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October 14, 2021

BY ELECTRONIC FILING

21-00117

Tory Lawless, Docket Manager
Tennessee Public Utilities Commission
502 Deaderick Street, 4th Floor
Nashville, Tennessee 37243

Re: *Notice of the Indirect Transfer of Control of Combined Public Communications, LLC*
Docket No. 07-00153

Dear Ms. Lawless:

On behalf of CPC Engle Holdings, Inc., the Combined Public Communications Employee Stock Ownership Trust, and Combined Public Communications, LLC, attached please find notice of the indirect transfer of control of Combined Public Communications, LLC.

If you have any questions, please do not hesitate to contact me. Thank you for your assistance in this matter.

Respectfully submitted,

/s/ Phillip R. Marchesiello

Phillip R. Marchesiello
Counsel for CPC Engle Holdings, Inc., and
Combined Public Communications, LLC

Attachments

Notice of the Indirect Transfer of Control of Combined Public Communications, LLC
Docket No. 07-000153

Pursuant to Tenn. Code Ann. § 65-109(l)(1), CPC Engle Holdings, Inc. (“CPC Engle” or the “Transferor”), the Combined Public Communications Employee Stock Ownership Trust (“CPC ESOP Trust” or “Transferee”), and Combined Public Communications, LLC (“Combined Public” or the “Licensee”, and collectively with CPC Engle and the CPC ESOP Trust, the “Parties”) hereby notify the Tennessee Public Utilities Commission (“Commission”) of their intent to consummate a transaction that will result in the indirect transfer of control of Combined Public from CPC Engle to the CPC ESOP Trust¹ (the “Transaction”). The Parties submit this notice for informational purposes to ensure the accuracy of the Commission’s records.

Combined Public is a provider of inmate calling services (“ICS”) to state and local correctional facilities. The Transaction will serve the public interest by ensuring that Combined Public continues to provide high-quality ICS to its current correctional facility customers, inmates, and their friends and families. Moreover, by transferring control and ownership of Combined Public to its employees through an employee stock ownership plan, the Transaction will increase the employees’ financial stake in the success of Combined Public and thereby provide an incentive for the employees to ensure that the company becomes an even stronger service provider. Because Combined Public ultimately is being acquired by its employees, the Transaction will not reduce the number of competitors that participate in the ICS market nationally or in any region, and it will not have any adverse impact on ICS competition. In addition, the Transaction will be transparent to Combined Public’s customers and vendors.

I. DESCRIPTION OF THE PARTIES

A. Combined Public Communications, LLC

Combined Public is a Delaware limited liability company with its principal place of business located at 100 Aqua Drive, Cold Spring, Kentucky 41076.² Since 2000, Combined Public has partnered with corrections professionals to provide reliable and cost-effective ICS and other communications technologies, as well as certain non-communications services such as commissary services, in over 250 state, county, and municipal correctional institutions.

¹ The CPC ESOP Trust is the legal entity through which the Combined Public Communications Employee Stock Ownership Plan (“CPC ESOP Plan,” and, collectively with the CPC ESOP Trust, “CPC ESOP”) will implement the indirect transfer of ownership of Combined Public from CPC Engle to the CPC ESOP. The CPC ESOP Trust is beneficially owned by the eligible employees of Combined Public as participants in the CPC ESOP, and it is controlled by Michael S. Miller, who serves as trustee of the CPC ESOP Trust (“Trustee”) pursuant to the terms of the CPC ESOP Plan.

² See Leading Communication Tools That Speak for Themselves, Combined Public Communications, at <https://cpcjail.com/>.

Combined Public is committed to providing industry-leading customer service to inmates and their friends and family members using innovative technologies and personalized solutions.³

On July 31, 2007, Combined Public was granted authority to provide operator services and resell local and interexchange long distance services in Tennessee in Docket No. 07-00153 and assigned Company ID 128559.⁴

A diagram depicting the current, pre-closing ownership of Combined Public is provided in Exhibit A.

