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DA 06-1768
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**DOMESTIC SECTION 214 APPLICATION FILED FOR TRANSFER OF CONTROL
OF HECTOR COMMUNICATIONS CORPORATION TO BLUE EARTH VALLEY
COMMUNICATIONS, INC., ARVIG ENTERPRISES, INC., AND NEW ULM TELECOM, INC.**

NON-STREAMLINED PLEADING CYCLE ESTABLISHED

WC Docket No. 06-166

Comments Due: September 19, 2006
Reply Comments Due: September 26, 2006

On August 22, 2006, Hector Communications Corporation (“Hector” or “Transferor”)¹ and Blue Earth Valley Communications, Inc. (“Blue Earth”), Arvig Enterprises, Inc. (“Arvig”) and New Ulm Telecom, Inc. (“New Ulm”) (collectively, the “Transferees”) (together, with Hector, the “Applicants”) filed an application pursuant to sections 63.03 and 63.04 of the Commission’s rules² requesting approval to transfer control of Hector to Blue Earth, Arvig and New Ulm.³

The Applicants do not seek streamlined treatment for this application under section 63.03(b) of the Commission’s rules.⁴ Applicants are incumbent independent local exchange carriers (LECs) that have, in combination, fewer than 2% of the nation’s subscriber lines installed in the aggregate nationwide, and no overlapping service areas. There is a combined total of 90,600 access lines for the carriers involved in this transaction. However, subsidiaries of each of the Transferees have service areas that are

¹ Technically, the transferors in this proceeding are the approximately 400 public shareholders of Hector. However, given that no public shareholder owns more than 14.04% of the common stock of Hector or exercises *de jure* control over Hector, control is instead exercised by Hector’s Board of Directors and its officers. Therefore, Hector has been designated as the Transferor for purposes of this application.

² 47 C.F.R. §§ 63.03, 63.04; *see* 47 U.S.C. § 214.

³ Applicants are also filing applications for transfer of control associated with authorization for international services. Any action on this domestic 214 application is without prejudice to Commission action on other related, pending applications.

⁴ *See* 47 C.F.R. § 63.03.

adjacent to the service areas of one or more of Hector's affiliates.⁵ Because the Applicants have adjacent service areas, this application is not entitled to presumptive streamlined treatment.⁶

Hector, a publicly-traded Minnesota corporation, is a holding company which provides telecommunications services through its various subsidiaries in rural portions of Minnesota, Wisconsin and North Dakota. It owns nine incumbent LECs that provide local exchange services to 28 rural exchanges (approximately 29,400 access lines) and resold long distance toll services to approximately 15,700 customers.⁷ Hector and/or its subsidiaries also hold interests in the following telecommunications and communications companies: Northern Transport Group, LLC ("NTG"), a Minnesota limited liability corporation that provides high-capacity special access circuits in Minnesota (20%); VAL-ED Joint Venture, LLP, d/b/a 702 Communications ("702 Communications"), a Minnesota limited liability partnership that provides competitive local exchange services, long distance toll services, and Internet access and other data services in Minnesota and North Dakota (18.09%); Desktop Media, Inc., a Minnesota corporation that provides competitive local exchange services in southeastern Minnesota via Ethernet architecture (17%); Broadband Visions LLC ("Broadband Visions"), a Minnesota limited liability corporation that delivers digital television signals to video program distributors (16.38%); Independent Pinnacle Services, LLC, a Minnesota limited liability corporation that provides directory services to over 150 telephone companies in 15 states (8.49%); Onvoy, Inc. ("Onvoy"), a Minnesota corporation that provides telecommunications, data and video services and transport throughout Minnesota (7.08%); Consolidated Management Group, Inc., a Wisconsin corporation that provides high-capacity special access circuits in Wisconsin (6.45%); Northwest Minnesota Special Access, LLC ("NMSA"), a Minnesota limited liability corporation which provides data and video services to schools and libraries in Minnesota (5.26%) and West Central Transport Group ("WCTG"), which provides high-capacity special access circuits in Minnesota, North Dakota and South Dakota (5%).⁸ The following entities own or control 10% or more of the equity of Hector: Curtis A. Sampson, a U.S. citizen (12.74%); Opportunity Partners, LP, an Ohio limited partnership (14.04%); and QVT Financial LP, a Delaware

⁵ A map showing the adjacencies is contained in the Application. See Hector Communications Corporation; Blue Earth Valley Communications, Inc., Arvig Enterprises, Inc., New Ulm Telecom, Inc., Application for Consent to Transfer Control of Domestic Blanket Section 214 Authorizations, WC Docket No. 06-166, Attachment (filed Aug. 22, 2006).

