

TENNESSEE REGULATORY AUTHORITY



460 James Robertson Parkway
Nashville, Tennessee 37243-0505

October 14, 2010

VIA FACSIMILE AND U.S. MAIL

Lance J.M. Steinhart, Esq.
Lance J.M. Steinhart P.C.
1720 Windward Concourse, Suite 115
Alpharetta, GA 30005

Re: *Joint Application to Transfer Control and to Transfer Assets or
Declaratory Ruling that the Transaction Described Herein is not Subject
to Approval Due to Market Regulation*
TRA Docket 10-00164

Dear Mr. Steinhart:

This letter is provided as a response to the request in the above styled matter with respect to the jurisdiction of the Tennessee Regulatory Authority ("Authority" or "TRA") to approve the transfer of control and transfer of assets from Public Communications Services, Inc. ("PCS") to Global Tel*Link Corporation ("GTL"). The following analysis is based on the information provided in the *Joint Application to Transfer Control and to Transfer Assets or Declaratory Ruling that the Transaction Described Herein is not Subject to Approval Due to Market Regulation* ("Joint Application") filed on August 9, 2010.

PCS operates in Tennessee as a provider of operator services and reseller of interexchange services pursuant to authority granted by the TRA in Docket No. 05-00082 on June 13, 2005. GTL holds a Certificate of Convenience and Necessity as an interexchange telecommunication reseller and operator services provider granted by the TRA on April 26, 1996 in Docket No. 95-03925. GTL also has authority to provide customer-owned coin or coinless operated telephone service in Tennessee. GTL and PCS own and operate prison and public payphones and provide managed telecommunications services to inmates of state and county departments of corrections. Both GTL and PCS each have filed a notice to operate subject to market regulation in Docket No. 09-00116 and Docket 09-00195 respectively.

PCS and GTL entered into a Stock Purchase Agreement on August 5, 2010 whereby GTL will purchase all of the issued and outstanding shares of the common stock of PCS from its shareholders. The *Joint Application* describes a transaction controlled by the Stock Purchase Agreement whereby GTL will hold 100% of the equity interest of PCS. Upon consummation of the transaction, PCS will be a wholly-owned subsidiary of GTL. According to the *Joint Application*, the assets of PCS will be transferred to GTL, however, GTL plans to

operate the companies separately until integration of the companies can be accomplished in a manner that will not have negative effects on end-users. Specifically, the *Joint Application* states:

There will be no impact of PCS's current customers, since the Transaction will be transparent to said customers, and services to PCS customers will continue pursuant to the terms and conditions of its tariff on file with the Commission. In addition, it is anticipated that certain key members of the management of PCS will remain in place after the Transaction is consummated.¹

Through the *Joint Application*, the Applicants request authorization for: PCS to transfer control to GTL; PCS to transfer its assets to GTL; and PCS to pledge its assets in connection with GTL's existing credit facilities. The *Joint Application* requests the TRA to consider the transfer of control and asset transfer pursuant to Tenn. Code Ann. § 65-4-112. The Authority concurs that Tenn. Code Ann. § 65-4-112 is the appropriate statute to review the transaction described in the *Joint Application*. The Authority also notes that PCS's request to pledge its assets in connection with GTL's existing credit facilities is governed by Tenn. Code Ann. § 65-4-109.

Pursuant to the Market Regulation Act of 2009, companies electing market regulation are exempt from Authority regulation except for that specifically enumerated in Tenn. Code Ann. §§ 65-5-109(m) and (n) where Authority jurisdiction is preserved. Tenn. Code Ann. § 65-4-109 and Tenn. Code Ann. § 65-4-112 are not statutory sections listed under either Tenn. Code Ann. § 65-5-109(m) and (n) as statutes that continue to apply to market-regulated companies.

Prior to the election of market regulation by GTL and PCS, the *Joint Application* would require Authority approval pursuant to Tenn. Code Ann. § 65-4-109 and 65-4-112. Nevertheless, because both GTL and PCS have elected market regulation pursuant to Tenn. Code Ann. § 65-5-109, the transaction as described in the *Joint Application* now falls outside the scope of the Authority's jurisdiction, as circumscribed by Tenn. Code Ann. § 65-5-109. Therefore, it is the position of the Authority that approval by the Authority of the transactions as described in the *Joint Application* is not required. This conclusion is based solely on the facts as presented in the *Joint Application* and is not to be construed as a statement of general policy regarding the Authority's jurisdiction to review transactions pursuant to Tenn. Code Ann. § 65-4-112 or § 65-4-113 in the instance one or more entities involved in the transaction have elected market regulation. It is also not to be construed as a statement of general policy regarding the Authority's jurisdiction to review financing transactions pursuant to Tenn. Code Ann. § 65-4-109.

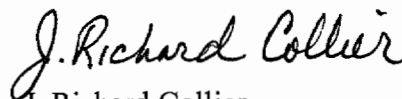
¹ *Joint Application*, pp. 7-8 (August 9, 2010).

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The *Joint Application* states that the anticipated closing date of the transaction is October 31, 2010, subject to obtaining necessary state and federal approvals. Counsel for the Applicants has notified Staff of the TRA that the closing date has been set for October 15, 2010. This letter is provided to the Applicants in advance of the new closing date as a statement that due to the election of both PCS and GTL to operate pursuant to market regulation the approval of the TRA is not required for the transfers and transactions under Tenn. Code Ann. § 65-4-109 and § 65-4-112.

Should you have any additional questions or should there be a change in any of the information provided in the *Joint Application*, please contact me at the telephone number indicated below.

Very truly yours,

A handwritten signature in black ink that reads "J. Richard Collier". The signature is written in a cursive, flowing style.

J. Richard Collier
General Counsel
(615) 741-3191 ext. 170

c: Chairman Mary W. Freeman
Jerry Kettles, Chief of Economic Analysis Division
David Foster, Chief of Utilities Division
James M. Smith, Esq., Public Communications Services, Inc.
Steven M. Siemens, Esq., Public Communications Services, Inc.
Docket No. 10-00164