



PUBLIC NOTICE

Federal Communications Commission
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July 25, 2019

**APPLICATIONS FILED FOR THE TRANSFER OF CONTROL OF
CERTAIN SUBSIDIARIES OF FRONTIER COMMUNICATIONS CORPORATION
TO NORTHWEST FIBER, LLC**

PLEADING CYCLE ESTABLISHED

WC Docket No. 19-188

Comments Due: August 8, 2019
Reply Comments Due: August 15, 2019

By this Public Notice, the Wireline Competition Bureau, International Bureau, and Wireless Telecommunications Bureau seek comment from interested parties on a series of applications filed by Frontier Communications Corporation (Frontier) and its subsidiaries, Citizens Telecommunications Company of Idaho (Citizens Idaho), Citizens Telecommunications Company of Montana (Citizens Montana), Citizens Telecommunications Company of Oregon, and Frontier Communications Northwest, Inc. (Frontier Northwest) (those specified Frontier subsidiaries, together, Transferring Companies), and Northwest Fiber, LLC (Northwest Fiber) (Frontier, Transferring Companies, and Northwest Fiber, collectively, Applicants), pursuant to sections 214 and 310(d) of the Communications Act of 1934, as amended (Act), and sections 1.948, 63.03-04, 63.18, and 63.24 of the Commission's rules.¹ Applicants request consent for the transfer of control of the Transferring Companies and the partial assignment of long distance customers from Frontier Communications of America, Inc. (Frontier America) and Frontier Communications Online and Long Distance, Inc. (Frontier LD) to Northwest Fiber. Citizens Idaho, Citizens Montana, Frontier Northwest, and Northwest Fiber also filed a petition for declaratory ruling (Petition) to permit foreign investment above the 25 percent benchmark in section 310(b)(4) of the Act and section 1.5000(a)(1) of the Commission's rules.²

¹ 47 U.S.C. §§ 214, 310(d); 47 CFR §§ 1.948, 63.03-04, 63.18, 63.24; Application for Consent to Partially Assign and Transfer Control of Domestic and International Authorizations Pursuant to Section 214 of the Communications Act of 1934, as Amended, and Sections 63.04, 63.18 and 63.24 of the Commission's Rules, WC Docket No. 19-188 (filed June 28, 2019) (Lead Application). Applicants filed a supplement to their application on July 10, 2019. Supplement to the Consolidated Application for the Partial Assignment and Transfer of Control of Domestic and International Section 214 Authorizations, WC Docket No. 19-188 (filed July 10, 2019) (Applicants' Supplement).

² 47 U.S.C. § 310(b)(4); 47 CFR § 1.5000(a)(1).

Frontier, a publicly-traded Delaware corporation, which wholly owns the Transferring Companies, is authorized to provide services over its fiber optic and copper networks, including incumbent local exchange service, long-distance service, broadband, and video service, in 29 states.³ The Transferring Companies currently provide these services in Idaho, Montana, Oregon, and Washington, passing 1.7 million residential and business locations, of which approximately 500,000 are fiber-to-the-premises capable.⁴ Frontier America and Frontier LD, both Delaware corporations, provide interstate and international long-distance services.⁵ As of March 31, 2019, Frontier served more than 350,000 residential and commercial customers and 315,524 access lines in the four states covered by the proposed transaction.⁶

Northwest Fiber is an indirect, wholly owned subsidiary of Northwest Fiber Holdco, LLC (Holdco), a Delaware limited liability company that was formed for the purpose of implementing the proposed transaction.⁷ Northwest Fiber will be jointly owned by WaveDivision Capital VII, LLC (WDC) (an approximate 10% interest), a Washington limited liability company,⁸ and Searchlight II OPT, L.P. (Searchlight Aggregator LP) (an approximate 90% interest), a Delaware limited partnership and aggregator of an investor group led by U.S. and foreign-based funds affiliated with Searchlight Capital Partners, L.P. (collectively, Searchlight).⁹ Searchlight Capital Partners, L.P. will elect a majority of Northwest Fiber's board of directors.¹⁰ Searchlight is ultimately controlled by its three founding partners: Eric Zinterhofer, a U.S. Citizen; Erol Uzumeri, a Canadian citizen; and Oliver Haarmann, a German citizen.¹¹ WDC has one member, Steve Weed, a U.S. Citizen, who will serve as chairman of Northwest Fiber's board of directors.¹² Applicants state that WDC will manage the day-to-day operations of Northwest Fiber.¹³

