

**BEFORE THE TENNESSEE REGULATORY AUTHORITY AT  
NASHVILLE, TENNESSEE**

**August 2, 2010**

<b>IN RE:</b>	)	
	)	
<b>PETITION OF ITI INMATE TELEPHONE, INC.</b>	)	<b>DOCKET NO.</b>
<b>AND DSI-ITI, LLC FOR APPROVAL TO TRANSFER</b>	)	<b>10-00053</b>
<b>CERTAIN ASSETS OF ITI INMATE TELEPHONE,</b>	)	
<b>INC. TO DSI-ITI, LLC</b>	)	

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**ORDER APPROVING TRANSFER OF ASSETS  
AND CERTAIN FINANCING TRANSACTIONS**

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This matter came before Chairman Sara Kyle, Director Eddie Roberson and Director Mary W. Freeman of the Tennessee Regulatory Authority (the “Authority” or “TRA”), the voting panel assigned to this docket, at a regularly scheduled Authority Conference held on June 7, 2010 for consideration of the *Application for Approval to Transfer Certain Assets* (“*Application*”) filed on April 8, 2010 by DSI-ITI, LLC (“DSI”) and ITI Inmate Telephone, Inc. (“ITI”) (collectively, “Applicants”). The Applicants request approval for DSI to purchase, and ITI to sell, certain assets, rights and other property related to the business of providing managed collect calling services for prison inmates and of installing and operating payphones in prisons (the “Transaction”). DSI also requests authority to pledge its assets.

ITI is a privately-held Pennsylvania corporation that currently provides managed inmate services in Tennessee. ITI is engaged in the business of providing inmate telephone and communications services and related services to jails, prisons, correctional facilities and other types of confinement facilities in approximately twenty-five states. In Tennessee, ITI has eleven accounts (thirty-five confinement facilities), including the Tennessee Department of Corrections, and was granted authorization on October 3, 2003 to provide service as an interexchange telecommunications reseller and operator service provider pursuant to Docket No. 03-00289.

DSI is a privately-held Delaware limited liability company that is currently seeking authorization to provide operator services and resell telecommunications services in Tennessee in Docket No. 10-00052 and Customer Owned Coin or Coinless Operated Telephone (“COCOT”) service in Docket No. 10-00109. DSI will be engaged in the business of providing managed telecommunications services to inmates of state and county departments of corrections and in owning and operating prison payphones and public payphones. DSI is a wholly-owned direct subsidiary of Global Tel\*Link Corporation (“GTL”), which is the sole managing member of DSI. In Tennessee, GTL is authorized to provide COCOT services and interexchange telecommunications reseller and/or operator services pursuant to Docket No. 94-01256 and Case No. 95-03925, respectively. GTL is a wholly-owned direct subsidiary of GTEL Holdings, Inc. GTEL Holdings, Inc., whose only business activities are conducted through GTL, is a wholly-owned direct subsidiary of GTEL Acquisition Corp. GTEL Acquisition Corp. is wholly-owned by GTEL Holding LLC. GTEL Holding LLC is controlled by a board of managers, including the CEO of GTL and other managers appointed by the Veritas Capital Fund III, L.P. and GS Direct, L.L.C. The Veritas Capital Fund III, L.P. is a private equity investment partnership. The Goldman Sachs Group, Inc. owns all of the equity interests in GS Direct, L.L.C.

#### **THE APPLICATION**

ITI and DSI entered into an Asset Purchase Agreement and Plan of Asset Transfer dated March 16, 2010 (the “Asset Purchase Agreement”). Pursuant to the terms of the Asset Purchase Agreement, DSI will purchase substantially all of ITI’s assets used to provide inmate telephone and telecommunications services, and DSI will assume certain liabilities of ITI in connection therewith. DSI also requests authority to pledge its assets as part of the proposed Transaction.

The proposed Transaction will not entail any transfer of certifications or changes in the ownership or corporate structure of any of the Applicants. The proposed Transaction will enable ITI to withdraw from the inmate service business, will enable DSI to expand its inmate services business, and will ensure

that ITI's customers will continue to have access to inmate calling services. Following consummation of the Transaction, DSI will provide communications services to ITI customers without interruption and without immediate changes in rates, terms or conditions. Also, following the consummation of the Transaction, ITI does not wish to maintain its existing Certificate of Public Convenience and Necessity ("CCN").

The Applicants also assert that their customer base is continually changing due to changes in the prison population. The Applicants state that since their business only involves the provision and operation of payphones and managed calling services, no changes will occur to any end-user customers' local exchange service or presubscribed toll service. Thus, the Applicants assert that no notification of customers making use of its services is necessary or practical. Further, the Applicants state that the institutions having contracts with ITI are being notified of the change in service provider resulting from the assignment of contracts in the Transaction.

