United States House of Representatives  
Committee on Financial Services  
2129 Rayburn House Office Building  
Washington, DC 20515

Re: November 19, Hearing: America for Sale? An Examination of the Practices of Private Funds

Worth Rises thanks the Committee for calling a hearing to investigate the practices of private equity firms, and we appreciate the opportunity to comment on the matter. We also thank Senator Elizabeth Warren (D-MA) for introducing the Stop Wall Street Looting Act, a bill that if passed would force private equity firms into transparency about their financial information and hold them accountable for the debts of the corporations under their control.\(^1\) Finally, we thank Sen. Warren, Representative Mark Pocan (D-WI), and Representative Alexandria Ocasio-Cortez (D-NY) for challenging private equity firms engaged in the prison industry in their October 1, 2019 letter.\(^2\)

Worth Rises is a national, nonprofit, criminal justice advocacy organization committed to dismantling the prison industrial complex and ending the exploitation of those it touches. We write to share our concerns about the prominent and harmful role that private equity plays within the prison industry.

Across industries, private equity has drawn much criticism for the unscrupulous ways it maximizes returns. Within the prison industry, private equity firms have quietly but aggressively consolidated market players and used the resulting corporate nesting dolls to exploit disenfranchised communities with dangerously poor service quality and predatory pricing practices. Private equity-backed corporations have driven families into debt over the cost to

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maintain contact,\(^3\) killed patients under their care,\(^4\) served maggot-contaminated food,\(^5\) and generally stripped incarcerated people and their families of their dignity.

Just a handful of private equity firms own the majority of the largest prison service corporations with little oversight. We have highlighted these private equity firms, their holdings, and their problematic practices in the prison service industry below.

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**Platinum Equity**

*Aventiv Technologies (Securus Technologies, Jpay, AllPaid)*

In 2017, Platinum Equity acquired Securus Technologies for $1.6 billion,\(^6\) becoming the owner of one of the nation’s two largest correctional telecom companies. Securus provides telecom services, including voice calling, video conferencing, voice biometrics, tablets, money transfers, debit release cards, and electronic monitoring, to prison, jails, and youth detentions centers. Securus owns roughly 40% of the more than $1.2 billion correctional telecom market; it’s largest competitor Global Tel Link (GTL) owns another 40% and ICSolutions another 10%, both of which are owned by private equity.\(^7\)

Securus extracts nearly $700 million\(^8\) from the 1.2 million incarcerated people\(^9\) and their loved ones forced to use its services through its exorbitant pricing. In various jurisdictions, Securus and its subsidiaries charge: $25 for a 15-minute phone call, $4 for a 5 second voicemail, $46 for a music album, $7 for a $20 money transfer, and $10 to close a debit card. They often share the profits from these sales with their government partners through legalized corporate kickbacks. Securus has also been sued for surveilling privileged calls and unlawfully turning over recordings to law enforcement and prosecutors,\(^10\) fined for lying to the Federal Communications Committee (FCC) regarding its transfer of control to Platinum Equity,\(^11\) and condemned for using voice biometric technology on both incarcerated people and their loved ones to create voice databases.\(^12\)

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\(^3\) [https://ellabakercenter.org/sites/default/files/downloads/who-pays.pdf](https://ellabakercenter.org/sites/default/files/downloads/who-pays.pdf)

\(^4\) [https://www.huffpost.com/entry/correct-care-solutions-detention-center-lawsuits_n_5bd755fcee4b07427610a0ccf](https://www.huffpost.com/entry/correct-care-solutions-detention-center-lawsuits_n_5bd755fcee4b07427610a0ccf)


\(^7\) Market share is based on a proprietary analysis of current prison and jail telecom contracts conducted by Worth Rises with the help, in part, of 2015-2018 data collected by the Prison Policy Initiative, Human Rights Defense Center, and Vera Institute. Please note, that we believe the industry has grown and diversified since Bloomberg Businessweek reported an industry size of $1.2 billion in 2012, but no more current estimate exists; [https://www.prisonpolicy.org/graphics/phone_fees_national.html](https://www.prisonpolicy.org/graphics/phone_fees_national.html).


