



# PUBLIC NOTICE

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**DA 06-667**  
**Released: March 27, 2006**

**DOMESTIC SECTION 214 APPLICATION FILED FOR THE TRANSFER OF  
CONTROL OF THE CTC COMMUNICATIONS GROUP, INC. AND  
THE CHOICE ONE COMMUNICATIONS, INC. SUBSIDIARIES  
TO SURVIVING CORPORATION**

**STREAMLINED PLEADING CYCLE ESTABLISHED**

**WC Docket No. 06-47**

**Comments Due: April 10, 2006**  
**Reply Comments Due: April 17, 2006**

On February 22, 2006, CTC Communications Group, Inc., (“CTC Group”) and Choice One Communications Inc. (“Choice One”) (together “Applicants”) filed an application, pursuant to sections 63.03 and 63.04 of the Commission’s rules,<sup>1</sup> seeking authority to transfer control of the CTC Group subsidiaries (“CTC Subsidiaries”)<sup>2</sup> and the Choice One subsidiaries (“Choice One Subsidiaries”)<sup>3</sup> as a result of the merger of CTC Group with and into Choice One.<sup>4</sup>

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

<sup>2</sup> The CTC Subsidiaries holding blanket Section 214 authorizations are: CTC Communications Corp., a Massachusetts corporation; CTC Communications of Virginia, Inc., a Virginia corporation; Connecticut Telephone and Communication Systems, Inc., a Connecticut corporation; Connecticut Broadband, LLC, a Connecticut company; and Lightship Telecom, LLC, a Delaware company.

<sup>3</sup> The Choice One Subsidiaries holding blanket Section 214 authorizations are: Choice One Communications of Connecticut Inc., a Connecticut corporation; Choice One Communications of Maine Inc., a Delaware corporation; Choice One Communications of Massachusetts Inc., a Delaware corporation; Choice One Communications of New York Inc., a Delaware corporation; Choice One Communications of Ohio Inc., a Delaware corporation; Choice One Communications of Pennsylvania Inc., a Delaware corporation; Choice One Communications of Rhode Island Inc., a Delaware corporation; Choice One Communications of Virginia Inc., a Virginia corporation; Choice One of New Hampshire Inc., a Delaware corporation; US Xchange of Illinois, LLC, a Delaware company; US Xchange of Indiana LLC, a Delaware company; US Xchange of Michigan, LLC, a Delaware company; and US Xchange of Wisconsin, LLC, a Delaware company.

The Applicants assert that this transaction is entitled to presumptive streamlined treatment under section 63.03(b)(2)(i), of the Commission’s rules because the: (1) proposed transaction will result in the merged entity (“Surviving Corporation”)<sup>5</sup> and its affiliates (as that term is defined in Section 3(1) of the Act) having a market share in the interstate, interexchange market of less than 10 percent; (2) Surviving Corporation (including its affiliates) will provide competitive telephone exchange services or exchange access services exclusively in geographic areas served by a dominant local exchange carrier that is not a party to the proposed transaction; and (3) neither Applicants nor any of their affiliates are regulated as dominant with respect to any service.<sup>6</sup>

CTC Group is a wholly-owned subsidiary of Columbia Venture Broadband LLC (“CVC Broadband”), which is, in turn, a wholly-owned subsidiary of Columbia Ventures Corporation (“CVC”). CVC Broadband, a Washington limited liability company, is a holding company. CVC, a Washington corporation, owns and operates a portfolio of telecommunications companies and a small number of manufacturing businesses around the world.<sup>7</sup> Neither CVC nor CVC Broadband provide telecommunications services. Kenneth D. Peterson, Jr., a U.S. citizen, holds 100% of the ownership interest in CVC and is Chief Executive Officer, Chairman and Founder of CVC. Other than CVC, none of Mr. Peterson’s ownership interests in U.S. telecommunications service providers outside of CVC exceed 10%. Mr. Peterson owns 100% of European Access Providers Limited (“LEAP”), a competitive provider of wireless and Internet over DSL services in Ireland. LEAP holds less than a 50% market share in the international transport and local access market in Ireland.

