

May 16, 2019

Via Electronic Filing

Mark L. Johnson, Executive Director and Secretary
Washington Utilities and Transportation Commission
1300 South Evergreen Park Drive, SW
Olympia, WA 98504-7250
records@wutc.wa.gov

Received
Records Management
05/16/19 08:01
State Of WASH.
UTIL. AND TRANSP.
COMMISSION

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

Dear Secretary Johnson:

Anthony F. Romano, Jr. and Joseph Anthony Rehak (collectively, "Transferors") and MBS Holdings, Inc. ("Transferee" and collectively with Transferors, the "Parties") hereby notify the Washington Utilities and Transportation 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.

It is the Parties' understanding that Commission action is not required to complete the Transaction and Pre-Closing Restructuring (defined below). Accordingly, the Parties submit this notice for informational purposes to ensure the continuing accuracy of the Commission's records.

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 was granted a Certificate of Registration to operate as a competitive supplier of telecommunications service within the State of Washington on July 23, 2005, in Docket No. UT-050117.

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").¹ 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. Court Square has made numerous portfolio investments in telecommunications businesses throughout the years and currently controls Conterra Ultra Broadband, LLC ("Conterra").²

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.

Following this conversion and pursuant to the Purchase Agreement, MBS Intermediate Holdings will then acquire one hundred percent (100%) of the outstanding membership

¹ MBS Holdings' indirect subsidiary Momentum's certificate to provide telecommunications service within the State of Washington was canceled on September 10, 2016, in Docket No. UT-161006.

² The Commission granted Conterra a Certificate of Registration to operate as a competitive supplier of telecommunications service within the State of Washington on February 12, 2013, in Docket No. UT-130181.

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.³ 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 Washington 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:

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

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

³ 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 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

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

We would appreciate an acknowledgement of receipt and acceptance of this filing which is being submitted electronically. If you have any questions regarding this notification, please contact the undersigned.

Respectfully submitted,

/s/ Paul C. Besozzi

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

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

/s/ Paige K. Fronabarger

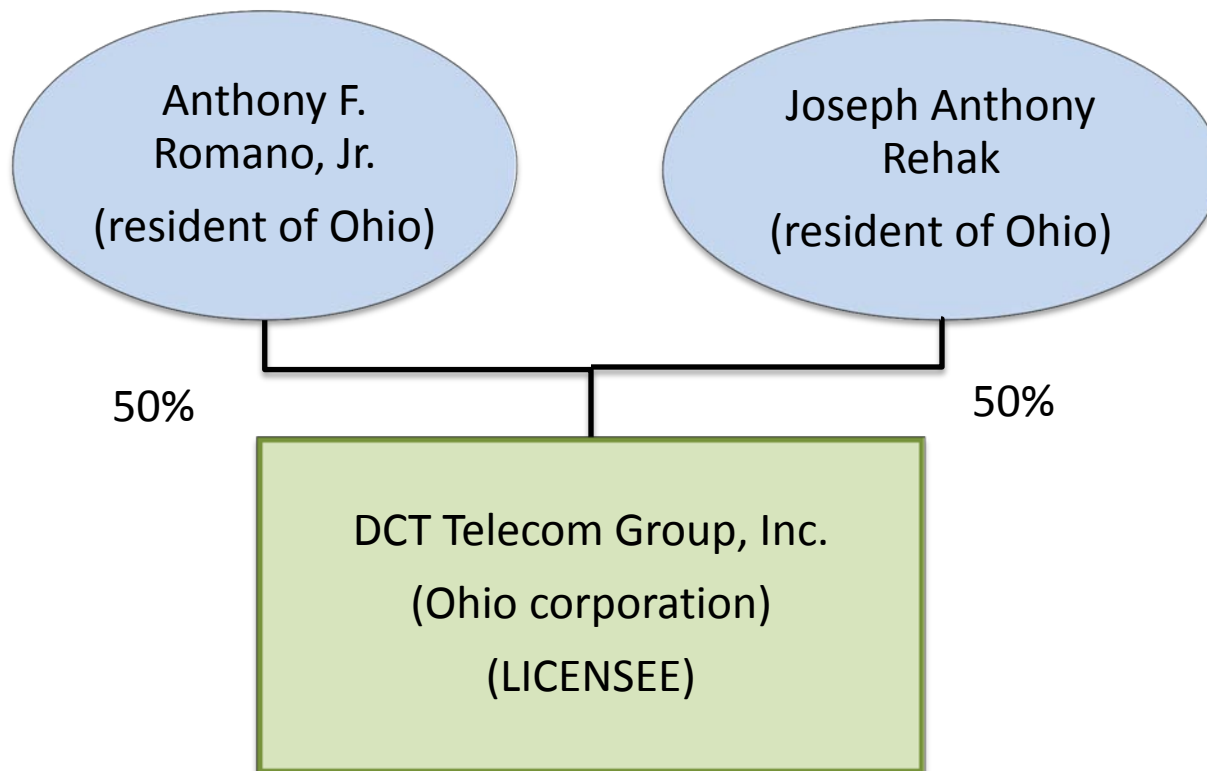
Paige K. Fronabarger
Wilkinson Barker Knauer, LLP
1800 M Street, N.W., Suite 800N
Washington, DC 20036
Tel: (202) 783-4141
Fax: (202) 783-5851
Email: pfronabarger@wbklaw.com

