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March 23, 2018

**VIA OVERNIGHT DELIVERY**

Chairman, Tennessee Public Utility Commission  
c/o Sharla Dillon, Dockets and Records Manager  
502 Deaderick Street, 4th Floor  
Nashville, Tennessee 37243

18-00030

*Re: Notice of the Indirect Transfer of Control of Momentum Telecom, Inc. and  
Related Debt Financing (Utility ID Number 128712)*

Dear Chairman Jones:

This letter is being filed on behalf of MBS Holdings, Inc. ("MBS") and Momentum Telecom, Inc. ("Momentum") and Castle Intermediate Holdings, Inc. ("Castle Intermediate Holdings") (collectively, the "Parties") to notify the Tennessee Public Utility Commission ("Commission") of their intent to consummate a merger transaction whereby Castle Intermediate Holdings, by and through its wholly-owned subsidiary, Castle Merger Sub, Inc. ("Merger Sub"), will acquire ultimate control of MBS and Momentum ("Transaction"). In addition, the Parties notify the Commission that Momentum will act as a guarantor, pledge jurisdictional assets and have its equity pledged as part of a debt financing transaction being undertaken by the Parties contemporaneously with closing of the transaction ("Financing"). Momentum is currently certificated to provide telecommunications services in Tennessee as a CLE. Momentum notified the Commission by letter dated July 13, 2013 that it intended to operate pursuant to market regulation (Docket Number 13-00098). While prior approval of the Commission is not required to complete the Transaction or Financing, the Parties are providing this notice to ensure the accuracy and completeness of the Commission's records.

Consummation of the Transaction and Financing will serve the public interest by providing additional financial and managerial resources to Momentum, which will, in turn, enhance Momentum's ability to maintain and improve its network and services and to better compete in the telecommunications marketplace.

**DESCRIPTION OF THE PARTIES**

***MBS and Momentum***

MBS is a privately-held Delaware corporation headquartered at 880 Montclair Road, Suite 400, Birmingham, Alabama 35242. MBS is the indirect parent company of several

subsidiary companies, including Momentum.<sup>1</sup> Momentum is a Delaware corporation headquartered at 880 Montclair Road, Suite 400, Birmingham, Alabama 35242. Momentum is currently authorized to operate as a CLEC in the State of Tennessee and the following additional states: Alabama, California, Florida, Georgia, Kentucky, Louisiana, New Jersey, North Carolina, Pennsylvania, South Carolina, and the U.S. Virgin Islands.

Under the trade name Momentum Telecom, Momentum is a leading provider of wholesale hosted Voice Over Internet Protocol (“VoIP”) and unified communications services and serves as the wholesale “CLEC partner” and broadband system manager to Tier II and Tier III cable providers. Momentum currently supports more than 411 cable operators, broadband providers and reseller partners, manages nearly 1.2 million high-speed data modems and powers over 350,000 voice lines around the country.

A diagram depicting the current (pre-closing) ownership of the MBS corporate family, including Momentum, is provided in the attached exhibit.<sup>2</sup>

#### ***Castle intermediate Holdings and Affiliates***

Castle Intermediate Holdings is a Delaware corporation with its headquarters located at 55 East 52nd Street, 34th Floor, New York, New York 10055. Castle Intermediate Holdings was formed on March 1, 2018 for the purpose of consummating this transaction and ultimately acquiring control of MBS.

Castle Intermediate Holdings’ parent entity is Castle Holding Company, LLC (“Castle Parent”), a Delaware limited liability company formed on March 1, 2018 for the purpose of holding the investment interests in Castle Intermediate Holdings of both (i) investment funds managed by the professionals at Court Square Capital Partners (“Court Square”), a leading private equity firm, and (ii) members of MBS management.

CSC Castle Holdings, L.P. (“CSC Castle Aggregator”) is a holding company formed by Court Square on March 8, 2018 to hold the aggregate equity investments of certain Court Square investment funds in Castle Parent.<sup>3</sup> At closing, the funds will own 100% of the limited

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<sup>1</sup> Another MBS carrier subsidiary, ALEC, LLC (Utility ID Number 122820), recently discontinued operations and on February 7, 2018 filed a notice with the Commission to cancel its Tennessee certificate.

<sup>2</sup> One other wholly-owned indirect subsidiary of MBS, Alteva of Warwick, LLC, operates as an incumbent local exchange carrier and as a competitive local exchange carrier in portions of New Jersey and New York.

<sup>3</sup> Court Square Capital GP III, LLC (“GP”) is the sole general partner of the funds, and the sole managing member of CSC Castle Aggregator. The GP is managed and controlled by a Board of Managers composed of the following Court Square investment professionals, all of whom are U.S. citizens: William

partnership interests in CSC Castle Aggregator and will indirectly own approximately 82%–96% of the equity of MBS and Momentum depending on the total participation by MBS’s current management, which will not be known until closing.