⁶ See 47 C.F.R. § 63.03(b)(2)(iii); *Implementation of Further Streamlining Measures for Domestic Section 214 Authorizations*, 17 FCC Rcd 5517, 5534 (2002), para. 32.

⁷ The nine subsidiaries are: Arrowhead Communications Corp.; Eagle Valley Telephone Company; Felton Telephone Company ("Felton"); Granada Telephone Company; Hager Telecom, Inc. ("Hager"); Indianhead Telephone Company ("Indianhead"); Loretel Systems, Inc. ("Loretel"); Pine Island Telephone Company ("Pine Island"); and Sleepy Eye Telephone Company ("Sleepy Eye"). Alliance Telecommunications Corporation, a wholly-owned subsidiary of Hector, owns 100% of the stock of Felton, Loretel, Sleepy Eye, and Hager, as well as Cannon Communications Corp., an Internet service provider ("ISP"). Pine Island is owned by Hector (69%) and Indianhead (31%). Sleepy Eye wholly-owns OU Connection, Inc., a Minnesota corporation authorized to provide competitive local exchange service in Minnesota. Hector and its subsidiaries also provide cable television service, digital television service over broadband facilities, dial-up Internet access, and high-speed Internet access over digital subscriber lines (DSL).

⁸ At the time this application was filed, Hector, Blue Earth and New Ulm held interests in Midwest Wireless Holdings LLC ("Midwest Wireless") (8%, 8.08%, and 9.88%, respectively). A transfer of control of Midwest Wireless to AllTel Corporation is pending.

limited partnership (10.98%). The general partners of Opportunity Partners are Phillip Goldstein and Andrew Dakos, both of whom are U.S. citizens. The general partner of QVT Financial LP is QVT Financial GP LLC, a Delaware limited liability corporation that is, in turn, controlled by managing members Daniel Gold and Lars Bader, both of whom are U.S. citizens. No other person or entity directly or indirectly owns or controls a 10% or greater interest in Hector.

Blue Earth, a Minnesota corporation, wholly-owns the following five incumbent LECs that provide local exchange telephone services (including interstate exchange access) and resold interstate toll services in 11 rural local exchanges (approximately 13,500 total access lines) in southern Minnesota and north central Iowa: Blue Earth Valley Telephone Company; Easton Telephone Company; Minnesota Lake Telephone Company; Shell Rock Telephone Company; and Eckles Telephone Company.⁹ Blue Earth and/or its subsidiaries also hold interests in the following telecommunications and communications companies: Broadband Visions (11.7%); WCTG (5%); and Onvoy (4.2%). The following entities own or control 10% or more of the equity of Blue Earth: Neil and Sue Eckles, both U.S. citizens (22.41%); Gail Eckles, a U.S. citizen (24.66%); William V. Eckles, a U.S. citizen (19.84%); and the Eckles Dynasty Trusts #1 and #2, both organized under the laws of Minnesota (16.55% each).¹⁰ No other person or entity directly or indirectly owns or controls a 10% or greater interest in Blue Earth.

Arvig, a Minnesota corporation, owns the following six rural incumbent LECs that provide local exchange telephone services (including interstate exchange access) and resold interstate toll services in 27 rural local exchanges (approximately 31,400 total access lines) in central, west central, and northwest Minnesota: East Otter Tail Telephone Company; Twin Valley-Ulen Telephone Company; Callaway Telephone Company; The Peoples Telephone Company of Bigfork; Midwest Telephone Co.; and Osakis Telephone Company. Arvig also owns Tekstar Cablevision, Inc. (“Tekstar Cable”), a Minnesota corporation which, in turn, owns 100% of Tekstar Communications, Inc. (“Tekstar”), a Minnesota corporation that provides competitive local exchange services and resold long distance toll services to customers in 14 north central and northwest Minnesota exchanges in which Qwest Corporation (“Qwest”) is the incumbent LEC, and four west central Minnesota exchanges in which Sprint Minnesota, Inc. is the incumbent LEC.¹¹ In addition, Arvig wholly-owns WETEC, LLC, a Minnesota limited liability corporation that is authorized to provide competitive local exchange services and resold long distance toll services in six north central Minnesota exchanges in which Qwest is the incumbent LEC. Arvig and/or its subsidiaries also hold interests in the following telecommunications and/or communications companies: Central Minnesota Network Systems LLC, a Minnesota limited liability corporation that provides interactive video, fiber connectivity, and leased fiber to schools in central Minnesota (33.33%); Central Transport Group LLC, a Minnesota limited liability corporation that provides high-capacity special access circuits in Minnesota (20%); NMSA (15.78%); Independent Emergency Services LLC, a Minnesota limited liability corporation that provides public service answering point (“PSAP”) enhanced 911 communications services in rural Minnesota (14.28%); Central Transport Video Group LLC, a Minnesota

⁹ Blue Earth and its subsidiaries also provide dial-up and high-speed Internet access services, computer networking services, alarm and surveillance services, and business telephone systems and telephone answering services.