\(^9\) [https://securustech.net/about-us/](https://securustech.net/about-us/)


\(^12\) [https://theintercept.com/2019/01/30/prison-voice-prints-databases-securus/](https://theintercept.com/2019/01/30/prison-voice-prints-databases-securus/)
Rather than address the grave concerns presented by Securus’ existing business practices, upon acquiring the corporation, Platinum Equity instead immediately sought to grow Securus’ reach and make it an even more prominent player in the market. Within just the first month of its ownership of Securus, Platinum Equity acquired Government Payment Services and Jobview and rolled them into Securus. A few months later, in May 2018, Platinum Equity made its most aggressive move in petitioning the FCC to acquire ICSolutions (owned by HIG Capital), an acquisition that would grow its share of the correctional telecom market to 50%.

In July 2018, Worth Rises urged the FCC to oppose the merger which would only further consolidate and empower the effective duopoly in the correctional telecom industry. In response to our submissions and those of our allies, the FCC demanded documents from Securus and ICSolutions. After reviewing roughly one million documents, in April 2019, the FCC ruled against Securus and ICSolutions and their private-equity owners, concluding that the merger was against the public interest as explained by Worth Rises and other advocates. Platinum Equity and Securus were forced to abandon the deal, and we are glad they did because it saved families from their predatory reach.

Worth Rises has also been challenging pension boards to stop investing in Platinum Equity and other private equity firms invested in the prison industry. Due to our success at the FCC and outreach to its largest investors, Platinum Equity agreed to conversation. In March 2019, we issued Platinum Equity a set of demands and by September, Platinum Equity had not met a single demand. Consequently, backed by ample media accounts, that month, we moved the Pennsylvania State Employee Retirement Systems to unanimously decline a $150 million proposed investment in Platinum Equity.

Trying to get out from under bad press, Platinum Equity recently restructured Securus by creating a new holding company under a new name: Aventiv Technologies. But we are not fooled, nothing has changed about the predatory practices of the corporation. We continue to discuss our demands with executives at the firm, but we have still not seen any changes in their practices that we have not relentlessly forced.

17 See attached, along with report card against what changes Platinum Equity claims Securus has made.
Tom Gores, Chief Executive Officer at Platinum Equity, has agreed to meet with Worth Rises and families directly impacted by Securus’ predatory practices. While we would like to believe Mr. Gores’ concern for the harm Securus causes is sincere, we cannot ignore that his brother’s firm, The Gores Group, which he helped found, owned its largest competitor, GTL, from 2004\textsuperscript{21} to 2009 when they sold the company to Goldman Sachs and Veritas.\textsuperscript{22}

**H.I.G. Capital**

*Wellpath (formerly Correct Care Solutions and Correctional Medical Group Companies)*  
*TKC Holdings (Trinity Service Group, Keefe Group, Access Corrections, and ICSolutions)*

H.I.G. Capital is one of the most notoriously awful private equity firms engaged in the prison industry. The firm has played a role in the formation or growth of many of the major corporations in this space. In 2004, H.I.G. merged T-Netix and Evercom to create Securus,\textsuperscript{23} one the largest correctional telecom corporations that traded hands between private equity firms multiple times between landing most recently with Platinum Equity.

In 2012, H.I.G. acquired Trinity Services Group,\textsuperscript{24} a correctional food service provider, that it folded under TKC Holdings in 2016 when it acquired Keefe Group,\textsuperscript{25} a leading commissary corporation that also owns Inmate Calling Solutions, the last major player in the correctional telecom market. Interestingly, H.I.G. fails to list TKC, Trinity Services, or Keefe on its list of portfolio companies.

Trinity Services has been fined millions of dollars for serving food tainted with mold, dirt, and maggots to incarcerated people who have little other options to turn to inside.\textsuperscript{26} But sadly Trinity Services’ failures in the mess hall can often benefit H.I.G. by driving incarcerated people to commissary, where its other portfolio company, Keefe, dominates the market.\textsuperscript{27} Keefe charges egregious prices for low-quality products, and when it operates the commissary store outright, Keefe often pays its government partners corporate kickbacks.

