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September 19, 2000

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Via Federal Express

Blanca S. Bayo
Director, Division of Records & Reports
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, Florida 32399-0870

001435-TP

Re: Application of A.R.C. Networks, Inc., InfoHighway Communications Corporation, Info-Highway International, Inc., GTCR Fund VII, L.P. and GTCR Co-Invest, L.P. for Approval of Transfers of Control and Mergers

Dear Ms. Bayo:

Transmitted herewith for filing are an original and six (6) copies of the Application of A.R.C. Networks, Inc., InfoHighway Communications Corporation, Info-Highway International, Inc., GTCR Fund VII, L.P. and GTCR Co-Invest, L.P. requesting approval from the Florida Public Service Commission of a transaction involving transfers of control and mergers. Expedited treatment of this application is requested.

Please date-stamp the "Receipt" copy of this filing and return it in the enclosed self-addressed, stamped envelope. If you have any questions regarding this matter, please contact either of the undersigned.

Sincerely,

Susan M. Hafeli

Glenn S. Richards
Susan M. Hafeli

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Enclosures

DOCUMENT NUMBER-DATE

11812 SEP 20 8

ORIGINAL

Before the
PUBLIC SERVICE COMMISSION
OF THE STATE OF FLORIDA

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In the Matter of the Application of)
)
A.R.C. Networks, Inc.,)
InfoHighway Communications Corporation,)
Info-Highway International, Inc.,)
GTCR Fund VII, L.P. and)
GTCR Co-Invest, L.P. for approval)
of transfers of control and mergers)

Docket No. 001435-TP

APPLICATION

A.R.C. Networks, Inc. ("ARC"), InfoHighway Communications Corporation ("ICC"), Info-Highway International, Inc. ("IHI"), GTCR Fund VII, L.P. ("GTCR VII") and GTCR Co-Invest, L.P. ("GTCR Co-Invest" and, collectively with GTCR VII, "GTCR") (collectively the "Applicants"), by their attorneys, hereby respectfully request authority from the Florida Public Service Commission (the "Commission"), pursuant to Florida Statutes Section 364.33, for the following: i) the acquisition by GTCR of approximately 71 percent of the outstanding common stock of ICC and; ii) the acquisition of IHI by ICC.

In support thereof, it is respectfully shown as follows:

I. The Applicants

ARC is a New York corporation with its principal business office at 1333 Broadway, Suite 1001, New York, New York 10018. ARC is authorized to provide local exchange and interexchange telecommunications services in Florida. See Order No. PSC-96-1387-FOF-TX, Docket No. 960792-TX, Certificate No. 4740 (November 19, 1996) (local exchange authority) and Order No. PSC-96-1528-FOF, Docket No. 960610-TI, Certificate No. 4702 (December 16,

DOCUMENT NUMBER-DATE

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1996) (interexchange authority). ARC is a wholly-owned subsidiary of Arc Networks, Inc., a Delaware corporation ("ARC-Parent"). ARC-Parent is a wholly-owned subsidiary of ICC.

ICC is a Delaware corporation. ICC does not possess any federal or state authorizations to provide telecommunications services.

IHI is a Texas corporation. IHI does not possess any federal or state authorizations to provide telecommunications services.

Both GTCR VII and GTCR Co-Invest are Delaware limited partnerships. Neither GTCR VII nor GTCR Co-Invest currently possesses any federal or state authorizations to provide telecommunications services.

II. Designated Contacts

The designated contacts for questions concerning this Application are:

Glenn S. Richards, Esq.
Susan M. Hafeli, Esq.
Shaw Pittman
2300 N Street, N.W.
Washington, D.C. 20037
Telephone: (202) 663-8000
Facsimile: (202) 663-8007

The name and address of the designated contact for the continuing operations of ARC is:

Joseph Gregori, Executive Vice President
A.R.C. Networks, Inc.
1333 Broadway, Suite 1001
New York, New York 10018
Telephone: (212) 566-2100
Facsimile: (212) 566-2136

III. Description of the Transaction

The parties agreed to a multi-step transaction under which GTCR invests a minimum of \$45 million of capital in ICC in exchange for a majority of ICC's outstanding common stock.