#### **FINDINGS AND CONCLUSIONS**

Tenn. Code Ann. § 65-4-112 (2004) applies to the Transaction described in the *Application* because it results in the transfer of assets from one Tennessee certificated carrier to another.

Regarding the transfer of authority, Tenn. Code Ann. § 65-4-112 (2004) states:

No lease of its property, rights, or franchises, by any such public utility, and no merger or consolidation of its property, rights and franchises by any such public utility with the property, rights and franchises of any other such public utility of like character shall be valid until approved by the authority, even though power to take such action has been conferred on such public utility by the state of Tennessee or by any political subdivision of the state.

Regarding the proposed financing transaction, Tenn. Code Ann. § 65-4-109 (2004) provides:

No public utility shall issue any stocks, stock certificates, bonds, debentures, or other evidences of indebtedness payable in more than one (1) year from the date thereof, until it shall have first obtained authority from the authority for such proposed issue. It shall be the duty of the authority after hearing to approve any such proposed issue maturing more than one (1) year from the date thereof upon being satisfied that the proposed issue, sale and delivery is to be made in accordance with law and the purpose of such be approved by the authority.

The panel found that the proposed Transaction will serve the public interest because it will advance economic efficiency by enabling DSI to expand its own business and achieve economics of scale. Further, the panel found that the proposed Transaction will be transparent to customers of ITI.

The panel found that identification of customers to provide notification to a changing prison population would not be practical. Further, the panel noted that the Authority's customer notification rules<sup>1</sup> are not tailored to the type of payphone and managed calling services provided by the Applicants. The panel found that compliance with TRA rules concerning payphone service will provide adequate disclosure of the identity of the underlying service provider. Finally, in regard to DSI's request to pledge its assets, the panel found that (1) this financing is subject to Authority approval pursuant Tenn. Code Ann. § 65-4-109 (2004); (2) the transactions are being made in accordance with the laws enforceable by this agency; and (3) the transactions are in the public interest because they will facilitate the asset transfer and its associated benefits.

Thereafter, based upon these findings, the panel voted unanimously: 1) to approve the transfer of assets from ITI to DSI pursuant to Tenn. Code Ann. § 65-4-112 (2004) contingent upon the Authority approving certifications for reseller and COCOT authority pending in Docket Nos. 10-00052 and 10-00109 for DSI; (2) to approve the request of DSI to pledge its assets pursuant to Tenn. Code Ann. § 65-4-109 (2004); and (3) to cancel ITI's reseller CCN effective upon notice to the Authority that the transaction has been completed and that all of ITI's assets have been transferred to DSI.

**IT IS THEREFORE ORDERED THAT:**

1. The transfer of assets as described in the *Application for Approval to Transfer Certain Assets* filed by DSI-ITI, LLC and ITI Inmate Telephone, Inc. and discussed herein is approved, contingent upon the Tennessee Regulatory Authority approving DSI-ITI, LLC's requests

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<sup>1</sup> TRA Rule 1220-4-2-.56(2)(d).

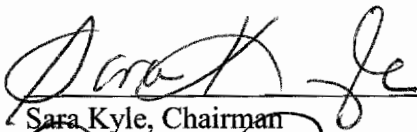
for the required certificates of public convenience and necessity pending in Docket No. 10-00052 and Docket No. 10-00109.

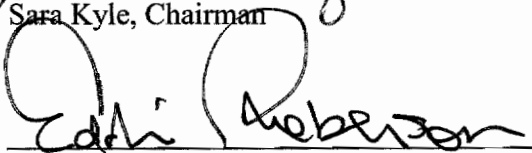
2. ITI Inmate Telephone, Inc.'s Certificate of Public Convenience and Necessity is cancelled effective upon notice to the Tennessee Regulatory Authority that the transaction has been completed and that all of ITI Inmate Telephone, Inc.'s assets have been transferred to DSI-ITI, LLC.

3. The financing transaction as described in the *Application for Approval to Transfer Certain Assets* and discussed herein is approved.

4. The authorization and approval given hereby shall not be used by any party, including but not limited to any lending party, for the purpose of inferring an analysis or assessment of the risks involved.

5. This decision is not intended to create any liability on the part of the Tennessee Regulatory Authority, the State of Tennessee or any political subdivision thereof.

  
Sara Kyle, Chairman

  
Eddie Roberson, Director

  
Mary W. Freeman, Director