In August 2004, CVC notified the Commission that a number of wholly-owned CVC subsidiaries, including CVC Acquisition Company (Ireland) Limited (now known as Hibernia Atlantic Cable System Limited or “Hibernia Ireland”), CVC Acquisition Company (UK) Limited (now known as Hibernia Atlantic (UK) Limited or “Hibernia UK”), CVC Acquisition Company (Canada) Ltd.(now known as Hibernia Atlantic Communications (Canada) Company or “Hibernia Canada”), and Columbia Ventures U.S. Acquisition LLC (now known as Hibernia Atlantic U.S. LLC or “Hibernia USA”) – would operate under CVC’s Section 214 authority.<sup>8</sup> The CVC companies listed (the “Hibernia Atlantic Companies”) have ownership interests in Hibernia Atlantic (formerly known as the 360atlantic Cable Network), a submarine cable

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<sup>4</sup> 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.

<sup>5</sup> The name of the surviving corporation has yet to be determined.

<sup>6</sup> 47 C.F.R. § 63.03(b)(2)(i).

<sup>7</sup> Applicants state that CVC holds global facilities-based and resale international Section 214 authority as granted by the Commission on October 16, 1998 in IB File NO. ITC-214-19980820-00606 to a CTC Subsidiary, CTC Communications of Virginia, Inc. and subsequently assigned on a pro forma basis to CVC.

<sup>8</sup> As permitted under Section 63.21(h) of the Commission’s rules, 47 C.F.R. § 63.21(h).

network extending between the U.S., Canada, the U.K., and Ireland. In the U.S. the Hibernia Companies provide only high-capacity international circuits at this time. CVC also holds ownership interests in two other foreign telecommunications carriers, Globestar Australia and Magnet Networks Limited (“Magnet Networks”). CVC’s wholly-owned subsidiary, Columbia Ventures (Australia) Pty. Ltd., holds a 50% interest in Globestar Australia, a provider of competitive wireless services in Australia. Magnet Networks is a wholly-owned indirect subsidiary of CVC and a provider of voice, data, and television services in Ireland. CVC also owns two other telecommunications companies that operate in the U.S. – Fiberlink LLC, d/b/a Columbia Fiber Solutions, a Washington limited liability company and a dark fiber provider. CVC also owns a 12.3 percent ownership interest in Metro One Telecommunications, Inc., an Oregon corporation, which provides directory assistance and information services via a nationwide network of call centers.

Choice One, a Delaware corporation, is a holding company for the Choice One Subsidiaries. The Choice One Subsidiaries are common carriers that provide communications and information services to small and medium size businesses predominately in the Northeast and Midwest regions (Connecticut, Illinois, Indiana, Maine, Massachusetts, Michigan, New Hampshire, New York, Ohio, Pennsylvania, Rhode Island, and Wisconsin). The 10% or greater owners of Choice One<sup>9</sup> are: Quantum Partners LDC, (“Quantum”), 24.8%; General Electric Capital Corporation, 14.0%;<sup>10</sup> and Varde Investment Partners, L.P., 11.6%.<sup>11</sup> Quantum, is a Cayman Islands limited duration corporation whose principal business is investment. Quantum is wholly-owned by Quantum Emerging Growth Partners C.V. (“Quantum Emerging”), a Netherlands Antilles limited partnership whose principal business is investment. The managing general partner of Quantum Emerging is Emerging Growth Fund Management C.V. (“Emerging Growth”), a Netherlands Antilles limited partnership whose business is investment.<sup>12</sup> The managing general partner of Emerging Growth is Quastro N.V. (“Quastro”), a Netherlands Antilles corporation whose business is investment. The sole shareholder of Quastro is voted by George Soros, a U.S. citizen whose principal business is being Chairman of Soros Fund Management LLC (“SFM”), a Delaware limited liability company, by virtue of a management agreement between SFM and Quantum, exercises voting and dispositive power over the shares of Choice One held by Quantum.

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<sup>9</sup> The Applicants state that these are the same entities that were disclosed to the FCC as the 10% or greater owners of Choice One in WC Docket No. 04-399. *See* Domestic Section 214 Application Filed for Transfer of Control of Choice One Communications, Inc. to Choice One Communications Reorganized, WC Docket No. 04-39, *Public Notice*, DA 04-3499 (rel. Nov. 1, 2004).

<sup>10</sup> General Electric Capital Corporation is wholly-owned by General Electric Capital Services Inc., which in turn is a wholly owned subsidiary of General Electric Company (“GE”), a widely held public corporation.