¹⁰ The trustee for each of these trusts is William V. Eckles, and the beneficiaries of each trust are William V. Eckles and his issue, all of whom are U.S. citizens.

¹¹ Tekstar Cable provides cable television services and other non-regulated, non-telecommunications services in many of the same areas served by Tekstar.

limited liability corporation that provides facilities in rural Minnesota for the distribution of video signals (12.5%); NTG (10%); 702 Communications (9.53%); WCTG (5%); and Onvoy (3.9%). The following entities own or control 10% or more of the equity of Arvig: Allen Arvig, a U.S. citizen (31.1%); Arvig Employee Stock Ownership Plan, a U.S. entity (20.2%); and Donna Ward, a U.S. citizen (18.6%). No other person or entity directly or indirectly owns or controls a 10% or greater interest in Arvig.

New Ulm, a Minnesota corporation, provides local exchange telephone services (including interstate exchange access) and resold interstate toll services as an incumbent LEC in the rural southern Minnesota communities of New Ulm, Courtland, Essig, Klossner, and Searles. New Ulm also provides competitive local exchange telephone service (including interstate exchange access) and resold interstate toll services as a competitive LEC in the rural Minnesota community of Redwood Falls, where Qwest is the incumbent LEC. New Ulm also has two wholly-owned subsidiaries: Western Telephone Company, a Minnesota corporation and incumbent LEC that provides local exchange telephone services (including interstate exchange access) and resold interstate toll services in the rural southern Minnesota communities of Springfield and Sanborn; and Peoples Telephone Company, an Iowa corporation and incumbent LEC that provides local exchange telephone services in the rural northwestern Iowa community of Aurelia.¹² New Ulm and/or its subsidiaries also hold interests in the following telecommunications and/or communications companies: Fibercomm LC, an Iowa limited liability corporation that provides competitive local exchange services in Sioux City, Iowa (25.18%); Broadband Visions (8.19%); and Onvoy (0.26%). New Ulm and its subsidiaries provide their services to the public under the trade name of NU-Telecom, and serve approximately 16,300 access lines in the aggregate. New Ulm has more than 1,300 shareholders, none of whom owns or controls 10% or more of New Ulm's equity.

The proposed transaction consists of the transfer of control of Hector, and the transformation of Hector from a publicly-traded corporation into a private company owned equally by Blue Earth, Arvig and New Ulm (33.33% each). The transaction will be accomplished by the merger of Hector Acquisition Corp. ("HAC"), a newly-formed Minnesota corporation held in equal shares by Transferees, into Hector, with Hector continuing as the surviving corporation. The pre-merger shares and rights of Hector will be cancelled and extinguished, subject to various provisions for the payment of the merger consideration to consenting shareholders, option holders, and dissenting shareholders.

The Applicants state that the proposed transaction will serve the public interest. Applicants state that the proposed transaction entails the transfer of control of Hector and its subsidiaries to three well-established rural telephone company operators that have long served similar and nearby rural communities and have proven records of investing in their networks and communities. Applicants further assert that the consummation of the proposed transaction will ensure that the rural Minnesota, Wisconsin, and North Dakota customers of Hector will continue to receive high-quality, state-of-the-art voice, data, and video services at affordable rates for the foreseeable future.

GENERAL INFORMATION

The transfer of assets identified herein has been found, upon initial review, to be acceptable for filing as a non-streamlined application. The Commission reserves the right to return any transfer of assets application if, upon further examination, it is determined to be defective and not in conformance with the

¹² In addition, New Ulm and its subsidiaries provide dial-up and high-speed Internet access services, computer sales and networking services, and cable television services.

Commission's rules and policies. Pursuant to sections 1.415 and 1.419 of the Commission's rules, 47 CFR §§ 1.415, 1.419, interested parties may file comments **on or before September 19, 2006** and reply comments **on or before September 26, 2006**.¹³ Comments may be filed using: (1) the Commission's Electronic Comment Filing System (ECFS), (2) the Federal Government's eRulemaking Portal, or (3) by filing paper copies. *See Electronic Filing of Documents in Rulemaking Proceedings*, 63 FR 24121 (1998).