Pursuant to the terms of the proposed transaction, Northwest Fiber would acquire all of the issued and outstanding equity interests of the Transferring Companies in an all-cash transaction

³ Lead Application at Exh. 1 (Description of the Parties; Description of the Transaction; Public Interest Statement; Administrative Matters) at 7-8.

⁴ *Id.* at Exh. 1 at 8.

⁵ *Id.* at Exh. 1 at 7-8.

⁶ *Id.*; Applicants' Supplement at 5.

⁷ Applicants provide a detailed post-consummation ownership structure in the Lead Application. Lead Application at 9-18 and Exh. 1 at Attach. B (Pre- and Post-Closing Ownership Structure).

⁸ WDC has invested in various telecommunications entities in the United States and Canada, including Hargray Communications, MetroNet, RCN Telecom Services/Grande Communications/Wave Broadband, and Xplornet Communications. Applicants state that there will be an approximate 9% overlap between the networks of RCN/Grande/Wave and Northwest Fiber. Applicants further state that other than RCN/Grande/Wave, there are no overlaps between any of WDC's affiliates and Northwest Fiber. Lead Application at 3, n.4 and Exh. 2 (Investor Investments in Entities Subject to FCC Jurisdiction) at 6-7.

⁹ Lead Application at Exh. 1 at 6. Searchlight Capital Partners, L.P. is controlled by Searchlight Capital Partners, LLC, a Delaware limited liability company and the ultimate controlling entity for the Searchlight Funds. Searchlight Capital Partners, L.P. and Searchlight Capital Partners, LLC, which are fund managers, will have no equity or voting interests in Northwest Fiber. *Id.* at 13, 16.

¹⁰ Lead Application at 2.

valued at approximately \$1.352 billion.¹⁴ Upon completion of the transaction, the Transferring Companies, with their local exchange, broadband, and video subscribers, would become wholly owned, direct subsidiaries of Northwest Fiber.¹⁵ In addition, long-distance voice customers of Frontier America and Frontier LD in the Transferring Companies' four states would be assigned to Northwest Fiber.¹⁶ Following the transaction, Frontier would continue to operate in the other 25 states in which it currently provides services.¹⁷

Applicants assert that a grant of the applications will serve the public interest, convenience, and necessity.¹⁸ Applicants state that Northwest Fiber intends to invest "significantly (measured in hundreds of millions of dollars) in the Transferring Companies to upgrade and/or improve various aspects of their businesses, including the network, product capabilities and operations," including providing up to 1 Gbps service in certain markets.¹⁹ Applicants maintain that Northwest Fiber will continue to honor the broadband deployment obligations of Frontier through its participation in the Connect America Fund (CAF) Phase II program.²⁰ They further contend that the transaction would result in the Transferring Companies emerging as well-financed and stronger competitors with sufficient cash flow to make the planned broadband investments and to provide more efficient services.²¹ Applicants assert that the proposed transaction would not result in any public interest harm and would not result in the loss of a competitor in any region.²² Finally, Applicants state that they have a plan for the transition of customers, operation support systems, and billing systems to minimize the possibility of service disruptions.²³

¹¹ The following Canadian pension funds will hold a 10% or greater interest in Searchlight through co-investments in certain Searchlight funds: Canada Pension Plan Investment Board (19% indirect interest); British Columbia Investment Management Corporation (18% indirect interest); and Public Sector Pension Investment Board (30% indirect interest). Each of the pension funds will have the right to appoint one member of Northwest Fiber's board of directors, and they will not exercise control over the Transferring Companies. Lead Application at 3-4. Applicants state that Searchlight-affiliated funds and certain of these pension funds invest in several U.S.-based telecommunication entities, none of which provide service in the areas that Northwest Fiber seeks to acquire from Frontier. *Id.* at Exh. 2 at 1-7. Applicants further state that the Board would have a total of nine members, with Searchlight Capital Partners II GP, L.P., the entity that controls the Searchlight funds, holding the right to appoint five directors, two of whom must be independent directors. WDC would have the right to name the remaining director. Applicants' Supplement at 3-4.