Counsel to MBS Holdings, Inc.

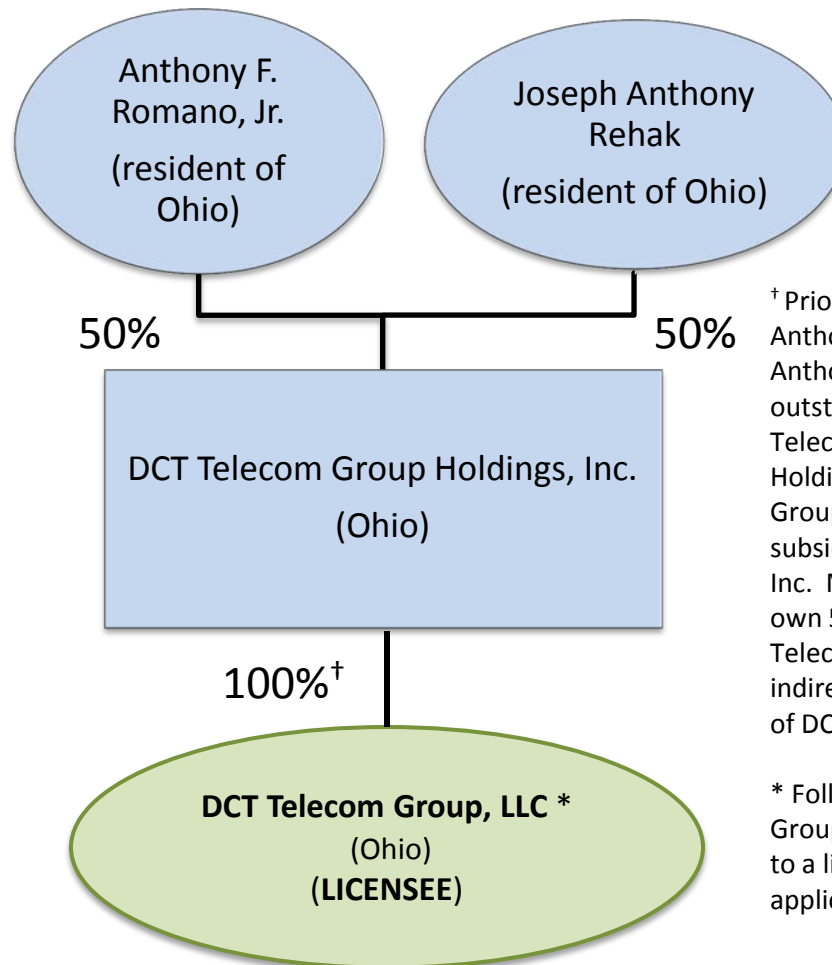
EXHIBIT A

Pre- and Post-Transaction Organizational Charts

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



