

Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C.

*In the Matter of*

TELCOVE, INC.,  
*Transferor, Assignor, and Licensee,*

LEVEL 3 COMMUNICATIONS, INC.,  
*Transferee,*

ELDORADO ACQUISITION THREE, LLC  
*Assignee,*

*and*

TELCOVE INVESTMENT, LLC  
TELCOVE LONG HAUL, L.P.  
TELCOVE OF EASTERN PENNSYLVANIA  
TELCOVE OF KENTUCKY, INC.  
TELCOVE OF JACKSONVILLE, INC.  
TELCOVE OF LOUISIANA, LLC  
TELCOVE OF NASHVILLE, L.P.  
TELCOVE OF PENNSYLVANIA, INC.  
TELCOVE OF SOUTH CAROLINA, INC.  
TELCOVE OF VERMONT, INC.  
TELCOVE OF VIRGINIA, LLC  
TELCOVE OF YORK  
TELCOVE OPERATIONS, INC.  
*Operating Carriers,*

Application for Consent to Assign Authority to  
Provide Global Facilities-Based and Global  
Resale Services International  
Telecommunications Services and to Assign  
and Transfer Control of Domestic Common  
Carrier Transmission Lines, Pursuant to Section  
214 of the Communications Act of 1934, as  
Amended

File No. ITC-ASG-200606\_\_-\_\_\_\_

WC Docket No. 06-\_\_\_\_

**CONSOLIDATED APPLICATION —  
STREAMLINED PROCESSING REQUIRED**

Pursuant to Section 214 of the Communications Act of 1934, as amended (the “Act”),  
and Sections 63.04 and 63.18(e)(3) of the Commission’s rules, TelCove, Inc. (“TelCove Parent,”

FRN No. 0015064223), and Level 3 Communications, Inc. (“Level 3,” FRN No. 0005835715), request that the Commission consent to the assignment to Eldorado Acquisition Three, LLC (“Eldorado”) (FRN No. 0015067820) of TelCove Parent’s international Section 214 authorization for global facilities-based and global resale services, and to the assignment to Eldorado of TelCove Parent’s domestic common-carrier transmission lines, including the transfer of control to Level 3 of the following 13 carrier subsidiaries of TelCove Parent:

- TelCove Investment, LLC (“TelCove Investment”) (FRN No. 0015064470);
- TelCove Long Haul, L.P. (“TelCove Long Haul”) (FRN No. 0015064504);
- TelCove of Eastern Pennsylvania (“TelCove Eastern Pennsylvania”) (FRN No. 0015064611);
- TelCove of Kentucky, Inc. (“TelCove Kentucky”) (FRN No. 0015064280);
- TelCove of Jacksonville, Inc. (“TelCove Jacksonville”) (FRN No. 0015064595);
- TelCove of Louisiana, LLC (“TelCove Louisiana”) (FRN No. 0015064587);
- TelCove of Nashville, L.P. (“TelCove Nashville”) (FRN No. 0015064561);
- TelCove of Pennsylvania, Inc. (“TelCove Pennsylvania”) (FRN No. 0015064447);
- TelCove of South Carolina, Inc. (“TelCove South Carolina”) (FRN No. 0015064454);
- TelCove of Vermont, Inc. (“TelCove Vermont”) (FRN No. 0015064314);
- TelCove of Virginia, LLC (“TelCove Virginia”) (FRN No. 0015064462);
- TelCove of York (“TelCove York”) (FRN No. 0015064637); and
- TelCove Operations, Inc. (“TelCove Operations”) (FRN No. 0015064371)

(collectively, “TelCove Operating Companies,” collectively with TelCove Parent, “TelCove,” and collectively with TelCove Parent and Level 3, “Applicants”).<sup>1</sup> Level 3 and its affiliates have entered into an agreement with TelCove Parent’s shareholders to acquire all of the telecommunications businesses of TelCove Parent and its subsidiaries by purchasing all of TelCove Parent’s outstanding shares (“Proposed Transaction”).<sup>2</sup> This consolidated application qualifies for presumptive streamlined processing under Sections 63.03(b)(2)(i) and 63.12 of the Commission’s rules, and the Applicants therefore request such treatment.<sup>3</sup>

Moreover, the Applicants have reached an agreement in principle with the U.S. Department of Homeland Security, the U.S. Department of Justice, and the Federal Bureau of Investigation (collectively, “Team Telecom Agencies”) regarding the termination of the existing security agreement between and among TelCove Parent and the Team Telecom Agencies upon delivery of certain written assurances by Level 3 to the Team Telecom Agencies, which Level 3 has done. The Applicants therefore do not expect the disposition of the security agreement to affect adversely their objective of streamlined processing.

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<sup>1</sup> See 47 U.S.C. § 214; 47 C.F.R. §§ 63.04, 63.18(e)(3). Section 63.04(b) of the Commission’s rules permits the Applicants to file a joint transfer and/or assignment applications for domestic and international Section 214 authorizations. See also *Implementation of Further Streamlining Measures for Domestic Section 214 Authorizations, Report and Order*, 17 FCC Rcd. 5517 (2002).