B. CPC Engle Holdings, Inc.

CPC Engle is a Delaware corporation with its principal place of business located at 100 Aqua Drive, Cold Spring, Kentucky 41076. Cathleen Engle, a U.S. citizen and a founder of Combined Public, holds 100 percent of the voting and equity ownership interests in CPC Engle.⁵ Her address is 100 Aqua Drive, Cold Spring, Kentucky 41076. CPC Engle holds 95.5 percent of CPC Holding Company Inc.'s ("CPC Holding") common voting shares and 88.3 percent of the company's equity.⁶ CPC Holding is a Delaware corporation with its principal place of business located at 100 Aqua Drive, Cold Spring, Kentucky 41076. CPC Holding, in turn, holds 100

³ Combined Public currently provides ICS in the following states: Alabama, Arizona, Colorado, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Michigan, Missouri, Nebraska, Nevada, New Mexico, North Carolina, Ohio, Oregon, South Carolina, Tennessee, and Washington state. Combined Public holds state telecommunications authorizations in each of these states, as well as in Arkansas, California, Florida, Illinois, Louisiana, Mississippi, Montana, New York, Ohio, Oklahoma, Pennsylvania, Rhode Island, South Dakota, Utah, Virginia, West Virginia, Wisconsin, and Wyoming. In addition, Combined Public has a wholly owned subsidiary, Bealls Communications Group, LLC, which is authorized to provide ICS and payphone services in Georgia.

⁴ See *In Re: Application of Combined Public Communications, Inc. for Authority to Provide Operator Services and Resell Local and Interexchange Long Distance Services in Tennessee*, Docket No. 07-00153 (July 31, 2007).

⁵ Specifically, Ms. Engle directly holds a two percent equity interest and 100 percent voting interest in CPC Engle through ownership of 100 percent of CPC Engle's issued and outstanding voting stock. CPC Engle also has issued a class of non-voting stock that represents a 98 percent equity interest in the company, and all of the issued and outstanding non-voting stock is held by a Kentucky-organized grantor trust, the Engle Family 2021 Dynasty Trust ("Engle Trust"), for which Ms. Engle is the sole trustee and beneficiary. Consequently, Ms. Engle wholly owns and controls CPC Engle—in part directly and in part indirectly through the Engle Trust.

⁶ In addition to common voting share, CPC Holding also issued a limited amount of non-voting preferred stock to third-party investors, none of which hold a 10 percent or greater direct or indirect equity or voting interest in CPC Holding, CTS, or Combined Public. Relative to CPC Engle's voting interest in CPC Holding held through CPC Engle's voting common stock in CPC Holding, CPC Holding's issuance of preferred stock slightly dilutes the aggregate equity interest in CPC Holding held by CPC Engle.

percent of the voting and equity ownership interest in Client Telephone Solutions, LLC (“CTS”), a Delaware limited liability company with its principal place of business located at 100 Aqua Drive, Cold Spring, Kentucky 41076. CTS holds 100 percent of the voting and equity ownership interests in Combined Public. The Engle Trust, CPC Engle, CPC Holding, and CTS are holding companies. No other entity or individual holds a direct or indirect voting or equity interest in the Engle Trust, CPC Engle, CPC Holding, CTS, or Combined Public of 10 percent or more.

A diagram depicting the current, pre-closing ownership of Combined Public by CPC Engle is provided in Exhibit A.

C. Combined Public Communications Stock Ownership Trust and Plan

The CPC ESOP Trust was established under Kentucky law effective January 1, 2021 as the legal entity through which the eligible employees⁷ of Combined Public will obtain beneficial ownership of the company through the CPC ESOP. The address for the CPC ESOP Trust and the CPC ESOP is P.O. Box 88208, Atlanta, Georgia 30356. The CPC ESOP is a qualified employee benefit plan under Section 401(a) of the Internal Revenue Code (“Code”)⁸ and an employee stock ownership plan within the meaning of Section 4975(e)(7) of the Code and Section 407(d)(6) of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”).⁹ The CPC ESOP will be operated in compliance with the applicable provisions of the Code and ERISA.¹⁰ These statutes require the CPC ESOP to acquire Combined Public on terms that are no less favorable than those that would apply in an arm’s-length transaction. Specifically, under the Code and ERISA, the CPC ESOP may not pay a purchase price for Combined Public that is greater than Combined Public’s fair market value as determined by the Trustee in reliance upon an updated and recent valuation report prepared by an independent appraiser.¹¹

As the Trustee of the CPC ESOP Trust, Michael S. Miller exercises independent discretionary judgment consistent with the requirements of ERISA in connection with the proposed acquisition and, thereafter, with respect to the custody and disposition of CPC ESOP Trust assets post-consummation. Mr. Miller is a U.S. citizen and his address is P.O. Box 88208,

⁷ To be eligible to participate in the CPC ESOP, a Combined Public employee is required to have completed one year of employment and have attained age 21.

⁸ 26 U.S.C. § 401.

⁹ 26 U.S.C. § 4975(e)(7).

¹⁰ 29 U.S.C. Chapter 18.

