



PUBLIC NOTICE

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DOMESTIC 214 APPLICATION GRANTED FOR THE TRANSFER OF CONTROL OF HARGRAY ACQUISITION HOLDINGS, LLC AND ITS SUBSIDIARIES TO CABLE ONE, INC.

WC Docket No. 21-69

By this Public Notice, the Wireline Competition Bureau (Bureau) grants, as conditioned, an application filed by Hargray Acquisition Holdings, LLC (Hargray), the Licensees,¹ and Cable One, Inc. (Cable One) (collectively, Applicants), pursuant to section 214 of the Communications Act of 1934, as amended, and sections 63.03-04 of the Commission's rules, requesting approval to transfer control of Hargray and the Licensees to Cable One.²

On March 12, 2021, the Bureau released a public notice seeking comment on the Application.³ The Bureau did not receive comments or petitions in opposition to the Application.

Applicants and Description of Transaction

Hargray, a South Carolina holding company, through the following subsidiaries and affiliates, provides telecommunications services and other services in Alabama, Florida, South Carolina, and Georgia: Low Country Carriers, Inc., a South Carolina corporation, provides interexchange telecommunications services to customers of its affiliated carriers; Hargray Telephone Company, Inc. (HTC), a South Carolina corporation, is an incumbent local exchange carrier (LEC) serving approximately 20,000 customers in Hilton Head and Hardeeville, South Carolina; Bluffton Telephone Company, Inc. (BTC), a South Carolina corporation, is an incumbent LEC serving approximately 20,000 customers in Bluffton, South Carolina; Hargray, Inc., a South Carolina corporation, is a cable operator and competitive LEC in South Carolina; Hargray of Alabama, Inc., a Georgia corporation, is a cable

¹ The Licensees are: (1) Low Country Carriers, Inc.; (2) Hargray Telephone Company, Inc.; (3) Bluffton Telephone Company, Inc.; (4) Hargray, Inc.; (5) Hargray of Alabama, Inc.; (6) Hargray of Florida, Inc.; (7) Hargray of Georgia, Inc.; (8) ComSouth Telecommunications, Inc.; (9) ComSouth Telenet, Inc.; and (10) ComSouth Teleservices, Inc.

² See 47 U.S.C. § 214; 47 CFR §§ 63.03-04; Hargray Acquisition Holdings, LLC and Cable One, Inc. Application for Transfer of Control of Domestic Blanket Section 214 Authorizations, WC Docket No. 21-69 (filed Feb. 26, 2021) (Application). Applicants also filed an application for the transfer of authorizations associated with international and wireless authorizations. Any action on this domestic section 214 application is without prejudice to Commission action on other related, pending applications. On March 10, 2021 and April 9, 2021, Applicants filed a supplement to the Application. Letter from Rebekah P. Goodheart, Counsel for Hargray and Licensees, and Chérie R. Kiser, Counsel for Cable One, to Marlene H. Dortch, Secretary, FCC, WC Docket No. 21-69 (filed Mar. 10, 2021) (Applicants' March 10 Supplement Letter); Letter from Rebekah P. Goodheart, Counsel for Hargray and Licensees, and Chérie R. Kiser, Counsel for Cable One, to Marlene H. Dortch, Secretary, FCC, WC Docket No. 21-69 (filed Apr. 9, 2021) (Applicants' April 9 Supplement Letter).

