



# PUBLIC NOTICE

Federal Communications Commission  
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## DOMESTIC SECTION 214 APPLICATION GRANTED FOR THE TRANSFER OF CONTROL OF IDEATEK TELCOM, LLC

### WC Docket No. 22-391

By this Public Notice, the Wireline Competition Bureau (Bureau) grants an application filed by Daniel P. Friesen and IdeaTek Telcom, LLC (IdeaTek) (collectively, Applicants), pursuant to section 214 of the Communications Act of 1934, as amended, and sections 63.03-04 of the Commission's rules,<sup>1</sup> requesting consent to transfer control of IdeaTek.<sup>2</sup>

On December 9, 2022, the Bureau released a Public Notice seeking comment on the Application.<sup>3</sup> The Bureau did not receive comments or petitions in opposition to the Application.

### Applicants and Description of Transaction

IdeaTek, a Kansas limited liability company, provides competitive voice and broadband services and is a competitive local exchange carrier serving approximately 15,000 subscribers in Kansas.<sup>4</sup> IdeaTek is an Eligible Telecommunications Carrier (ETC) and receives Connect America Fund (CAF) Phase II Auction 903 support in Kansas.<sup>5</sup> On March 15, 2022, the Bureau also authorized IdeaTek to receive \$23,590.60 in Rural Digital Opportunity Fund (RDOF) Auction 904 support to provide service to

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<sup>1</sup> See 47 U.S.C. § 214; 47 CFR §§ 63.03-04.

<sup>2</sup> Application of Daniel P. Friesen, IdeaTek Telcom, LLC for Consent to Transfer Control of Domestic Section 214 Authorization, WC Docket No. 22-391 (filed Nov. 8, 2022) (Application). Applicants filed supplements to their application on December 6, 2022 and December 12, 2022. Letter from Stephen E. Coran, Counsel to IdeaTek Telcom, LLC, to Marlene H. Dortch, Secretary, FCC, WC Docket No. 22-391 (filed Dec. 6, 2022); Letter from Stephen E. Coran, Counsel to IdeaTek Telcom, LLC, to Marlene H. Dortch, Secretary, FCC, WC Docket No. 22-391 (filed Dec. 12, 2022) (Dec. 12 Supplement). Applicants also filed applications for the transfer of wireless licenses. Any action on this domestic section 214 application is without prejudice to Commission action on other related, pending applications.

<sup>3</sup> See *Domestic Section 214 Application Filed for the Transfer of Control of IdeaTek Telcom, LLC*, WC Docket No. 22-391, Public Notice, DA 22-1285 (WCB Dec. 9, 2022).

<sup>4</sup> Application at 2.

<sup>5</sup> *Id.* IdeaTek was the winning bidder for \$6,186,881.60 of CAF Phase II Auction 903 support to serve 2,490 locations in Kansas. See *Connect America Fund Phase II Auction Support Authorized for 856 Winning Bids*, WC Docket No. 10-90, AU Docket No. 17-182, Public Notice, 34 FCC Rcd 4725, Attach. A (Authorized Long-Form Applicants and Winning Bids) (WCB 2019) (*CAF Phase II Public Notice*).

an estimated 89 locations in Kansas.<sup>6</sup> Daniel Friesen, a U.S. citizen, currently owns 53.21% of IdeaTek and is the sole manager, and Jerrod Reimer, a U.S. citizen, owns 13.54% of the company.<sup>7</sup>