¹¹ As part of his fiduciary obligations to ensure that the CPC ESOP pays no more than adequate consideration or fair market value for Combined Public, the Trustee has retained the McLean, Virginia office of Stout Risius Ross, LLC (“SRR”), a global investment bank and advisory firm specializing in corporate finance, valuation, financial disputes, and investigations, to provide an opinion on behalf of the CPC ESOP. Specifically, SRR has provided an opinion concluding, *inter alia*, that the purchase price to be paid by the CPC ESOP represents “adequate consideration” or “fair market value” for such shares and that the terms and conditions of the Transaction, taken as a whole, are fair to participants in the CPC ESOP from a financial standpoint.

Atlanta, Georgia 30356. Under the Code and ERISA, the Transaction must be approved by the Trustee, which has occurred.¹² Following consummation of the Transaction, the Trustee maintains a fiduciary obligation to hold and vote the stock held by the CPC ESOP Trust solely in accordance with the interest of the employee participants of the CPC ESOP.¹³ The Trustee's fiduciary responsibility to the participants in the CPC ESOP is to protect the assets of the CPC ESOP Trust (i.e., its ownership interests in Combined Public) for the sole and exclusive purpose of providing retirement benefits to the beneficiaries of the CPC ESOP (i.e., the Combined Public employee-participants in the CPC ESOP) in strict accordance with the governing documents of the CPC ESOP. The Trustee's fiduciary responsibilities are defined by ERISA, and he is personally liable for breaches of those fiduciary responsibilities.

No employee-participant of the CPC ESOP, or any other entity or individual (other than the CPC ESOP) will hold a 10 percent or greater direct or indirect voting or equity interest in CPC Holding, CTS, or Combined Public. In addition, the CPC ESOP, CPC Holding, and the Trustee do not hold a 10 percent or greater direct or indirect ownership interest in any other ICS provider or other telecommunications service provider.

A diagram depicting the post-closing ownership of Combined Public, including the CPC ESOP Trust, is provided in Exhibit A.

II. DESCRIPTION OF THE TRANSACTION

On September 2, 2021, the CPC ESOP Trust, on the one hand, and, on the other hand, CPC Engle and the other, minority indirect interest holders of Combined Public entered into an Agreement to Purchase Shares pursuant to which the CPC ESOP Trust agreed to purchase all of the shares of the common stock of CPC Holding and thereby acquire indirect control of Combined Public. Following consummation of the Transaction, CPC Holding will be directly and wholly owned by the CPC ESOP Trust. Consummation of the Transaction is conditioned on, among other things, prior approval by the Federal Communications Commission and by each state public utility commission for which prior approval is required under applicable state law.¹⁴

¹² Mr. Miller has reviewed the terms of the Transaction and, partially in reliance upon the valuation report prepared by SRR, has concluded that the purchase price for the acquisition by the CPC ESOP of Combined Public (through CPC Holding) is not in excess of fair market value and is in the best interests of the CPC ESOP's participant beneficiaries as required by ERISA. See *supra* note 11.

¹³ The Trustee generally will not be involved in the day-to-day operations and strategic direction of Combined Public, which will remain with the company's board of directors and management team. However, the Trustee directs the voting of the CPC ESOP's shares to select the board of directors, and the board of directors exercises oversight of the company's management. The Trustee also is responsible to monitor the board and management team to ensure they use a duty of care and act in the interests of the CPC ESOP.

¹⁴ Specifically, the Parties have filed transfer of control applications with the state public utility commissions in the following states in which Combined Public holds state telecommunications authorizations: Georgia, Mississippi, New York, and West Virginia. The Parties are also filing

III. PUBLIC INTEREST CONSIDERATIONS

The Transaction will serve the public interest. The change in ultimate control of the Licensee from the Transferor to the Transferee will occur at the parent level. It will not involve the assignment of operating authority, assets, or customers. Upon consummation of the Transaction, the Licensee will continue to provide in the normal course the same high-quality ICS and other communications and non-communications services to incarceration facilities and inmates (and their friends and family members) that it provides today.

Although ultimate ownership of Combined Public will change as a result of the Transaction, the Licensee's well-qualified and highly experienced management team will continue to manage its day-to-day operations following consummation. Indeed, the management team's extensive knowledge of the industry and the ICS marketplace will ensure that Combined Public maintains the technical, operational, and managerial expertise to continue to successfully provide competitive service. Further, by providing Combined Public's employees with ownership of the company, the Transaction will increase their financial stake in the success of Combined Public and thereby provide an incentive for the employees to ensure that the company becomes an even stronger competitor. In addition, Combined Public will have enhanced access to capital as a result of the Transaction, allowing it to continue to expand its customer base, geographic footprint, and scope of services.

