PUBLIC NOTICE

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DOMESTIC SECTION 214 APPLICATION GRANTED FOR THE TRANSFER OF CONTROL OF LORETTO TELEPHONE COMPANY, INC. TO UNITED COMMUNICATIONS HOLDINGS, LLC

WC Docket No. 25-310

By this Public Notice, the Wireline Competition Bureau (Bureau) grants an application filed by SkyBest Communications, Inc. (SkyBest) and United Communications Holdings, LLC (UCH) (together, Applicants), pursuant to section 214(a) of the Communications Act of 1934, as amended, and section 63.04 of the Commission's rules,[1] requesting Commission consent for the transfer of control of Loretto Telephone Company, Inc. (Loretto Telephone) and its wholly owned subsidiary, Loretto Communications Services, Inc. (Loretto Communications), from SkyBest to UCH.[2] The Bureau grants this application subject to a limited waiver of the Hargray condition, as described below.[3]

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[1] *See* 47 U.S.C. § 214(a); 47 CFR § 63.04.

[2] Domestic Section 214 Application for the Transfer of Control of Loretto Telephone Company, Inc. and Loretto Communications Services, Inc. to United Communications Holdings, LLC, WC Docket No. 25-310 (filed Nov. 13, 2025) (Application). On December 9, 2025, UCH filed a supplement to their domestic section 214 application. *See* Letter from Marjorie Spivak, Counsel to United Communications Holdings, Inc., to Marlene H. Dortch, Secretary, FCC, WC Docket No. 25-310 (filed Dec. 9, 2025) (Supplement). On April 3, 2026, UCH filed notice of an ex parte meeting. *See* Letter from Marjorie Spivak, Counsel to United Communications Holdings, Inc., to Marlene H. Dortch, Secretary, FCC, WC Docket No. 25-310 (filed Apr. 3, 2026) (Apr. 3 Ex Parte Letter). On April 30, 2026, UCH filed notice of an ex parte meeting. *See* Letter from Marjorie Spivak, Counsel to United Communications Holdings, Inc., to Marlene H. Dortch, Secretary, FCC, WC Docket No. 25-310 (filed Apr. 30, 2026) (Apr. 30 Ex Parte Letter). On August 19, 2026, UCH filed a supplemental letter. *See* Letter from Richard R. Cameron, Counsel for United Communications Holdings, LLC, to Marlene H. Dortch, Secretary, FCC, WC Docket No. 25-310 (filed Aug. 19, 2026) (Voluntary Commitment Letter). Applicants also filed applications for the transfer of international authorizations. Any action on the domestic section 214 application is without prejudice to Commission action on other related applications.

[3] *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, 4784, para. 19 (2018) (*Hargray Order*). The FCC's Hargray condition is an operating expense cap placed on telecommunications carriers involved in a mixed support transaction within the Universal Service Fund High-Cost program. A mixed support transaction is a transaction in which a carrier receiving legacy, cost-based support acquires or is acquired by a carrier receiving fixed support, such as model-based funding. The Hargray condition caps the operating expenses of the combined entity's carriers that receive cost-based support to prevent potential cost shifting. *Id.* at 4789, para. 27, n.72 (directing the Bureau to apply the condition to mixed support transactions that create cost shifting risks.).

On December 16, 2026, the Bureau released a public notice seeking comment on the Application.[4] The Bureau did not receive any comments or petitions in opposition to the Application.

Loretto Telephone provides service as a rural incumbent local exchange carrier (LEC), and Loretto Communications provides service as a competitive LEC. Both are Tennessee corporations providing service to portions of Lawrence, Giles, and Wayne Counties, Tennessee.[5] SkyBest, a North Carolina corporation, provides service as a competitive LEC in Johnson County Tennessee and wholly owns Loretto Telephone.[6]

UCH, a Delaware limited liability holding company,[7] wholly owns United Telephone Company (UTC), a Tennessee corporation, that provides service as a rural incumbent LEC in portions of Bedford, Davidson, Marshall, Franklin, Rutherford, Williamson, and Moore Counties, Tennessee.[8] UTC's wholly owned subsidiary, United Communications, Inc. (UCI), also a Tennessee corporation, provides service as a competitive LEC and cable operator in portions of Bedford, Davidson, Franklin, Giles, Lincoln, Marshall, Moore, Maury, Rutherford, Williamson, and Wilson counties, Tennessee.[9]