<sup>11</sup> Varde Investment Partners, L.P. is controlled by its general partner, Varde Investment Partners G.P., LLC (“VIP G.P.”). Varde Partners, L.P. is a managing member of VIP G.P.. Varde Partners, L.P.’s general partner is Varde Partners, Inc. The 10% or greater owners of Varde Partners, Inc. are as follows: George G. Hicks, 33.3%; Gregory S. McMillan, 33.3% and Marcia L. Page, 33.3%.

<sup>12</sup> Quantum Endowment Fund N.V. (“QEF NV”) is a limited partner of Quantum Emerging with an equity interest of over 50%. No entity has an ownership or voting interest of 10% or more in QEF NV.

On February 9, 2006, CTC Group and Choice One entered into an Agreement and Plan of Merger (“Merger Agreement”). Pursuant to the terms of the Merger Agreement, CTC Group will merge with and into Choice One at closing. Choice One will be the surviving corporation of the merger. Following consummation of the transaction, the CTC Subsidiaries and the Choice One Subsidiaries will be wholly-owned direct or indirect subsidiaries of Surviving Corporation, a holding company incorporated under Delaware law. The 10% or greater owners of the Surviving Corporation will be as follows: CVC Broadband (will hold 50-70%); Quantum (12.375%); and the stockholders of Choice One that exist at the time of the merger (17.6-37.6 %). The Applicants state that it is possible that some of the existing Choice One stockholders could sell their shares of Surviving Corporation to CVC Broadband soon after closing. Accordingly, the Applicants request authority for CVC Broadband to acquire up to a 70 percent ownership interest in Surviving Corporation and thus up to a 70 percent ownership in the CTC Subsidiaries and Choice One Subsidiaries.<sup>13</sup>

The Applicants assert that the proposed transaction serves the public interest as consumers in the Northeast, the Mid-Atlantic, and Midwest regions will benefit from the operation of these competitive local exchange carriers (“CLECs”) under one umbrella company, the Surviving Corporation. The Applicants state that the merger of CTC Group into Choice One will further strengthen the competitive position of the CTC Subsidiaries and Choice One Subsidiaries as a leading regional competitive telecommunications provider in the Northeast, Mid-Atlantic and Midwest regions and will significantly strengthen the ability of the combined companies to compete effectively in their markets.

## **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. 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 April 10, 2006 and reply comments on or before April 17, 2006.**<sup>14</sup> Unless otherwise notified by the Commission, Applicants are permitted to transfer the assets and related control on the 31<sup>st</sup> day after the date of this notice.<sup>15</sup> 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).

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<sup>13</sup> The Applicants have not yet determined who will be the officers and directors of the CTC Subsidiaries and the Choice One Subsidiaries post-close and thus do not know at this time if their will be any interlocking directors.

<sup>14</sup> See 47 C.F.R. § 63.03(a).

<sup>15</sup> Such authorization is conditioned upon receipt of any other necessary approvals from the Commission in connection with the proposed transaction.

- 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](mailto: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](mailto:fcc504@fcc.gov) or call the Consumer & Governmental Affairs Bureau at 202-418-0530 (voice), 202-418-0432 (tty).

**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](mailto: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](http://www.bcpweb.com); phone: (202) 488-5300 fax: (202) 488-5563;
- (2) Tracey Wilson-Parker, Competition Policy Division, Wireline Competition Bureau, 445 12th Street, S.W., Room 5-C212, Washington, D.C. 20554; email: [tracey.wilson-parker@fcc.gov](mailto:tracey.wilson-parker@fcc.gov);
- (3) Denise A. Coca, Competition Policy Division, Wireline Competition Bureau, 445 12th Street, S.W., Room 5-, Washington, D.C. 20554; e-mail: [denise.coca@fcc.gov](mailto:denise.coca@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](mailto:susan.o'connell@fcc.gov); and
- (5) James Bird, Office of General Counsel, 445 12th Street, S.W., Room 8-C824, Washington, D.C. 20554; e-mail: [james.bird@fcc.gov](mailto:james.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](http://www.bcpweb.com).

For further information, please contact Tracey Wilson-Parker at (202) 418-1394, or Denise Coca at (202) 418-0574.

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