The final step in the transaction, including the ultimate transfer of control, is conditioned upon receipt of required regulatory approvals.

The transaction involved first, the merger of a newly-formed company wholly-owned by ICC management into ICC, with ICC being the surviving entity. ICC management and non-management ICC shareholders received stock in the surviving corporation.¹ Contemporaneously, GTCR made an initial investment in ICC of \$45 million, structured to include \$43.5 million of Class A cumulative, redeemable preferred stock with an eight percent accruing, compounding dividend and \$1.5 million of common stock. The common stock acquired by GTCR consists of 1,512,662 shares of Class A voting common stock of ICC and 19,850,086 shares of Class B non-voting common stock of ICC. The shares of Class B non-voting stock are convertible into shares of Class A voting common stock upon the receipt of the requisite regulatory approvals for GTCR's acquisition of control of ICC. The Class A preferred stock will be redeemable upon the earlier to occur of an initial public offering or a subsequent change in control of ICC. The transaction then involved the merger of a newly-formed subsidiary of ICC into Info-Highway International, a Texas corporation, with IHI being the surviving entity. One IHI executive exchanged his shares in IHI for common stock in ICC, while the other IHI executive and non-

¹ The non-management stockholders of ICC received one share of Class A voting common stock and a fraction of a share of Class B Preferred Stock for each share of the Company's common stock they previously owned. The Class B Preferred Stock is identical to the Class A Preferred Stock except that, unlike the Class A Preferred Stock, the Class B Preferred Stock is not callable by the Company for redemption. Additionally, unlike the holders of Class A Preferred Stock, the holders of Class B Preferred Stock may not require the Company to redeem all or any portion of the Class B Preferred Stock (1) in connection with a change of control of the Company, or (2), for cash, in connection with a public offering of the Company's securities. Holders of Class B Preferred Stock may, however, require the Company to exchange their preferred stock for common stock in the case of a public offering of the Company's securities.

management IHI shareholders received cash in exchange for their shares.

Assuming receipt of requisite regulatory approvals and the subsequent conversion of the shares of Class B common stock into shares of Class A common stock, at the close of the transaction the existing management of ICC and IHI will hold 13 percent (with an additional 2 percent received for issuance to new management) of the fully-diluted Class A voting common stock of ICC, GTCR will hold 71.4 percent of the fully-diluted Class A voting common stock of ICC, the original ICC non-management stockholders will own 12.2 percent of the fully diluted Class A voting common stock of ICC, and other stockholders will hold 1.4 percent of the fully-diluted Class A voting common stock of ICC.

Although the transaction will result in a change in control of ICC, ARC's ultimate parent, it will not involve any change in ARC or in the manner in which services are provided to ARC's customers. After the transaction, ARC will continue to operate under its current name, providing service under its existing tariffs. In effect, the transaction will be transparent to ARC's customers.

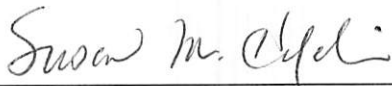
The purpose of the transaction described herein is to raise capital for ARC so that it may expand its facilities and services both within Florida and nationwide.

Consummation of the transaction will serve the public interest. The proposed transaction will promote competition by enabling ARC to have access to additional capital so that it may expand its facilities and service offerings in Florida and throughout the country. In short, the transaction positions ARC to become a more effective competitor in the Florida telecommunications market. Because the transaction described herein will further the development of telecommunications competition, the public interest will benefit by the approval requested herein.

WHEREFORE, it is respectfully requested that the Commission grant the Application on an expedited basis and for such other consents, authorizations and waivers as may be necessary to effectuate the authority sought herein.

