

PENNSYLVANIA PUBLIC UTILITY COMMISSION
Uniform Cover and Calendar Sheet

1. REPORT DATE: May 3, 2006	2. BUREAU AGENDA NO. MAY-2006-FUS-1330*
3. BUREAU: Fixed Utility Services	
4. SECTION(S): Finance/Tariffs	5. PUBLIC MEETING DATE:
6. APPROVED BY: Director: R. Rosenthal 3-5242 <i>RR</i> Mgr/Spvr: Wilson <i>BW</i> 3-6162 Legal Review <i>[Signature]</i>	May 19, 2006
7. PERSONS IN CHARGE: <i>G.W.</i> Kirkwood 5-4364; Wickwire 7-2101 8. DOCKET NO.: A-310921F0006; A-310828F0005; A-310295F0007; A-310943F0007; A-310781F0007	9. EFFECTIVE DATE OF FILING: N/A DOCUMENT FOLDER

10. (a) **CAPTION** (abbreviate if more than 4 lines)
 (b) **Short summary of history & facts, documents & briefs**
 (c) **Recommendation**

DOCKETED
AUG 11 2006

- (a) *Joint Application of Conversent Communications, Inc. (Conversent); Conversent Communications of PA, Inc. (Conversent PA); FiberNet Telecommunications of Pennsylvania, LLC (FiberNet PA); CTC Communications Group, Inc. (CTC Group); CTC Communications Corp. (CTC Comm); Lightship Telecom, LLC (Lightship); Choice One Communications Inc. (Choice One); and Choice One Communications of Pennsylvania Inc. (Choice One PA) for approval of a Change in Ownership of Authorized Telecommunications Providers in Connection with a Merger Transaction.*
- (b) *Following the receipt of the necessary regulatory approvals, among other things, and pursuant to the terms of the Merger Agreement between CTC Group, Choice One, Choice One Acquisition Inc. (Acquisition Sub), Conversent, and Fanch Communications, Inc., Acquisition Sub will merge with and into Conversent, with Conversent surviving and becoming a direct subsidiary of Surviving Corporation. Post-transaction, Conversent PA and FiberNet will join CTC Comm, Lightship and Choice One PA as subsidiaries of Surviving Corporation. The reorganization will cause no change in the status of the utilities or in the tariffed services provided by them.*
- (c) *The Bureau of Fixed Utility Services recommends that the Commission adopt the proposed Order.*

11. **MOTION BY:** Commissioner Chm. Holland

SECONDED: Commissioner Cawley

Commissioner Shane - Yes
 Commissioner Pizzingrilli - Yes
 Commissioner Fitzpatrick - Yes

CONTENT OF MOTION: Staff recommendation adopted.



COMMONWEALTH OF PENNSYLVANIA
 PENNSYLVANIA PUBLIC UTILITY COMMISSION
 P.O. BOX 3265, HARRISBURG, PA 17105-3265
 May 25, 2006

REFER TO OUR FILE

A-310921 F0006
 A-310828 F0005
 A-310295 F0007
 A-310943 F0007
 A-310781 F0007

DOCUMENT
 FOLDER

MELISSA CONWAY
 KELLEY, DRYE & WARREN LLP
 1200 19TH STREET NW
 SUITE 500
 WASHINGTON DC 20036

Joint Application of Conversent Communications, Inc., Conversent Communications of PA, Inc., FiberNet Telecommunications of Pennsylvania, LLC, CTC Communications Group, Inc., CTC Communications Corp., Lightship Telecom, LLC, Choice One Communications, Inc. and Choice One Communications of Pennsylvania, Inc. for approval of a change of ownership of authorized telecommunication providers in connection with a merger transaction.

To Whom It May Concern:

This is to advise you that an Order has been adopted by the Commission in Public Meeting on May 19, 2006 in the above entitled proceeding.

An Order has been enclosed for your records.