- **Electronic Filers:** Comments may be filed electronically using the Internet by accessing the ECFS: <http://www.fcc.gov/cgb/ecfs/> or the Federal eRulemaking Portal: <http://www.regulations.gov>. Filers should follow the instructions provided on the website for submitting comments.
- For ECFS filers, if multiple docket or rulemaking numbers appear in the caption of this proceeding, filers must transmit one electronic copy of the comments for each docket or rulemaking number referenced in the caption. In completing the transmittal screen, filers should include their full name, U.S. Postal Service mailing address, and the applicable docket or rulemaking number. Parties may also submit an electronic comment by Internet e-mail. To get filing instructions, filers should send an e-mail to ecfs@fcc.gov, and include the following words in the body of the message, "get form." A sample form and directions will be sent in response.
- **Paper Filers:** Parties who choose to file by paper must file an original and four copies of each filing. If more than one docket or rulemaking number appears in the caption of this proceeding, filers must submit two additional copies for each additional docket or rulemaking number.

Filings can be sent by hand or messenger delivery, by commercial overnight courier, or by first-class or overnight U.S. Postal Service mail (although we continue to experience delays in receiving U.S. Postal Service mail). All filings must be addressed to the Commission's Secretary, Office of the Secretary, Federal Communications Commission.

The Commission's contractor will receive hand-delivered or messenger-delivered paper filings for the Commission's Secretary at 236 Massachusetts Avenue, N.E., Suite 110, Washington, D.C. 20002. The filing hours at this location are 8:00 a.m. to 7:00 p.m. All hand deliveries must be held together with rubber bands or fasteners. Any envelopes 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 9300 East Hampton Drive, Capitol Heights, MD 20743. U.S. Postal Service first-class, Express, and Priority mail should be addressed to 445 12th Street, S.W., Washington D.C. 20554.

People with Disabilities: To request materials in accessible formats for people with disabilities (braille, large print, electronic files, audio format), send an e-mail to fcc504@fcc.gov or call the Consumer & Governmental Affairs Bureau at 202-418-0530 (voice), 202-418-0432 (tty).

¹³ See 47 C.F.R. § 63.03(a).

You may submit comments, identified by the above noted docket number, by any of the following methods:

- Federal eRulemaking Portal: <http://www.regulations.gov>. Follow the instructions for submitting comments.
- Federal Communications Commission's Web Site: <http://www.fcc.gov/cgb/ecfs/>. Follow the instructions for submitting comments.
- People with Disabilities: Contact the FCC to request reasonable accommodations (accessible format documents, sign language interpreters, CART, etc.) by e-mail: FCC504@fcc.gov or phone: 202-418-0530 or TTY: 202-418-0432.

In addition, one copy of each pleading must be sent to each of the following:

- 1) The Commission's duplicating contractor, Best Copy and Printing, Inc., 445 12th Street, S.W., Room CY-B402, Washington, D.C. 20554, www.bcpweb.com; phone: (202) 488-5300 fax: (202) 488-5563;
- 2) Cecilia Seppings, Competition Policy Division, Wireline Competition Bureau, 445 12th Street, S.W., Room 5-C230, Washington, D.C. 20554; email: Cecilia.Seppings@fcc.gov;
- 3) Alex Johns, Competition Policy Division, Wireline Competition Bureau, 445 12th Street, S.W., Room 5-C317, Washington, D.C. 20554; e-mail: alexis.johns@fcc.gov;
- 4) Susan O'Connell, Policy Division, International Bureau, 445 12th Street, S.W., Room 7-B544, Washington, D.C. 20554; email: susan.o'connell@fcc.gov; and
- 5) Jim Bird, Office of General Counsel, 445 12th Street, S.W., Room 8-C824, Washington, D.C. 20554; e-mail: jim.bird@fcc.gov.

Filings and comments are also available for public inspection and copying during regular business hours at the FCC Reference Information Center, Portals II, 445 12th Street, S.W., Room CY-A257, Washington, D.C. 20554. They may also be purchased from the Commission's duplicating contractor, Best Copy and Printing, Inc., Portals II, 445 12th Street, S.W., Room CY-B402, Washington, D.C. 20554, telephone: (202) 488-5300, fax: (202) 488-5563, or via e-mail www.bcpweb.com.

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For further information, please contact Cecilia Seppings at (202) 418-1588, or Alex Johns at (202) 418-1167.

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