<sup>2</sup> The Applicants have attached a copy of the Purchase Agreement and Plan of Merger (“Agreement”) as Attachment A to this application. Concurrent with this application, the Applicants have applied for Commission consent to transfer to Level 3 all of the terrestrial wireless licenses held by TelCove FWL, Inc. (“TelCove FWL”), a wholly-owned, indirect subsidiary of TelCove Parent.

<sup>3</sup> See 47 C.F.R. §§ 63.03, 63.12.

## **I. BACKGROUND**

### **A. Parties to the Proposed Transaction**

*TelCove, Inc.*: TelCove Parent is a Delaware corporation with dual headquarters in Canonsburg and Coudersport, Pennsylvania. TelCove Parent is a non-dominant provider of customized communications services—including voice, data, and IP-based services—for enterprise and carrier customers. It operates or manages a next-generation fiber-optic network serving 70 markets in the eastern United States and holds authority to provide global facilities-based and resale-based international telecommunications services. It is the ultimate sole owner of the TelCove Operating Companies, through which it provides interstate and international interexchange services, as well as intrastate interexchange services and competitive local exchange services, in 18 states.<sup>4</sup> In June 2005, TelCove Parent entered into a security agreement with the Team Telecom Agencies addressing national security, law enforcement, and public safety concerns associated with TelCove Parent’s emergence from bankruptcy under new ownership. The Commission has conditioned TelCove’s authorizations and licenses upon compliance with that security agreement. TelCove Parent expects to terminate that agreement upon consummation of the Proposed Transaction, consistent with written assurances provided by Level 3 to the Team Telecom Agencies.

*TelCove Investment, LLC*. TelCove Investment is a Delaware limited-liability company. It provides interstate interexchange services, as well as intrastate interexchange services in Arkansas, Florida, Kansas, New Jersey, and New York. TelCove Investment also provides competitive local exchange services in the following local markets: Little Rock, Arkansas; Clearwater, Daytona Beach, Ft. Lauderdale, Ft. Myers, Greater Pinellas, Melbourne, Miami,

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<sup>4</sup> In Attachment B, the Applicants provide a diagram of TelCove’s organizational structure.

Orlando, Pensacola, Sarasota, South Florida, Tallahassee, Tampa, Titusville, and West Palm Beach, Florida; Wichita, Kansas; Parsippany and South New Jersey; and Syracuse and Utica/Rome, New York. TelCove Investment is a wholly-owned, indirect subsidiary of TelCove Parent.

***TelCove Long Haul, L.P.*** TelCove Long Haul is a Delaware limited partnership. It owns TelCove's long-haul network assets used to provide interstate services, although it does not provide any telecommunications services itself.

***TelCove of Eastern Pennsylvania.*** TelCove Eastern Pennsylvania is a Pennsylvania general partnership. It provides interstate and intrastate interexchange services in the Commonwealth of Pennsylvania, and competitive local exchange services in Allentown, Reading, and Philadelphia, Pennsylvania. TelCove Eastern Pennsylvania is a wholly-owned, indirect subsidiary of TelCove Parent.

***TelCove of Jacksonville, Inc.*** TelCove Jacksonville is a Florida corporation. It provides interstate and intrastate interexchange services in the State of Florida, and competitive local exchange services in Jacksonville, Florida. TelCove Jacksonville is a wholly-owned, indirect subsidiary of TelCove Parent.

***TelCove of Kentucky, Inc.*** TelCove Kentucky is a Delaware corporation. It provides interstate and intrastate interexchange services in the Commonwealth of Kentucky, and competitive local exchange services in Lexington and Louisville, Kentucky. TelCove Kentucky is a wholly-owned, direct subsidiary of TelCove Parent.

***TelCove of Louisiana, LLC.*** TelCove Louisiana is a Delaware limited-liability company. It provides interstate and intrastate interexchange services in the State of Louisiana, and competitive local exchange services in Baton Rouge and New Orleans, Louisiana. TelCove Louisiana is a wholly-owned, indirect subsidiary of TelCove Parent.

***TelCove of Nashville, L.P.*** TelCove Nashville is a California limited partnership. It provides interstate and intrastate interexchange services in the State of Tennessee, and competitive local exchange services in Nashville, Tennessee. TelCove Nashville is a wholly-owned, indirect subsidiary of TelCove Parent.

***TelCove of Pennsylvania, Inc.*** TelCove Pennsylvania is a Delaware corporation. It provides interstate and intrastate interexchange services in the Commonwealth of Pennsylvania, and competitive local exchange services in the following local markets: Coudersport, Erie, Harrisburg, Hershey, Lancaster, Pittsburgh, Scranton, Southpoint, State College, and York, Pennsylvania. TelCove Pennsylvania is a wholly-owned, indirect subsidiary of TelCove Parent.

***TelCove of South Carolina, Inc.*** TelCove South Carolina is a Delaware corporation. It provides interstate and intrastate interexchange services in the State of South Carolina, and competitive local exchange services in Charleston, Columbia, Greenville, and Spartanburg, South Carolina. TelCove South Carolina is a wholly-owned, indirect subsidiary of TelCove Parent.

***TelCove of Vermont, Inc.*** TelCove Vermont is a Delaware corporation. It provides interstate and intrastate interexchange services in the State of Vermont, and competitive local exchange services in Burlington, Vermont. TelCove Vermont is a wholly-owned, direct subsidiary of TelCove Parent.