Very truly yours,

James J. McNulty
 Secretary

RJP

Enclosure
 Certified Mail
 LJM

JAMES P PRENETTA JR SR VP & GEN COUNSEL
 CTC COMMUNICATIONS CORP
 220 BEAR HILL ROAD
 WALTHAM MA 02451

CHERIE R KISER
 MINTZ LEVIN COHN FERRIS
 GLOVSKY & POPEO
 701 PENNSYLVANIA AVENUE NW
 SUITE 900
 WASHINGTON DC 20004

ROGER W BYRD SR VP & GEN COUNSEL
 CHOICE ONE COMMUNICATIONS INC
 100 CHESTNUT STREET
 SUITE 600
 ROCHESTER NY 14604

SCOTT SAWYER VP REG AFFAIRS
 CONVERSENT COMMUNICATIONS INC
 24 ALBION ROAD
 LINCOLN RI 02865

**PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA 17105-3265**

Public Meeting held May 19, 2006

Commissioners Present:

Wendell F. Holland , Chairman
James H. Cawley, Vice Chairman
Bill Shane
Kim Pizzingrilli
Terrance J. Fitzpatrick

Joint Application of Conversent Communications, Inc.;
Conversent Communications of PA, Inc.; FiberNet
Telecommunications of Pennsylvania, LLC; CTC
Communications Group, Inc.; CTC Communications Corp.;
Lightship Telecom, LLC; Choice One Communications Inc.;
and Choice One Communications of Pennsylvania Inc.
for Approval of a Change in Ownership of Authorized
Telecommunications Providers in Connection with a Merger
Transaction

Docket Nos:
A-310921F0006
A-310828F0005
A-310295F0007
A-310943F0007
A-310781F0007

ORDER

BY THE COMMISSION:

On April 6, 2006, Conversent Communications, Inc. (Conversent);
Pennsylvania utility Conversent Communications of PA, Inc. (Conversent PA);
Pennsylvania utility FiberNet Telecommunications of Pennsylvania, LLC (FiberNet PA);
CTC Communications Group, Inc. (CTC Group); Pennsylvania utility CTC
Communications Corp.(CTC Comm); Pennsylvania utility Lightship Telecom, LLC

(Lightship); Choice One Communications Inc. (Choice One); and Pennsylvania utility Choice One Communications of Pennsylvania Inc. (Choice One PA) filed, pursuant to Chapter 11 of the Public Utility Code, 66 Pa. C.S. §§ 1101, *et seq.*, an application by which they seek approval of certain transactions through which Conversent, Conversent PA, and FiberNet PA would become subsidiaries of a new holding company, Surviving Corporation. Our order at A-310295F0006, A-310943F0006, and A-310781F0006, approved at Public Meeting of May 4, 2006, and entered May 8, 2006, approved a merger and change in ownership whereby CTC Group merged with and into Choice One with the new corporation from the merger, Surviving Corporation, surviving. At the close of that transaction, 50% of the outstanding capital stock of Surviving Corporation will be held by the stockholders of Choice One.

Copies of the application were served upon the Office of Consumer Advocate and the Office of Small Business Advocate. Further notice was not required, no protest period was established, and no protests or comments have been received.

The Parties

CTC Group is a Delaware corporation. CTC Group is a wholly-owned subsidiary of Columbia Ventures Broadband, LLC (CVB), which is in turn a wholly-owned subsidiary of Columbia Ventures Corporation (CVC). CVB, a Washington state limited liability company, is a holding company. CVC, a Washington state corporation, owns and operates a portfolio of telecommunications companies and a small number of manufacturing businesses around the world.

CTC Comm, a Massachusetts corporation, is a subsidiary of CTC Group. CTC Comm is certificated in Pennsylvania to operate as an IXC Toll Reseller, CLEC and CAP. Authority to operate as an IXC Toll Reseller was granted pursuant to our Order entered September 28, 1995, at A-310295. The CLEC and CAP authorities were granted

pursuant to our Order entered June 27, 2000, at A-310295F0002 and A-310295F0003, respectively.

Lightship, a Delaware limited liability company, and its immediate parent, Lightship Holding, Inc. (Lightship Holding), a Delaware corporation, are also subsidiaries of CTC Group. Lightship is certificated in Pennsylvania to operate as an IXC Toll Reseller, CLEC, CAP, and Facilities Based IXC. These authorities were granted pursuant to our Order entered October 16, 2000, at A-310943, A-310943F0002, A-310943F0003 and A-310943F0004, respectively.