The Transaction also will have no adverse impact on, and will be transparent to, Combined Public's customers and vendors, as well as to the public. The Transaction will not result in any interruption, reduction, loss, impairment, or disruption of services. The ICS that Combined Public currently provides will continue to be provided under existing contracts at the same rates and on the same terms and conditions as are currently in effect.

Moreover, the Transaction will not result in any adverse effects within the ICS industry or pose any public interest harms. As an entity established for the purpose of this Transaction, the CPC ESOP Trust does not hold an interest in any other ICS provider or other telecommunications provider. The Trustee also does not hold an interest in any other ICS provider or an interest of 10 percent or more in any other telecommunications provider. Consequently, the Transaction will not reduce the number of service providers or decrease competition in any market.

pre-closing or post-closing notices regarding the Transaction in each other state in which Combined Public holds a state telecommunications authorization, including with the Commission.

IV. DESIGNATED CONTACTS

All correspondence and communications with respect to this notice should be addressed or directed to the following:

For Combined Public and CPC Engle:

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Zachary R. Castle, Chief Financial Officer
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100 Aqua Drive
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For the CPC ESOP Trust:

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khal@lplegal.com

Michael S. Miller, Trustee
Combined Public Communications
Employee Stock Ownership Plan
c/o Apex Fiduciary Services, LLC
Post Office Box 88208
Atlanta, Georgia 30356

V. CONCLUSION

The Parties hereby provide notice to the Commission of their planned participation in the Transaction described herein, which serves the public interest.

Respectfully submitted,

/s/ Cathleen Engle
Cathleen Engle
President
CPC Engle Holdings, Inc.
100 Aqua Drive
Cold Spring, Kentucky 41076

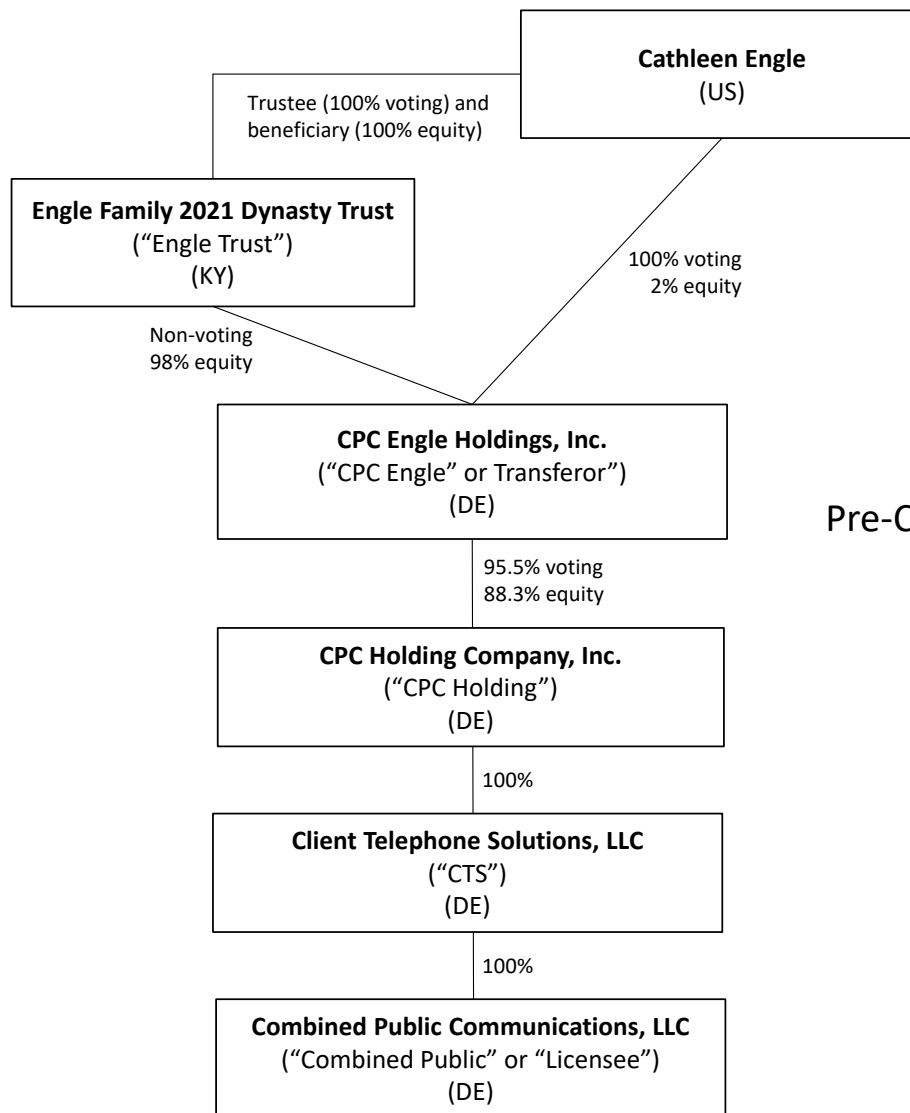
*On behalf of Transferor
CPC Engle Holdings, Inc., and Licensee
Combined Public Communications,
LLC*