***TelCove of Virginia, LLC.*** TelCove Virginia is a Virginia limited-liability company. It provides interstate and intrastate interexchange services in the Commonwealth of Virginia, and competitive local exchange services in the following local markets: Charlottesville, Danville, Hampton Roads, Harrisonburg, Lynchburg, Norfolk, Richmond, Roanoke, Shenandoah Valley, Staunton, and Winchester, Virginia. TelCove Virginia is a wholly-owned, indirect subsidiary of TelCove Parent.

***TelCove of York.*** TelCove York is a Pennsylvania general partnership. It provides interstate and intrastate interexchange services in the Commonwealth of Pennsylvania, and competitive local exchange services in York, Pennsylvania. TelCove York is a wholly-owned, indirect subsidiary of TelCove Parent.

***TelCove Operations, Inc.*** TelCove Operations is a Delaware corporation. It provides interstate and intrastate interexchange services in the States of Alabama, Georgia, Maryland, Michigan, Mississippi, Missouri, New York, North Carolina, Ohio, Tennessee, and Texas and the Commonwealth of Virginia. It also provides competitive local exchange services in the following local markets: Mobile, Alabama; Atlanta, Augusta, and Savannah, Georgia; Baltimore, Bethesda, Frederick, and Rockville, Maryland; Detroit, Michigan; Jackson, Mississippi; Kansas City, Missouri; Albany and Buffalo, New York; Charlotte, Fayetteville, Greensboro, Hickory, Raleigh, Wilmington, and Winston-Salem, North Carolina; Columbus, Ohio; Johnson City and Kingsport, Tennessee; Houston, Texas; and Bristol, Virginia. TelCove Operations is a wholly-owned, direct subsidiary of TelCove Parent.

***TelCove FWL, Inc.*** TelCove FWL is a Delaware corporation. It holds numerous LMDS and 39 GHz licenses from the Commission but has not built out wireless facilities and does not presently use these frequencies.

*Level 3 Communications, Inc.:* Level 3 is a Delaware corporation headquartered in Broomfield, Colorado, and a global communications and information services company that offers, through its operating subsidiaries, a wide range of communications services over its 33,000-mile broadband fiber optic network in North America, Europe, and Asia, including Internet-protocol-based services, broadband transport, collocation services, and patented Softswitch-based managed modem and voice services. Level 3's operating subsidiaries hold numerous Commission authorizations for international telecommunications services, undersea cable facilities, satellite earth stations, and terrestrial point-to-point microwave facilities.<sup>5</sup> Level 3 is a publicly-traded company listed on NASDAQ (symbol: LVLT).

*Eldorado Acquisition Three, LLC.* Eldorado is a Delaware limited-liability company established by Level 3 for the purpose of merging with TelCove Parent and offers no services. Eldorado is a wholly-owned, direct subsidiary of Level 3. Level 3 will change Eldorado's name as part of the consummation of the Proposed Transaction, although no specific name has been selected at this time. Level 3 anticipates the new name will incorporate the "TelCove" brand.

#### **B. The Proposed Transaction**

On April 30, 2006, TelCove Parent, Level 3, and Eldorado entered into Agreement to allow Level 3 to acquire all of the outstanding shares of TelCove Parent and, therefore, control of TelCove Parent, the TelCove Operating Companies, and TelCove FWL, including: (1) TelCove Parent's international Section 214 authorization for global facilities-based and global resale services; (2) TelCove's domestic common-carrier transmission lines; (3) and TelCove FWL's terrestrial wireless licenses.

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<sup>5</sup> In Attachment C, the Applicants provide a diagram of showing the organizational structure of Level 3's relevant operating subsidiaries.



Under terms of the Purchase Agreement, Level 3 will pay total consideration of \$1.2375 billion, consisting of \$637 million in shares of Level 3 common stock, \$445 million in cash, and \$155.5 million in the assumption of debt (all of the debt will be paid at the time of consummation).<sup>6</sup> Level 3 will acquire TelCove Parent in a three-step transaction, with all steps occurring in immediate succession on the day of consummation, resulting in the renamed Eldorado being a wholly-owned, indirect subsidiary of Level 3.

*First*, TelCove Parent will merge with Eldorado, with Eldorado surviving.<sup>7</sup> *Second*, Level 3 will immediately contribute all of its membership interests in Eldorado to Level 3 Financing, Inc., another Level 3 direct subsidiary.<sup>8</sup> *Third*, Level 3 Financing will contribute all of its membership interests in Eldorado to Level 3 Communications, LLC (“Level 3 LLC”), Level 3’s principal, indirect operating subsidiary in the United States, at which time Eldorado will be renamed.<sup>9</sup> Following the completion of these three steps, the renamed Eldorado will then be a direct subsidiary of Level 3 LLC, and the TelCove Operating Companies will be indirect subsidiaries of Level 3 LLC.<sup>10</sup> Following consummation of the Proposed Transaction, the renamed Eldorado and the TelCove Operating Companies will continue to operate their respective facilities and provide service to their existing customers at the same rates, terms, and conditions, ensuring a seamless transition for those customers.