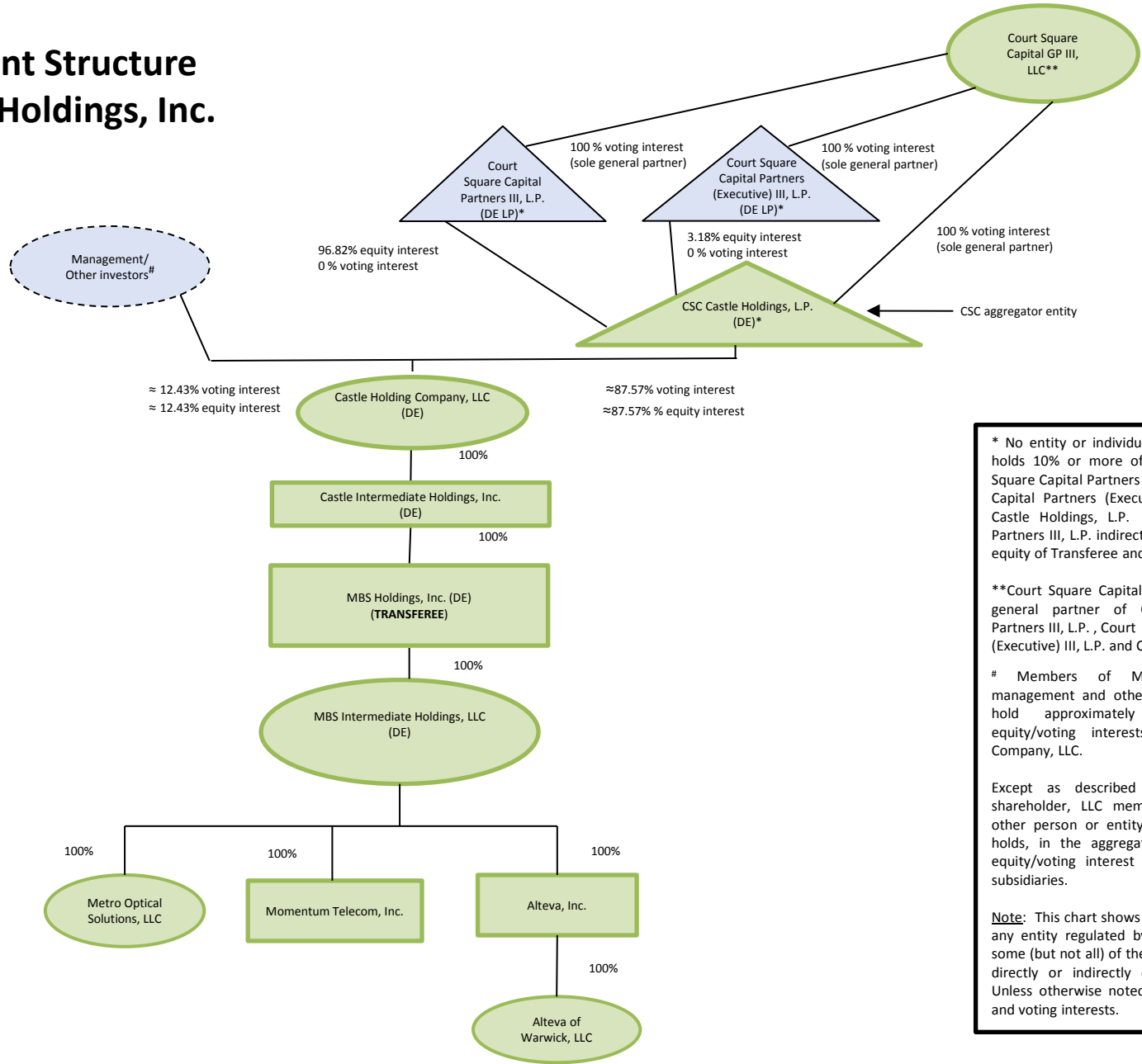
**Pre-Closing Restructuring of
DCT Telecom Group, Inc.
and Conversion of DCT
Telecom Group, Inc. to DCT
Telecom Group, LLC**



[†] 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.