Applicants state that “Pursuant to the terms of a Convertible Secured Promissory Note (‘Convertible Note’) and a Convertible Note Purchase Agreement (‘Purchase Agreement’), Peppertree Capital Fund IX, LP, a Delaware limited partnership, Peppertree Capital Fund IX QP, LP, a Delaware limited partnership, and Peppertree Capital FIX Co-Investors, LLC, (collectively, the ‘Peppertree Funds’), an Ohio limited liability company, made a significant debt investment in IdeaTek and acquired the right to convert its debt into ownership of up to a total of 49.5% in IdeaTek, subject to the prior consent of the Commission to a transfer of control of IdeaTek’s domestic section 214 authorization and wireless licenses.”<sup>8</sup> Following consummation of the proposed transaction, Peppertree Capital Fund IX QP, LP would own approximately 47.3% of IdeaTek, and the two other funds each would own approximately 1%.<sup>9</sup> The Peppertree Funds are managed by Peppertree Capital Management, Inc. (PCMI), an Ohio private equity firm controlled by United States citizens.<sup>10</sup> Upon consummation of the proposed transaction, the Convertible Note will convert to equity in IdeaTek, and Daniel P. Friesen’s interest will be reduced from 53.21% to 24.46%, thereby effectuating a transfer of control of IdeaTek.<sup>11</sup> Applicants state that the PCMI entities and their affiliates do not provide any telecommunications services.<sup>12</sup>

Applicants assert that a grant of the Application would serve the public interest, convenience, and necessity, and that PCMI’s capital investment will enhance IdeaTek’s ability to meet and accelerate service obligations for its CAF and RDOF locations under the company’s existing management.<sup>13</sup>

## **Discussion**

We find, upon consideration of the record, that a grant of the Application will serve the public interest, convenience, and necessity. To make this determination under Commission precedent, we consider whether the proposed transaction could result in public interest harms by substantially frustrating or impairing the objectives or implementation of the Act or related statutes.<sup>14</sup> We then employ a

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<sup>6</sup> Application at 3; *see also Rural Digital Opportunity Fund Support Authorized for 5,657 Winning Bids*, AU Docket No. 20-34, WC Docket Nos. 19-126, 10-90, Public Notice, DA 22-280 at Attach. A (Authorized Long-Form Applicants and Winning Bids) (WCB 2022) (*RDOF Public Notice*).

<sup>7</sup> Application at 11-12.

<sup>8</sup> *Id.* at 3.

<sup>9</sup> *Id.* at 2, Exh. A. (Post-Transaction Corporate Ownership Structure).

<sup>10</sup> *Id.* at 4, 12.

<sup>11</sup> *Id.* at 5; Dec. 12 Supplement (Verification). Separately, Mr. Reimer’s interest will fall below 10%, and after consummation, IdeaTek will be managed by a five-person board consisting of Mr. Friesen, Mr. Reimer, and Mr. Daniel Solomon, all of whom are current officers of the company, along with two members appointed by PCMI. *Id.*

<sup>12</sup> *Id.* at 13; Dec. 12 Supplement (Verification).

<sup>13</sup> Application at 7-11.

<sup>14</sup> *See, e.g., Application of Verizon Communications Inc. and América Móvil S.A.B. de C.V for Consent to Transfer Control of International Section 214 Authorization*, GN Docket No. 21-112, IBFS File No. ITC-T/C-20200930-00173, Memorandum Opinion and Order, 36 FCC Rcd 16994, 16996, para. 21 (2021) (*Verizon-TracFone Order*) (citing *China Mobile International (USA) Inc., Application for Global Facilities-Based and Global Resale International Telecommunications Authority Pursuant to Section 214 of the Communications Act of 1934, as Amended*, ITC-214-20110901-00289, Memorandum Opinion and Order, 34 FCC Rcd 3361, 3366, para. 9 (2019); *Applications for Consent to the Assignment and/or Transfer of Control of Licenses, Adelphia Communications Corporation (and Subsidiaries, Debtors-in-Possession), Assignors, to Time Warner Cable Inc. (Subsidiaries)*,

balancing test that weighs any potential public interest harms of the proposed transaction against any potential public interest benefits.<sup>15</sup> The Applicants bear the burden of proving, by a preponderance of the evidence, that the proposed transaction, on balance, serves the public interest.<sup>16</sup>

We find that the record contains no evidence of any potential public interest harms. First, the proposed transaction will not result in a reduction of competition. The PCMI entities are not affiliated with any domestic telecommunications carriers,<sup>17</sup> and there will thus be no physical overlap or reduction in service providers in any markets as a result of the transaction. Further, Applicants state that the transaction will “not impact IdeaTek’s customers” and will have “no adverse –or, indeed, any– impact on customers and will not alter the planned manner of service delivery or billing.”<sup>18</sup> Applicants state further that no changes are planned to IdeaTek’s rates, terms, and conditions of services,<sup>19</sup> and we thus expect no potential harm to existing customers to result from the transaction.