In 2013, H.I.G. acquired California Forensic Medical Group (CFMC)\textsuperscript{28} and began its foray into correctional healthcare. Over the next few years, it acquired a series of smaller correctional healthcare companies and rolled them under a new holding company: Correctional Medical Group Companies (CMGC). In 2019, H.I.G. acquired Correct Care

\textsuperscript{21}https://www.gores.com/profiles/global-tellink/  
\textsuperscript{22}https://nypost.com/2011/08/19/prison-phone-profit/  
\textsuperscript{23}https://higcapital.com/news/release/31  
\textsuperscript{24}https://pehub.com/2012/04/h-i-g-capital-seals-trinity-deal/  
\textsuperscript{25}https://www.ftc.gov/enforcement/premerger-notification-program/early-termination-notices/20161194  
\textsuperscript{26}https://www.michiganradio.org/post/maggots-meals-state-responds-latest-prison-food-service-issues  
\textsuperscript{27}https://www.thenation.com/article/prison-privatization-private-equity-hig/  
\textsuperscript{28}https://higcapital.com/news/release/621
Solutions and merged it with CMGC to form Wellpath, the largest correctional healthcare corporation with an estimated $1.5 billion in annual revenues.29

Wellpath and its corporate predecessors have been sued nearly 1,400 times for providing inadequate healthcare and wrongful death.30 Under the care of Wellpath medical professionals or lack thereof, patients have died of pneumonia in pools of their own blood and vomit,31 suffered 17 consecutive and untreated seizures,32 and given birth alone in a cell.33 People have suffered unimaginable harm at the hands of Wellpath and its private equity backers: H.I.G., its executives must be held accountable.

American Securities
Global Tel Link (Telmate, TouchPay)

GTL was acquired in 2011 by American Securities for $1 billion from Goldman Sachs and Veritas, which bought the business for $345 million in 2009. GTL is one of the largest correctional telecom corporations, splitting 80% of the market with Securus, discussed above.34 In 2016, the last year for which we have publicly available data, GTL reported annual revenues of $536 million.

GTL engages in many of the same abuses as Securus, including exorbitant call rates. It preys on the relationships between incarcerated people and their families and inculpates government agencies in its predatory schemes. GTL charges as much as up to $17 for a 15-minute phone call.35 And not only has GTL similarly paid government partners corporate kickbacks for the ability to do so, but it has also in some cases outright bribed correctional officials for contracts. In Mississippi, GTL recently paid $2.5 million to settle a lawsuit alleging that the corporation bribed the Mississippi Department of Corrections Commissioner to retain its contract with his agency.36 Last year, GTL also paid $8.8 million to settle a lawsuit that alleged it violated the federal Telephone Consumer Protection Act by making robocalls to request billing information to enable calls from a correctional facility previously failed.37

GTL and its private equity owner, H.I.G., treat these fines and settlements as part of the price of doing business. They do not respect regulations or the law in the regular course of their operation.

34 See Footnote 5.
35 https://www.prisonpolicy.org/phones/appendix_table_2.html
37 https://www.gtltcpasettlement.com/
Endeavour Capital
Triton Holding (Seaview Insurance Company, Aladdin Bail Bonds)

Endeavour Capital acquired Seaview Insurance Company\(^{38}\) and Two Jinn (DBA Aladdin Bail Bonds)\(^{39}\) in 2012 and merged them under Triton Holdings\(^{40}\) to obfuscate their visibility in the firm’s portfolio. Seaview is the surety behind Aladdin Bail Bonds, one the largest bail bond agencies on the west coast. Bail bond agencies force economic disenfranchisement families to pay outsized fees and agree to unwieldy conditions to free their loved ones from jail. Their services often saddle families with debt that carries well-beyond court proceedings have finished.

With the support of Endeavour, Triton has routinely thrown capital around to stop substantive, non-carceral reforms to the criminal legal system, particularly bail reforms, which would reduce the need for or entirely eliminate the bail bonds industry. In Oregon, between 2009 and 2015, Triton and Two Jinn spent $420,000 lobbying to re-establish the long abolished for-profit bail system.\(^ {41}\) In 2018, Triton spent $800,000 to repeal new legislation in California that would eliminate the bail bonds industry.\(^ {42}\) Endeavour and its portfolio companies are essentially lobbying to send people to jail so that they can turn a profit getting them out.

Apax Partners
Attenti

In 2017, Apax Partners purchased Attenti, one of the nation’s largest electronic monitoring corporations, for $200 million. Apax attempts to differentiate itself from the other private equity firms that own prison service companies by claiming that Attenti’s electronic monitoring is an alternative to incarceration, but this distinction is woefully dubious.\(^ {43}\) Electronic monitoring is often not an alternative to incarceration but rather additive condition of community supervision that creates more opportunity to violate people and send them to jail or prison.\(^ {44}\) Not to mention it also has a net widening impact on our criminal legal system.

