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PUBLIC SERVICE  
COMMISSION

May 16, 2019

**Via Overnight Courier**

Gwen R. Pinson, Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
Frankfort, KY 40602-8294

*Re: Notice of the Transfer of Control of DCT Telecom Group, Inc. and Pro Forma Restructuring*

Dear Director Pinson:

Anthony F. Romano, Jr. and Joseph Anthony Rehak (collectively, "Transferors") and MBS Holdings, Inc. ("Transferee" and collectively with Transferors, the "Parties") hereby notify the Kentucky Public Service Commission ("Commission") of their intent to transfer control of DCT Telecom Group, Inc. ("DCT") from Transferors to Transferee, as described in further detail below (the "Transaction"). The Parties also intend to complete certain *pro forma* changes to DCT's ownership structure, though not its operations, prior to closing in order to facilitate the Transaction.

Pursuant to the Order issued in Admin. Case No. 359 on June 21, 1996 and Admin. Case No. 370 on January 8, 1998 and 807 KAR 5:011, Section 11, prior action by the Commission is not required for the transaction described herein. Accordingly, the Parties submit this letter for informational purposes.

**I. DESCRIPTION OF THE PARTIES**

**A. DCT and Transferors**

DCT is a privately-held Ohio corporation with a principal office located at 27877 Clemens Road, Cleveland, OH 44145 that provides wholesale hosted Voice Over Internet Protocol ("VoIP") and unified communications services and internet access solutions to enterprise customers. DCT is authorized in Kentucky to provide telecommunications services under Competitive Local Exchange Carrier Utility ID Number 22205433.

Each Transferor is a U.S. citizen and resident of the State of Ohio. Transferors are the sole stockholders of DCT, with each Transferor currently holding fifty percent (50%) of the outstanding shares of capital stock of DCT.

**B. Transferee**

Transferee is a Delaware limited liability company with its principal place of business located at 880 Montclair Road, Suite 400, Birmingham, Alabama 35242. Transferee holds one hundred percent (100%) of the membership interests in MBS Intermediate Holdings, LLC, a Delaware limited liability company ("MBS Intermediate Holdings"), which upon the closing of the Transaction will hold one hundred percent (100%) of the membership interests in DCT.

Transferee is the indirect parent company of several subsidiary companies, including Momentum Telecom, Inc. ("Momentum").<sup>1</sup> Momentum is a leading provider of wholesale hosted VoIP and unified communications services. Transferee is ultimately owned and controlled by Castle Holding Company, LLC ("Castle Parent"), a Delaware limited liability company. Castle Parent is an investment holding company that was formed to hold the investments of investment funds managed by the professionals at Court Square Capital Partners ("Court Square"), a leading private equity firm, and members of Transferee's management team and other investors in Castle Parent, as further described in Exhibit A.

Transferee is well-qualified to obtain control of DCT. Members of Transferee's management team have extensive experience operating regulated telecommunications companies. In addition, Court Square is one of the most experienced private equity firms investing in the telecommunications industry and has made numerous portfolio investments in telecommunications businesses throughout the years.

Diagrams depicting the current (pre-closing) ownership of Transferee and post-Transaction ownership of Transferee and its affiliates, including DCT, are provided in Exhibit A.

**II. DESCRIPTION OF THE TRANSACTION**

Pursuant to a Stock Purchase Agreement ("Purchase Agreement") executed on April 13, 2019 among Transferors, Anthony F. Romano, Jr. as the "Sellers' Representative" and MBS Intermediate Holdings, MBS Intermediate Holdings will acquire one hundred percent (100%) of the outstanding membership interests of DCT and, thereby, control of DCT. Prior to the closing, each Transferor will contribute fifty percent (50%) of the outstanding shares of capital stock of DCT to DCT Telecom Group Holdings, Inc., a newly formed corporation in the State of Ohio ("DCT Holdings"). In exchange for such contribution, each Transferor will receive fifty percent (50%) of the outstanding shares of the capital stock of DCT Holdings (the "Pre-Closing Restructuring"). As a result of the Pre-Closing Restructuring, DCT will become a wholly-owned subsidiary of DCT Holdings and Transferors will collectively indirectly hold 100% of the outstanding capital stock of DCT through their ownership of DCT Holdings. Upon completion of the Pre-Closing Restructuring (but prior to closing of the Transaction), DCT will convert from a corporation to a limited liability company under applicable Ohio law.

