

**ATTACHMENT 1**  
**NOTICE OF *PRO FORMA* TRANSFER OF CONTROL**  
**AND RESPONSE TO STAFF QUESTIONS**

**ANSWER TO QUESTION 10 - Section 63.18(c)-(d)**

- (c) Correspondence concerning this filing should be sent to:

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- (d) HRS Internet provides non-facilities-based international telecommunications services pursuant to authorization by the Commission in File No. ITC-214-20080612-00268.

**ANSWER TO QUESTION 11 - Section 63.18(h)**

- (h) Both prior to and after the *pro forma* transfer of control, the individuals holding ten (10) percent or more of the equity interests in the transferee LightBound, LLC are:

Jack Carr (37.08%)  
c/o LightBound, LLC  
731 W. Henry Street, Suite 201  
Indianapolis, IN 46225  
(317) 726-6767  
Citizenship: US Citizen

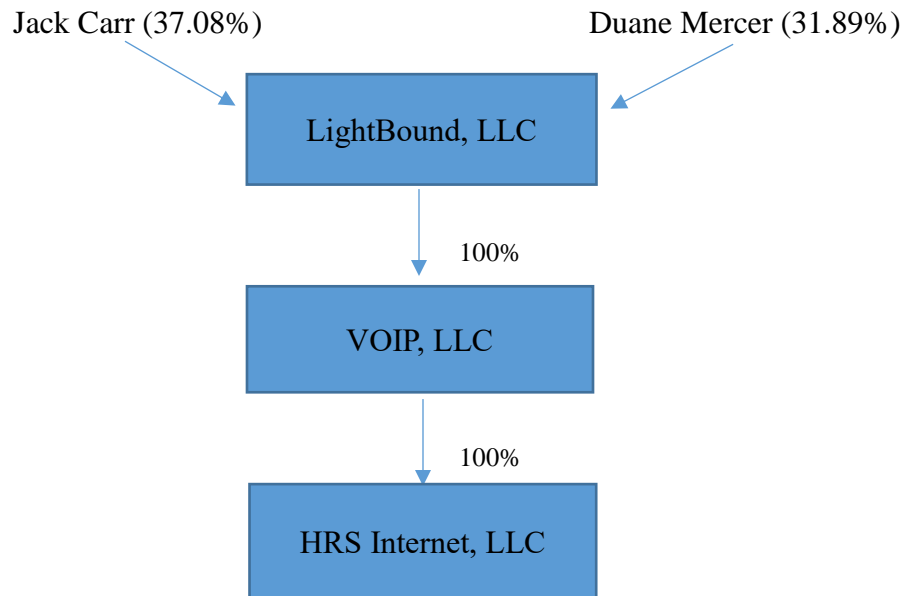
Duane Mercer (31.89%)  
c/o LightBound, LLC  
731 W. Henry Street, Suite 201  
Indianapolis, IN 46225  
(317) 726-6767  
Citizenship: US Citizen

No other individual or entity has a ten percent or greater interest in LightBound, LLC.