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<sup>6</sup> The number of shares of Level 3’s common stock to be delivered at closing will be determined by dividing \$637 million by Level 3’s volume-weighted average share price for the ten trading days ending on the trading day immediately preceding the fourth trading day prior to closing, but in no case will the number of shares that Level 3 is required to deliver at closing be greater than approximately 166 million shares or less than approximately 111 million shares.

<sup>7</sup> See Attachment D.

<sup>8</sup> See Attachment E.

<sup>9</sup> See Attachment F.

<sup>10</sup> See Attachment G.

Consummation of the Proposed Transaction will dilute the interests of existing Level 3 shareholders through the issuance of new shares to TelCove Parent's existing shareholders. Although TelCove Parent's existing shareholders will gain aggregate equity and voting interests in Level 3 of between 12.8 and 19.1 percent following consummation of the Proposed Transaction (with the exact percentage depending on Level 3's share price around the time of consummation), no existing shareholder or controlling group of shareholders of TelCove Parent will have a 10-percent-or-greater direct or indirect interest in Level 3 as a consequence of the Proposed Transaction. *See* part III(h) below.

Level 3's acquisition of TelCove Parent and its subsidiaries will strengthen and expand Level 3's customer service offerings and networks. The acquisition also will allow Level 3 to compete more effectively with other carriers in the market. Approval of this transfer and assignment application will serve the public interest, convenience, and necessity.

## **II. MARKET ANALYSIS**

### **A. LOCAL EXCHANGE AND EXCHANGE ACCESS SERVICES**

The Proposed Transaction will have no impact on any participant's share of the local exchange and exchange access market segments, as the overlap between the businesses of TelCove and Level 3 is limited at best. TelCove offers principally local exchange and exchange access services in their respective geographic markets, whereas Level 3's operating subsidiaries have, to date, been minor participants in local exchange and exchange access markets. TelCove and Level 3's operating subsidiaries all compete with unaffiliated dominant local exchange carriers ("LECs") in their respective geographic markets. Even if Level 3 derived all of the communications revenue (excluding interexchange revenue and reciprocal compensation revenue) reported in the 2005 10-K for Level 3 Communications, Inc., from local exchange and exchange access (when in fact, it derived only a fraction of its revenues from such services),

Level 3's revenues would likely account for less than one percent of all nationwide local exchange and exchange access revenues.<sup>11</sup>

## **B. INTERSTATE INTEREXCHANGE SERVICES**

The Proposed Transaction will not significantly affect any participant's share of the interstate interexchange market segment. TelCove and Level 3's operating subsidiaries are insignificant participants in the market for interstate interexchange services. In 2003—the most recent year for which FCC toll revenue data is publicly available—only a fraction of TelCove's total revenues of \$ 238 million were toll revenues, and of that, interstate interexchange revenues constituted an even smaller percentage of total toll revenues.<sup>12</sup> Level 3's toll revenues in 2003 (only a portion of which are interstate interexchange revenues) were slightly over \$1.246 billion.<sup>13</sup> By comparison, total industry-wide toll revenues for all carriers in 2003 exceeded \$77 billion, and total revenues for all non-LEC, non-wireless toll service providers exceeded \$56 billion.<sup>14</sup> Thus, even assuming that all TelCove and Level 3 toll revenues were interstate interexchange revenues (and they are not), the combined interexchange revenues of TelCove and Level 3 would amount to no more than 2 percent of total industry-wide toll revenues, and even less than that percentage if all non-LEC, non-wireless toll services are included. Neither TelCove nor Level 3 nor any affiliate of TelCove or Level 3 is regulated as dominant for the provision of any service.

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<sup>11</sup> See 2005 Form 10K, Item 7, of Level 3 Communications, Inc.; FCC, STATISTICS OF COMMUNICATIONS COMMON CARRIERS, at 202, Tbl. 5.20 (2004/2005 ed.) (providing 2003 data); FCC, TRENDS IN TELEPHONY SERVICE, Tbl. 8.7 (2005) (providing 2003 data). A direct year-to-year comparison is not possible, as the FCC's reports do not include 2005 data.

<sup>12</sup> TelCove had total revenues of approximately \$246 million in 2004 and of approximately \$300 million in 2005.

<sup>13</sup> *Id.* Tbl. 9.1. The total figure for Level 3 includes revenues from WilTel Communications, LLC, which Level 3 acquired in 2005.

<sup>14</sup> *Id.*

**III. INFORMATION REQUIRED BY SECTION 63.18 OF THE COMMISSION’S RULES REGARDING THE ASSIGNMENT TO ELDORADO OF TELCOVE PARENT’S INTERNATIONAL SECTION 214 AUTHORIZATION FOR GLOBAL FACILITIES-BASED AND GLOBAL RESALE SERVICES**

The following is provided under Section 63.18 of the Commission’s rules in support of the Applicants’ request for consent to assign to Eldorado TelCove Parent’s international Section 214 authorization:

(a) The name, address, and telephone number of the Applicants are:

**Assignor/Licensee**

TELCOVE, INC.  
121 Champion Way  
Canonsburg, Pennsylvania 15317  
+1 724 743 9888 tel

FRN No. 0015064223

**Assignee**

ELDORADO ACQUISITION THREE, LLC  
1025 Eldorado Blvd.  
Broomfield, Colorado 80021  
+1 720 888 2516 tel

FRN No. 0015067820

(b) TelCove Parent is a corporation organized under the laws of the State of Delaware. Eldorado is a limited-liability company organized under the laws of the State of Delaware.

