

September 17, 2014

**MEMORANDUM**

**TO:** The Chair and Members of the Commission

**FROM:** Kevin Neilson, Regulatory Policy Administrator

**SUBJECT:** IN THE MATTER OF THE APPLICATION OF BLOCK COMMUNICATIONS, INC. AND BLOCK LINE SYSTEMS, LLC FOR APPROVAL UNDER THE PROVISION OF 26 *DEL. C.* §215 FOR ACQUISITION OF ASSETS OF LINE SYSTEMS, INC., INFINITE COMMUNICATION, LLC AND MAGELLAN HILL TECHNOLOGIES, LLC (FILED JULY 16, 2014; AMENDED SEPTEMBER 8, 2014; AMENDED SEPTEMBER 23, 2014) - PSC DOCKET NO. 14-0240

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**Application**

Block Communications, Inc. (“BCI”) and its wholly-owned subsidiary Block Line Systems, LLC (“BLS”) (together, “Applicants”) have filed a joint application (“Application”) seeking Commission approval to acquire the respective assets of Line Systems, Inc. (“LSI”), Infinite Communication, LLC (“IC”) and Magellan Hill Technologies, LLC (“MHT”) (jointly, the “Assignors”).

**Applicants**

**Block Communications, Inc.**

BCI is a corporation organized under the laws of the State of Ohio. BCI is a multi-media corporation, operating full-service television stations, low-power television stations, newspapers and cable television systems. BCI has a wholly-owned subsidiary, Buckeye TeleSystems, Inc., that provides competitive local exchange carrier services in Ohio and Michigan, as well as resold domestic and international interexchange services.

Block Line Systems, LLC

BLS is a limited liability company formed under Ohio law for the purpose of operating the assets of LSI, IC and MHT upon the consummation of the transaction described in the Application (the “Transaction”). BLS is a wholly-owned subsidiary of BCI, with principle offices located at 405 Madison Avenue, Suite 2100, Toledo, Ohio 43604. BLS does not currently provide telecommunications services in Delaware and does not currently hold a Certificate of Public Convenience and Necessity (“CPCN”) to provide telecommunications services in Delaware.

Transaction

LSI is a Pennsylvania corporation whose address is 1645 West Chester Pike, Suite 200 West Chester, Pennsylvania 19382. LSI provides competitive facilities-based local exchange and resale interexchange services. LSI received its CPCN to provide local exchange and competitive intrastate telecommunications services within Delaware pursuant to Order No. 5863 issued in PSC Docket No. 01-393.

IC is a limited liability company organized under the laws of the Commonwealth of Pennsylvania whose address is 1645 West Chester Pike, Suite 200 West Chester, Pennsylvania 19382. IC provides competitive facilities-based local exchange and resale interexchange services. IC received its CPCN to provide local exchange and competitive intrastate telecommunications services within Delaware pursuant to Order No. 7217 issued in PSC Docket No. 07-63.

MHT is a limited liability company organized under the State of New Jersey whose address is 1020 Laurel Oak Road, Suite 201 Voorhees, New Jersey 08043-3518. MHT provides competitive facilities-based local exchange and resale interexchange services. MHT received its CPCN to provide local exchange and competitive intrastate telecommunications services within Delaware pursuant to Order No. 7218 issued in PSC Docket No. 06-379.

Applicants and Assignors have entered into an Asset Purchase Agreement (“Agreement”) whereby BLS will acquire certain assets of Assignors. These assets include, for example, Assignor’s operating assets and agreements, certain customer accounts, contracts and agreements, certain vendor agreements and contracts, certain equipment and certain intellectual property from Assignors. As part of the purchase of assets, BLS will receive such assets related to the provision of local exchange and exchange access by Assignors within Delaware.

Consummation of the Transaction is contingent upon receipt of Commission approval and all other necessary approvals, including approval of the Federal Communications Commission.

### **Public Interest**

The Applicants assert that the Transaction furthers the public interest, convenience and necessity. According to the Applicants, upon consummation BLS will provide the competitive local exchange and domestic and internal interexchange services currently offered by the Assignors, thereby continuing the development of these two competitive service markets in the areas within which BLS will operate. Additionally, the proposed transfer of customers and assets will benefit existing customers of Assignors through increased efficiencies that will result from the use of the advanced service platform that is currently being used by BLS's affiliate, Buckeye, coupled with the continuing commitment to provide high quality, competitive services in response to customer needs. Applicants state that the Transaction is designed to be virtually transparent, with respect to services provided and service rates, to the current customers of the Assignors. These customers will be provided with written notice of the Transaction and after completion of the customer transfer, BLS will provide the Assignors' customers with the same services and quality they have come to expect without any immediate change to the service offerings, rates, or terms and conditions.

### **Staff Recommendations**

The Applicants, Block Communications, Inc. and Block Line Systems, LLC, have represented that the Transactions for sale of customers and acquiring of certain assets are in accordance with law, for a proper purpose, and consistent with public interest. Since this application is in accordance with 26 *Del. C.* §§215(a)(1) and (d), Staff recommends that the Commission approve the Applicants' request.

However, Staff will recommend that the Transaction not be fully consummated until BLS obtains a Certificate of Public Convenience and Necessity from the Commission. BLS does not currently have the authority to purchase these customers, customer contracts and other assets but has filed for a Certificate of Public Convenience and Necessity ("CPCN") in PSC Docket No. 14-0255. Finally, Staff will require a notice from the Applicant that the proposed Transaction has been completed.