³ *Domestic Section 214 Application Filed for the Transfer of Control of Hargray Acquisition Holdings, LLC and Its Subsidiaries to Cable One, Inc.*, WC Docket No. 21-69, Public Notice, DA 21-315 (WCB 2021).

operator and competitive LEC in Alabama; Hargray of Florida, Inc., a Georgia corporation, is a cable operator and competitive LEC in Florida; Hargray of Georgia, Inc., a South Carolina corporation, is a cable operator and competitive LEC in Georgia; ComSouth Telecommunications, Inc. (ComSouth), a Georgia corporation, is an incumbent LEC serving approximately 4,000 customers in Hawkinsville, Georgia and surrounding communities; ComSouth Telenet, Inc., a Georgia corporation, is a competitive LEC in Georgia; and ComSouth Teleservices, Inc., a Georgia corporation, is a competitive LEC in Georgia.⁴ Hargray's incumbent LEC operating subsidiaries receive high-cost support through different mechanisms of cost-based support and fixed model-based support. Specifically, HTC and BTC receive cost-based universal service support.⁵ ComSouth voluntarily elected to receive support under the Alternative Connect America Cost Model (A-CAM).⁶

Cable One, a Delaware corporation and cable operator, provides telecommunications services, broadband services, and other services in 21 states.⁷ Cable One currently holds approximately 16% of the ownership interests of Hargray.⁸ Cable One VoIP LLC (VoIP LLC), a Delaware limited liability company and a wholly owned subsidiary of Cable One, is registered in the state of Washington as a competitive telecommunications company.⁹ Delta Communications, L.L.C. d/b/a Clearwave Communications (Clearwave), an Illinois limited liability company, is a wholly owned subsidiary of Cable One and holds authority to offer competitive LEC services in Illinois, Indiana, and Missouri. Fidelity Telephone LLC (Fidelity), a Missouri limited liability company and a wholly owned subsidiary of Cable One, is an incumbent LEC serving customers in nine rural exchanges in Missouri.¹⁰ Fidelity Cablevision, LLC (FCV), a Missouri limited liability company and a wholly owned subsidiary of Cable One, is a cable operator in Missouri and Oklahoma.¹¹ CoBridge Communications LLC (CC), a Delaware limited liability company and a wholly owned subsidiary of FCV, holds authority to offer competitive LEC services in Arkansas and Texas.¹² CoBridge Broadband, LLC, a Delaware limited liability company and a wholly owned subsidiary of CC, is a cable operator that offers video, broadband, and other services in Arkansas, Louisiana, Missouri, and Texas.¹³ Valu-Net LLC, a Delaware limited liability company and a wholly owned subsidiary of Cable One, is a cable operator that offers video, broadband, and competitive LEC services in Kansas.¹⁴ The following U.S.-based entities and U.S. citizen hold a 10% or

⁴ Application at 3-6.

⁵ *Id.* at 4-6 and n.11; *Joint Application of W. Mansfield Jennings Limited Partnership and Hargray Communications Group, Inc. for Consent to the Transfer of Control of ComSouth Corporation Pursuant to Section 214 of the Communications Act of 1934*, WC Docket 18-52, Memorandum Opinion and Order, 33 FCC Rcd 4780, 4783, para. 11 (*Hargray/ComSouth Order*). See Universal Service Administrative Co., Tools, <https://www.usac.org/high-cost/resources/tools/> (ACAM, ACAM II and CAF BLS Buildout Requirements).

⁶ Application. at 4-6 and n.11; *Hargray/ComSouth Order*, 33 FCC Rcd at 4783, para. 11. See Universal Service Administrative Co., Tools, <https://www.usac.org/high-cost/resources/tools/> (ACAM, ACAM II and CAF BLS Buildout Requirements).

⁷ Application at 7. These states are Alabama, Arizona, Arkansas, Idaho, Illinois, Indiana, Iowa, Kansas, Louisiana, Minnesota, Mississippi, Missouri, Nebraska, New Mexico, North Dakota, Oklahoma, Oregon, South Dakota, Tennessee, Texas, and Washington. *Id.* at 7.

⁸ *Id.* at 11.

⁹ *Id.* at 7.

¹⁰ *Id.* at 8.

¹¹ *Id.*

¹² *Id.* at 9.