Respectfully submitted,

A.R.C. Networks, Inc.
InfoHighway Communications Corporation
Info-Highway International, Inc.
GTCR Fund VII, L.P.
GTCR Co-Invest, L.P.

by: 

Glenn S. Richards
Susan M. Hafeli
Shaw Pittman
2300 N Street, N.W.
Washington, D.C. 20037

Their Attorneys

Dated: September 19, 2000

VERIFICATION

I am authorized to represent A.R.C. Networks, Inc. and to make this verification on its behalf. The statements in the foregoing document are true of my own knowledge, except as to matters which are therein stated on information and belief, and as to those matters, I believe them to be true. I declare under penalty of perjury that the foregoing is true and correct.

By: Peter Parrinello

Name: Peter Parrinello

Title: President

Date: 7/17/00

Sworn and subscribed to before me this 17th
day of July, 2000.

[Signature]
Notary Public

LYNN M. SEIFERT
Notary Public; State of New York
No. 4861434
Qualified in Nassau & New York Co.
Commission Expires June 9, ~~2001~~ 2002

My Commission expires _____

VERIFICATION

I am authorized to represent InfoHighway Communications Corporation and to make this verification on its behalf. The statements in the foregoing document are true of my own knowledge, except as to matters which are therein stated on information and belief, and as to those matters, I believe them to be true. I declare under penalty of perjury that the foregoing is true and correct.

By: Peter Parrinello

Name: Peter Parrinello

Title: President

Date: 7/17/00

Sworn and subscribed to before me this 17th
day of July, 2000.

Lynn M. Seifert
Notary Public

LYNN M. SEIFERT
Notary Public, State of New York
No. 4861434
Qualified in Nassau & New York Co.
Commission Expires June 9, ~~1999~~ 2002

My Commission expires _____

VERIFICATION

I am authorized to represent Info-Highway International, Inc. and to make this verification on its behalf. The statements in the foregoing document are true of my own knowledge, except as to matters which are therein stated on information and belief, and as to those matters, I believe them to be true. I declare under penalty of perjury that the foregoing is true and correct.

By: *Glenn Kramer*

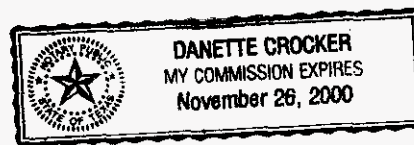
Name: Glenn Kramer

Title: President

Date: 7/18/00

Sworn and subscribed to before me this 18
day of July, 2000.

Danette Crocker
Notary Public



My Commission expires 11-26-00

VERIFICATION

I am authorized to represent GTCR Fund VII, L.P., and to make this verification on its behalf. The statements in the foregoing document are true of my own knowledge, except as to matters which are therein stated on information and belief, and as to those matters, I believe them to be true. I declare under penalty of perjury that the foregoing is true and correct.

By: GTCR Fund VII, L.P.

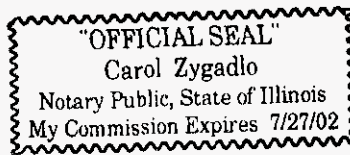
By: GTCR Partners VII, L.P.
Its: General Partner

By: GTCR Golder Rauner, L.L.C.
Its: General Partner

By: *David A. Donnini*
Name: David A. Donnini
Title: Principal
Date: 8/11/00

Sworn and subscribed to before me this
11th day of August, 2000.

Carol Zygadlo
Notary Public



My Commission expires 7-27-02

VERIFICATION

I am authorized to represent GTCR Co-Invest, L.P., and to make this verification on its behalf. The statements in the foregoing document are true of my own knowledge, except as to matters which are therein stated on information and belief, and as to those matters, I believe them to be true. I declare under penalty of perjury that the foregoing is true and correct.

By: GTCR CO-INVEST, L.P.

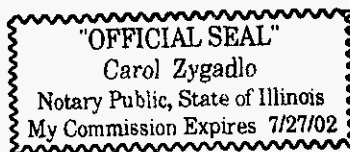
By: GTCR Golder Rauner, L.L.C
Its: General Partner

By: David A. Donnini
Name: David A. Donnini
Title: Principal

Dated: 9/5/00

Sworn and subscribed to before me this 5th
day of September, 2000.

Carol Zygadlo
Notary Public



My Commission expires 7-27-02