Pursuant to the terms of the proposed transaction, UCH will purchase all the shares in Loretto Telephone.[10] Upon consummation, Loretto Telephone will become a wholly owned subsidiary of UCH, and Loretto Communications will remain a wholly owned subsidiary of Loretto Telephone (and an indirect subsidiary of UCH).[11]

Applicants assert that a grant of the Application would serve the public interest, convenience, and necessity.[12] Applicants assert that the proposed transaction will ensure the continued provisioning of

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[4] *See Domestic Section 214 Application Filed for the Transfer of Control of Loretto Telephone Company, Inc. and Loretto Communications Services, Inc. to United Communications Holdings, LLC*, WC Docket No. 25-310, Public Notice, DA 25-1006 (WCB 2026).

[5] *Id*. at 2. Applicants state that Loretto Telephone, a designated Eligible Telecommunications Carrier (ETC) in Tennessee, receives High Cost Connect America Fund Broadband Loop Support (CAF BLS) and High-Cost Loop support (HCLS) (collectively legacy support) through the average schedule, and Intercarrier Compensation Recovery (ICC) in Study Area Code (SAC) 290570. *Id.* at 12.

[6] *Id*. at 2-3.

[7] UCH is majority owned by MTE Holdings, LLC (MTEH), a Tennessee limited liability company, which, in turn, is wholly owned by Middle Tennessee Electric Membership Corporation (MTEMC), an electric utility that is organized as a Tennessee non-profit corporation that is a member-owned cooperative in which no member-owner holds a 10% or greater interest. *Id.* at 4. MTEMC is governed by a Board of Directors, each U.S. citizens, elected by its member owners. *Id.*; *see also* Supplement at 1-2 (listing each of the Board Members and Officers of MTEH and MTEMC). Applicants state that neither MTEH nor any of the Board Members or Officers of MTEMC hold a 10% or greater interest in any other provider of domestic telecommunications services. Supplement at 1-2.

[8] *Id.* at 3. Applicants state that UTC, a designated ETC in Tennessee, receives legacy support as a cost company and ICC to serve SAC number 290581. *Id*. at 12. Applicants state that UCH also wholly owns UTC Long Distance, LLC (UTC Long Distance), a Tennessee limited liability company and provider of resold interstate and intrastate long-distance services in the State of Tennessee. *Id*. at 4.

[9] *Id*. at 3-4. Applicants state that UCI receives Rural Digital Opportunity Fund (RDOF) funding, a form of model-based support, to serve SAC number 299040 and is designated as an ETC for the SAC. *Id.* at 12.

[10] *Id*. at 4.

[11] *Id.* Applicants state that their service territories do not overlap. *See id.* at Attachment D (Map of Geographic Operations) at n.11.

[12] *Id.* at 13-14 and Attach. A at 16-17. *See also* Voluntary Commitment Letter at 1-2 ("United believes that its acquisition of control of Loretto offers considerable public interest benefits. The proposed transaction . . . . will not eliminate any existing competitor, reduce customer choice, combine competing local networks, or place duplicative high-cost support for the same locations under common control. Instead, the transaction will give Loretto access to the organizational scale, resources, and operational capabilities of a larger, Tennessee-based rural communications organization. . . . Following consummation, Loretto will be able to draw upon United's established personnel,

high-quality telecommunications services to Loretto Telephone's and Loretto Communications' customers.[13] Applicants state that the transaction will be transparent to customers, who will experience no disruption in service and Applicants assert the transaction will not adversely affect subscribers, competitors, or the market for the provision of telecommunications services.[14]