Choice One PA, a Delaware corporation, is a subsidiary of Choice One, also a Delaware corporation. Choice One PA is certificated in Pennsylvania to operate as an IXC Toll Reseller, CLEC, CAP and Facilities Based IXC. The IXC Toll Reseller, CAP and Facilities Based IXC authorities were granted pursuant to our Order entered May 4, 1999, at A-310781, A-310781F0003 and A-310781F0004, respectively. The CLEC authority was granted pursuant to our Order entered May 25, 1999, at A-310781F0002.

Conversent, a Delaware corporation, is the parent company of two principal subsidiaries, Conversent Holdings, Inc. (CHI) and Mountaineer Telecommunications, LLC (Mountaineer). CHI, a Delaware corporation, is in turn the parent of Conversent Communications, LLC which is the direct parent of Conversent PA, a Pennsylvania limited liability company. Conversent PA is certificated in Pennsylvania to operate as an IXC Toll Reseller, CLEC, and CAP. These authorities were granted pursuant to our Order entered January 29, 2001, at A-310921, A-310921F0002, and A-310921F0003, respectively.

Mountaineer, a West Virginia limited liability company, is the parent of FiberNet PA. FiberNet PA is certificated in Pennsylvania to operate as an IXC Toll Reseller, CLEC, and CAP. These authorities were granted pursuant to our Order entered September 20, 1999, at A-310828, A-310828F0002, and A-310828F0003, respectively.

The Proposed Transactions

Following the receipt of the necessary regulatory approvals, among other things, and pursuant to the terms of the Merger Agreement between CTC Group, Choice One, Choice One Acquisition Inc. (Acquisition Sub), Conversent, and Fanch Communications, Inc., Acquisition Sub will merge with and into Conversent, with Conversent surviving and becoming a direct subsidiary of Surviving Corporation. Post-transaction, Conversent PA and FiberNet PA will join CTC Comm, Lightship and Choice One PA as subsidiaries of Surviving Corporation.

In order to facilitate the transaction, The Robert C. Fanch Revocable Trust (a revocable trust of which Robert C. Fanch is the sole trustee) will transfer one-half of its ownership in NEVD Holdings Delaware, LLC to Fanch Family Foundation, Inc., a Colorado not-for-profit corporation.¹ NEVD Holdings Delaware, LLC owns 43% of the common stock of Conversent and, currently, The Robert C. Fanch Revocable Trust owns 88% of NEVD Holdings Delaware, LLC. This transfer is expected to occur virtually simultaneously with the transactions. As Robert C. Fanch is the sole trustee of both The Robert C. Fanch Revocable Trust and The Fanch Family Foundation, the preliminary transfer of control is entirely pro forma. However, to the extent necessary, the parties seek commission approval to complete this preliminary pro forma transfer of control in connection with the instant transaction.

¹ The Fanch Family Foundation, Inc. is a 501(C)(3) entity whose purpose is to make charitable contributions. Robert C. Fanch is the sole trustee of The Fanch Family Foundation, Inc.

Effects of the Transactions

The application states that there will be no impact on the customers of Conversent PA or FiberNet PA, as well as to the customers of CTC Comm, Lightship or Choice One PA. The proposed transaction will be transparent to all jurisdictional customers and will not result in a change of carrier of any jurisdictional customer. Immediately after completion of the transaction, Conversent PA, FiberNet PA, CTC Comm, Lightship and Choice One PA will continue to offer the same services at the same rates, terms and conditions as at present and any further changes in the rates, terms and conditions of services will be made consistent with Commission requirements. The transaction is not expected to result in any change or discontinuance of service for any customer.

Discussion

The Applicants submit that the transaction serves the public interest. Immediately after consummation of the transaction, Conversent PA and FiberNet PA, as well as CTC Comm, Lightship and Choice One PA will continue to offer service under the same name and operating authority at present in Pennsylvania. The transaction involves no change in the entity offering service to customers, the facilities used to provide such service, or the services, rates, terms and conditions of such service. All existing tariffs will remain in place at this time. The transaction will be transparent to consumers in Pennsylvania and will not have any adverse impact on them.

