

360networks (USA) inc.

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October 23, 2002

Via Overnight Delivery



Blanca S. Bayo, Director
Division of Records & Reporting
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

021086-JP

**RE: Request for Approval of Indirect Change of Ownership of
360networks (USA) inc.**

Dear Sir or Madam:

360networks (USA) inc. ("Company") is a telecommunications carrier authorized to transact business in the State of Florida as a foreign corporation. Company received authority from the Florida Public Service Commission ("Commission") to offer IXC services on 12/28/1999 in Docket No. 991485-TI and Alternative Local Exchange services on 12/8/2000 in Docket No. 001489-TX. Company hereby requests Commission approval of the proposed indirect change of ownership under Section 364.33 of the Florida Statutes. Company seeks the proposed change in order to facilitate the reorganization of Company, its parent and affiliates undertaken pursuant to orders of The Supreme Court of British Columbia, Canada and of the United States Bankruptcy Court for Southern District of New York. The proposed transaction involves a change at the parent level of the organization only. The management, operations and services of Company, the entity operating in the State of Florida, will not be directly affected by the proposed transaction and the Company will continue to hold all certificates and authorizations issued by the Commission. Once consummated, the transaction will allow the organization to emerge from bankruptcy in Canada and the U.S.

I. Description of Organization

Company is a Nevada corporation with a principal place of business at 12202 Airport Way, Broomfield, Colorado, 80021. Company is a wholly owned subsidiary of 360networks holdings (USA) inc. ("360 US Holdings"), a Nevada corporation. 360 US Holdings is a majority-owned subsidiary of 360networks Corporation, formerly, 360networks (holdings) ltd. ("360 Corp."), a corporation organized under the federal laws of Canada. 360 Corp. is a wholly owned subsidiary of 360networks, inc. ("360 Canada"), a Nova Scotia, Canada corporation.

On June 28, 2001, 360 Canada and certain of its subsidiaries commenced proceedings in The Supreme Court of British Columbia, Canada, under the Companies' Creditors Arrangement Act (Canada). In addition, on June 28, 2001, certain of 360 Canada's U.S. subsidiaries, including Company, commenced proceedings in the United States Bankruptcy Court for the Southern District of New York under Chapter 11 of the U.S. Bankruptcy Code.

DOCUMENT NUMBER DATE

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II. Description of the Proposed Indirect Change of Control Transaction

The U.S. and Canadian Courts have approved the First Amended Joint Plan of Reorganization and Consolidated Plan of Compromise or Arrangement (collectively referred to as the "Plans"), respectively, filed by certain Canadian and US subsidiaries of 360 Canada, including Company and 360 Corp. The Plans were developed in coordination with the 360 group of companies' senior secured lenders ("Senior Lenders"), the Monitor appointed by the Supreme Court of British Columbia and the U.S. unsecured creditors committee.

Pursuant to the Plans, 360 Corp. will issue additional shares to the Agent for the Senior Lenders for nominal consideration, which shares will then be consolidated on a basis which results in 360 Canada holding a fractional share of 360 Corp. following such consolidation. Thereafter, 360 Canada's fractional share of 360 Corp. will be purchased for cash upon implementation of the Plans. As a result, 360 Canada will no longer own or control 360 Corp., and 360 Corp. will replace 360 Canada as the ultimate parent company of the reorganized group of companies, including Company and 360 US Holdings. Company will remain a wholly owned subsidiary of 360 US Holdings, and 360 US Holdings will remain a subsidiary of 360 Corp.

