



# PUBLIC NOTICE

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**DA 04-2148**  
**Released: July 15, 2004**

## DOMESTIC SECTION 214 APPLICATION FILED FOR TRANSFER OF CONTROL OF VERIZON HAWAII INC. TO THE CARLYLE GROUP

### STREAMLINED PLEADING CYCLE ESTABLISHED

**WC Docket No. 04-234**

**Comments Due: July 29, 2004**

**Reply Comments Due: August 5, 2004**

On June 21, 2004, Verizon Hawaii Inc. (“Verizon Hawaii”), Bell Atlantic Communications, Inc. (d/b/a Verizon Long Distance) (“Verizon Long Distance”) and Verizon Select Services Inc. (“VSSI”) (collectively, “Verizon” or “Transferors”) filed an application, pursuant to sections 63.03 and 63.04 of the Commission’s rules,<sup>1</sup> requesting approval to transfer control of (1) Verizon Hawaii; and (2) the assets related to interstate interexchange telecommunications service and the interstate long distance customer relationships of Verizon Long Distance and VSSI in the State of Hawaii.<sup>2</sup> The proposed transferee is Paradise MergerSub, Inc. (“Paradise MergerSub” or “Transferee”), a holding company wholly owned by investment funds associated with The Carlyle Group.<sup>3</sup>

Applicants assert that this transaction is entitled to presumptive streamlined treatment pursuant to section 63.03(b)(1)(ii) of the Commission’s rules because the transferee is not a telecommunications provider. The applicants state that the transferee is a private equity firm with limited interests in the telecommunications industry, none of which provides domestic

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<sup>1</sup> 47 C.F.R §§ 63.03, 63.04; *see* 47 U.S.C. § 214.

<sup>2</sup> Only VSSI and Verizon Long Distance assets and customers in Hawaii will be transferred as a result of this application. VSSI and Verizon Long Distance will retain authority granted by the Commission to provide interstate and international long-distance services.

<sup>3</sup> Applicants are also filing an application for consent to transfer control of authorization for international and wireless services. Any action on this domestic 214 application is without prejudice to Commission action on other related pending applications.

common carrier services. Notwithstanding the fact that the transferee is not affiliated with a telecommunications provider, the Applicants assert in the alternative that this transaction is also entitled to presumptive streamlined treatment pursuant to 63.03(b)(2)(ii) because (a) the transferee will have less than 10 percent of the interstate, interexchange market following the transfer of interexchange customers in Hawaii from Verizon Long Distance and VSSI; (b) the transferee does not provide competitive telephone exchange or exchange access; and (c) the applicants are a dominant carrier and a non-dominant entity (i.e. affiliate WCI Cable, Inc. (“WCI”)) that provides services exclusively outside the geographic area where the dominant carrier is dominant.<sup>4</sup>

Transferors Verizon Long Distance and VSSI provide domestic interexchange services in the State of Hawaii and in other areas of the United States. Transferor Verizon Hawaii provides local exchange service and exchange access service in various exchanges throughout Hawaii. In addition, affiliates of the Transferors provide a variety of local exchange services, exchange access services, and interexchange services, both wireline and wireless, in domestic telecommunications markets throughout the United States. Verizon Hawaii and VSSI are wholly-owned subsidiaries of GTE Corporation. More than 95% of GTE Corporation is owned by Verizon Communications Inc. The balance is owned by NYNEX Corporation, which is a wholly-owned subsidiary of Verizon Communications, Inc. Verizon Long Distance is a wholly-owned subsidiary of Verizon Communications Inc. No entity owns 10 percent or more of the equity in Verizon Communications Inc.

Transferee Paradise MergerSub, Inc. is a wholly owned subsidiary of Paradise HoldCo, Inc. (“Paradise HoldCo”). Carlyle Partners III Hawaii, L.P. (“CP III Hawaii”) and the affiliated investment partnerships (Carlyle Partners III Hawaii A, L.P., Carlyle Hawaii Partners, L.P., and Carlyle Hawaii Partners II, L.P., collectively, the “Carlyle Partnerships”) at closing will hold a 100 percent interest in Paradise HoldCo. Although the exact equity ownership held by each of the Carlyle Partnerships is not yet finalized, Applicants anticipate that each of Carlyle Partners III Hawaii, L.P., Carlyle Partners III Hawaii A, L.P., and Carlyle Hawaii Partners II, L.P. will have a greater than 10 percent interest in Paradise HoldCo, and that no other entity will hold a 10 percent or greater direct or indirect equity interest in Paradise HoldCo.