(c) Correspondence concerning this application should be sent to:

**Assignor/Licensee**

James E. Means  
Vice President and General Counsel  
TELCOVE, INC.  
121 Champion Way  
Canonsburg, Pennsylvania 15317  
+1 724 743 9888 tel  
+1 724 743 9791 fax

**Assignee**

William P. Hunt III  
Vice President, Public Policy  
LEVEL 3 COMMUNICATIONS, LLC  
1025 Eldorado Boulevard  
Broomfield, Colorado 80021  
+1 720 888 2516 tel (Hunt)  
+1 720 888 5134 fax

*with a copy to:*

Michael P. Donahue  
Director of Regulatory Affairs  
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*Counsel for Level 3 Communications, Inc.  
and Eldorado Acquisition Three, LLC*

(d) TelCove Parent holds a single international Section 214 authorization for the provision of global facilities-based and global resale services.<sup>15</sup> The Commission has granted international Section 214 authority to five wholly-owned, indirect subsidiaries of Level 3—Level 3 Communications, LLC; Level 3 International, Inc.; WilTel Communications, LLC; Vyvx, LLC; and ICG Telecom Group, Inc.—to provide global facilities-based and global resale services between the United States and international points.<sup>16</sup> The Commission has not regulated any of the Level 3 operating subsidiaries as dominant for the provision of any service on any international route.

(e)(3) The Applicants seek Commission consent to assign the international Section 214 authorization listed in part II(d) above.

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<sup>15</sup> See *International Authorizations Granted, Public Notice*, 19 FCC Rcd. 13,124, 13,125 (2004) (accepting notification of *pro forma* assignment from TelCove International, LLC, to TelCove Parent); File No. ITC-ASG-20040628-00262; *Overseas Common Carrier Section 214 Applications Actions Taken, Public Notice*, 13 FCC Rcd. 764 (1998) (granting international Section 214 authority to Hyperion Telecommunications International, TelCove Parent's predecessor in interest); File No. ITC-214-19971128-00747 (old File No. ITC-97-736).

<sup>16</sup> See File No. ITC-214-19971229-00821 (previously File No. ITC-98-016) (Level 3 Communications, LLC); File No. ITC-214-19981214-00867 (Level 3 International, Inc.); File No. ITC-214-19970115-00025 (WilTel Communications, LLC); File No. ITC-214-20050907-00365 (Vyvx, LLC); File No. ITC-T/C-20060417-00237 (ICG Telecom Group, Inc.).

(f) No response is required.

(g) No response is required.

(h) Eldorado is a wholly-owned, direct subsidiary of Level 3, but will become a wholly-owned, direct subsidiary of Level 3 LLC following consummation of the Proposed Transaction. Level 3 LLC is a Delaware limited-liability company headquartered in Broomfield, Colorado, and engages in the provision of domestic and international communications and information services. Level 3 LLC's address is 1025 Eldorado Boulevard, Broomfield, Colorado 80021.

Level 3 LLC is a wholly-owned subsidiary of Level 3 Financing, Inc. ("Level 3 Financing"), a Delaware corporation engaged in the business of providing managed information technology infrastructure services across a variety of platforms. Level 3 Financing's address is 1025 Eldorado Boulevard, Broomfield, Colorado 80021.

Level 3 Financing, in turn, is a wholly owned subsidiary of Level 3, as described in part I.A above. The address of Level 3 Communications, Inc., is 1025 Eldorado Boulevard, Broomfield, Colorado 80021. Level 3 has no controlling shareholder or group of shareholders exercising common control.

Only one party holds a ten-percent-or-greater direct or indirect interest in Level 3 Communications, Inc: Southeastern Asset Management, Inc. ("SAM"). SAM is a Tennessee corporation engaged in the business of providing investment advisory services and located at 6410 Poplar Avenue, Suite 900, Memphis, Tennessee 38119. SAM holds sole or shared voting rights for 18.83 percent of outstanding shares of Level 3 that are otherwise owned by other

entities for whom SAM acts as an investment advisor.<sup>17</sup> None of SAM's owners holds a ten-percent-or-greater direct or indirect interest in Level 3.

As noted in part II.B above, consummation of the Proposed Transaction will dilute the interests of existing Level 3 shareholders, although consummation thereof is unlikely to dilute SAM's interest in Level 3 below the 10-percent threshold. No existing shareholder or controlling group of shareholders of TelCove Parent will have a 10-percent-or-greater direct or indirect interest in Level 3 as a consequence of the Proposed Transaction.

