



PUBLIC NOTICE

Federal Communications Commission
45 L St., N.E.
Washington, D.C. 20554

News Media Information 202 / 418-0500
Internet: <http://www.fcc.gov>

DA 21-1284

Released: October 13, 2021

**DOMESTIC SECTION 214 APPLICATION FILED FOR THE
TRANSFER OF CONTROL OF
CLIMAX TELEPHONE COMPANY D/B/A CTS TELECOMMUNICATIONS, INC.
TO METRONET SYSTEMS HOLDINGS, LLC**

STREAMLINED PLEADING CYCLE ESTABLISHED

WC Docket No. 21-377

Comments Due: October 27, 2021

Reply Comment Due: November 3, 2021

By this Public Notice, the Wireline Competition Bureau seeks comment from interested parties on an application filed by MetroNet Systems Holdings, LLC (MetroNet Systems Holdings), CTS Communications Corporation, and Climax Telephone Company d/b/a CTS Telecommunications, Inc. (Climax) (collectively, Applicants), pursuant to section 214 of the Communications Act of 1934, as amended, and sections 63.03-04 of the Commission's rules, requesting consent for MetroNet Systems Holdings to acquire ownership and control of CTS Communications Corporation and indirect ownership of Climax.¹

Climax, a Michigan corporation, provides service as an incumbent local exchange carrier (LEC) in Climax, Michigan and as a competitive LEC in the Kalamazoo, Galesburg, Scotts, and Battle Creek exchanges in Michigan.² Climax is a direct, wholly owned subsidiary of CTS Communications Corporation, a Michigan corporation and holding company that does not itself provide telecommunications services.

MetroNet Systems Holdings, a Delaware limited liability company, is a direct, wholly owned subsidiary of Metronet Holdings, LLC (Holdings). Holdings, a Delaware holding company,

¹ See 47 U.S.C. § 214; 47 CFR §§ 63.03-04. Joint Application for Grant of Authority Pursuant to Section 214 of the Communications Act of 1934, as Amended, and Section 63.04 of the Commission's Rules to Transfer Indirect Control of Climax Telephone Company to MetroNet Systems Holdings, LLC, WC Docket No. 21-377 (filed Sept. 29, 2021) (Application). Applicants also filed applications for the transfer of authorizations associated with international services. Any action on this domestic section 214 application is without prejudice to Commission action on other related, pending applications.

² Climax is an eligible telecommunications carrier under section 214 of the Act and receives universal service support through the E-Rate, High Cost and Lifeline programs.

provides telecommunications and other services through the following U.S.-based subsidiaries: CMN, a competitive LEC and interexchange carrier serving areas in Indiana and Kentucky; Jaguar, a competitive LEC and interexchange provider serving areas of Minnesota; and MFN, a competitive LEC and interexchange provider in Florida, Illinois, Indiana, Iowa, Kentucky, Michigan, Minnesota, North Carolina, Wisconsin, and Virginia. The following entities hold a 10% or greater interest in Holdings: the Oak Hill Investors;³ the Cinelli Investors;⁴ and funds advised and/or managed by indirect subsidiaries of KKR & Co. Inc. (KKR).⁵ Applicants state that although Holdings does not have a majority interest holder, the Oak Hill Investors and the Cinelli Investors each have negative *de facto* control.

Pursuant to the terms of the proposed transaction, MetroNet Systems Holdings will acquire all the outstanding capital stock of CTS Communications Corporation. Upon completion of the proposed transaction, CTS Communications Corporation will be a direct, wholly owned subsidiary of MetroNet Systems Holdings, and Climax will be an indirect, wholly owned subsidiary of MetroNet Systems Holdings.

Applicants request streamlined treatment of the proposed transaction under the Commission's rules and assert that a grant of the Application would serve the public interest, convenience, and necessity.⁶ We accept the Application for filing under section 63.03(b)(2)(iii) of the Commission's rules.⁷

³ The Application at Exhibit B describes in detail the post-transaction ownership of Climax. Oak Hill Investors are affiliated with Oak Hill Capital Management and include OHCP MGP V, Ltd. (OHCP MGP V) and certain funds and entities that it controls and OHCP GenPar Super HoldCo GP, Ltd. and certain funds and entities that it controls. Oak Hill Capital Management, a private equity fund, is based in the U.S. but whose funds are organized in the Cayman Islands. Control of these funds ultimately rests in U.S. entities or citizens. OHCP MGP V, a Cayman Islands entity, is the ultimate general partner of certain Oak Hill Investors. OHCP MGP V indirectly holds a 39.9% interest in Holdings, with its shares distributed equally among twelve U.S. citizens. Through the Oak Hill Investors that it controls, OHCP MGP V currently holds a 10% or greater interest in Otelco, Inc. and its subsidiaries, Ontario Telephone Company, Trumansburg Telephone Company, Inc., and Finger Lakes Communications Group, Inc., all of which provide incumbent LEC and competitive LEC services in multiple states. OHCP MGP V also holds a 10% or greater interest in several other entities providing competitive telecommunications, cable service, and other services in multiple states. Applicants state that the service territories of Climax are not adjacent to and do not overlap with the service territories of the entities owned by OHCP MGP V. OHCP GenPar Super HoldCo GP, Ltd. has three equal shareholders, all of which are U.S. citizens. Seven individuals may hold a 10% or greater interest in Oak Hill Investors, all of whom are U.S. citizens.

