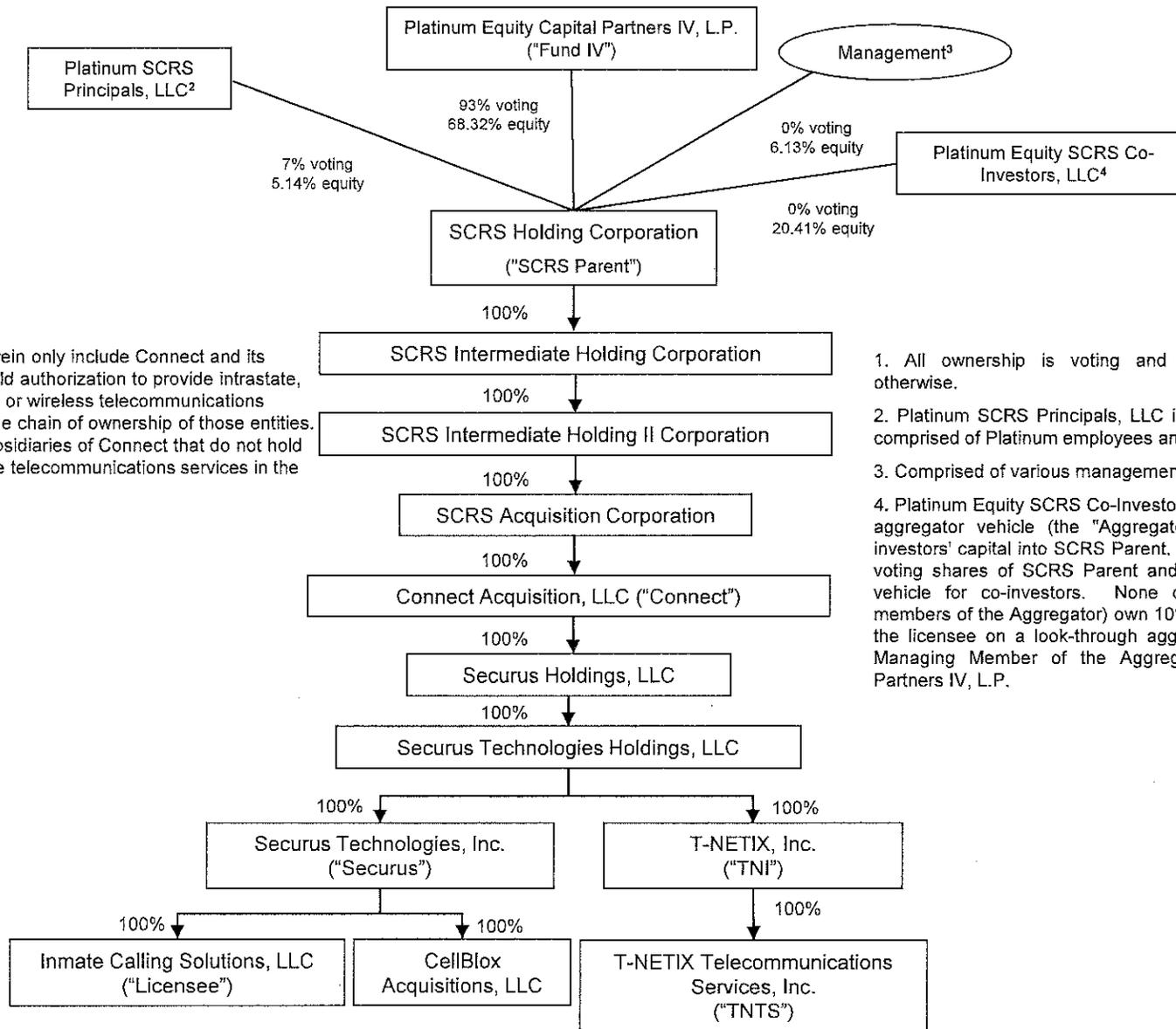


## Pre-Transaction Ownership Structure of ICS (continued)



\* A portion of Mr. Mnaymneh's and Mr. Tamer's ownership interests are held through estate planning vehicles, the beneficiaries of which are family members.