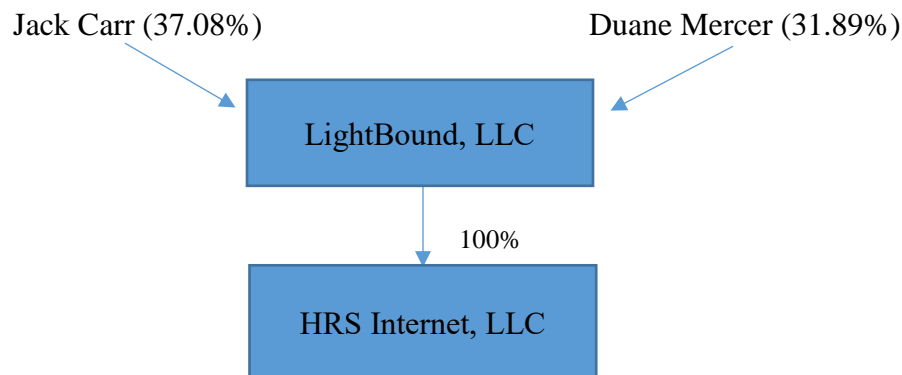
### ANSWER TO QUESTION 13

This application notifies the Commission pursuant to 47 C.F.R. §63.24(f)(2) of the Rules of the Commission of a *pro forma* transfer of control. Specifically, on July 5, 2018, pursuant to the terms of that certain Written Consent of Managers of VOIP, LLC, VOIP, LLC distributed its 100% membership interest in HRS Internet to LightBound, LLC, the ultimate parent company of both HRS Internet and VOIP, LLC. As a result of the transaction, the upstream ownership structure was simplified as follows:

#### Pre Transaction



#### Post Transaction



In the simplified ownership structure, LightBound, LLC, as HRS Internet's ultimate parent entity, holds directly, instead of indirectly, 100% of the equity ownership interests in HRS Internet. This transaction resulted in a *pro forma* change in control of the authorization holder

which requires notification to the Commission because while there was no change in the ultimate control of the Section 214 authorization, there was a change from 50 percent ownership or more to less than 50 percent ownership of HRS Internet's direct upstream owner VOIP, LLC.

HRS Internet's failure to provide timely notice to the commission of the *pro forma* transfer of control was inadvertent. The purpose of the transaction was to wind up the affairs of VOIP, LLC, a non-operating company, which had previously been administratively dissolved by the Indiana Secretary of State on April 16, 2015. The *pro forma* transfer of control was discovered during HRS Internet's diligence following an inquiry by Commission's staff involving an unrelated joint transfer of control application currently under review.<sup>1</sup> Upon its discovery, HRS Internet has taken immediate action to notify the Commission of this *pro forma* transfer of control.

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<sup>1</sup> *Joint Application for Consent to Transfer Control of Domestic and International Authorizations Pursuant to Section 214 of the Communications Act of 1934, As Amended*, (ITC-T/C-20181217-00230) (Dec. 17, 2018).

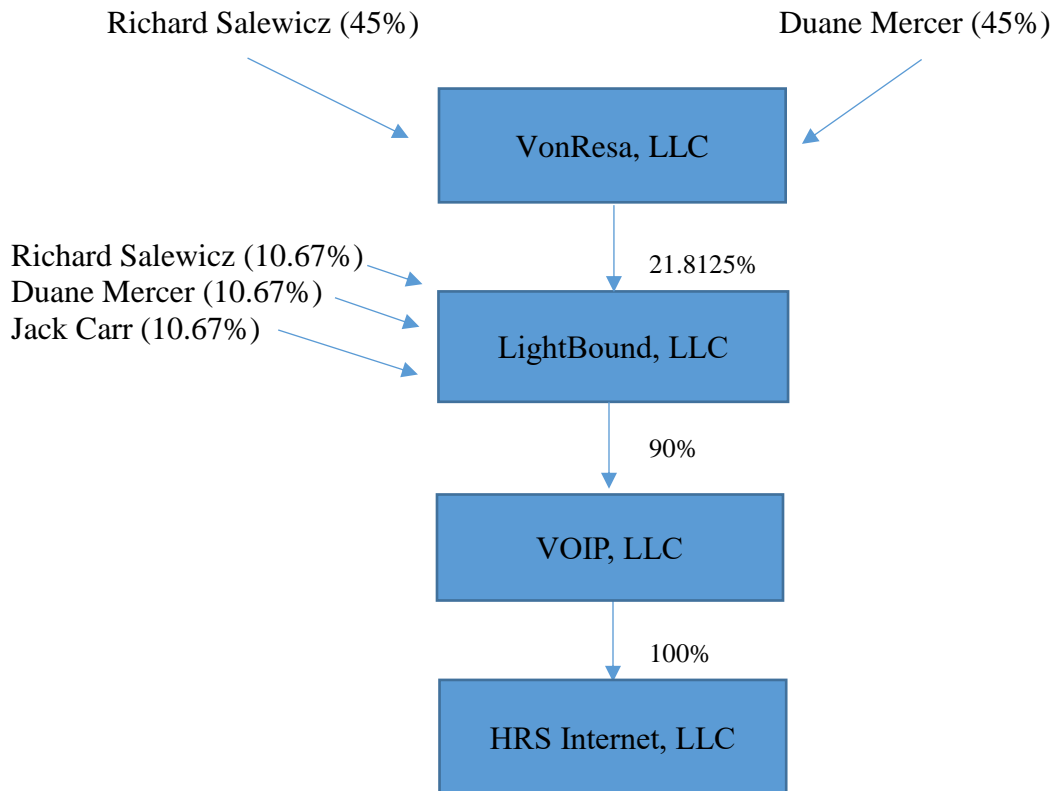
## RESPONSE TO COMMISSION STAFF'S QUESTIONS