Second, IdeaTek will remain financially, managerially, and technically obligated to meet all public interest and performance obligations associated with the receipt of CAF Phase II and RDOF funding in accordance with the Commission’s pre-transaction approval of its qualifications, and we expect that the proposed transaction will not negatively impact these obligations.<sup>20</sup> Applicants have confirmed that the proposed transaction will not affect IdeaTek’s deployment plans.<sup>21</sup> Specifically, Applicants state: “The debt conversion will not adversely impact IdeaTek’s ability to meet its CAF or RDOF commitments and, in fact, provides additional liquidity to accelerate buildout and growth and facilitate additional investment should it be necessary. The funds loaned to IdeaTek under the Convertible Note enabled IdeaTek to retire approximately 30% of its existing bank debt, and the conversion of the loan to equity will enhance IdeaTek’s access to other sources of capital.”<sup>22</sup> Applicants have also confirmed that “there will be no changes in the management of IdeaTek or the technology used by IdeaTek to provide service as a result of the proposed Transaction.”<sup>23</sup> Overall, we conclude that the record in this proceeding does not support a finding of a public interest harm.

We next consider whether the proposed transaction is likely to generate verifiable, transaction-

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*Assignees; Adelphia Communications Corporation, (and Subsidiaries, Debtors-in-Possession), Assignors and Transferors et al.*, MB Docket No. 05-192, Memorandum Opinion and Order, 21 FCC Rcd 8203, 8219-21, paras. 27-28 (2006) (*Adelphia-TWC Order*)).

<sup>15</sup> See *Verizon-TracFone Order*, 36 FCC Rcd at 16996, para. 21 (citing *Applications of AT&T Inc. and DIRECTV for Consent to Assign or Transfer Control of Licenses and Authorizations*, MB Docket No. 14-90, Memorandum Opinion and Order, 30 FCC Rcd 9131, 9140, para. 18 (2015) (*AT&T-DIRECTV Order*)) (further citations omitted).

<sup>16</sup> See *Verizon-TracFone Order*, 36 FCC Rcd at 16996, para. 21 (citing *AT&T-DIRECTV Order*, 30 FCC Rcd at 9140, para. 18; *Adelphia-TWC Order*, 21 FCC Rcd at 8217, para. 23; *Application of EchoStar Communications Corp., General Motors Corp., and Hughes Electronics Corp., Transferors, and EchoStar Communications Corp., Transferee*, CS Docket No. 01-348, Hearing Designation Order, 17 FCC Rcd 20559, 20574, para. 25 (2002)) (further citations omitted).

<sup>17</sup> Dec. 12 Supplement at 1.

<sup>18</sup> Application at 7.

<sup>19</sup> *Id.* at 5.

<sup>20</sup> See *id.* at 10.

<sup>21</sup> *Id.* at 6.

<sup>22</sup> *Id.* at 9.