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<sup>1</sup> MBS Holdings' indirect subsidiary Momentum's certificate to provide telecommunications service within the State of Kentucky (Utility ID Number 5051780) was canceled, effective December 15, 2018.

Following this conversion and pursuant to the Purchase Agreement, MBS Intermediate Holdings will then acquire one hundred percent (100%) of the outstanding membership interests of DCT. As a result, DCT will become an indirect, wholly-owned subsidiary of Transferee. See Exhibit A.

### **III. PUBLIC INTEREST CONSIDERATIONS**

The Parties submit that consummation of the Transaction will serve the public interest by providing additional capital and managerial resources to DCT. The Parties will also benefit from scope and scale efficiencies resulting from combined operations, which will in turn, strengthen their respective competitive positions in the telecommunications marketplace and enable them to more effectively serve their customers.

The proposed Transaction will result only in a change in the ultimate equity ownership of DCT – no assignment of licenses, assets or customers will occur as a consequence of the proposed Transaction. No material changes to the rates, terms and conditions of service offered by DCT to its customers are expected to occur as a result of the Transaction.<sup>2</sup> Accordingly, this Transaction will be, for all practical purposes, largely imperceptible to the customers of DCT. The Transaction also will not adversely affect competition for the provision of telecommunications in the State of Kentucky because all of the customers served by DCT have, and following consummation of the Transaction will continue to have, access to competitive alternatives.

Except for the expected resignation of the Transferors (who are exiting the business), no changes in DCT's existing management and operational personnel are planned as a result of the Transaction and such management and operational personnel are currently expected to continue to actively manage the day-to-day operations of DCT.

For the foregoing reasons, consummation of the Transaction proposed herein will serve the public interest.

### **IV. DESIGNATED CONTACTS**

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

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<sup>2</sup> Any changes to the rates, terms, or conditions offered to customers that may occur in the ordinary course of business in the future will be implemented in conformance with applicable law, including obtaining any required regulatory approvals, tariffing, or other applicable legal requirements.

*For Transferors and DCT:*

DCT Telecom Group, Inc.  
27877 Clemens Road  
Cleveland, OH 44145  
Attention: Anthony F. Romano, Jr.  
Tel: (440) 808-4850  
Fax: (440) 892-2850  
Email: [tromano@4dct.com](mailto:tromano@4dct.com)

Paul C. Besozzi  
Squire Patton Boggs (US) LLP  
2550 M Street, NW  
Washington, DC 20037  
Tel: (202) 457-6000  
Fax: (202) 457-6315  
Email: [paul.besozzi@squirepb.com](mailto:paul.besozzi@squirepb.com)

*For Transferee:*

MBS Holdings, Inc.  
222 Chastain Meadows Court, Suite 100  
Kennesaw, GA 30144  
Attention: Robert F. Hagan  
Chief Financial Officer  
Tel: (470) 632-3979  
Email: [bob.hagan@momentumtelecom.com](mailto:bob.hagan@momentumtelecom.com)

Paige K. Fronabarger  
Wilkinson Barker Knauer, LLP  
1800 M Street, N.W., Suite 800N  
Washington, D.C. 20036  
Tel: (202) 783-4141  
Fax: (202) 783-5851  
PFronabarger@wbklaw.com

**V. CONCLUSION**

For the reasons stated above, the proposed Transaction will serve the public interest.

Enclosed with the original of this letter, please find four (4) copies of this notice and a duplicate copy. Please date-stamp the duplicate upon receipt and return it in the envelope provided. If you have any questions regarding this notification, please contact the undersigned.

Respectfully submitted,

*/s/ Paul C. Besozzi*

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Paul C. Besozzi  
Squire Patton Boggs (US) LLP  
2550 M Street, NW  
Washington, DC 20037  
Tel: (202) 457-6000  
Fax: (202) 457-6315  
Email: [paul.besozzi@squirepb.com](mailto:paul.besozzi@squirepb.com)