360 Corp. will then issue and allot shares from 360 Corp.'s treasury stock and distribute it to the company's new shareholders as follows:

- (i) Each of the Senior Lenders will receive a ratable allocation of the shares of 360 Corp. While collectively, the unaffiliated Senior Lenders will hold allocations approximately equal to 80.5% of the outstanding shares of 360 Corp., none of the Senior Lenders will hold a controlling interest;¹
- (ii) Each of the unsecured U.S. and Canadian creditors (in excess of 210, without giving effect to certain cash election rights these creditors may have) will receive a ratable allocation of the shares of 360 Corp. Collectively, the unsecured U.S. and Canadian creditors will hold allocations approximately equal to 12% of the outstanding shares of 360 Corp. (The 12% of the shares allocated to the U.S. and Canadian unsecured creditors may be reduced by as much as one-half, to 6%, and replaced by cash payments made pursuant to a cash election available under the Plans.); and
- (iii) Certain employees of 360 Corp. will receive stock grants of up to approximately 7.5% of the outstanding shares, with an additional approximately 7.5% of the stock reserved for future stock option allocations to all employees and outside directors.

¹ The Senior Lenders consist of approximately 60 unaffiliated institutions. Each will receive an allocation of treasury stock and collectively, as noted above, all of the unaffiliated Senior Lenders will hold approximately 80.5% of the outstanding shares. However, none of the unaffiliated Senior Lenders will hold a majority interest. Most of the Senior Lenders will hold interests that are approximately equal to or less than 1%.

An organizational chart depicting Applicant's ownership structure prior to and immediately after the consummation of the proposed transaction is attached hereto as Exhibit A.

III. Points of Contact

Questions or correspondence concerning the proposed indirect change of ownership may be addressed to:

Lin Gentemann
General Counsel & Corporate Secretary
360networks Corporation
13900 Lincoln Park Drive, Suite 230
Herndon, Virginia 20171
Tel: (571) 203-6504
Fax: (571) 203-6566

With a copy to:

Patrick Summers
VP, General Counsel USA
360networks (USA) inc.
12202 Airport Way
Broomfield, Colorado 80021
Tel: (303) 854-5000
Fax: (303) 854-5100

IV. Public Interest Analysis

The proposed transaction is in the public interest. The proposed transaction is not expected to impact Company's day-to-day operations and will be transparent to customers. Company will continue to provide telecommunications services to its customers under the same name and pursuant to the same rates, terms and conditions as those currently offered by Company in accordance with its current authorizations in the State of Florida. Company does not anticipate a substantial change in its management and personnel as a result of the proposed transfer. The proposed transaction does not involve the transfer of Company's current authorizations or certifications. Similarly, Company's management, technical capabilities and day-to-day operations will not be altered. As a result of the proposed transaction, Company will remain technically, managerially and financially qualified to provide telecommunications services to its customers.


The proposed transaction will enhance competition by strengthening Company's financial and competitive position by enabling it to emerge from its current status in bankruptcy in Canada and the U.S. as a stronger and more viable competitor. Thus, the proposed transaction will ensure the continued viability of an important provider of innovative and competitively priced telecommunications services.

Blanca S. Bayo, Director
October 23, 2002
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Enclosed for your review is: one (1) original, six (6) copies and 1 return copy of this notice. Please date stamp the return copy and send it to my attention in the self-addressed, stamped envelope provided so that I may be assured this notice is properly filed with your office. Please do not hesitate to contact the undersigned if you have questions or concerns.

Respectfully Submitted,

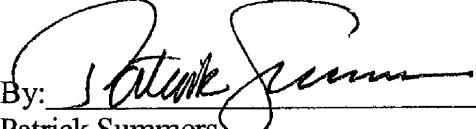
360networks (USA), inc.

By: 

Patrick Summers, VP, General Counsel USA

VERIFICATION

I, Patrick Summers, hereby declare under penalty of perjury that I am Vice-President, General Counsel USA of Applicant 360networks (USA) inc.; that I am authorized to make this verification on Applicant's behalf; that I have read the foregoing application and exhibits; and that the facts set forth therein are true and correct to the best of my knowledge, information and belief.

By: 
Patrick Summers
VP, General Counsel USA
360networks (USA) inc.
12202 Airport Way
Broomfield, Colorado, 80021
Tel: (303) 854-5000
Fax: (303) 854-5100

Subscribed and sworn to me this 23rd day of October, 2002.

By: 

My Commission Expires: 12/20/03

Current and Post-Change of Control Organizational Chart