The Commission's Staff has requested additional information about the circumstances in which LightBound, LLC ("LightBound") became the upstream owner of HRS Internet. The ownership information that HRS Internet provided in its original Section 214 application (ITC-214-20080612-00268) apparently did not identify this relationship. HRS Internet has investigated the facts and circumstances of the arrangement and respectfully provides its response below.

### Response

When HRS Internet filed its International Section 214 application in 2008, the applicant inadvertently did not identify its upstream organizational structure. Instead, it identified the individuals holding a ten (10) percent or more direct and indirect equity interest in the applicant and in any upstream entity. As such, while all individuals having a ten (10) percent or more equity interest, direct or indirect, in HRS Internet were disclosed in Section (h) of the application, the entities through which those interests flowed were not identified. The ownership chart depicting the relevant ten (10) percent or more equity interests in HRS Internet is identified as follows:

### **2008:**



When HRS Internet filed its International Section 214 application in 2008, it inadvertently did not identify its upstream organizational structure depicted above. Instead, in Section (h) of the

2008 application, HRS Internet identified the individuals holding a ten (10) percent or more direct and indirect equity interest in HRS Internet. As set out below, because the identified individuals were also the only individuals holding ten (10) percent or more of the equity interests in those upstream entities, the attributable equity interests of HRS Internet were disclosed even though the entities through which those equity interests originated or flowed were not identified.

**1. Identity of the Equity Interests in 2008**

HRS Internet:

HRS Internet was 100% owned by VOIP, LLC.

VOIP, LLC

VOIP, LLC, was a limited liability company organized under the laws of the State of Indiana. It was 90% owned by LightBound.

**NOTE:** The remaining 10% ownership in VOIP, LLC was proportionally held by three entities: Major Affiliates, Inc. (3.33%), Indiana Fones, Inc. (3.33%), and RES Services, Inc. (3.33%). Because none of these entities directly or indirectly held ten percent or more equity interests in VOIP, their identity would not have been reportable.

LightBound, LLC

LightBound is a limited liability company organized under the laws of the State of Indiana. The individuals or entities holding ten (10) percent or more direct or indirect equity interests in LightBound were:

- VonResa, LLC (21.8125%)
- Jack Carr (10.67%)
- Richard Salewicz (20.49% - includes the indirect interest through VonResa LLC)
- Duane Mercer (20.49% - includes the indirect interest through VonResa LLC)

**NOTE:** Upon subsequent review LightBound’s financial records, it appears that the figures reported in Section (h) of the 2008 application respecting the three individuals holding ten (10) percent or more equity interests in LightBound were based on data from 2003 instead of 2008. As such, each of their individual equity interests were inadvertently over-reported by 3.333 percent. The revised figures are identified below:

|                  | Reported | Revised  |
|------------------|----------|--|
| Richard Salewicz | 23.82%   | 20.49% (includes indirect interests through VonResa) |
| Duane Mercer     | 23.82%   | 20.49% (includes indirect interests through VonResa) |
| Jack Carr        | 14%      | 10.67%   |

### VonResa, LLC

VonResa, LLC was a limited liability company organized under the laws of the State of Indiana. The individuals or entities holding ten (10) percent or more direct or indirect equity interests in VonResa were:

Richard Salewicz (45%)  
Duane Mercer (45%)

Therefore, because the individuals identified in Section (h) of the 2008 application were the only individuals holding ten (10) percent or more of the equity interests in HRS Internet's upstream entities, the attributable equity interests of HRS Internet were disclosed even though the entities through which those equity interests originated or flowed were not identified.