*Counsel to Transferors and DCT Telecom  
Group, Inc.*

*/s/ Paige K. Fronabarger*

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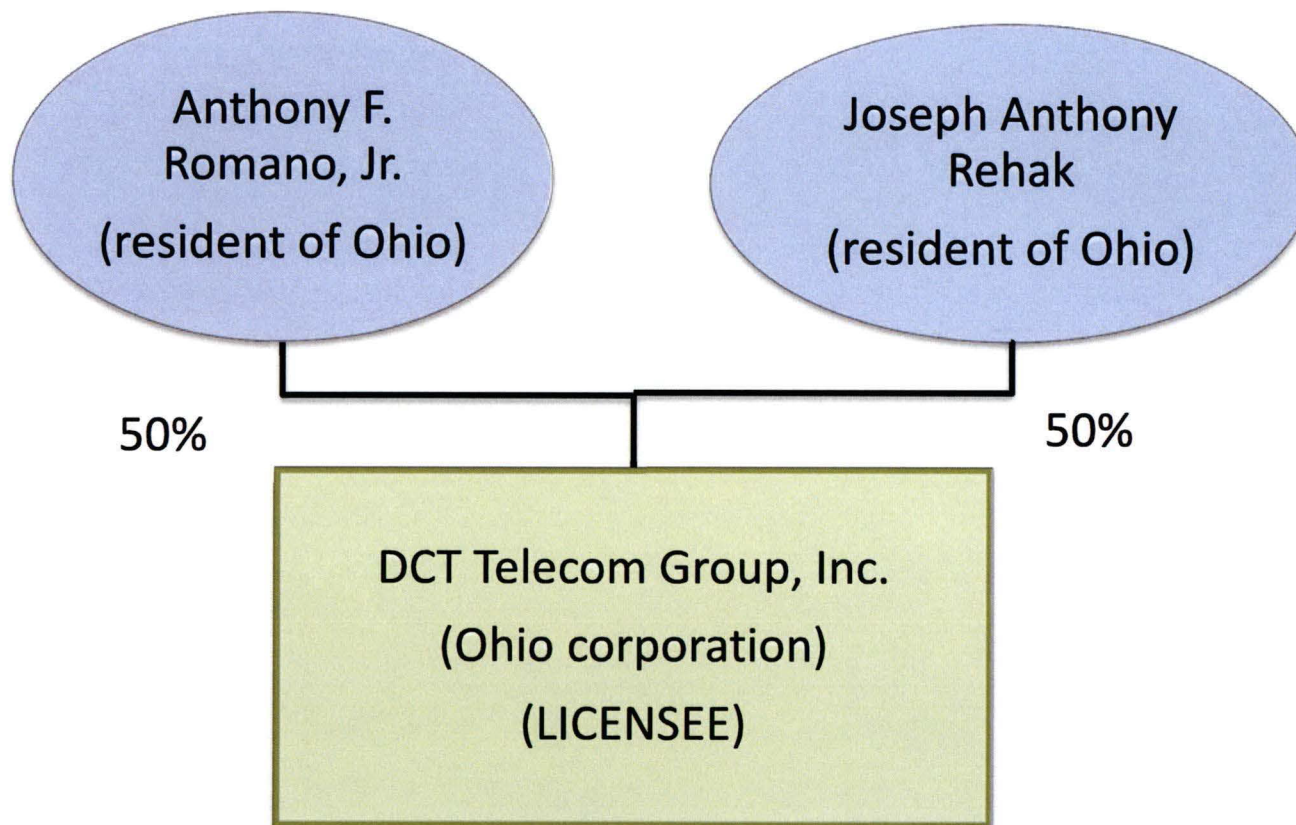
Paige K. Fronabarger  
Wilkinson Barker Knauer, LLP  
1800 M Street, N.W., Suite 800N  
Washington, DC 20036  
Tel: (202) 783-4141  
Fax: (202) 783-5851  
Email: [pfronabarger@wbklaw.com](mailto:pfronabarger@wbklaw.com)