## Post-Transaction Ownership Structure of ICS\*



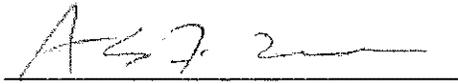
\* The entities listed herein only include Connect and its subsidiaries that (1) hold authorization to provide intrastate, interstate, international or wireless telecommunications services or (2) are in the chain of ownership of those entities. The chart excludes subsidiaries of Connect that do not hold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

1. All ownership is voting and equity unless indicated otherwise.
2. Platinum SCRS Principals, LLC is a co-investment vehicle comprised of Platinum employees and their friends and family.
3. Comprised of various management individuals of Securus.
4. Platinum Equity SCRS Co-Investors, LLC is a co-investment aggregator vehicle (the "Aggregator") that contributed co-investors' capital into SCRS Parent. The Aggregator holds no voting shares of SCRS Parent and is a passive investment vehicle for co-investors. None of the co-investors (i.e., members of the Aggregator) own 10% or more of the equity of the licensee on a look-through aggregate basis. The Senior Managing Member of the Aggregator is Platinum Equity Partners IV, L.P.

VERIFICATION

I, Alexander S.Y. Lee, am the Corporate Secretary of TKC Holdings, Inc. ("TKC") and Inmate Calling Solutions, LLC d//b/a ICSolutions ("ICS"). As such I am authorized to execute this Verification on behalf of TKC and ICS. The portions of the foregoing filing relating to TKC, ICS and the transactions described therein 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 TKC, ICS and the transactions described therein are true and correct to the best of my knowledge, information and belief.

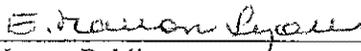
Executed this 14<sup>th</sup> day of May, 2018



Name: Alexander S.Y. Lee

Title: Corporate Secretary of TKC Holdings, Inc. and Inmate Calling Solutions, LLC d//b/a ICSolutions

Subscribed and sworn to before me this 16<sup>th</sup> day of May, 2018

  
\_\_\_\_\_  
Notary Public

My Commission Expires \_\_\_\_\_



E. MARION LYONS  
My Commission Expires  
August 19, 2021  
St. Louis County  
Commission #13451050

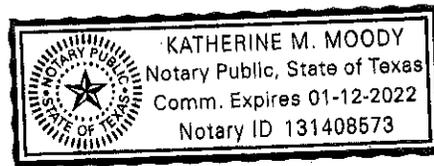
**VERIFICATION**

I, Dennis J. Reinhold, am the Senior Vice President and General Counsel of Securus Technologies, Inc. ("Securus"). As such, I am authorized to execute this Verification on behalf of Securus and its subsidiaries. The portions of the foregoing filing relating to Securus and the transactions described therein 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 Securus and the transactions described therein are true and correct to the best of my knowledge, information and belief.

*D. Reinhold*

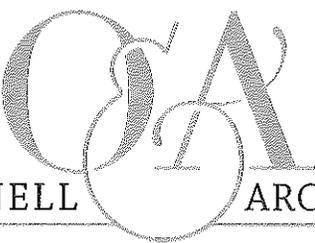
\_\_\_\_\_  
Name: Dennis J. Reinhold  
Title: Senior Vice President and General Counsel  
Securus Technologies, Inc.

\_\_\_\_\_  
County of Denton  
State of Texas



Subscribed and sworn to before me by Dennis J. Reinhold this 14th day of May, 2018  
*Katherine M. Moody*  
Notary Public

My Commission Expires: 01-12-2022

  
O'CONNELL ARONOWITZ  
ATTORNEYS AT LAW

May 17, 2018

**VIA ELECTRONIC FILING**

Secretary@dps.ny.gov

Hon. Kathleen H. Burgess  
Secretary  
New York Public Service Commission  
Three Empire State Plaza  
Albany, NY 12223

**Re: Joint Petition of TKC Holdings, Inc., Inmate Calling Solutions, LLC and Securus Technologies, Inc., for Transfer of Control**

Dear Secretary Burgess:

Enclosed for filing with the Commission, please find the Joint Petition of TKC Holdings, Inc., Inmate Calling Solutions, LLC and Securus Technologies, Inc. for Approval to Transfer Control of Inmate Calling Solutions, LLC d/b/a IC Solutions.