Each of the Carlyle Partnerships is controlled by TC Group III, L.P., its sole general partner. In addition, there are limited partners in the Carlyle Partnerships, some of whom are aliens. Applicants assert that alien limited partners of the Carlyle Partnerships will in no event own more than 25 percent of Transferee, and this alien ownership will be widely dispersed among dozens of entities, with the largest alien limited partnership interest equating to less than 3 percent of the Transferee. The sole general partner of TC Group III, L.P. is TC Group III, L.L.C. TC Group III, L.P. also has one limited partner, a U.S. citizen. The sole member of TC Group III, L.L.C. is TC Group, L.L.C. The sole managing member of TC Group, L.L.C. is TCG

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<sup>4</sup> The transferor Verizon Hawaii is classified by the Commission as a dominant carrier in the State of Hawaii, and Verizon Long Distance and VSSI are classified as nondominant carriers.

Holdings, L.L.C. (“TCG Holdings”). TCG Holdings is managed by a committee comprised of three managing members: William E. Conway, Jr., Daniel A. D’Aniello and David M. Rubenstein. Each of these individuals is a United States citizen. In addition, there are 30 other members (not managing members) of TCG Holdings.

Applicants assert that, although the transferee is not currently a telecommunications carrier, the transferee is affiliated with WCI . WCI is an FCC licensee that owns and operates a submarine fiber-optic cable connecting Alaska with the continental U.S. as well as certain terrestrial facilities in Alaska, all of which it operates on a non-common-carrier basis. WCI does not have any facilities in Hawaii. In addition, Carlyle affiliates are parties to applications recently filed with the Commission for transfer of control of PanAmSat Licensee Corp. (a non-common carrier Title III licensee) to Carlyle Partners III Telecommunications, L.P. and other Transferees.<sup>5</sup>

On May 21, 2004, GTE Corporation and Verizon HoldCo LLC (“Verizon HoldCo”) entered into an Agreement of Merger (the “Merger Agreement”) with Paradise HoldCo and Paradise MergerSub. GTE Corporation currently owns one hundred percent of the stock of Verizon Hawaii and one hundred percent of the membership interest of Verizon HoldCo. Prior to the effective time of the proposed merger, (i) GTE Corporation will transfer the stock of Verizon Hawaii, to Verizon HoldCo and (ii) Verizon will cause VSSI and Verizon Long Distance to assign certain assets related to interstate interexchange telecommunications service and interstate long distance customer relationships in the State of Hawaii to Verizon AssetCo, an entity to be formed by and wholly owned by Verizon HoldCo. The long-distance assets consist primarily of customer presubscriptions and accounts receivable related to those customers. Pursuant to the Merger Agreement, Verizon HoldCo will be merged with and into Paradise MergerSub, and Paradise MergerSub will be the sole surviving company and succeed to and assume all the rights and obligations of Verizon HoldCo (including owning all of the stock of Verizon Hawaii and Verizon AssetCo), with certain limited exceptions as set forth in the Merger Agreement.

The applicants assert that the proposed transfer of control is in the public interest. Applicants assert that the transferee will continue to provide local exchange and domestic interstate interexchange services after the closing of the transaction without reduction, impairment, or discontinuance of service to any customer. The applicants assert that the planned transfer of control will have no known immediate or substantial adverse effect on the service provided to customers in these exchanges in Hawaii. The applicants also state that there will be no reduction in the number of competitors or the level of competition in Hawaii as a result of the transfer of control to the Transferee. Furthermore, the applicants state that the Transferee and its

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<sup>5</sup> See *The News Corporation Limited and The DIRECTV Group, Inc. (Transferors) and Constellation, LLC, Carlyle PanAmSat I, LLC, Carlyle PanAmSat II, LLC, PEP PAS, LLC and PEOP PAS LLC (Transferees) Seek Approval to Transfer Control of FCC Licenses and Authorizations Held by PanAmSat Licensee Corp., IB*, Public Notice, Docket No. 02-209, DA 04-1605 (rel. June 2, 4004).

affiliates do not currently provide local or long-distance telephone service in the State of Hawaii, and thus the proposed transaction poses no competitive concerns.