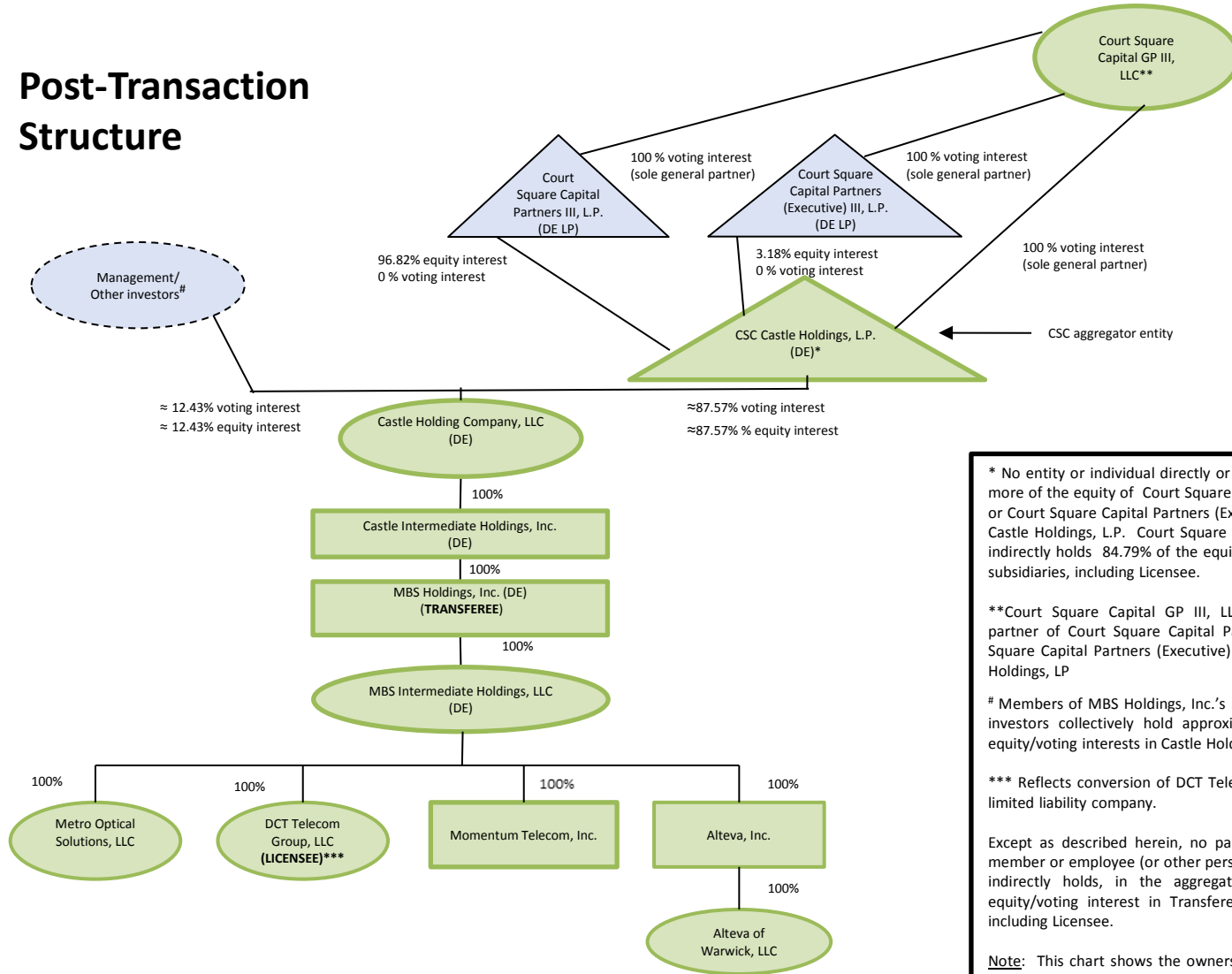
**Court Square Capital GP III, LLC is the sole general partner of Court Square Capital Partners III, L.P., Court Square Capital Partners (Executive) III, L.P. and CSC Castle Holdings, LP

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.