¹³ *Id.*

¹⁴ *Id.*

greater interest in Cable One: T. Rowe Price Associates, Inc. (T. Rowe) (12.5%),¹⁵ BlackRock, Inc. (BlackRock) (10.4%),¹⁶ and Daniel L. Mosley (10.8%).¹⁷

Applicants state that the service territories of Hargray's incumbent LEC affiliates do not overlap, and are not adjacent to, the territories served by Cable One and its subsidiaries.¹⁸

Pursuant to the terms of the Agreement and Plan of Merger (Agreement), Lighthouse Merger Sub LLC, a Delaware limited liability company and indirect wholly-owned subsidiary of Cable One created to effectuate the transaction, will merge with and into Hargray, with Hargray continuing as the surviving entity and becoming a wholly-owned subsidiary of Cable One.¹⁹ As a result of the Agreement, Cable One will acquire 100% of the ownership interests of Hargray, as well as control of Hargray and the Licensees.²⁰

Discussion

Applicants request approval to consummate a transaction involving companies that receive high-cost universal service support under the different support mechanisms of fixed model-based support and cost-based support, what we refer to as a mixed support transaction. Specifically, because HTC and BTC are cost-based support companies, and Cable One's subsidiary, Fidelity, is a fixed model-based support company, the potential for a transaction-specific harm exists and triggers an incentive to shift costs from Cable One's model-based support affiliate to HTC and BTC.²¹

The Commission has previously imposed a specific condition on companies involved in mixed-support transactions. In 2018, the Commission reviewed the transfer of control of ComSouth to Hargray and found that when a company receiving a fixed level of support, like ComSouth, acquires or is acquired by a company receiving support based on its costs, like Hargray, the combined companies could, and in some instances might, have an economic incentive to shift certain shared or common costs from the model-based support company to the cost-based support company.²² The Commission found that this cost-shifting risk would improperly impact the efficient use of limited universal services resources.²³ The Commission further found this potential for cost-shifting to be a transaction-specific harm and imposed a limited condition on its grant of the domestic section 214 application to cap the post-merger company's

¹⁵ *Id.* at 16. T. Rowe is a subsidiary of T. Rowe Price Group Inc. (TROW). *Id.* According to Applicants, "aside from normal-course rights as a beneficial holder of Cable One's common stock, neither T. Rowe nor TROW hold any additional rights to participate in the management or operation of Cable One. Neither T. Rowe nor TROW have the power to individually elect or block the election of any officer or director of Cable One, and do not have any control over or involvement in the day-to-day operations or management of the businesses of Cable One and its subsidiaries." Applicants' March 10 Supplement Letter at 2.

¹⁶ Application at 16. According to Applicants, "aside from normal-course rights as a beneficial holder of Cable One's common stock, BlackRock does not hold any additional rights to participate in the management or operation of Cable One. BlackRock does not have the power to individually elect or block the election of any officer or director of Cable One, and does not have any control over or involvement in the day-to-day operations or management of the businesses of Cable One and its subsidiaries." *Id.*; see Applicants' April 9 Supplement Letter at 1-2.

¹⁷ Application at 15-17.

¹⁸ *Id.* at 8.

¹⁹ *Id.* at 11.

²⁰ *Id.*

²¹ See *Hargray/ComSouth Order*, 33 FCC Rcd at 4785-86, para. 20.

²² *Id.*

²³ *Id.* at 4785-88, paras. 20-25.

universal service support based on Hargray's operating expenses. It found that Hargray's existing rate-of-return subsidiaries "shall be capped at the averaged combined operating expense of the three calendar years preceding the transaction closing date for which the operating expense data are available."²⁴ The Commission stated that the cap would remain in place for seven years from consummation of the *Hargray/ComSouth* transaction and directed that "to ensure consistency, the cap would apply to the combined operating expenses of Hargray's existing rate-of-return subsidiaries and any rate-of-return subsidiaries that Hargray may acquire during the time in which the condition is in effect."²⁵ The Commission directed the Bureau to apply the *Hargray/ComSouth* condition "where necessary to remedy a potential public interest harm caused by a mixed support transaction."²⁶