¹² Lead Application at Exh. 1 at 6. Mr. Weed holds less than a 2% interest in RCN/Grande/Wave, and he does not hold a management position and has resigned from the board of directors of RCN Corporation. Mr. Weed has less than a 10% interest in Hargray Communications and is a member of the board of directors. *Id.* at Exh. 1 at 6 n.10.

¹³ *Id.* at Exh. 1 at 2.

GENERAL INFORMATION

The applications identified herein have been found, upon initial review, to be acceptable for filing. The Commission reserves the right to return any application if, upon further examination, it is determined to be defective and not in conformance with the Commission's rules and policies.

Interested parties may file comments and petitions **on or before August 8, 2019**, and reply comments or oppositions to petitions **on or before August 15, 2019**. Comments may be filed using the Commission's Electronic Comment Filing System (ECFS) or by paper. All filings must be addressed to the Commission's Secretary, Office of the Secretary, Federal Communications Commission.

- Electronic Filers: Comments may be filed electronically by accessing ECFS at <http://apps.fcc.gov/ecfs/>.
- Paper Filers: Parties who choose to file by paper must file an original and one copy of each filing. Paper filings can be sent by hand or messenger delivery, by commercial overnight courier, or by first-class or overnight U.S. Postal Service mail.
 - All hand-delivered or messenger-delivered paper filings for the Commission's Secretary must be delivered to FCC Headquarters at 445 12th St., SW, Room TW-A325, Washington, DC, 20554. The filing hours are 8:00 a.m. to 7:00 p.m. All hand deliveries must be held together with rubber bands or fasteners. All envelopes and boxes must be disposed of before entering the building.
 - Commercial overnight mail (other than U.S. Postal Service Express Mail and Priority Mail) must be sent to 9050 Junction Drive, Annapolis Junction, MD, 20701.
 - U.S. Postal Service first-class, Express, and Priority mail must be addressed to 445 12th Street, SW, Washington DC, 20554.

¹⁴ *Id.* at Exh. 1 at 8.

¹⁵ *Id.* at Exh. 1 at 9.

¹⁶ *Id.*

¹⁷ *Id.* at Exh. 1 at 1.

¹⁸ *Id.* at Exh. 1 at 3-5, 9-17.

¹⁹ *Id.* at Exh. 1 at 11.

²⁰ *Id.*

²¹ *Id.*

²² *Id.* at Exh. 1 at 14.

²³ *Id.* at Exh. 1 at 17.

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

- 1) Dennis Johnson and Annick Banoun, Competition Policy Division, Wireline Competition Bureau, dennis.johnson@fcc.gov; annick.banoun@fcc.gov;
- 2) David Krech, International Bureau; david.krech@fcc.gov;
- 3) Linda Ray, Broadband Division, Wireless Telecommunications Bureau; linda.ray@fcc.gov; and
- 4) Jim Bird, Office of General Counsel, jim.bird@fcc.gov.

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 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.²⁴ 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 Dennis Johnson, Wireline Competition Bureau, (202) 418-0809; Annick Banoun, Wireline Competition Bureau, (202) 418-1521, David Krech, International Bureau, (202) 418-7443; or Linda Ray, Wireless Telecommunications Bureau, (202) 418-0257.

²⁴ See 47 CFR § 1.45(c).

ATTACHMENT A

SECTION 214 AUTHORIZATIONS

A. International

The applications for consent to the transfer of control of certain international section 214 authorizations have been assigned the file numbers listed below.