/s/ Michael S. Miller
Michael S. Miller, Trustee
Combined Public Communications
Employee Stock Ownership Plan
c/o Apex Fiduciary Services, LLC
Post Office Box 88208
Atlanta, Georgia 30356

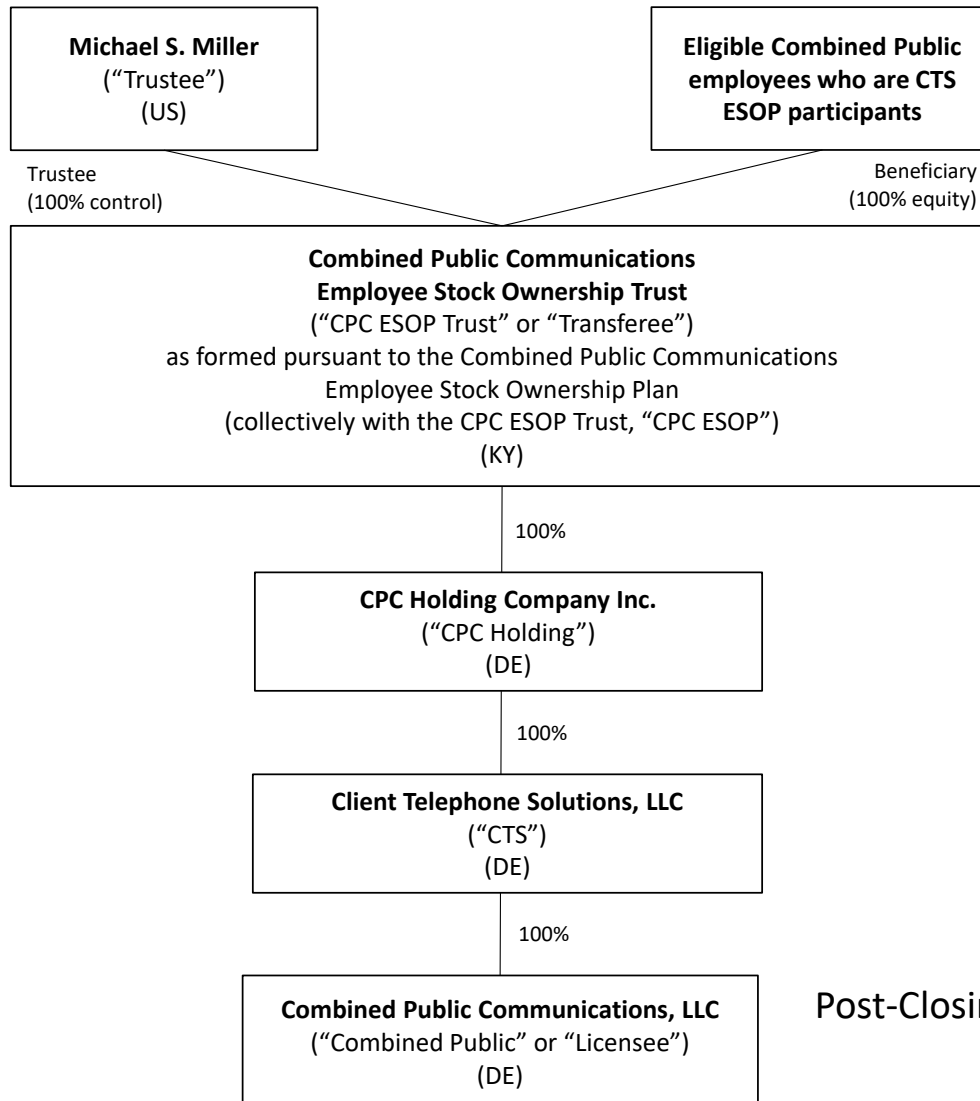
*On behalf of Transferee
Combined Public Communications
Employee Stock Ownership Trust*

EXHIBIT A

**Diagrams Depicting Current, Pre-Closing Ownership of Combined Public and CPC Engle;
and Post-Closing Ownership Structure of Combined Public and the CPC ESOP Trust**



Pre-Closing Ownership



Post-Closing Ownership