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\*ADMITTED IN DC ONLY

October 8, 2015

**VIA ECFS**

Marlene H. Dortch  
Secretary  
Federal Communications Commission  
445 12th Street, SW  
Washington, DC 20554

**Re: WC Docket No. 12-375 - Global Tel\*Link Corporation - Notice of *Ex Parte* Presentation**

Dear Secretary Dortch:

On October 6, 2015, Global Tel\*Link Corporation (“GTL”) representatives Brian D. Oliver, Chief Executive Officer, and David Silverman, Executive Vice President, Legal and Regulatory Affairs and Chief Legal Officer, and the undersigned met with Nicholas Degani, Legal Advisor to Commissioner Ajit Pai, to discuss the recently released Fact Sheet in the Federal Communications Commission (“FCC”) inmate calling services (“ICS”) proceeding.<sup>1</sup>

The meeting covered the following issues:

- the comments, reply comments, and *ex partes* submitted by GTL in the above-captioned docket;

<sup>1</sup> FACT SHEET: Ensuring Just, Reasonable, and Fair Rates for Inmate Calling Services (rel. Sept. 30, 2015), available at <https://www.fcc.gov/document/fact-sheet-ensuring-just-reasonable-fair-rates-inmate-calling>; see also *Rates for Interstate Inmate Calling Services*, 28 FCC Rcd 14107 (2013) (“*ICS Order and First FNPRM*”), *pets. for stay granted in part sub nom. Securus Tech., Inc. v. FCC*, No. 13-1280 (D.C. Cir. Jan. 13, 2014), *pets. for review pending sub nom. Securus Tech., Inc. v. FCC*, No. 13-1280 (D.C. Cir. filed Nov. 14, 2013) (and consolidated cases); *Rates for Interstate Inmate Calling Services*, 29 FCC Rcd 13170 (2014) (“*Second FNPRM*”).

OCTOBER 8, 2015

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- the apparent decision to reduce all rates to levels that: are not supported by the record cost data, will not ensure fair compensation for ICS providers, and do not reflect the FCC's well-established position that any effective new ICS policy must address ICS rates, ancillary charges, and site commissions to achieve a market-based result;<sup>2</sup>
- the apparent disregard for a rational implementation schedule that reflects the reality of the commercial marketplace and the need for carriers to renegotiate hundreds of contracts to accommodate the new rate regime; and
- how the FCC's abandonment of a market-based approach to ICS radically will reduce or eliminate the availability of security features and GTL's ability to offer new technologies in direct conflict with the FCC's legislative mandates.<sup>3</sup>

Pursuant to Section 1.1206(b) of the FCC's rules, a copy of this notice is being filed in the appropriate docket.

Please contact me if you have any questions regarding this matter.

Respectfully submitted,

/s/ *Chérie R. Kiser*

Chérie R. Kiser

Counsel for Global Tel\*Link Corporation

Attachment

cc (via e-mail): Nicholas Degani

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<sup>2</sup> Standard & Poor's Rating Services, *Research Update: Global Tel\*Link Corp. Ratings Placed on CreditWatch Negative Following Proposed FCC Regulation* (Oct. 8, 2015) (attached hereto).

<sup>3</sup> *See, e.g.*, 47 U.S.C. § 157(a) ("It shall be the policy of the United States to encourage the provision of new technologies and services to the public."); 47 U.S.C. § 230(a), (b) (noting the benefits of Internet and interactive computer services and establishing it as "the policy of the United States . . . to promote the continued development of the Internet and other interactive computer services and other interactive media"); 47 U.S.C. § 254(b)(2) (stating the FCC shall base its policies on the principle that "[a]ccess to advanced telecommunications and information services should be provided in all regions of the Nation"); 47 U.S.C. § 1301, 1302 (finding that "deployment and adoption of broadband technology is vital" and stating the FCC "shall encourage the deployment on a reasonable and timely basis of advanced telecommunications capability to all Americans").