## **GENERAL INFORMATION**

The transfer of control identified herein has been found, upon initial review, to be acceptable for filing as a streamlined application. The Commission reserves the right to return any transfer of control application if, upon further examination, it is determined to be defective and not in conformance with the Commission's rules and policies. Interested parties may file **comments on or before July 29, 2004** and **reply comments on or before August 5, 2004**.<sup>6</sup> Unless otherwise notified by the Commission, Applicants are permitted to transfer control on the 31<sup>st</sup> day after the date of this notice.<sup>7</sup> Comments may be filed using the Commission's Electronic Comment Filing System (ECFS) or by filing paper copies. *See Electronic Filing of Documents in Rulemaking Proceedings*, 63 Fed. Reg. 24121 (1998).

Comments filed through the ECFS can be sent as an electronic file via the Internet to <<http://www.fcc.gov/e-file/ecfs.html>>. Generally, only one copy of an electronic submission must be filed. If multiple docket or rulemaking numbers appear in the caption of this proceeding, however, commenters must transmit one electronic copy of the comments to each docket or rulemaking number referenced in the caption. In completing the transmittal screen, commenters 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 for e-mail comments, commenters should send e-mail to [ecfs@fcc.gov](mailto:ecfs@fcc.gov), and should include the following words in the subject line "get form <your e-mail address>." A sample form and directions will be sent in reply.

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, commenters 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). The Commission's contractor, Natek, Inc., 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 mail, Express Mail, and Priority Mail should be addressed to 445 12th Street, SW, Washington, D.C.

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<sup>6</sup> See 47 C.F.R. § 63.03(a).

<sup>7</sup> Such authorization is conditioned upon receipt of any other necessary approvals from the Commission in connection with the proposed transaction.

20554. All filings must be addressed to the Commission's Secretary, Office of the Secretary, Federal Communications Commission.

**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 12<sup>th</sup> Street, S.W., Room CY-B402, Washington, D.C. 20554; e-mail: [www.bcpweb.com](http://www.bcpweb.com); phone: 1-800-378-3160;
- (2) Tracey Wilson, Competition Policy Division, Wireline Competition Bureau, 445 12<sup>th</sup> Street, S.W., Room 5-C437, Washington, D.C. 20554; e-mail: [tracey.wilson-parker@fcc.gov](mailto:tracey.wilson-parker@fcc.gov);
- (3) Kimberly Jackson, Competition Policy Division, Wireline Competition Bureau, 445 12<sup>th</sup> Street, S.W., Room 3-C403, Washington, D.C. 20554; e-mail: [kimberly.jackson@fcc.gov](mailto:kimberly.jackson@fcc.gov);
- (4) Julie Veach, Competition Policy Division, Wireline Competition Bureau, 445 12<sup>th</sup> Street, S.W., Room 5-C124, Washington, D.C. 20554; e-mail: [julie.veach@fcc.gov](mailto:julie.veach@fcc.gov);
- (5) Christopher Killion, Office of General Counsel, 445 12<sup>th</sup> Street, S.W., Room 8-C740, Washington, D.C. 20554; e-mail: [chris.killion@fcc.gov](mailto:chris.killion@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, SW, Room CY-A257, Washington, DC, 20554. They may also be purchased from the Commission's duplicating contractor, Best Copy and Printing, Inc., Portals II, 445 12th Street, SW, Room CY-B402, Washington, DC, 20554, telephone 1-800-378-3160, or via e-mail [www.bcpweb.com](http://www.bcpweb.com).

For further information, please contact Tracey Wilson, at (202) 418-1394, or Kimberly Jackson at (202) 418-7393.

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