A diagram depicting the ownership of Castle Intermediate Holdings and its affiliates, including MBS and Momentum, after consummation of the Transaction is provided.

The professionals at Court Square are well-qualified to obtain control of MBS and Momentum. Court Square is one of the most experienced private equity firms in the industry and its management team has extensive experience investing in the telecommunications industry. Court Square currently controls Conterra Ultra Broadband Holdings, Inc. (“Conterra Holdings”) and its regulated subsidiaries, including, but not limited to, Conterra Ultra Broadband, LLC (“Conterra”) and Detel Wireless, LLC (“Detel”). These entities are described below:

- Conterra provides backhaul and fronthaul transport for wireless carriers and access and broadband networks for K-12, healthcare, and government entities in the following states: Alabama, Arizona, Arkansas, Colorado, Florida, Georgia, Illinois, Iowa, Kansas, Mississippi, Montana, Nevada, New Mexico, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, and Washington.

Court Square also controls digital media service provider Encompass Digital Media Group. Previously, Court Square owned a controlling interest in Fibertech Networks, LLC (a broadband provider that operates one of the largest independently owned metro-area fiber optic footprints in the United States), co-owned a controlling interest in NTELOS (a diversified, regional communications provider offering wireless and wireline services in Virginia and West Virginia) and held a minority interest in incumbent local exchange carrier Valor Telecommunications.

Except for the interests in Conterra Holdings (and its respective subsidiaries) described above, Court Square and its affiliates do not currently offer any regulated telecommunications services in the State of Tennessee and are not affiliated with any other telecommunications carrier in the State of Tennessee.

Other than the investment funds and intermediate holding companies described above and depicted in Exhibit B, following consummation of the Transaction, no individual or entity will directly or indirectly hold 10% or more of the equity of Momentum. Upon consummation of the Transaction, MBS will still indirectly hold 100% of Momentum. Castle Intermediate Holdings will, in turn, hold 100% of MBS.

### **DESCRIPTION OF THE TRANSACTION**

Pursuant to an Agreement and Plan of Merger (“Merger Agreement”) executed on March 10, 2018 among MBS, Castle Intermediate Holdings, Merger Sub, and Big Mo, LLC (as representative for MBS’s selling shareholders), Castle Intermediate Holdings will acquire a controlling interest in MBS and, thereby, control of Momentum. Specifically, MBS will merge with and into Merger Sub, with MBS surviving the merger as a wholly-owned subsidiary of Castle Intermediate Holdings. As a result, Momentum will become an indirect, wholly-owned subsidiary of Castle Intermediate Holdings. In connection with the completion of the Transaction, MBS (as borrower) and its subsidiaries expect to obtain debt financing in an aggregate amount of up to \$139 million. The Financing obligations of MBS will be secured by a security interest in substantially all of the assets of MBS, Momentum, and the other guarantors, including a pledge of all or substantially all of the capital stock or membership units in MBS, Momentum and all future and existing wholly-owned domestic subsidiaries of the borrower, subject in each case to the exclusion of certain assets and additional exceptions. Subject to certain exceptions, Castle Intermediate Holdings and all future and existing wholly-owned domestic subsidiaries of the borrower, including Momentum will act as guarantors for the Financing.

Completion of the Transaction and Financing are conditioned on, among other things, obtaining required federal and state regulatory approvals. The parties intend to consummate the Transaction as promptly as practicable after such approvals have been received and the other closing conditions are satisfied or waived. For the Commission’s reference, pre- and post-Transaction diagrams depicting the relevant current and post-Transaction corporate structures are attached.

### **PUBLIC INTEREST CONSIDERATIONS**

The proposed Transaction and Financing will serve the public interest. The change in control of Momentum will not involve any assignment of operating authority, assets, or customers. Momentum’s existing management team will stay intact following the Transaction and will continue to actively manage the day-to-day operations of Momentum. No changes in management or operational personnel are expected as a result of the Transaction. In addition, Momentum will be able to draw upon the operational and managerial resources of Court Square, which will augment the already well-qualified management team of Momentum and help strengthen Momentum’s competitive position in the telecommunications marketplace.

Moreover, the proposed Transaction will result only in a change in the ultimate equity ownership of Momentum. Momentum will continue to provide competitive and innovative service to existing customers at the same rates, terms, and conditions and in the same geographic

areas as currently provided.<sup>4</sup> Any future changes in the rates, terms, or conditions of service will be undertaken pursuant to customer contracts and any applicable federal and state notice and tariff requirements. The Transaction is not expected to result in the discontinuance, reduction, loss, or impairment of service to any customer. The transfer of control will be seamless and virtually transparent to customers. Consummation of the Transaction will serve the public interest.