Additionally, Section (h) of the 2008 application refers to the individual ownership interests in "LightBound" which was defined in the application as "HRS Internet." This is not accurate. Section (h) actually does describe their equity interests in LightBound. As such, their individual equity interests in HRS Internet are indirect - attributable through LightBound's 90% interest in VOIP, LLC and in turn, through VOIP, LLC's 100% membership interest in HRS Internet.

## **2. Subsequent Internal Changes (Non-Reportable Transactions)**

Subsequent to receiving Section 214 authorization, several upstream internal consolidations occurred, none of which resulted in any individual or entity acquiring a ten (10) percent or more equity interest in HRS Internet that were not already disclosed in the 2008 application and none of which resulted in a transfer of control, *pro forma* or otherwise. The consolidations are summarized below:

- **2010:** VonResa was dissolved and its equity ownership interests in LightBound were distributed to VonResa's members. No member held 10% or more equity interests in LightBound as a result of this dissolution other than Jack Carr, Richard Salewicz and Duane Mercer, all of whom continued to hold less than 50% equity ownership interests in LightBound.
- **2010:** Mr. Salewicz's interest in LightBound transferred to his estate upon his death. As a result of the transfer, Jack Carr and Duane Mercer continued to individually hold less than 50% equity ownership interests in LightBound. Moreover, no other individual or entity held 10% or more of any such interest in LightBound as a result of the transaction.
- **2015:** Mr. Salewicz's units were all redeemed by LightBound and the other members' interest in LightBound consequently increased. Upon such redemption, the only entities or individuals holding a ten (10) percent or more equity interest in LightBound continued to be only Mr. Carr and Mr. Mercer.

None of these actions involved a change in control of the authorization holder because there was (i) no change from less than 50 percent ownership to 50 percent or more, and (ii) no change from 50 percent ownership or more to less than 50 percent ownership. As a result of these actions,

Jack Carr and Duane Mercer continued to individually hold less than 50% equity ownership interests in LightBound. Moreover, no other individual or entity held 10% or more of any such interest in LightBound as a result of these actions. As such no approval was required under 47 C.F.R. §63.24. Additionally, no notification was required pursuant to 47 C.F.R. §63.24(f) because there was no transfer of control. Therefore, these actions were not reportable.

Moreover, as a result of the internal corporate consolidations described above, no individual or entity acquired a ten (10) percent or more equity interest in HRS Internet that was not already disclosed in the 2008 application. Moreover, these transactions did not involve a change in control of the authorization holder because there was (i) no change from less than 50 percent ownership to 50 percent or more, and (ii) no change from 50 percent ownership or more to less than 50 percent ownership. At all times, LightBound was the *de facto* substantial equity owner of HRS Internet.

### **3. Subsequent Internal Changes (Reportable Transaction)**

HRS Internet is concurrently providing notice of a *pro forma* transfer of control pursuant to 47 C.F.R. §63.24(f)(2) of the Rules of the Federal Communications Commission (“Commission”) that on July 5, 2018, one of its non-operating upstream owners, VOIP, LLC, distributed its 100% membership interest in HRS Internet to LightBound, the ultimate parent company of both HRS Internet and VOIP, LLC.

In sum, while all of the attributable interests were disclosed in Section (h) of the 2008 application, the entities through which those interests flowed were not identified. Also, the equity interests of the three individuals were slightly over-reported and were associated with their direct equity interests in LightBound instead of HRS Internet. HRS Internet apologizes for any inconvenience caused by these inadvertent errors. Moreover, the direct and indirect equity ownership interests in HRS Internet existing at the time of the submission of the Joint Application to Transfer Control of Domestic and International Section 214 Authorizations filed by LightBound and DataBank holdings Ltd. on December 17, 2018 were consistent with the statements made therein.