Moreover, faulty wiring in Attenti’s electronic monitoring shackles has led to nearly 3,000 faulty warrants to violate people on supervision who in fact had committed no violation. But importantly, whether an alternative or not, Attenti charges exorbitant fees to people forced to use its electronic monitors or their families, often as much as $500 per month for supervision and nearly $1,000 if the tracker is lost or stolen.\(^ {45}\) And like others corporations in the prison

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\(^{40}\) [https://endeavourcapital.com/ec/the-aladdin-group/](https://endeavourcapital.com/ec/the-aladdin-group/)


\(^{44}\) [https://mediajustice.org/nomorehackles-reports/](https://mediajustice.org/nomorehackles-reports/)

industry, Apax’s Attenti has lobbied in Florida, Michigan, and Mississippi for legislation, regulation, and policies that increase the use of electronic monitoring and the number of people in our society under this invasive form of supervision,\(^46\) hardly supporting the argument that they are supporting criminal justice reform.

We provide this information to clearly illustrate how pervasive private equity is in the prison industry and the remarkable harm these firms have caused to disproportionately poor and black and brown communities. Advocates and Congressional members alike have made significant strides to raise public awareness around the influence that private equity holds within the prison industrial complex.

This year, we have seen an uptick in interest from media outlets starting to cover the role of private equity in the prison industry. Below is just a selection of articles published on the topic in the last six months.


Given the expansive influence that private equity has in the prison industrial complex, we ask that the Committee dedicate time in the questioning of Mr. Drew Maloney, who will represent the private equity industry, to discuss the role of private equity in the prison industry during the hearing. We ask the you ask him to reckon with private equity’s harmful impact on the 2.2 million people who are incarcerated and their families and ask him to commit to push his members to exit the industry and stop contributing to our nation’s carceral crisis.

Thank you for your attention and consideration ahead of the Committee hearing. We welcome the opportunity to share more of our expertise in this field with the Committee and any of its members. We are committed to exposing and dismantling the ways that the private equity industry exploits incarcerated people and their loved ones and restoring equity and dignity to those most affected.

Sincerely,

[Bianca Tylek]

Bianca Tylek
Executive Director
March 19, 2019

Platinum Equity
360 North Crescent Drive
Los Angeles, CA 90210

Dear Mr. Mark Barnhill,

We have shared our grave concerns about Platinum Equity’s ownership of Securus Technologies (hereafter “Securus”). Following up on our conversations that included the American Federation of Teachers, Color of Change, the Action Center on Race and the Economy, and the Private Equity Stakeholder, we mandate that, with regard to its investment in Securus, Platinum Equity contractually commit to its investors to:

- Not investing in any other correctional assets in any future funds
- Meeting the Operational Reforms outlined below with regards to Securus
- Exiting the Securus investment by year end 2020

Operational Reforms

- As it relates to telephone services:
  - Provide free phone calls to juveniles for all agency clients
  - Create one flat rate across all call types (e.g. local, intrastate, long distance) as done contractually for many agency clients
  - Offer every agency client an agency-paid option with a fixed rate contract for unlimited calls
  - Move to a standardized per minute rate structure for all calls that eliminates upcharges for the first minute of call
  - Cap the price of 15-minute phone call at $0.75, including transaction costs, for all billing methods
  - Allow account customers to deposit as much as $300 in a single transaction and cap deposit fee at 3%

- As it relates to video calling services:
  - Rebrand this service as video calling (rather than video visitation), which has inappropriately sought to synthesize video calls with visits
  - Work with agency clients that removed in-person visits as required by contract or suggested in negotiations to return in-person visits
  - Move to a standardized per minute rate structure as is employed with telephone calls instead of a flat rate for a specified period
  - Provide all incarcerated people in the custody of agency clients with video calling services with at least one free internet video call per week
o Offer every agency client an agency-paid option with a fixed rate contract for unlimited video calls
o Cap the price of a 30-minute video call at $5.00, including transaction costs, for all billing methods

• As it relates to services provided by Securus’ subsidiary JPay:
  o Money Transfers. Change cost structure to a simple percentage fee no higher than 3% of deposit amount from the tiered structure that over taxes smaller deposits
  o Email. Make email services resemble email services outside correctional facilities to the extent possible (e.g. remove the max word count, allow attachments without the need for additional stamps, etc.) and cap the cost of a stamp at $0.15
  o Tablet Content. Ensure that there are free options for all content (e.g. e-books, music, games, etc.) in every contractual agreement with an agency client and that pricing is commensurate with correctional wages
  o Parole/Probation Processing Fees. Cap the additive fees associated with paying a parole or probation supervision fee to an agency client to 3%
  o Debit Release Cards. Eliminate all fees aside from currency conversion fees for international purchases and a max $2.00 monthly service charge after the first month