**CONTACT INFORMATION**

For the purposes of this filing, contacts for the Parties are as follows:

*For MBS and Momentum:*

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<sup>4</sup> The Parties have no present intention to change the rates, terms, or conditions of services offered to customers. 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.

**CONCLUSION**

For the reasons stated herein, the Transaction and Financing serve the public interest. An original and five (5) copies of this letter are enclosed for filing. Please date-stamp the extra copy of this filing and return it in the envelope provided. If you have any questions regarding this notification, please contact the undersigned.

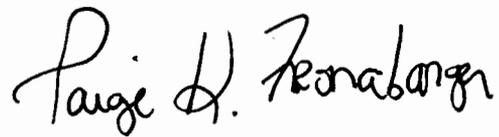
If you have any questions regarding this notification, please contact the undersigned.

Respectfully submitted,



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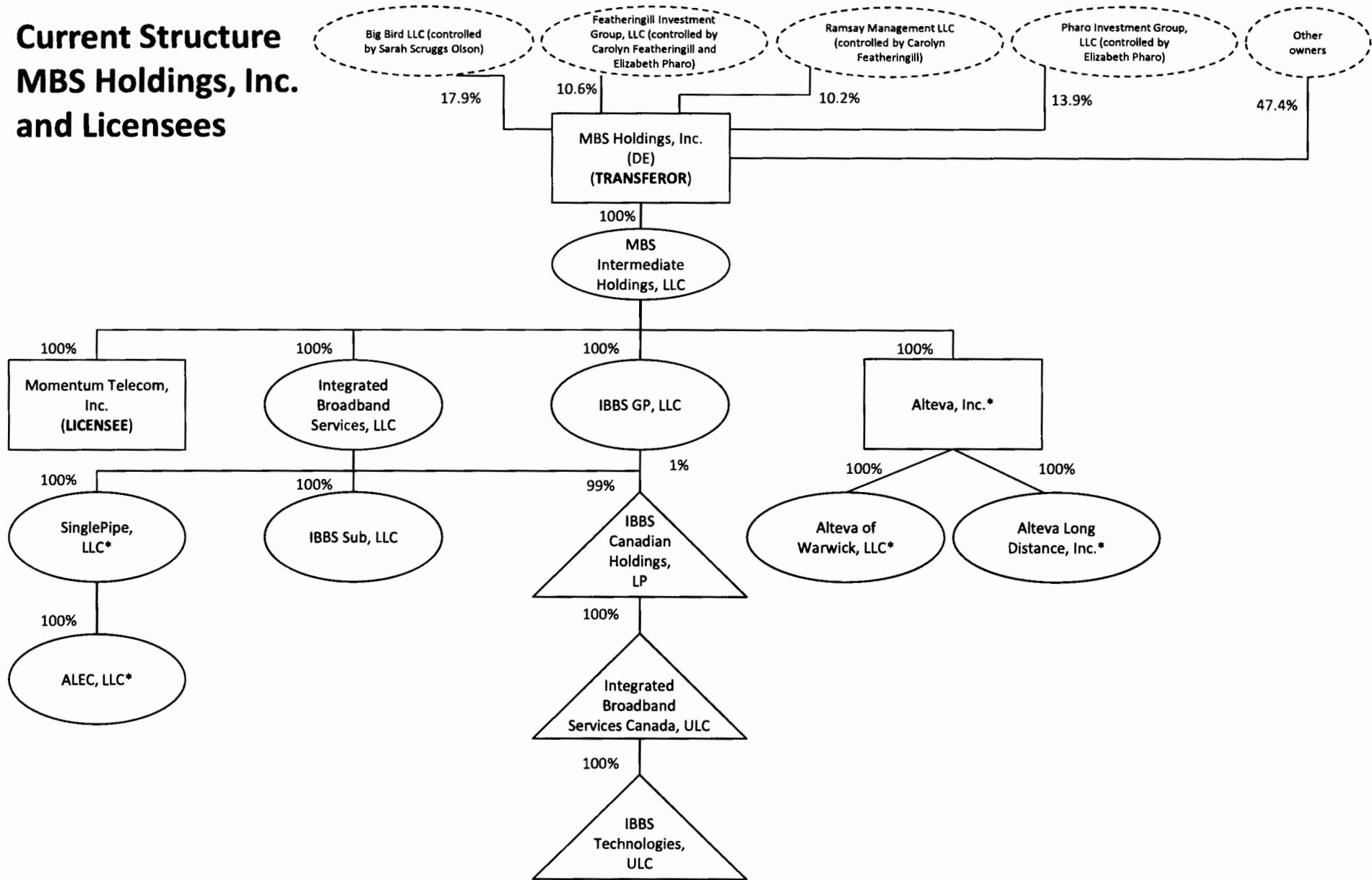
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**EXHIBIT A**

