PUBLIC NOTICE

Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

News Media Information 202 / 418-0500
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Internet: http://www.fcc.gov
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DA 06-995
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DOMESTIC SECTION 214 APPLICATION FILED FOR THE TRANSFER OF CONTROL OF CONVERSENT COMMUNICATIONS, INC. SUBSIDIARIES FROM CONVERSENT COMMUNICATIONS, INC. TO CTC COMMUNICATIONS GROUP, INC. AND CHOICE ONE COMMUNICATIONS INC.

STREAMLINED PLEADING CYCLE ESTABLISHED

WC Docket No. 06-85

Comments Due: May 22, 2006
Reply Comments Due: May 29, 2006

On April 10, 2006, CTC Communications Group, Inc. ("CTC Group"), Choice One Communications Inc. ("Choice One"), and Conversent Communications, Inc. ("Conversent") (collectively the "Applicants"), filed an application,[1] pursuant to sections 63.03 and 63.04 of the Commission's rules,[2] requesting authority to transfer control of the Conversent subsidiaries[3] as a result of the acquisition of Conversent by CTC Group and Choice One.[4]

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1 The Applicants state that this application assumes the grant of the CTC/Choice One Merger application, which is currently pending. *See 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*, WC Docket No. 06-47, Public Notice, DA 06-667 (rel. March 27, 2006); *see also Notice of Removal of Domestic Section 214 Application from Streamlined Treatment*, Public Notice, DA 06-873 (rel. April 18, 2006).

2 47 C.F.R §§ 63.03, 63.04; *see* 47 U.S.C. § 214.

3 The Conversent subsidiaries holding blanket Section 214 authorizations are: FiberNet, LLC, a West Virginia company; FiberNet Telecommunications of Pennsylvania, LLC, a Pennsylvania company; Conversent Communications of Connecticut, LLC, a Connecticut company; Conversent Communications of Maine, LLC, a Maine company; Conversent Communications of Massachusetts, Inc., a Massachusetts company; Conversent Communications of New Hampshire, LLC, a New Hampshire company; Conversent Communications of New Jersey, LLC, a New Jersey company; Conversent Communications of New York, LLC, a New York company; Conversent Communications of Rhode Island, LLC, a Rhode Island company; and Conversent Communications of Vermont, LLC, a Vermont company.

4 Applicants filed a supplement of their application on May 1, 2006. 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.

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: (1) the proposed transaction will result in a combined entity (CTC Group, Choice One, and Conversent) (the "Combined Corporation") and its affiliates having a market share in the interstate, interexchange market of less than 10 percent; (2) the Combined 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 this proposed transaction; and (3) neither the Applicants nor any of their affiliates are regulated as dominant with respect to any service.[5]

Choice One, a Delaware corporation, is a holding company for the Choice One Subsidiaries. The Choice One Subsidiaries[6] 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 are: Quantum Partners LDC, ("Quantum"), 24.8%; General Electric Capital Corporation, 14.0%;[7] and Varde Investment Partners, L.P. ("Varde"), 11.6%. 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.[8] 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

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5 47 C.F.R. § 63.03(b)(2)(i).

6 The Choice One Subsidiaries holding blanket Section 214 authorizations are: Choice One Communications of Connecticut Inc., a Delaware 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.

7 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, a widely held public corporation.

8 Quantum Endowment Fund N.V. ("QEF NV"), a Netherlands Antilles corporation, 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.

management agreement between SFM and Quantum, Mr. Soros exercises voting and dispositive power over the shares of Choice One held by Quantum. Varde, a Delaware limited partnership, 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%. All of the Varde entities are incorporated in Delaware and Mr. Hicks, Mr. McMillan, and Ms. Page are U.S. citizens.

CTC Group, a Delaware company, is a holding company for the CTC Subsidiaries. The CTC Subsidiaries[9] are common carriers that provide communications services to medium and large size businesses predominatly in the Northeast and Mid-Atlantic regions (Connecticut, Delaware, District of Columbia, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont, Virginia, and West Virginia) as well as to residential customers in Connecticut. 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.[10] 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.[11]

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[9] 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.

