



PUBLIC NOTICE

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DOMESTIC SECTION 214 AUTHORIZATION GRANTED

Domestic Section 214 Application Filed for the Transfer of Control of Corona Holdings, Inc.

WC Docket No. 08-254

By the Chief, Wireline Competition Bureau:

Pursuant to section 214 of the Communications Act of 1934, as amended (Act), 47 U.S.C. § 214, and sections 0.91, 0.291, and 63.03 of the Commission's rules, 47 C.F.R. §§ 0.91, 0.291, 63.03, the Wireline Competition Bureau (Bureau) approves the application of Corona Holdings, Inc. to transfer control of the majority shareholder of the ultimate parent company of Corona from DB Zwirn Special Opportunities Fund, L.P. (DBZ-SOF) to ZM Private Equity Fund II, L.P. (ZM).¹ The Bureau has determined that a grant of this application serves the public interest,² and, accordingly, the application is granted pursuant to the Commission's procedures for domestic section 214 transfer of control applications.³

On February 25, 2009, the Department of Justice, including the Federal Bureau of Investigation, with the concurrence of the Department of Homeland Security (Executive Branch Agencies), filed a letter requesting that the Commission defer grant of this application while they addressed potential national security, law enforcement, and public safety issues.⁴ On March 26, 2009, the Executive Branch Agencies withdrew their request to defer action, stating that they have no comment on this transaction.⁵

¹ Application for Transfer of Control of Corona Holdings, Inc., WC Docket No. 08-254 (filed Dec. 16, 2008) (Application); *Domestic Section 214 Application Filed for the Transfer of Control of Corona Holdings, Inc.*, WC Docket No. 08-254, Public Notice, DA 09-188 (rel. Feb. 4, 2009); *Notice of Removal of Domestic Section 214 Application from Streamlined Treatment*, WC Docket No. 08-254, Public Notice, DA 09-489 (rel. Feb. 26, 2009).

² *Implementation of Further Streamlining Measures for Domestic Section 214 Authorizations*, CC Docket No. 01-150, Report and Order, 17 FCC Rcd 5517, 5529, para. 22 (2002).

³ 47 C.F.R. § 63.03.

⁴ Letter from Tyrone A. Brown, Attorney, National Security Division, U.S. Department of Justice, to Marlene H. Dortch, FCC, WC Docket No. 08-254 (filed Feb. 25, 2009).

⁵ Letter from Tyrone A. Brown, Attorney, National Security Division, U. S. Department of Justice, to Marlene H. Dortch, FCC, WC Docket No. 08-254 (filed Mar. 26, 2009).

Consistent with Federal Communications Commission precedent, the Bureau accords the appropriate level of deference to the Executive Branch Agencies' expertise on national security and law enforcement issues.⁶

In addition, the Bureau received one comment against the proposed transfer of control from David A. Schum filing on behalf of himself and 9 other individuals.⁷ Mr. Schum argues that the Commission should not grant the Application because of certain claims Schum raised against DBZ-SOF, and the Commission's Media Bureau rejected, in AM radio license proceedings that began in 2006. Schum asserts, among other things, that DBZ-SOF did not disclose its foreign ownership interests when the Media Bureau granted the applications to assign the license of Station KFCD (AM), Farmersville, Texas and the construction permit of Station KHSE (AM), Wylie, Texas from DFW Radio License, LLC to DBZ-SOF's affiliate, Bernard Dallas, LLC (Bernard).⁸ He requests that the Commission deny the Application or designate it for hearing to determine facts associated with the transfer of the AM radio

⁶ The Commission considers national security, law enforcement, foreign policy, and trade policy concerns when analyzing a transfer of control or assignment application in which foreign ownership is an issue. See *Amendment of the Commission's Regulatory Policies to Allow Non-U.S. Licensed Satellites Providing Domestic and International Service in the United States*, Report and Order, 12 FCC Rcd 24094, 24170-72, paras. 178-82 (1997); *Rules and Policies on Foreign Participation in the U.S. Telecommunications Market*, Report and Order and Order on Reconsideration, 12 FCC Rcd 23891, 23919-21, paras. 61-66 (1997) (*Foreign Participation Order*), Order on Reconsideration, 15 FCC Rcd 18158 (2000). In assessing the public interest, the Commission considers the record and accords the appropriate level of deference to Executive Branch expertise on national security and law enforcement issues. See *Foreign Participation Order*, 12 FCC Rcd at 23919-21, paras. 61-66.

⁷ Comments and Petition to Deny, WC Docket No. 08-254 (filed Feb. 18, 2009) (Schum Comments).