Level 3 has the following interlocking directorates with foreign carriers:

- Brian Hedlund, who is an Assistant Secretary of Level 3, is also a Secretary of Level 3 Communications (Austria) Limited, a Secretary of Level 3 Communications (Denmark) Limited, a Secretary of Level 3 Communications Ltd. (Ireland), and a Secretary of Level 3 Communications Limited (United Kingdom);
- Andrew E. Ottinger, Jr., who is Vice President of Level 3, is also a Secretary of Level 3 Communications Limited (UK) and an Assistant Secretary of Level 3 Communications Ltd. (Ireland); and
- Robert M. Yates, who is a Senior Vice President and Assistant General Counsel of Level 3, is also is a Director of Level 3 Communications (Austria) Limited, a Director of Level 3 Communications S.A. (Belgium), a Director of Level 3 Communications (Denmark) Limited, a Director of Level 3 Communications S.A.S. (France), a Director of Level 3 Communications GmbH (Germany), a Director of Level 3 Communications Limited (Ireland), a Director of Level 3 Communications S.R.L. (Italy), a Director of Level 3 Communications B.V. (the Netherlands), a Director of Level 3 Communications SLU (Spain), a Director of Level 3 Communications A.B. (Sweden), and a Director of Level 3 Communications Limited (United Kingdom).

(i) By the attached certification, Eldorado certifies that it is affiliated with the following foreign carriers: (1) Level 3 Communications (Austria) Limited; (2) Level 3

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<sup>17</sup> Due to various acquisitions by Level 3 (which diluted the shareholdings of Level 3's pre-existing shareholders) and shareholder sales of Level 3 stock over the last 12 months, Level 3 has fewer ten-percent-or-greater shareholders than it had at the time it sought Commission consent to acquire WilTel Communications Group, LLC, for example. In particular, In March 2006, Leucadia National Corporation sold its greater-than-10-percent interest in Level

Communications S.A. (Belgium); (3) Williams Communications Network, Inc. (Canada); (4) Level 3 Communications s.r.o. (Czech Republic); (5) Level 3 Communications (Denmark) Limited; (6) Level 3 Communications S.A.S. (France); (7) Level 3 Communications GmbH (Germany); (8) Level 3 Communications Limited (Ireland); (9) Level 3 Communications S.R.L. (Italy); (10) WilTel Communications K.K. (Japan); (11) Level 3 Communications B.V. (the Netherlands); (12) WilTel Communications (Cayman) Limited (Netherlands); (13) the Warsaw branch office of Level 3 Communications GmbH (Poland); (14) Level 3 Communications SLU (Spain); (15) Level 3 Communications A.B. (Sweden); (16) Level 3 Communications AG (Switzerland); (17) Level 3 Communications Limited (United Kingdom); and (18) Williams Communications UK Limited (collectively, “Level 3 Foreign Carrier Affiliates”).<sup>18</sup> All of the Level 3 Foreign Carrier Affiliates are located in destination markets that are World Trade Organization (“WTO”) Members.<sup>19</sup>

(j) By the attached certification, Eldorado certifies that it seeks to provide international telecommunications services from the United States to the destination countries listed in Paragraph (i) above in which an entity that owns more than 25 percent of, or controls, Eldorado controls a foreign carrier, or will do so following the consummation of the Proposed Transaction.

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3, and the interests held by Longleaf Partners Fund and Legg Mason, Inc., no longer meet or exceed the 10-percent threshold.

<sup>18</sup> Although WilTel Communications (Cayman) Limited is organized in the Cayman Islands, it is authorized to provide telecommunications services in the Netherlands.

<sup>19</sup> See File Nos. FCN-NEW-20060127-00012, FCN-NEW-20060124-00005, FCN-NEW-20060124-00004, FCN-NEW-20051102-00032, FCN-NEW-20051102-00031, FCN-NEW-20020415-00022, FCN-NEW-20000214-00007, and FCN-NEW-20000214-00006.



(k) The destination foreign countries listed in Paragraph (i) above are all WTO Members.<sup>20</sup>

(l) On routes between the United States and the foreign countries identified in Paragraph (i) above, the Level 3 Foreign Carrier Affiliates satisfy the requirement of Section 63.10(a)(3) of the Commission's rules.<sup>21</sup> Each Level 3 Foreign Carrier Affiliate holds significantly less than a 50-percent market share in the international transport and local access markets in its respective country. Moreover, no Level 3 Foreign Carrier Affiliate has any ability to discriminate against unaffiliated U.S. international carriers through the control of bottleneck services or facilities in its respective international market. No Level 3 Foreign Carrier Affiliate appears on the Commission's list of foreign telecommunications carriers presumed to possess market power in foreign telecommunications markets.<sup>22</sup> Accordingly, each Level 3 Foreign Carrier Affiliate is presumed to lack sufficient market power on the international end of the route to affect competition adversely in the U.S. market.

(m) Eldorado qualifies for non-dominant status for all foreign routes based upon the information set forth in Paragraph (l) above.

(n) By the attached certification, Eldorado certifies that it has not agreed to accept special concessions directly or indirectly from any foreign carrier with respect to any U.S. international route where the foreign carrier possesses market power on the foreign end of the route and will not enter into any such agreements in the future.

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<sup>20</sup> See World Trade Organization, *Members and Observers* (2005), available at [http://www.wto.org/english/thewto\\_e/whatis\\_e/tif\\_e/org6\\_e.htm](http://www.wto.org/english/thewto_e/whatis_e/tif_e/org6_e.htm).

<sup>21</sup> See 47 C.F.R. § 63.10(a)(3).

<sup>22</sup> See *International Bureau Revises and Reissues the Commission's List of Foreign Telecommunications Carriers that Are Presumed to Possess Market Power in Foreign Telecommunications Markets, Public Notice*, 19 FCC Rcd. 20,358 (Int'l Bur. 2004) ("*Presumed Market Power List*").