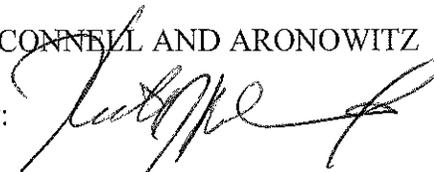
Also enclosed is a Method of Service Form.

Please address any questions to the undersigned.

Respectfully submitted,

O'CONNELL AND ARONOWITZ

By:

  
Keith J. Roland

KJR:bab

cc: Paul C. Besozzi, Esq.  
Howard M. Liberman, Esq.

EDWARD J. O'CONNELL  
1925-1939  
SAMUEL E. ARONOWITZ  
1925-1973  
LEWIS A. ARONOWITZ  
1951-1979

CORNELIUS D. MURRAY  
FRED B. WANDER  
STEPHEN R. COFFEY  
JEFFREY J. SHERRIN  
THOMAS J. DINOVO  
PAMELA A. NICHOLS  
JEFFREY A. SIEGEL  
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ROGOWSKI  
DAVID R. ROSS  
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MICHAEL P. McDERMOTT  
KELLY J. MIKULLITZ  
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(DIRECTOR, HEALTHCARE  
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SERVICE BY FAX NOT ACCEPTED.

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**Announcement: Moody's says Securus' ratings unchanged following add-on to term loan**

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07 May 2018

New York, May 07, 2018 -- Moody's Investors Service (Moody's) said Securus Technologies Holdings, Inc.'s (Securus) B3 corporate family rating (CFR) is unchanged following its anticipated \$350 million add-on to its first lien term loan. Proceeds from the debt issuance will be mainly used to fund the acquisition of Inmate Calling Solutions (ICS), a smaller provider of phone and other telecommunication services to correctional facilities. The transaction is strategically positive for Securus as it removes a marginal competitor and improves the company's market share position. While Securus' credit metrics will temporarily weaken as a result of the incremental debt burden, the combination of the complementary businesses will result in significant synergies. Realization of these synergies is expected to be mainly achieved within the first 12 months following deal close, which helps mitigate the short term increase in credit risk. All other ratings including the company's stable outlook are also unchanged.

ICS has grown significantly over the past three years by winning new contracts, occasionally from Securus as well other competitors. While a costly purchase, the acquisition eliminates an aggressive competitor in the smaller facility space comprised of local and county jails. Moody's believes this is a prudent defensive tactic which fortifies Securus' recent market share gains and helps preserve the company's solid growth trajectory. ICS will mainly benefit the company through the sizable headcount, call center, and corporate allocation synergies expected to be achieved over a period of 18 months.

Securus' B3 CFR reflects its small scale, niche industry focus, aggressive financial policy, and strong competitive pressures in a largely duopolistic and mature end market. The ratings are supported by the company's high growth rate and a stable base of contracted and fairly predictable revenue. Providing communications services to corrections facilities remains a low margin business characterized by competitive bidding on contracts, the majority of which include a legacy industry practice requiring relatively high commission fees to be included in inmate phone charges, which are later passed through to state and county prison operators. In addition, Securus and the industry apply transaction-based fees on the phone account deposits of inmates. While the company responded to FCC interstate rate caps established in 2013 by negotiating the bulk of its contracted commission expense structures with prison operators down to lower levels, the need to be proactive in this manner is eliminated by the June 2017 DC Circuit Court ruling.

Moody's could upgrade the ratings if Securus maintains very good liquidity, continues to generate strong positive free cash flow, and grows EBITDA or reduces debt such that leverage (Moody's adjusted) is sustained below 5x. Moody's could downgrade Securus' ratings if leverage exceeds 6.5x (Moody's adjusted) or free cash flow turns negative.

Based in Dallas, TX, Securus Technologies Holdings, Inc. is one of the largest providers of inmate telecommunication services to correctional facilities, with a presence in 50 states, Washington DC, and Canada. Securus is owned and controlled by the private equity firm Platinum Equity, LLC, which acquired the company from ABRY Partners in November 2017. Founded in 2002, ICS provides mainly phone and some ancillary telecommunications products and services to the corrections industry. It is operated as a standalone entity within TKC Holdings, a provider of food and personal care products to the corrections industry.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on [www.moody's.com](http://www.moody's.com) for the most updated credit rating action information and rating history.

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