<sup>23</sup> *Id.* at 6.

specific public interest benefits.<sup>24</sup> Applicants must provide evidence of a claimed benefit to allow the Commission to verify its likelihood and magnitude.<sup>25</sup> Where potential harms appear unlikely, as is the case with the Application before us here, the Commission accepts a lesser degree of magnitude and likelihood than when harms are present.<sup>26</sup>

Applicants assert that the proposed transaction will “provide significant additional capital for IdeaTek to continue its ongoing expansion of Gigabit broadband services in Kansas” and, with regard to the RDOF program, will provide funding that “far exceeds the amount of money IdeaTek will need to complete its CAF and RDOF deployment obligations.”<sup>27</sup> Applicants state that “the Peppertree Funds’ capital infusion is helping, and will continue to help, accelerate the planned deployment and customer benefits.”<sup>28</sup> Applicants further state: “IdeaTek has completed its CAF network deployment to more than 76% of the required locations – well in excess of the 40% required by the end of 2022 – and has reduced the amount of its CAF letter of credit by 50%. In addition, IdeaTek has timely submitted required speed and latency pre-testing and testing results to USAC.”<sup>29</sup> Applicants state that the proposed transaction will further IdeaTek’s progress moving forward and “enhance IdeaTek’s ability to perform its CAF and RDOF obligations and achieve its growth objectives.”<sup>30</sup>

The Commission has specified that ensuring consumers receive new or additional services is an important public interest factor,<sup>31</sup> and accelerating private sector deployment of advanced services is one of the aims of the Act.<sup>32</sup> In light of the Applicants’ commitments to meet all of Licensees’ federal high cost funding obligations<sup>33</sup> and the fact that Applicants are prepared to devote additional capital to accelerate facilities-based service offerings,<sup>34</sup> we find it likely that the proposed transaction would result in some public interest benefits. Absent any potential harms, and considering that the proposed transaction is likely to yield some benefits, we find, on balance, that the proposed transaction serves the public interest.

Therefore, pursuant to section 214 of the Act, 47 U.S.C. § 214, and sections 0.91, 0.291, 63.03, and 63.04 of the Commission’s rules, 47 CFR §§ 0.91, 0.291, 63.03, and 63.04, the Bureau hereby grants

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<sup>24</sup> See *AT&T/DIRECTV Order*, 30 FCC Rcd at 9237, paras. 273-74.

<sup>25</sup> See *id.* at 9237-38, paras. 275-76.

<sup>26</sup> See *id.*

<sup>27</sup> Application at 10.

<sup>28</sup> *Id.* at 9.

<sup>29</sup> *Id.*

<sup>30</sup> *Id.* at 7.

<sup>31</sup> See, e.g., *AT&T-DIRECTV Order*, 30 FCC Rcd at 9140, para. 19.

<sup>32</sup> See *Verizon-TracFone Order*, 36 FCC Rcd at 16996-97, para. 22 (citing 47 U.S.C. §§ 254, 332(c)(7), 1302; Telecommunications Act of 1996, Pub. L. No. 104-104, Preamble, 110 Stat. 56 (1996) (one purpose of the Act is to “accelerate rapidly private sector deployment of advanced telecommunications and information technologies and services”)).

<sup>33</sup> Application at 10.

<sup>34</sup> *Id.* at 9-10.

the Application discussed in this Public Notice, subject to Applicants' compliance with all applicable obligations.<sup>35</sup>

Pursuant to section 1.103 of the Commission's rules, 47 CFR § 1.103, the grant is effective upon release of this Public Notice.<sup>36</sup> Petitions for reconsideration under section 1.106 or applications for review under section 1.115 of the Commission's rules, 47 CFR §§ 1.106, 1.115, may be filed within 30 days of the date of this Public Notice. For further information, please contact Dennis Johnson, Wireline Competition Bureau, Competition Policy Division, (202) 418-0809.

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<sup>35</sup> See *CAF Phase II Public Notice*, 34 FCC Rcd at 4726-30 (listing obligations of CAF authorized support recipients); *RDOF Public Notice* at 1-9 (listing obligations of RDOF authorized support recipients).

<sup>36</sup> We direct Applicants to submit, within 30 days of closing the proposed transaction, a notice in WC Docket No. 22-391 that the proposed transaction has closed, with the consummation date, and also provide a courtesy copy of the notice to [hcinfo@usac.org](mailto:hcinfo@usac.org).