We find, upon consideration of the record, that grant of the Application will serve the public interest, convenience, and necessity.²⁷ However, similar to Hargray's prior acquisition, to mitigate the potential for cost shifting through this transaction, we grant the Application subject to the continued application of the *Hargray/ComSouth* condition to Cable One, post-transaction.²⁸

Therefore, pursuant to section 214 of the Act, 47 U.S.C. § 214, and sections 0.91, 0.291, 63.03, and 63.04 of the Commission's rules, 47 CFR §§ 0.91, 0.291, 63.03, and 63.04, the Bureau hereby grants the Application discussed in this Public Notice subject to Cable One's compliance with the condition described above.²⁹

Pursuant to section 1.103 of the Commission's rules, 47 C.F.R. § 1.103, the grant is effective upon release of this Public Notice. Petitions for reconsideration under section 1.106 or applications for

²⁴ *Id.* at 4788-89, para. 27. The Commission defined "combined operating expense" for the purposes of the cap as including "maintenance, network support/network operations/general, benefits, rent expenses, and corporate operations, while depreciation, return on investment, and taxes shall be excluded." *Id.* at 4789, para. 28. The Commission also explained that the cap would apply to cost recovery under both High-Cost Loop Support (HCLS) and Connect America Fund Broadband Loop Support (CAF-BLS) and would be applied proportionately to each subsidiary's accounts used to determine a carrier's eligible operating expense for HCLS and CAF-BLS, and further directed Hargray to submit relevant cost data in accordance with the terms of the *Hargray/ComSouth Order*. *Id.* at 4789-90, paras. 28-31.

²⁵ *Id.* at 4789-90, para. 29 and n.74.

²⁶ *Id.* at 4789, n.72. While BlackRock will hold an indirect minority ownership interest in the Licensee companies post-transaction, neither BlackRock nor the entities in which it has an ownership interest will have any control over, or ability to influence the operations or management of Cable One or its affiliate Licensee companies. Applicants' April 9 Supplement Letter at 1-3. As a result, there is no cost shifting risk, and thus we do not find it "necessary" to extend the condition to BlackRock or the BlackRock-owned entities to "prevent a potential public interest harm." *Hargray/ComSouth Order*, 33 FCC Rcd at 4789, para. 27, n.72.

²⁷ See 47 U.S.C. § 214(a); 47 CFR § 63.03.

²⁸ To ensure consistency, the cap would apply to the combined operating expenses of Hargray's and Cable One's existing rate-of-return subsidiaries and any rate-of-return subsidiaries that Cable One may acquire during the time in which the condition is in effect. *Hargray/ComSouth Order*, 33 FCC Rcd at 4789, n.74. Applicants have acknowledged the continuing applicability of the mixed support condition. Application at n.11 ("This condition must remain in place for seven (7) years from consummation of that transaction (which occurred May 16, 2018). Thus, the instant Transaction will not affect the conditions under which ComSouth, HTC, and BTC currently receive high-cost universal service support."); Applicants' April 9 Supplement Letter at 1-2 ("The [mixed support condition] applies to the two rate-of-return [incumbent] LECs owned by Hargray (HTC and BTC) until 2025, and will continue to apply after consummation of the Transaction.").

²⁹ The Applicants provide incumbent LEC services in their respective study areas. Within 30 days of closing the proposed transactions, they must notify USAC so that it can make any appropriate changes to the High Cost Universal Broadband (HUBB) on-line location reporting portal for universal service recipients. In addition, we direct Applicants to submit in the domestic section 214 docket a notice that the proposed transaction has closed with the consummation date, and also provide a courtesy copy of the notice to hcinfo@usac.org.

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 Dennis Johnson, Wireline Competition Bureau, Competition Policy Division, (202) 418-0809.

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