UHC also asserts the transaction advances the Commission's interest in the efficient and accountable use of finite federal broadband resources.[15] With regard to the Applicant's Universal Service Fund support, United states that "as a good steward of federal high-cost support, United commits to use Loretto's federal high-cost support to ensure compliance with Loretto's federal and state service requirements, while remaining mindful of any federal Broadband Equity, Access, and Deployment Program funding flowing to unaffiliated service providers in the Loretto study area to avoid placing unnecessary pressure on the Commission's high-cost funding mechanisms. In addition, following consummation of this transfer of control of Loretto, United commits to update Loretto's study area boundary as necessary to remove two locations . . . where an affiliate of Telephone and Data Systems, Inc., currently receives Enhanced A-CAM support."[16] We accept this commitment as firm and definite, and expect that it will help ensure that it will adequately mitigate incentives to for the post-transaction company to shift it operating costs to UTC to increase UTC's reimbursable support.

Limited Waiver of the Hargray Condition

We find that this transaction is subject to the Hargray condition for "mixed support" transactions but find good cause to grant, sua sponte, a limited waiver of that condition for this particular transaction.[17] The Loretto Telephone-UTC affiliation warrants a standard application of the Hargray operating expense cap because Loretto Telephone's average schedule support is "fixed" – that is, calculated based on industry averages generally independent of its own embedded costs – and thus gives rise to post-transaction potential incentives to shift its operating costs to UTC to increase UTC's reimbursable support (which is based on embedded costs).[18] Yet the *Hargray Order* does not explicitly state the condition's applicability to affiliations of this kind.[19] In this regard, however, Hargray describes fixed support as

systems, experience, and financial resources in these areas. This expanded access is expected to strengthen Loretto's operational capabilities and resilience and better position it to maintain reliable service, respond to evolving technical and regulatory requirements, and serve its rural customers over the long term.)

[13] *Id.*, Attach. A at 17.

[14] *Id.*

[15] Voluntary Commitment Letter at 2.

[16] *Id*.

[17] *Joint Application of W. Mansfield Jennings Limited Partnership and Hargray Communications Group, Inc. et al.*, WC Docket 18-52, Memorandum Opinion and Order, 33 FCC Rcd 4780, 4785-90, paras. 19-31 (2018) (*Hargray Order*); *id.* at 4789, para. 27, n.72 (directing the Bureau to apply the condition to mixed support transactions that create cost shifting risks). Generally, the Commission may waive its rules, at its discretion, based on good cause shown, 47 CFR § 1.3, when strict compliance would be inconsistent with the public interest, special circumstances warrant rule deviation, and deviation serves the public interest. *See NetworkIP, LLC v. FCC*, 548 F.3d 116, 125-28 (D.C. Cir. 2008); *Northeast Cellular Telephone Co. v. FCC*, 897 F.2d 1164, 1166 (D.C. Cir. 1990).

[18] *See Hargray Order*, 33 FCC Rcd at 4786 n.48 (condition applies when fixed support recipients "regardless of whether … [model-based or frozen]" become newly affiliated with cost companies); *id*. at 4789, para. 27, n.72; *Nemont Telephone Cooperative, Inc., et al.*, Order, 18 FCC Rcd 838, 848, para. 27 (WCB 2003) (explaining how the two types of support are calculated) (*Nemont Order*).

[19] *But see Hargray Order* at n.72 (directing the Bureau to apply the Hargray condition to a merger between an average schedule company and a model-based support company, if the average schedule company converts to a cost company, thus, implying that an immediate application of the Hargray condition should apply when an average schedule company merges with a cost company).

model-based or frozen without reference to average schedule,[20] even as the Commission implicitly acknowledges that average schedule and model-based support recipients generally lack incentives to shift costs among themselves, which, by extension, means average schedule and cost-based affiliation presents an opportunity for immediate cost-shifting [21] Hargray reasons that cost shifting risk mitigation for a seven year term from the date of consummation is warranted not only due to cost shifting's inconsistency with legacy support policy goals but also with the model-based support paradigm.[22]