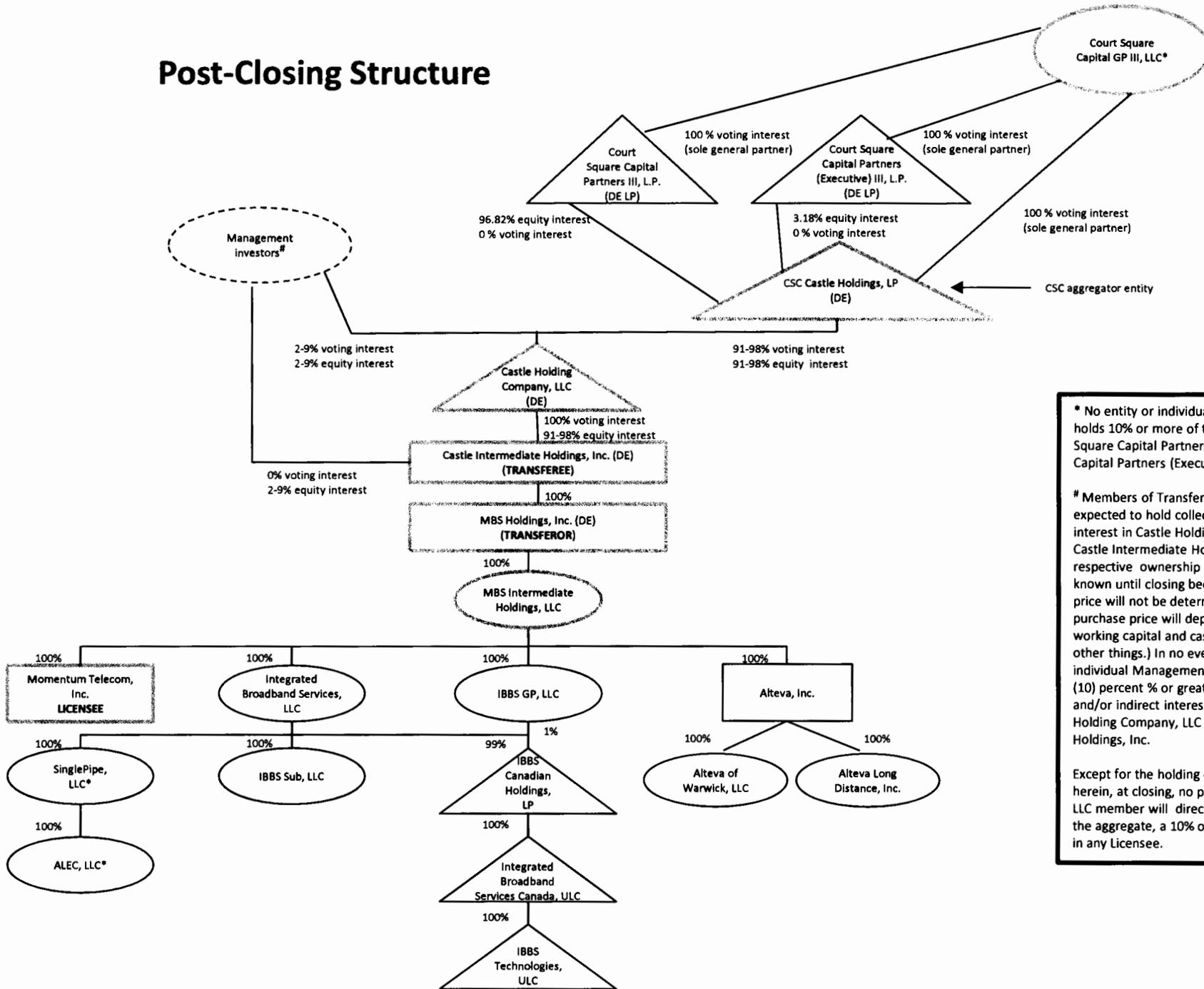
**PRE- AND POST-CLOSING ORGANIZATIONAL DIAGRAMS**

# Current Structure MBS Holdings, Inc. and Licensees



\*MBS Holdings, Inc. currently contemplates consolidating or winding up these entities at some point in the future.

# Post-Closing Structure



\*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

\* 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.

# Members of Transferor's management are expected to hold collectively a 2% to 9% equity interest in Castle Holding Company, LLC and/or Castle Intermediate Holdings, Inc., but their respective ownership interests will not be known until closing because the exact purchase price will not be determined until closing. (The purchase price will depend on the amount of working capital and cash-on-hand, among other things.) In no event, however, will any individual Management investor have a ten (10) percent % or greater aggregate direct and/or indirect interest in Castle Intermediate Holding Company, LLC or Castle Intermediate Holdings, Inc.

Except for the holding companies described herein, at closing, no partner, shareholder or LLC member will directly or indirectly hold, in the aggregate, a 10% or greater equity interest in any Licensee.