• As it relates to other services provided by Securus or any of its subsidiaries:
  o Voicemail. Cap the price of a voicemail at $0.50
  o Voice Biometrics. Contractually commit to never selling voice print data to law enforcement agencies, protecting against the release of voice print data to prosecutors, erasing the voice print data of anyone who has been released from incarceration, and never using voice biometrics to monitor people who are not incarcerated in any way
  o Electronic Monitoring. Encourage agency clients to assume cost of electronic monitoring and, where borne by the person wearing the electronic monitor, cap the cost of such surveillance to $5.00 per month

• As it relates to any other practices of Securus and the related practices of Platinum Equity:
  o Commit to never challenging legislation that regulates the cost of or operational practices associated with Securus’ services or products through litigation or lobbying
  o Commit to not using the fulfillment of any of the above demands until all have been met in marketing or fundraising or with media

We may share this mandate with your existing and potential investors and encourage them to contractually obligate Platinum Equity to these commitments.

While we believe that making these reforms to the cost and service model employed by Securus would be transformative in the lives of those its services and products touch, we reiterate our disapproval of its business and any business that preys on vulnerable communities for its revenue. Accordingly, we continue to implore Platinum Equity to plan for a swift exit from its investment in Securus.

Regards,

Bianca Tylek
Executive Director
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<th>Platinum Equity’s Claim</th>
<th>The Truth</th>
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<tbody>
<tr>
<td>1. Overhauled the</td>
<td>Platinum Equity removed existing management staff just to promote existing junior staff. This newly promoted staff was responsible for lobbying against bills that would make phone calls more accessible in Connecticut.</td>
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<td>management team</td>
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<td>2. Lowering rates to</td>
<td>Securus has never voluntarily reduced rates. Securus’s rates have only fallen because advocates have successfully fought for more affordable phone calls. These reductions should not be attributed to Platinum Equity. Platinum Equity is also looking for credit for telling call recipients the price of a call before asking whether they would like to accept the call. However, transparency of predatory rates is hardly relevant when families have no other options to be in communication with their incarcerated loved ones and must accept such rates.</td>
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<td>customers with increase</td>
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<td>rate transparency</td>
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<td>3. Provided over</td>
<td>Again, Securus has never voluntarily offered free phone calls to any population. There are many agencies that require free phone calls for certain populations, particularly for the first call when someone is arrested. This figure amounts to 40 seconds per person per year in a facility served by Securus.</td>
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<td>785,000 free phone</td>
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<td>calls last year</td>
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<td>4. Supporting the co-</td>
<td>Securus is responsible for the elimination of in-person visits in hundreds of facilities across the country. When Securus introduced video calls, it contractually required facilities to eliminate in-person visits. While the company has since stopped these predatory practices, the harm has been done. It’s much easier to eliminate in-person visits than it is to return them. Securus has done nothing of support facilities through the reintroduction of in-person visits.</td>
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<td>existence of both in-</td>
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<td>person visitation and</td>
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<td>video conferencing</td>
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<td>5. Required 0% site</td>
<td>Securus, and Platinum Equity, typically blame agency customers for their high call rates due to commissions. Not only would their rates be high without commissions, but they also created the commission model that they are looking to scapegoat. Without the commission model, prison telecom would’ve never become its own industry. These companies should receive no credit for offering the least predatory product version.</td>
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<td>commission option</td>
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<td>6. First conversion of a major corrections facility to a fully tax-payer funded model</td>
<td>Neither Securus nor Platinum Equity are responsible for free communications out of New York City jails. More than a dozen advocacy organizations fought hard and long with the City Council to pass legislation that would make phone calls free. Securus had a very clear option: renegotiate the contract or see your contract terminated. There were limited alternatives.</td>
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<td>7. Created the Securus Foundation to reduce recidivism</td>
<td>The Securus Foundation reappropriates funds from the most impoverished communities for charitable giving, and then wants credit. The impoverished communities that must pay for the communities are expected to be gracious because Securus uses their own money to reinvest in them. It's perverse.</td>
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<td>8. Substantially increase investments in privacy and cybersecurity</td>
<td>Over the years, Securus has been routinely exposed for (1) breaches of recorded calls and (2) recording and handing over privileged calls (i.e. attorney calls). These are strict violations for which protections should have always existed.</td>
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