(o) By the attached certification, Eldorado certifies that no party to this application is subject to a denial of federal benefits under Section 5301 of the Anti-Drug Abuse Act of 1988, as amended.<sup>23</sup>

(p) The Applicants seek streamlined processing of this request for consent to assign TelCove Parent's international Section 214 authorization under Section 63.12 of the Commission's rules because: (1) the destination markets of the Level 3 Foreign Carrier Affiliates listed in paragraph (i) above are all WTO Member countries, as demonstrated in (l) above, and each Level 3 Foreign Carrier Affiliate lacks sufficient market power to affect competition adversely in the U.S. market; (2) Eldorado is not affiliated with a dominant U.S. carrier; and (3) TelCove Parent has no foreign carrier affiliations.

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<sup>23</sup> See 21 U.S.C. § 853(a).

**IV. INFORMATION REQUIRED BY SECTION 63.04 OF THE COMMISSION'S RULES REGARDING THE ASSIGNMENT AND TRANSFER OF CONTROL OF TELCOVE'S DOMESTIC COMMON-CARRIER TRANSMISSION LINES**

The Applicants submit the following information, pursuant to Section 63.04 of the Commission's rules, in support of the Applicants' request for consent to assign and transfer control of TelCove's domestic common-carrier transmission lines:

(a)(1) See response to part III(a) above for the names, addresses, and telephone numbers of the Applicants. Each of the TelCove Operating Companies has the same address and telephone number as TelCove Parent.

(a)(2) See response to part I.A above for the state laws under which the TelCove Operating Companies, TelCove Parent, and Level 3 are organized.

(a)(3) See response to part III(c) above for the contact information to whom correspondence concerning this application is to be addressed.

(a)(4) See response to part III(h) above for a list of persons or entities that directly or indirectly own at least 10 percent of the equity of Level 3, and the percentage of equity owned by each of those entities.

(a)(5) By the attached signature, Level 3 certifies that no party to this application is subject to a denial of federal benefits under Section 5301 of the Anti-Drug Abuse Act of 1988, as amended.

(a)(6) The Applicants set forth a complete description of the Proposed Transaction in part I.B above.

(a)(7) The TelCove Operating Companies provide interstate and intrastate interexchange services and competitive local exchanges services, in the geographic areas described in part I.A above. Level 3's operating subsidiaries provide domestic interstate,

intrastate, and local exchange services throughout the United States, as well as international telecommunications and information services throughout the United States. To the extent Level 3's operating subsidiaries offer domestic interstate common carrier services (including private line services), they do so pursuant to their blanket domestic Section 214 authorization under Section 63.01 of the Commission's rules.

(a)(8) The request for consent to assign and transfer control of TelCove's domestic common carrier lines qualifies for presumptive streamlined processing under Section 63.03(b)(2)(i) of the Commission's rules because it will not create any acquisition-specific effects in any interexchange or local exchange market. Following consummation of the Proposed Transaction, Level 3 will continue to have a market share in the interstate, interexchange market of less than ten percent.<sup>24</sup> Although Level 3 provides telephone exchange services and exchange access services in the areas served by TelCove, the geographic areas in which Level 3 and TelCove each provide such services are served by a dominant local exchange carrier that is not a party to the Proposed Transaction.<sup>25</sup> Neither TelCove nor Level 3 is dominant with respect to any service.<sup>26</sup>

(a)(9) Concurrent with the request in part VI of this application, the Applicants have applied for Commission consent to (1) assign to Eldorado TelCove Parent's international Section 214 authorization, and (2) transfer to Level 3 control of: TelCove FWL's terrestrial wireless licenses.

(a)(10) The Applicants request expedited consideration of this application in order to ensure a seamless transition of TelCove's customers to Level 3 without service interruption.

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<sup>24</sup> See 47 C.F.R. § 63.03(b)(2).

<sup>25</sup> See *id.*

(a)(11) The Applicants have not filed any waiver requests in conjunction with this transaction.

(a)(12) The proposed transaction will yield affirmative public interest benefits. Grant of this application will enable Level 3 to expand its local footprint and provide TelCove and Level 3 access to each others' complementary technical, managerial, financial, and product strengths, which will enhance the companies' ability to expand their offerings and provide more advanced telecommunications services to a broader customer base. To date, Level 3 has operated primarily as a wholesale carrier, but Level 3 intends to use its acquisition of TelCove as a platform for further expansion into the enterprise market. Applicants expect the Proposed Transaction will enable both TelCove and Level 3 to strengthen their competitive positions to the benefit of U.S. consumers.

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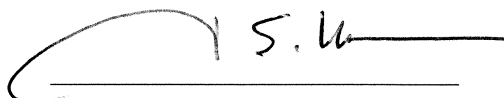
<sup>26</sup> *See id.*, § 63.03(b)(2)(i).

## CONCLUSION

The Applicants respectfully request that the Commission grant this application for consent to the assignment to Eldorado of TelCove Parent's international Section 214 authorization and the transfer of control to Level 3 of TelCove Operating Companies' domestic common-carrier transmission lines.