⁸ Schum Comments at 2-6; *KFCD(AM) Farmersville, TX, Facility ID No. 43757*, File No. BAL-20060117ACU; *KHSE(AM), Wylie, TX, Facility ID No. 133464*, File No. BAP-20060117ACV, Application for Assignment of Licenses, 21 FCC Rcd 14996 (Audio Div., MB 2006) (*Radio Transfer Order*), recon. denied, 23 FCC Rcd 2646 (Audio Div., MB 2008) (*Radio Transfer Recon. Order*), app. for review pending. See also *KFCD(AM) Farmersville, TX, Facility ID No. 43757*, File No. BAL-20060117ACU; *KHSE(AM), Wylie, TX, Facility ID No. 133464*, File No. BAP-20060117ACV, 23 FCC Rcd 2642 (Audio Div., MB 2008) (*Second Radio Transfer Order*) (rejecting the same arguments Schum raised in the *Radio Transfer Order* when he raised them again in a proceeding to transfer the AM radio licenses from Bernard Dallas, LLC to Principle Broadcasting Network—Dallas, LLC). Schum and the other petitioners are equity owners of The Watch, Ltd, the parent company of DFW Radio License, LLC. *Radio Transfer Order* at 14996-98. Schum further states that an alleged Securities and Exchange Commission investigation of DBZ-SOF, newspaper reports of financial issues involving DBZ-SOF, and a Commission Enforcement Bureau proceeding demonstrate that it is not in the public interest to grant an application involving DBZ-SOF. Schum Comments at 4-6 (citing *Tama Broadcasting, Inc. and D.B. Zwirn & Co.*, File No. EB-08-IH-0692, Order, DA 09-225 (EB, Feb. 17, 2009) (*Tama/Zwirn Order*) (adopting a consent decree terminating an Enforcement Bureau investigation into whether the radio licensees violated section 310(d) of the Act, 47 U.S.C. § 310(d), and engaged in a defacto unauthorized transfer of control under 47 C.F.R. § 73.3540)). Schum provided no details on the Securities and Exchange Commission investigation or newspaper reports he references and fails to demonstrate how they are relevant to the proposed transaction. He also fails to address the conclusion of the Enforcement Bureau in the *Tama/Zwirn Order* that “our investigation raises no substantial or material questions of fact as to whether Tama and Zwirn possess the basic qualifications including, but not limited to, those related to character, to hold or obtain any Commission license or authorization.” *Id.* at para. 4; Joint Opposition to Comments and Petition to Deny, WC Docket No. 08-254, at 2, 5 (filed Feb. 25, 2009) (Corona Reply).

licenses that are wholly unrelated to the proposed transaction.⁹ Corona filed a reply, stating that Schum and the others do not have standing to petition to deny the proposed transaction and that Schum's arguments are unsupported, irrelevant, and have already been addressed.¹⁰

After careful consideration of the record in this proceeding, we conclude that the concerns raised by Schum are not sufficient to persuade us to deny the proposed transaction or designate it for hearing. We agree with Corona that the Media Bureau has considered and rejected Schum's allegations against DBZ-SOF on three separate occasions, including his claim that DBZ-SOF has foreign ownership interests.¹¹ In addition, his allegations concerning DBZ-SOF's qualifications to hold a Commission radio license are not merger specific and are irrelevant to Applicants' request for ZM, an entity unrelated to DBZ-SOF, to acquire DBZ-SOF's ownership interest in Corona's parent company, SSF Partners, LLC. We find that the transaction is likely to result in certain public interest benefits, including the continued provision of local exchange and long distance services to the customers of the telecommunications carriers owned by Corona. We are thus satisfied that the proposed transaction is in the public interest and should be granted.

The Bureau finds, upon consideration of the record, that the proposed transfer will serve the public interest, convenience, and necessity, and therefore grants the requested authorization. Pursuant to section 1.103 of the Commission's rules, 47 C.F.R. § 1.103, the consent granted herein is effective upon the release of this Public Notice. Petitions for reconsideration under section 1.106 or applications for review under section 1.115 of the Commission's rules, 47 C.F.R. §§ 1.106, 1.115, may be filed within 30 days of the date of this Public Notice.

For further information, please contact Jodie May, (202) 418-0913, Competition Policy Division, Wireline Competition Bureau.

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⁹ Schum Comments at 6-7.

¹⁰ Corona Reply at 3-6.

¹¹ *Radio Transfer Order*, 21 FCC Rcd at 15000-03 (rejecting Schum's speculative foreign ownership allegations against DBZ-SOF, in addition to his other claims); *Radio Transfer Recon. Order*, 23 FCC Rcd at 2647-48; *Second Radio Transfer Order*, 23 FCC Rcd at 2644-45.