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## Research Update:

# Global Tel\*Link Corp. Ratings Placed On CreditWatch Negative Following Proposed FCC Regulation

### Primary Credit Analyst:

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## Research Update:

# Global Tel\*Link Corp. Ratings Placed On CreditWatch Negative Following Proposed FCC Regulation

## Overview

- The U.S. Federal Communications Commission (FCC) has released a fact sheet outlining a series of proposed rate caps for inmate calling services, including inmate calling rates and ancillary service charges.
- We are placing our ratings on prison phone provider Global Tel\*Link Corp. (GTL), including our 'B' corporate credit rating, on CreditWatch with negative implications.
- We expect to resolve the CreditWatch placement once we receive further details from the release of the FCC order and review the company's strategy to address the ruling.

## Rating Action

On Oct. 8, 2015, Standard & Poor's Ratings Services placed its ratings, including its 'B' corporate credit rating, on Mobile, Ala.-based Global Tel\*Link Corp. on CreditWatch with negative implications.

## Rationale

The CreditWatch placement reflects the uncertainty surrounding the upcoming FCC vote to cap rates for inmate calling services, and the ultimate impact this will have on credit metrics for GTL. The fact sheet that the FCC released on Sept. 30, 2015, outlines a series of proposed rate caps for inmate calling services and discourages facility commission payments, but it doesn't provide further clarity. We believe a FCC order that caps rates without a commensurate reduction or elimination of commissions could materially hurt the company's profitability and result in a materially higher debt to EBITDA compared to its leverage in the high-4x area as of June 30, 2015. Under this scenario, the company would need to renegotiate a significant number of its contracts to reduce its existing commission payments.

We expect lower rates will increase call volumes, allowing the company to partially offset the lower revenue per minute. In addition, we believe the company will continue to grow its ancillary service offerings, such as media and payment services, which are not currently subject to the same level of commissions and regulatory oversight as its traditional voice services. However, we are uncertain as to extent that these factors could counter any negative impact of the order and over what time frame.

## CreditWatch

The CreditWatch listing reflects the possibility of a one-notch downgrade if we determine that the FCC order will hurt the company's credit measures, pushing leverage above 6.5x on a sustained basis. We could affirm the rating if we believe the company could largely offset the impact of rate caps with a combination of lower commissions and growth in ancillary services. We will continue to monitor developments, including the FCC's approach to discourage facility commission payments.

## Related Criteria And Research

### Related Criteria

- Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Revised Revolver Usage Assumptions For Recovery Analysis In Corporate Ratings, Nov. 20, 2014
- Key Credit Factors For The Telecommunications And Cable Industry, June 22, 2014
- Corporate Methodology, Nov. 19, 2013
- Corporate Methodology: Ratios And Adjustments, Nov. 19, 2013
- Group Rating Methodology, Nov. 19, 2013
- Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- Criteria Guidelines For Recovery Ratings On Global Industrials Issuers' Speculative-Grade Debt, Aug. 10, 2009

## Ratings List

Ratings Affirmed; Placed On CreditWatch

	To	From
Global Tel*Link Corp. Corporate Credit Rating	B/Watch Neg/--	B/Stable/--
Global Tel*Link Corp. Senior Secured		
\$40 mil. revolver due 2018 Recovery Rating	B/Watch Neg 3L	B 3L
\$615 mil. 1st lien term ln due 2020 Recovery Rating	B/Watch Neg 3L	B 3L
\$230 mil. 2nd lien term ln due 2020 Recovery Rating	CCC+/Watch Neg 6	CCC+ 6

Complete ratings information is available to subscribers of RatingsDirect at [www.globalcreditportal.com](http://www.globalcreditportal.com) and at [www.spcapitaliq.com](http://www.spcapitaliq.com). All ratings affected by this rating action can be found on Standard & Poor's public Web site at [www.standardandpoors.com](http://www.standardandpoors.com). Use the Ratings search box located in the left column.

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