We therefore find good cause to waive the requirement that the Hargray cap should be based on UTC's reported operating expenses for a three-year period and instead limit it to those expenses as reported in UTC's 2025 cost study, consistent with United's voluntary commitment to compliance with such a modified cap for a seven-year term in order to address the Bureau's cost shifting concerns.[23] The waiver only applies to the affiliation between Loretto Telephone, as an average schedule company, and UTC, and would not apply to future cap re-calculations and Hargray condition renewals based on new mixed support affiliations, whether through an average schedule company's voluntary conversion to cost support or through future mixed-support transactions.[24] This modification acknowledges special circumstances arising from applicants' stated financial expectations at the time of negotiation based on a pre-transaction operating expense increase,[25] while serving the public interest by continuing to ensure adequate cost-shifting risk mitigation, as it leaves in place all other aspects of the Hargray condition.[26] We find, upon consideration of the record, that granting the Application, subject to compliance with United's voluntary commitment, will serve the public interest, convenience, and necessity.[27] Therefore, pursuant to section 214 of the Act, 47 U.S.C. § 214, and sections 0.91, 0.291, and 63.04 of the Commission's rules, 47 CFR §§ 0.91, 0.291, and 63.04, the Bureau hereby grants the Application discussed in this Public Notice subject to compliance with the Hargray condition described above.[28]

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[20] *Id.*

[21] *See id.* at 4784, para. 19; *id.* at 4789, para. 27, n.72

[22] *See id.* at 4783, 4786-87, 4789-90, paras. 10, 21-23, 29.

[23] *See* Voluntary Commitment Letter at 2 ("solely for the purpose of facilitating the Bureau's approval," United accepts this modified cap reflecting "UTC's most recent [pre-transaction] operating cost structure immediately prior to the acquisition of Loretto"). United voluntarily commits to compliance with the modified cap until the "earlier of (a) the effective date of any generally applicable rules replacing or materially reforming the CAF BLS and HCLS support mechanisms or otherwise addressing operating expense limitations or cost-shifting concerns, or (b) a period of seven (7) years following consummation of the transaction, i.e., for (and including) operating expenses to be reported in UTC's 2032 cost study, due to be submitted to NECA July 31, 2033, assuming the transaction closes in 2026," a commitment we accept as firm and definite. We note that this waiver does not supersede pending or future Commission actions, including actions that would alter the terms of the Hargray condition, and accordingly, accept this commitment as to any earlier modifications to the extent that the Hargray condition or functionally similar requirements are modified for all subject carriers. *See, e.g., Reforming the High-Cost Program for an All-IP Future*, WC Docket No. 26-96, Notice of Proposed Rulemaking, FCC 26-35, para. 19 (rel. May 21, 2026).

[24] *Nemont Order*, 18 FCC Rcd at 848, para. 28, n.66 (explaining that average schedule companies may convert to cost).

[25] A pre-transaction operating expense increase, by itself, is not a "special circumstance" as it is neither unique nor a significant predictor of post-transaction expenses, particularly given the potential long-term efficiencies arising from these transactions. Waivers have been granted based on detrimental consequences arising from ambiguous guidance, among other circumstances. *Petitions for Waiver of Universal Service High Cost Deadlines et al*., Order, 34 FCC Rcd 11139, 11144-45, paras. 14, 17 (2019); *Connect America Fund et al*., Order on Review, 38 FCC Rcd 11691, 11696, para. 14 (2023).

[26] We note that United has requested that the Bureau waive any applicable Commission rules or Orders as necessary to implement the cap as described above. *See* Voluntary Commitment Letter at 2.

[27] *See* 47 U.S.C. § 214(a).

[28] 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. Applicants

Pursuant to section 1.103 of the Commission's rules, 47 CFR § 1.103, the grant is effective upon release of this Public Notice. Petitions for reconsideration under section 1.106 or application for review under section 1.115 of the Commission's rules, 47 CFR §§ 1.106, 1.115, may be filed within 30 days of the date of this Public Notice.

For further information, please contact Gregory Kwan, Wireline Competition Bureau, Competition Policy Division, (202) 418-1191; Nissa Laughner, Telecommunications Access Policy Division, (202) 418-1358.

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must also submit a copy of the consummation notice via email to gregory.kwan@fcc.gov and Nissa.Laughner@fcc.gov. These filings must be submitted within 30 days of the consummation.