[10] 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.

[11] 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. The CVC companies listed (the "Hibernia Atlantic Companies") have ownership interests in Hibernia Atlantic (formerly known as the 360atlantic Cable Network), a submarine cable 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

Conversent, a Delaware corporation, is the parent company of the Conversant Subsidiaries, which are common carriers that provide communications and information services to small and medium size business users in the Northeast and Mid-Atlantic regions (Connecticut, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont, and West Virginia). Certain Conversent Subsidiaries also provide service to residential customers in West Virginia. The 10% or greater owners of Conversent are: Robert C. Faunch, 44%;[12] Blackstone TWF Capital Partners, L.P. ("Blackstone"), 12%;[13] and Seaport Capital Partners II, L.P. ("Seaport Capital"), 13.5%.[14] Mr. Fanch is a co-founder of Conversent and Chairman of Fanch Communications, Inc. ("Fanch Communications").[15]

On March 24, 2006, CTC Group, Conversent, and Choice One entered into an Agreement and Plan of Merger ("Merger Agreement") with Choice One Acquisition Inc. ("Acquisition Sub")[16] and Fanch Communications. Pursuant to the terms of the Merger Agreement, Acquisition Sub will merge with and into Conversent at closing and Conversent will be the surviving corporation of that merger. As a result of the merger, each share of Conversent common stock will be cancelled, and the holders of such shares will have the right to receive cash in exchange for their shares.[17] As a result of the merger and the sale of shares to CVC

(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.

12 Mr. Fanch holds his ownership interests in Conversent indirectly, through his ownership interests in NEVD Holdings Delaware, LLC, RCF Competitive Telecom Investors, LLC, and the Robert C. Fanch Revocable Trust. The Robert C. Fanch Revocable Trust is a revocable trust of which Robert C. Fanch is the sole trustee. Prior to closing, the Trust will transfer one half of its ownership in NEVD Holdings Delaware, LLC to Fanch Family Foundation, Inc. Fanch Family Foundation, Inc. is a Colorado not-for-profit corporation whose sole trustee is Robert C. Fanch.

13 Blackstone is a private equity investment firm that manages over $14 billion in various private equity funds and also provides corporate advisory services.

14 Seaport Capital is also a private equity firm that provides equity to middle market media, telecommunications, information and business services companies. Seaport Capital focuses on private companies with market capitalizations between $15 and $200 million and equity needs of $5 to $35 million.

15 The Applicants state that none of the Applicants has a 10% or greater interest in any telecommunications company.

16 Acquisition Sub is a Delaware corporation and a wholly-owned subsidiary of Choice One.

17 In connection with the proposed transactions contemplated by the Merger Agreement, Choice One will engage in an offering of additional equity (the "Offering"). Some of its existing stockholders will be given the opportunity to purchase shares of Choice One's common stock for an aggregate purchase price of $75 million.

Broadband pursuant to the Equity Commitment Agreement, 50% of the ownership interest in Conversent and the Conversent Subsidiaries will be held, indirectly, by CVC Broadband at closing. The remaining ownership interest will be held by the existing stockholders of Choice One. The Applicants do not know which of the existing shareholders of Choice One will subscribe for shares in the Offering. However, the Offering will be conducted in a manner such that only Quantum, Varde, and Camulos (and their parent companies and ultimate owners) could hold 10 percent or more of the ownership interest in the Conversent Subsidiaries at closing of the Conversent merger. The 10% or greater owners of the Combined Corporation will be as follows: CVC Broadband (will hold 50-70%);[18] Quantum (10-12%);[19] Varde (10-13%),[20] and Camulos Master Fund LP ("Camulos Master Fund") (10-12%).[21]