*Counsel to MBS Holdings, Inc.*

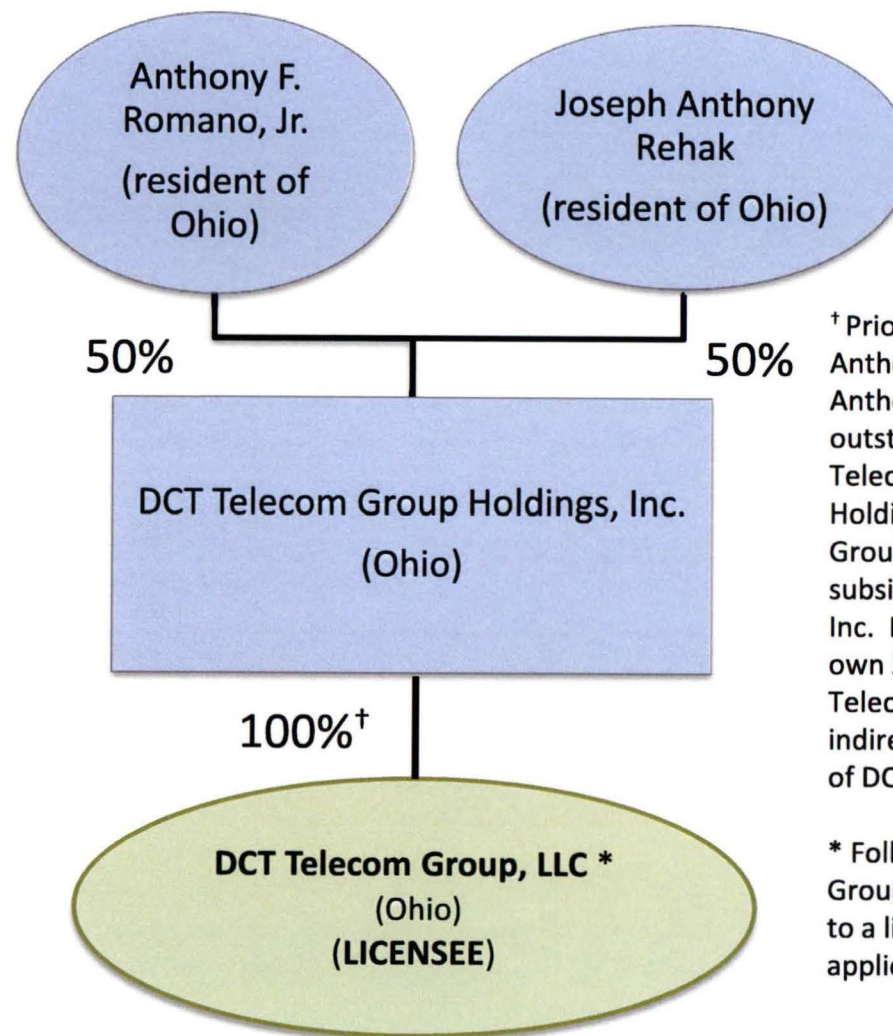
**EXHIBIT A**

Pre- and Post-Transaction Organizational Charts

**Current Structure  
DCT Telecom Group, Inc.**



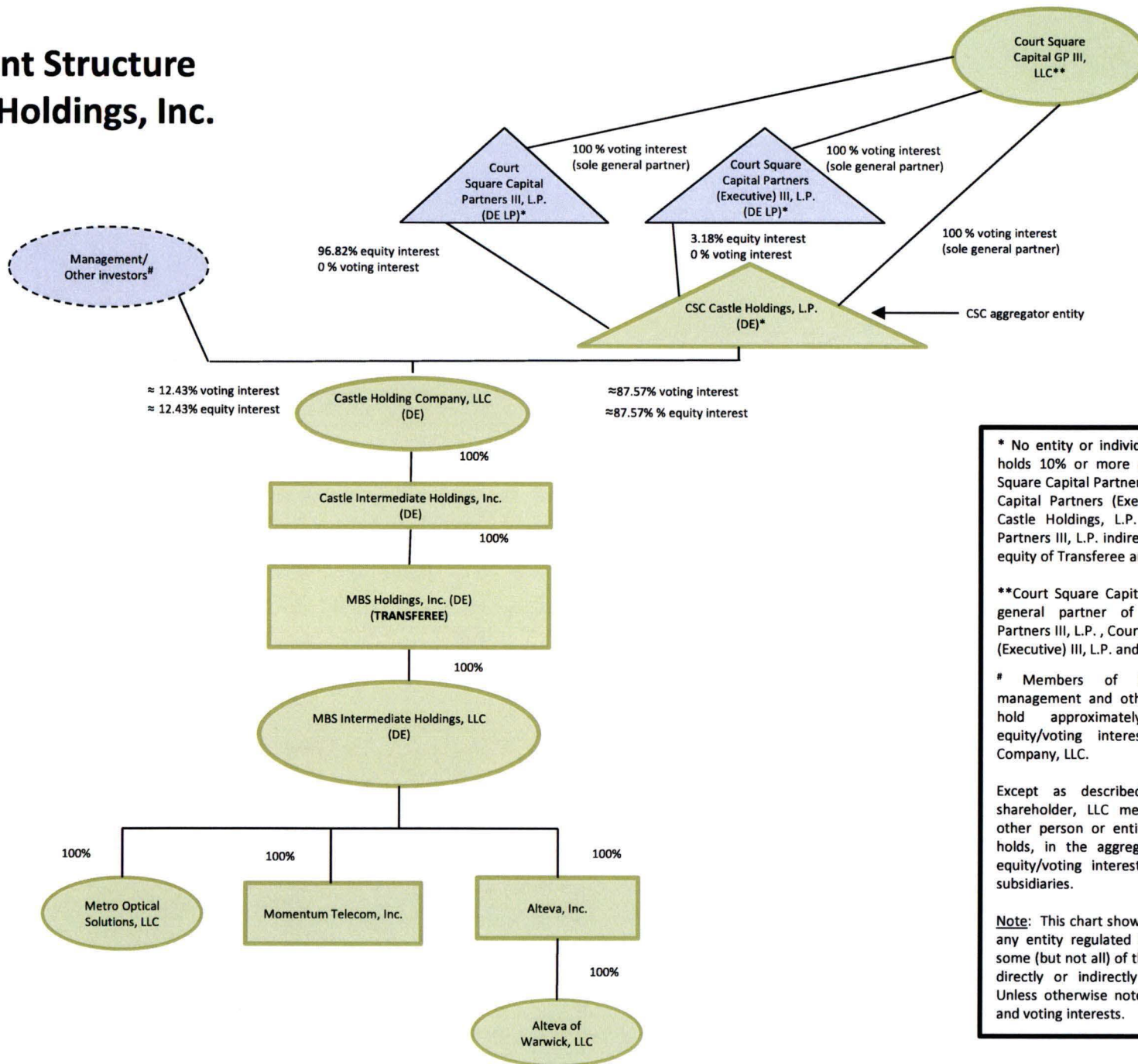
**Pre-Closing Restructuring of  
DCT Telecom Group, Inc.  
and Conversion of DCT  
Telecom Group, Inc. to DCT  
Telecom Group, LLC**