Respectfully submitted,

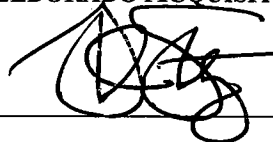
**TELCOVE, INC.**  
**TELCOVE INVESTMENT, LLC**  
**TELCOVE LONG HAUL, L.P.**  
**TELCOVE OF EASTERN PENNSYLVANIA**  
**TELCOVE OF KENTUCKY, INC.**  
**TELCOVE OF JACKSONVILLE, INC.**  
**TELCOVE OF LOUISIANA, LLC**  
**TELCOVE OF NASHVILLE, L.P.**  
**TELCOVE OF PENNSYLVANIA, INC.**  
**TELCOVE OF SOUTH CAROLINA, INC.**  
**TELCOVE OF VERMONT, INC.**  
**TELCOVE OF VIRGINIA, LLC**  
**TELCOVE OF YORK**  
**TELCOVE OPERATIONS, INC.**

A handwritten signature in black ink, appearing to read "J. E. Means", is written over a horizontal line.

James E. Means  
Vice President and General Counsel

121 Champion Way  
Canonsburg, Pennsylvania 15317  
+1 724 743 9566 tel

**LEVEL 3 COMMUNICATIONS, INC.  
ELDORADO ACQUISITION THREE, LLC**



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Thomas C. Stortz

Executive Vice President, Secretary, and  
Chief Legal Officer, Level 3  
Communications, Inc.

Executive Vice President, Secretary, and  
Chief Legal Officer, Eldorado  
Acquisition Three, LLC

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*Counsel for Level 3 Communications, Inc.  
and Eldorado Acquisition Three, LLC*

Attachments

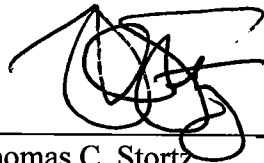
## CERTIFICATION

I, Thomas C. Stortz, Executive Vice President, Secretary, and Chief Legal Officer of both Eldorado Acquisition Three, LLC (“Eldorado”), and Level 3 Communications, Inc. (“Level 3”), hereby certify that:

1. Eldorado is affiliated with the following foreign carriers: (1) Level 3 Communications (Austria) Limited; (2) Level 3 Communications S.A. (Belgium); (3) Williams Communications Network, Inc. (Canada); (4) Level 3 Communications s.r.o. (Czech Republic); (5) Level 3 Communications (Denmark) Limited; (6) Level 3 Communications S.A.S. (France); (7) Level 3 Communications GmbH (Germany); (8) Level 3 Communications Limited (Ireland); (9) Level 3 Communications S.R.L. (Italy); (10) WilTel Communications K.K. (Japan); (11) Level 3 Communications B.V. (the Netherlands); (12) WilTel Communications (Cayman) Limited (Netherlands); (13) the Warsaw branch office of Level 3 Communications GmbH (Poland); (14) Level 3 Communications SLU (Spain); (15) Level 3 Communications A.B. (Sweden); (16) Level 3 Communications AG (Switzerland); (17) Level 3 Communications Limited (United Kingdom); and (18) Williams Communications UK Limited (collectively, “Level 3 Foreign Carrier Affiliates”). All of the Level 3 Foreign Carrier Affiliates are located in destination markets that are World Trade Organization Members.
2. Level 3 seeks to provide international telecommunications services from the United States to the destination countries listed in Paragraph (1) above in which an entity that owns more than 25 percent of, or controls, Level 3 controls a foreign carrier in that country, or will do so following consummation of the Proposed Transaction.



3. Neither Eldorado nor Level 3 has agreed to accept special concessions directly or indirectly from any foreign carrier with respect to any U.S. international route where the foreign carrier possesses market power on the foreign end of the route and will not enter into any such agreements in the future.
4. Neither Eldorado nor Level 3, nor any other party to this application, is subject to a denial of federal benefits under Section 5301 of the Anti-Drug Abuse Act of 1988, as amended.



---

Thomas C. Stortz

Executive Vice President, Secretary, and  
Chief Legal Officer, Level 3  
Communications, Inc.

Executive Vice President, Secretary, and  
Chief Legal Officer, Eldorado  
Acquisition Three, LLC

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Broomfield, Colorado 80021  
+1 720 888 5127 tel

9 June 2006

## **LIST OF ATTACHMENTS**

- Attachment A: Purchase Agreement and Plan of Merger (without Schedules)**
- Attachment B: TelCove Corporate Organization Chart**
- Attachment C: Pre-Transaction Organizational Structures of the Relevant Parts of Level 3 Communications, Inc., and TelCove, Inc.**
- Attachment D: Step 1 in the Acquisition of TelCove, Inc., by Level 3 Communications, Inc.—Merger of TelCove, Inc., into Eldorado Acquisition Three, LLC**
- Attachment E: Step 2 in the Acquisition of TelCove, Inc., by Level 3 Communications, Inc.—Contribution of Membership Interests to Level 3 Financing, Inc.**
- Attachment F: Step 3 in the Acquisition of TelCove, Inc., by Level 3 Communications, Inc.—Contribution of Membership Interests to Level 3 Communications, LLC**
- Attachment G: Post-Transaction Organizational Structures of the Relevant Parts of Level 3 Communications, Inc.**