<u>File Number</u>	<u>Authorization Holder</u>	<u>Authorization Number</u>
ITC-T/C-20190628-00128	Frontier Communications NW Inc.	ITC-214-20080219-00079
ITC-ASG-20190628-00129	Frontier Communications of America, Inc.	ITC-214-19971202-00753 ITC-214-20001121-00680
ITC-ASG-20190628-00130	Frontier Communications Online and Long Distance, Inc.	ITC-214-20090528-00565

B. Domestic

The Applicants filed an application to transfer control of domestic section 214 authority in connection with the proposed transaction – WC Docket No. 19-188. In light of the multiple applications pending before the Commission with respect to this transaction and the public interest review associated with them, the domestic transfer of control application is not subject to streamlined treatment.²⁵

SECTION 310(d) APPLICATIONS

The applications for consent to the transfer of control of licenses under section 310(d) have been assigned the file numbers listed below.

WIRELESS LICENSES

<u>ULS File Number</u>	<u>Licensee</u>	<u>Lead Call Sign</u>
0008706469	Citizens Telecommunications Company of Idaho	KPQ36
0008706476	Citizens Telecommunications Company of Montana	KOY43
0008706478	Frontier Communications Northwest Inc.	KOT44

²⁵ 47 CFR § 63.03.

Petition for Declaratory Ruling Under Section 310(b)(4)

Citizens Idaho, Citizens Montana, and Frontier Northwest (collectively, the Licensees) and Northwest Fiber (Licensees and Northwest Fiber, collectively, the Petitioners), jointly request a declaratory ruling, pursuant to section 310(b)(4) of the Act and section 1.5000(a)(1) of the Commission's rules,²⁶ to permit foreign ownership of the Licensees' proposed, controlling U.S. parent (Northwest Fiber), to exceed the 25-percent benchmark specified in section 310(b)(4) of the Act. Petitioners assert that the proposed foreign ownership of the Licensees' controlling U.S. parent, Northwest Fiber, would serve the public interest.

The Petition states that, upon full completion of the proposed transaction, Northwest Fiber would have aggregate direct and/or indirect foreign voting and equity interests of approximately 90% and 85%, respectively. Pursuant to section 1.5001(i) of the rules,²⁷ Petitioners request that the Commission specifically approve the direct and/or indirect equity and/or voting interests that would be held in Northwest Fiber upon completion of the proposed transaction by foreign-organized entities and foreign individuals as follows:

Searchlight Capital Partners II GP., L.P. (1% equity, 90% voting) (Cayman Islands);
Searchlight Capital II L.P. (10% equity, 11% voting) (Cayman Islands);
Searchlight Capital II OPT Feeder, LP (13% equity, 14% voting) (Cayman Islands);
Canada Pension Plan Investment Board (19% equity, 30% voting) (Canada);
CPP Investment Board private Holdings, Inc. (19% equity, 30% voting) (Canada);
British Colombia Investment Management Corporation (18% equity, 29% voting) (Canada);
IMCPE 2019 Inc. (18% equity, 29% voting) (Canada);
Public Sector Pension Investment Board (30% equity, 47% voting) (Canada);
Port-aux-Choix Private Investments Inc. (30% equity, 47% voting) (Canada);
Erol Uzumeri (0% equity, 33.33% voting) (Canada); and
Oliver Haarmann (0% equity, 33.33% voting) (Germany).

Petitioners request advance approval, pursuant to section 1.5001(k),²⁸ for each above-identified foreign investor to increase its direct or indirect equity and/or voting interests in Northwest Fiber up to a 49.99% non-controlling interest, provided the investor is not already deemed to have a controlling interest. Petitioners also request approval for the identified foreign investors to own collectively, directly or indirectly, equity and/or voting interests of up to 100% in Northwest Fiber so long as no single foreign investor that is not currently deemed to have a controlling interest owns more than a 49.99% interest or a controlling interest. Petitioners further request advance approval to have additional unidentified foreign ownership of up to 100% of the equity and/or voting interests not held by the above-identified foreign investors provided that they seek approval of any new individual foreign investor that would own 5% or more.

The Petition for Declaratory Ruling has been assigned File No. ISP-PDR-20190708-00006.

²⁶ 47 U.S.C. § 310(b)(4); 47 CFR § 1.5000(a)(1).

²⁷ 47 CFR § 1.5001(i).

²⁸ 47 CFR § 1.5001(k).