† Prior to the closing of the Transaction, Mr. Anthony F. Romano, Jr. and Mr. Joseph Anthony Rehak will contribute 100% of the outstanding shares of capital stock of DCT Telecom Group, Inc. to DCT Telecom Group Holdings, Inc., resulting in DCT Telecom Group, Inc. becoming a wholly-owned direct subsidiary of DCT Telecom Group Holdings, Inc. Mr. Romano and Mr. Rehak will each own 50% of the outstanding stock of DCT Telecom Group Holdings, Inc. and each indirectly own 50% of the outstanding stock of DCT Telecom Group, Inc.

\* Following the contribution, DCT Telecom Group, Inc. will convert from a corporation to a limited liability company under applicable Ohio law.

# Current Structure MBS Holdings, Inc.



\* No entity or individual directly or indirectly holds 10% or more of the equity of Court Square Capital Partners III, L.P. or Court Square Capital Partners (Executive) III, L.P. or CSC Castle Holdings, L.P. Court Square Capital Partners III, L.P. indirectly holds 84.79% of the equity of Transferee and its subsidiaries.

\*\*Court Square Capital GP III, LLC is the sole general partner of Court Square Capital Partners III, L.P., Court Square Capital Partners (Executive) III, L.P. and CSC Castle Holdings, LP