⁴ Applicants provide information on each of the entities and individuals who are included in the Cinelli Investors in the Application at Exhibit B. Applicants state that all the Cinelli Investors are U.S. citizens, trusts, or entities. John Cinelli and Janet Cinelli, both U.S. citizens, are the Co-Trustees and control Cinelli Investors.

⁵ KKR, an investment firm, and the KKR investor entities are owned by one or more funds advised and/or managed by indirect subsidiaries of KKR, a publicly-traded Delaware corporation. Two U.S. citizens jointly control KKR Management LPL, a Delaware limited liability partnership, which holds the right to elect and remove the members of KKR & Co. Inc.'s board of directors.

⁶ In the *Executive Branch Review Process Order*, the Commission set out categories of applications with reportable foreign ownership that may be excluded from referral to the Executive Branch for review for national security, law enforcement, foreign policy, and trade policy issues. See *Process Reform for Executive Branch Review of Certain FCC Applications and Petitions Involving Foreign Ownership*, IB Docket 16-155, Report and Order, 35 FCC 10927, 10938-42, paras. 29-39 (2020) (*Executive Branch Review Process Order*).

Domestic Section 214 Application Filed for the Transfer Of Control Of Climax Telephone Company To Metronet Systems Holdings, LLC, WC Docket No. 21-377 (filed Sept. 29, 2021).

GENERAL INFORMATION

The transfer of control identified herein has been found, upon initial review, to be acceptable for filing as a streamlined application. The Commission reserves the right to return any transfer application if, upon further examination, it is determined to be defective and not in conformance with the Commission's rules and policies. Pursuant to section 63.03(a) of the Commission's rules, 47 CFR § 63.03(a), interested parties may file comments **on or before October 27, 2021**, and reply comments **on or before November 3, 2021**. Pursuant to section 63.52 of the Commission's rules, 47 CFR § 63.52, commenters must serve a copy of comments on the Applicants no later than the above comment filing date. Unless otherwise notified by the Commission, the Applicants may transfer control on the 31st day after the date of this notice.

Pursuant to section 63.03 of the Commission's rules, 47 CFR § 63.03, parties to this proceeding should file any documents using the Commission's Electronic Comment Filing System (ECFS): <http://apps.fcc.gov/ecfs/>.

In addition, e-mail one copy of each pleading to each of the following:

- 1) Myrva Charles, Competition Policy Division, Wireline Competition Bureau, myrva.charles@fcc.gov;
- 2) Dennis Johnson, Competition Policy Division, Wireline Competition Bureau, dennis.johnson@fcc.gov;
- 3) David Krech, Telecommunications and Analysis Division, International Bureau, david.krech@fcc.gov; and
- 4) Jim Bird, Office of General Counsel, jim.bird@fcc.gov.

People with Disabilities: We ask that requests for accommodations be made as soon as possible in order to allow the agency to satisfy such requests whenever possible. Send an email to fcc504@fcc.gov or call the Consumer and Governmental Affairs Bureau at (202) 418-0530.

The proceeding in this Notice shall be treated as a "permit-but-disclose" proceeding in accordance with the Commission's *ex parte* rules. Persons making *ex parte* presentations must file a copy of any written presentation or a memorandum summarizing any oral presentation within two business days after the presentation (unless a different deadline applicable to the Sunshine period applies). Persons making oral *ex parte* presentations are reminded that memoranda summarizing the presentation must (1) list all persons attending or otherwise participating in the meeting at which the *ex parte* presentation was made, and (2) summarize all data presented and arguments made during the presentation. If the presentation consisted in whole or in part of the presentation of data or arguments already reflected in the presenter's written comments, memoranda or other filings in the

Applicants have made a showing that the only reportable foreign ownership in MetroNet Holdings, LLC is through passive, offshore intermediary holding companies and that 100% of the ultimate control is held by U.S. citizens or entities. We are exercising our discretion and are not referring this application to the Executive Branch agencies. *See id.* at 10941, para. 36, n.99; *see also id.* at 10957, para. 81, n.205.

⁷ 47 CFR § 63.03(b)(2)(iii).

proceeding, the presenter may provide citations to such data or arguments in his or her prior comments, memoranda, or other filings (specifying the relevant page and/or paragraph numbers where such data or arguments can be found) in lieu of summarizing them in the memorandum. Documents shown or given to Commission staff during *ex parte* meetings are deemed to be written *ex parte* presentations and must be filed consistent with rule 1.1206(b), 47 CFR § 1.1206(b). Participants in this proceeding should familiarize themselves with the Commission's *ex parte* rules.

To allow the Commission to consider fully all substantive issues regarding the application in as timely and efficient a manner as possible, petitioners and commenters should raise all issues in their initial filings. New issues may not be raised in responses or replies.⁸ A party or interested person seeking to raise a new issue after the pleading cycle has closed must show good cause why it was not possible for it to have raised the issue previously. Submissions after the pleading cycle has closed that seek to raise new issues based on new facts or newly discovered facts should be filed within 15 days after such facts are discovered. Absent such a showing of good cause, any issues not timely raised may be disregarded by the Commission.

For further information, please contact Myrva Charles at (202) 418-1506 or Dennis Johnson at (202) 418-0809.

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⁸ See 47 CFR § 1.45(c).