Applicants state that the proposed transaction will serve the public interest, as consumers in the Northeast and the Mid-Atlantic regions will benefit from the operation of the Conversent Subsidiaries with the CTC Subsidiaries and the Choice One Subsidiaries under one umbrella company – the Combined Corporation. Moreover, the Applicants assert the transfer of the

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Varde and an existing debt holder, Camulos Capital LP (together with its advisers and affiliates, "Camulos"), have agreed to purchase on an equal basis any shares offered in the Offering that are not purchased by Choice One's existing shareholders (the "Backstop"). In addition, Choice One has entered into an equity commitment agreement with CVC Broadband whereby CVC Broadband has agreed to purchase shares of Choice One's common stock for an aggregate purchase price of $75 million (the "Equity Commitment Agreement"). CVC Broadband will purchase shares of Choice One pursuant to the Equity Commitment Agreement contemporaneously with the closing of the transactions contemplated by the Merger Agreement. The Offering, the sale of shares to CVC Broadband pursuant to the Equity Commitment Agreement, and the debt financing will provide Choice One sufficient capital to fund the merger with Conversent and to provide working capital for the Combined Company.

18 The Applicants state that it is possible that some of the existing Choice One stockholders could sell their shares of Combined Corporation to CVC Broadband after closing. Accordingly, the Applicants are requesting authority for CVC Broadband to acquire up to a seventy percent (70%) ownership interest in the Combined Corporation and thus up to a 70% ownership interest in each of the Conversent Subsidiaries.

19 Quantum could hold a 10% or greater interest in the Combined Corporation, but not more than approximately 12%, as a result of the Offering and its participation therein.

20 Varde could hold a 10% or greater interest in the Combined Corporation, but no more than 13%, as a result of the Offering, the Backstop and its participation therein.

21 Camulos Master Fund could hold a 10% or greater interest in the Combined Corporation, but not more than approximately 12%, as a result of the Offering, the Backstop and its participation therein. Camulos Master Fund is a Cayman Island exempted limited partnership whose principal business is investment. The sole general partner of Camulos Master Fund is Camulos Partners GC LLC ("Camulos Partners"), a Delaware limited liability company. The managing member of Camulos Partners is Mr. Richard P. Brennan, a U.S. citizen whose principal business is managing assets of advisory clients of Camulos. The investment manager to Camulos Master Fund is Camulos Capital, LP ("Camulos Capital"), a Delaware limited liability company. Camulos GP is wholly owned by Mr. Brennan. The Applicants have not yet determined who will be the officers and directors of the Conversent Subsidiaries post-close and thus do not know at this time if their will be any interlocking directors. The Applicants will supplement this Application if and when such information becomes available.

Conversent Subsidiaries to the control of the Combined Company will further strengthen the competitive position of the Conversent Subsidiaries. In addition, Applicants state that, following the closing, the Conversent Subsidiaries will offer service to their customers at the pre-closing rates, terms, and conditions, and that the transaction will be generally transparent to consumers. In sum, the Applicants anticipate the combined applications will benefit from increased economies of scale that will permit them to operate more efficiently and thus realize substantial financial synergies that should enable the combined organizations to increase their operating income and free cash flow.

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 May 22, 2006** and **reply comments on or before May 29, 2006**.[22] Unless otherwise notified by the Commission, Applicants are permitted to transfer the assets and related control on the 31st day after the date of this notice.[23] 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).

- 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, 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

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[22] *See* 47 C.F.R. § 63.03(a).

[23] Such authorization is conditioned upon receipt of any other necessary approvals from the Commission in connection with the proposed transaction.

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 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 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.bcpiweb.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-A103, Washington, D.C. 20554; email: tracey.wilson-parker@fcc.gov;

(3) Denise Coca, Competition Policy Division, Wireline Competition Bureau, 445 12th Street, S.W., Room 5-C260, Washington, D.C. 20554; e-mail: 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; 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.

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 CYB402, Washington, D.C. 20554, telephone: (202) 488-5300, fax: (202) 488-5563, or via e-mail www.bcpiweb.com.

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

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