We find, as averred by the Applicants, that the transaction will serve the public interest because consumers will benefit from the operation of five strong competitive telecommunications providers – Conversent PA, FiberNet PA, CTC Comm, Lightship and Choice One PA – under one umbrella company, Surviving Corporation. The combination of these regional competitive telecommunications providers will increase the scope of each of the existing companies and should enable the combined

companies to compete more effectively in the highly competitive market for telecommunications services. Further, the combined companies 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 companies to increase their operating income and free cash flow. Therefore, we conclude that the record provides substantial evidence of affirmative public benefit sufficient to warrant approval of the proposed transactions under *City of York v. Pennsylvania Public Utility Commission*, 449 Pa. 136, 295 A.2d 825 (1972).

The Commission has checked on the following items for compliance: Annual Reports, Assessments, Fines, NXX, Tariff Compliance, and Universal Service Funding. All items were found to be in compliance.

Having thus reviewed the instant application, we have determined that the transactions leading to the establishment of Surviving Corporation as a holding company for Conversent PA and FiberNet PA, in addition to CTC Comm, Lightship and Choice One PA, are necessary or proper for the service, accommodation, convenience, or safety of the public, and that the application should be approved; **THEREFORE,**

IT IS ORDERED:

1. That the merger of Conversent Communications, Inc., Conversent Communications of PA, Inc. (Docket Nos. A-310921, A-310921F0002, and A-310921F0003), FiberNet Telecommunications of Pennsylvania, LLC (Docket Nos. A-310828, A-310828F0002, and A-310828F0003), CTC Communications Group, Inc., encompassing CTC Communications Corp. (Docket Nos. A-310295, A-310295F0002 and A-310295F0003), Lightship Telecom, LLC (Docket Nos. A-310943, A-310943F0002,

A-310943F0003 and A-310943F0004), Choice One Communications, Inc. and Choice One Communications of Pennsylvania, Inc. (Docket Nos. A-310781, A-310781F0002, A-310781F0003, and A-310781F0004), with and into Surviving Corporation, as the sole survivor of the merger, is hereby approved and that certificates of public convenience be issued to Conversent Communications of PA, Inc., FiberNet Telecommunications of Pennsylvania, LLC, CTC Communications Corp., Lightship Telecom, LLC, and Choice One Communications of Pennsylvania, Inc. evidencing our approval.

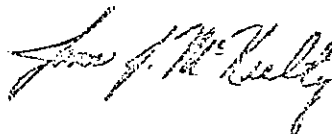
2. That within 30 days of the consummation of the transactions approved in Ordering Paragraph No. 1 above, Conversent Communications of PA, Inc., FiberNet Telecommunications of Pennsylvania, LLC, CTC Communications Corp., Lightship Telecom, LLC, and Choice One Communications of Pennsylvania, Inc. shall notify the Commission of the date of such consummation.

3. That if the parties determine that the transactions approved in Ordering Paragraph No. 1, above, will not be consummated, Conversent Communications of PA, Inc., FiberNet Telecommunications of Pennsylvania, LLC, CTC Communications Corp., Lightship Telecom, LLC, and Choice One Communications of Pennsylvania, Inc. shall promptly notify this Commission of such determination.

4. That within 30 days of the consummation of the reorganization, Conversent Communications of PA, Inc., FiberNet Telecommunications of Pennsylvania, LLC, CTC Communications Corp., Lightship Telecom, LLC, and Choice One Communications of Pennsylvania, Inc. shall file such new and/or revised affiliated interest agreements as may be necessary to govern transactions among the utilities and their affiliates.

5. That upon filing of the notice mentioned in Ordering Paragraph No. 2 or 3, above, this case be marked closed.

BY THE COMMISSION



James J. McNulty
Secretary

(SEAL)

ORDER ADOPTED: May 19, 2006
ORDER ENTERED **MAY 25 2006**