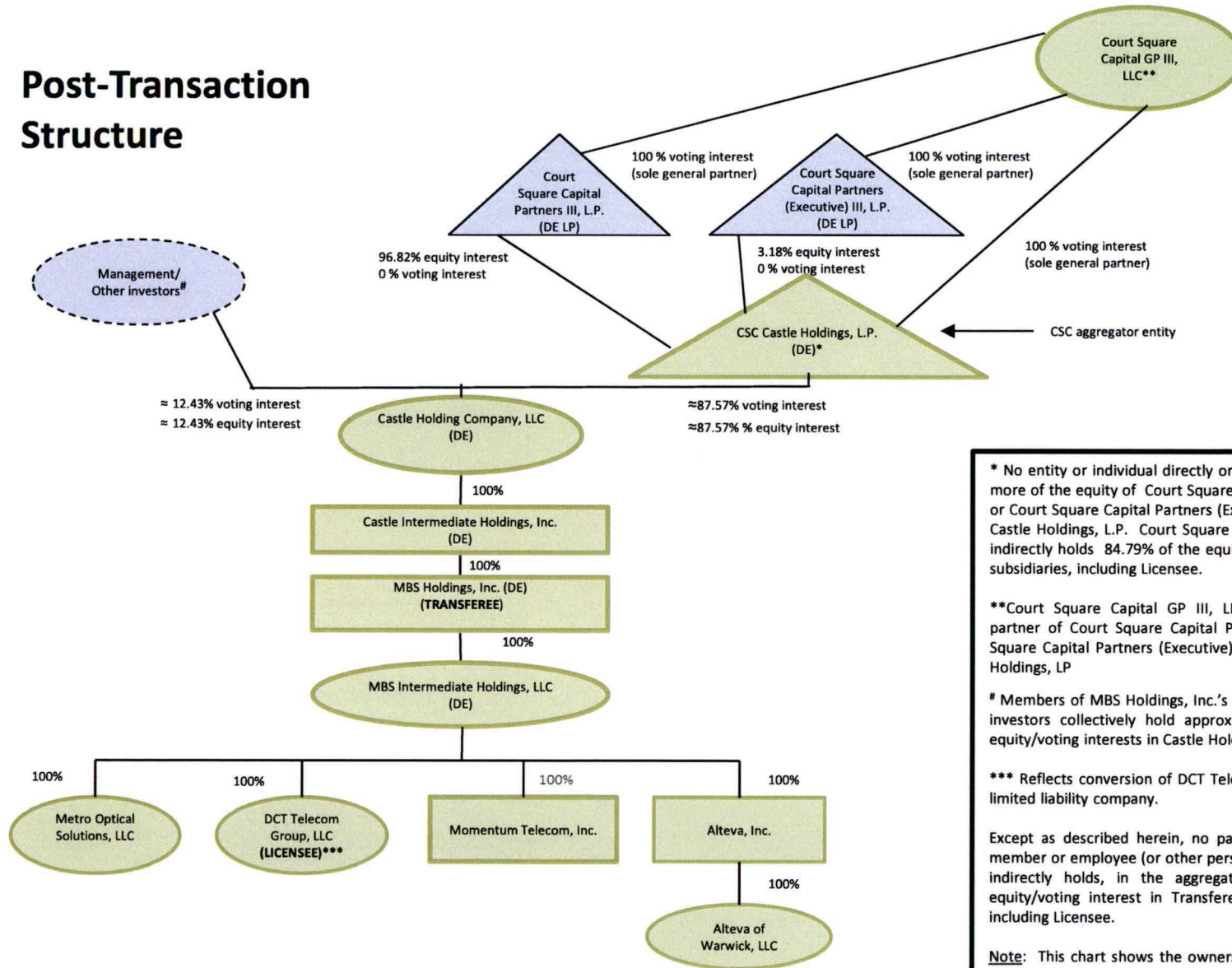
# Members of MBS Holdings, Inc.'s management and other investors collectively hold approximately 12.43% of the equity/voting interests in Castle Holding Company, LLC.

Except as described herein, no partner, shareholder, LLC member or employee (or other person or entity) directly or indirectly holds, in the aggregate, a 10% or greater equity/voting interest in Transferee and its subsidiaries.

**Note:** This chart shows the ownership chain of any entity regulated by the Commission and some (but not all) of the other entities that are directly or indirectly owned by Transferee. Unless otherwise noted, all %'s reflect equity and voting interests.



# Post-Transaction Structure



\* No entity or individual directly or indirectly holds 10% or more of the equity of Court Square Capital Partners III, L.P. or Court Square Capital Partners (Executive) III, L.P. or CSC Castle Holdings, L.P. Court Square Capital Partners III, L.P. indirectly holds 84.79% of the equity of Transferee and its subsidiaries, including Licensee.

\*\*Court Square Capital GP III, LLC is the sole general partner of Court Square Capital Partners III, L.P. , Court Square Capital Partners (Executive) III, L.P. and CSC Castle Holdings, LP

# Members of MBS Holdings, Inc.'s management and other investors collectively hold approximately 12.43% of the equity/voting interests in Castle Holding Company, LLC.

\*\*\* Reflects conversion of DCT Telecom Group, Inc. into a limited liability company.

Except as described herein, no partner, shareholder, LLC member or employee (or other person or entity) directly or indirectly holds, in the aggregate, a 10% or greater equity/voting interest in Transferee and its subsidiaries, including Licensee.

**Note:** This chart shows the ownership chain of any entity regulated by the Commission and some (but not all) of the other entities that are directly or indirectly owned by Transferee. Unless otherwise noted, all %'s reflect equity and voting interests.