

WILLIAM A. MUNDELL
CHAIRMAN
JIM IRVIN
COMMISSIONER
MARC SPITZER
COMMISSIONER

OPEN MEETING



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EXECUTIVE SECRETARY

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AZ CORP COMMISSION
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DATE: September 19, 2001
DOCKET NO: T-03761A-00-0521, et al.
T-08336A-00-0521
TO ALL PARTIES:

Enclosed please find the recommendation of Administrative Law Judge Stephen Gibelli. The recommendation has been filed in the form of an Order on:

AMERICAN LONG LINES, INC., TELIGENT, INC. AND TELIGENT SERVICES, INC.
(TRANSFER OF EQUITY)

Pursuant to A.A.C. R14-3-110(B), you may file exceptions to the recommendation of the Administrative Law Judge by filing an original and ten (10) copies of the exceptions with the Commission's Docket Control at the address listed below by 12:00 noon, on or before:

SEPTEMBER 28, 2001

The enclosed is NOT an order of the Commission, but a recommendation of the Administrative Law Judge to the Commissioners. Consideration of this matter has tentatively been scheduled for the Commission's Working Session and Open Meeting to be held on:

OCTOBER 2 AND 3, 2001

For more information, you may contact Docket Control at (602)542-3477 or the Hearing Division at (602)542-4256

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Brian C. McNeil
BRIAN C. McNEIL
EXECUTIVE SECRETARY

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 WILLIAM A. MUNDELL
CHAIRMAN
3 JIM IRVIN
COMMISSIONER
4 MARC SPITZER
COMMISSIONER
5

6 IN THE MATTER OF THE JOINT APPLICATION
OF AMERICAN LONG LINES, INC., TELIGENT,
7 INC. AND TELIGENT SERVICES, INC. FOR
APPROVAL OF THE TRANSFER OF EQUITY.

DOCKET NO. T-03761A-00-0521
DOCKET NO. T-03336A-00-0521

8 DECISION NO. _____

ORDER

9 Open Meeting
October 2 and 3, 2001
10 Phoenix, Arizona

11 **BY THE COMMISSION:**

12 On July 19, 2000, American Long Lines, Inc. ("ALL"), Teligent, Inc. ("Teligent") and
13 Teligent Services, Inc. ("TSI") filed a joint application with the Arizona Corporation Commission
14 ("Commission") for approval to transfer 100 percent of the equity of ALL from its current
15 shareholders to TSI.

16 On November 14, 2000, Commission Utilities Division Staff ("Staff") filed its Staff Report in
17 this matter, in which it recommended approval of the application without a hearing.

18 * * * * *

19 Having considered the entire record herein and being fully advised in the premises, the
20 Commission finds, concludes, and orders that:

21 **FINDINGS OF FACT**

22 1. ALL is a Pennsylvania corporation authorized to provide resold telecommunications
23 services in Arizona since 1997.

24 2. On February 8, 1999, in Decision No. 60673, ALL was granted a Certificate of
25 Convenience and Necessity ("Certificate") to provide competitive intraLATA and interLATA resold
26 telecommunications services in Arizona.

27 3. ALL's President and Chief Executive Officer, Mr. Alan Widra, along with certain
28 family members (collectively the "Shareholders"), own 100 percent of ALL's common equity.

1 4. Teligent is a leading provider of broadband communications in 42 major markets
2 throughout the United States.

3 5. TSI is a wholly owned subsidiary of Teligent.

4 6. TSI holds a Certificate to provide intrastate competitive telecommunications services in
5 Arizona.¹

6 7. On July 19, 2000, ALL, Teligent, and TSI (collectively "Applicants") filed a joint
7 application with the Commission for approval to transfer 100 percent of the equity of ALL from its
8 current Shareholders to TSI.

9 8. On November 14, 2000, Staff filed its Staff Report in this matter.

10 9. According to Staff, Teligent will acquire indirect ownership of ALL through its
11 subsidiary, TSI.

12 10. Teligent filed a Form 10-Q with the Securities and Exchange Commission ("SEC") on
13 June 30, 2000 indicating that Teligent had total assets of \$1.0 billion, including current assets of \$366
14 million, and revenues of \$32 million.

15 11. Staff believes that the transfer of control of ALL to TSI may result in benefits related to
16 economies of scale. In addition, reduced administrative expenses and increased access to capital
17 resources and managerial expertise through Teligent may also be realized.

18 12. Applicants have stated that the transfer of ownership of ALL to TSI/Teligent will be
19 seamless and transparent to ALL's Arizona customers. ALL will continue to provide service under
20 its current name and existing Tariff, as well as retain its existing management and employees.
21 Furthermore, the terms and conditions of ALL's service will not be affected by the transaction.

22 13. Staff's November 14, 2000 Staff Report recommended that the application for approval
23 to transfer 100 percent of the equity of ALL to Teligent and its subsidiary, TSI be granted without a
24 hearing.

25 14. On January 24, 2001, Applicants filed Affidavits of Publication indicating compliance
26 with the Commission's notice requirements.

27 _____
28 ¹ Commission Decision No. 62233 (January 12, 2000) authorized the transfer of Teligent's Certificate to its newly-
formed subsidiary, TSI.

1 15. On April 5, 2001, Staff filed an amended Staff Report as a result of reports that several
2 competitive local exchange carriers ("CLECs"), including Teligent, are expected to file for
3 bankruptcy in 2001. Teligent indicated that it still intended to complete the merger transaction with
4 ALL.

5 16. On May 21, 2001, Teligent filed for Chapter 11 bankruptcy protection.

6 17. The merger transaction closed in July 2001, without prior approval of the Commission,
7 and the result will be ALL surviving as a direct and wholly owned subsidiary of TSI and an indirect
8 subsidiary of Teligent.²

9 18. On July 20, 2001, the Applicants indicated in a letter to Staff that; although the
10 transaction closed prematurely, no operational changes have occurred to ALL since it became part of
11 Teligent.

12 19. On August 14, 2001, Staff filed comments regarding the financial condition of Teligent
13 and the application.

14 20. Staff indicates in its comments that counsel for Teligent and ALL believed that only
15 notification, not approval, was required in Arizona. As a result, the transaction closed when the
16 applicants believed that all necessary approvals had been granted.

17 21. In its August 14, 2001 comments, Staff still recommends approval of the application
18 for the following reasons:

- 19
- 20 (a) The Commission's *nunc pro tunc* approval of the transaction may aid the Court
21 in its reorganization of Teligent. Should the Court determine that ALL should
22 be sold, it would likely be sold to a financially viable entity;
 - 23 (b) ALL does not market services in Arizona. ALL's Arizona customers are
24 branch offices of business customers that have home offices in states where
25 ALL does market its services;
 - 26 (c) Following the transaction, utility service continues to be provided by the same
27 entity, and under the same management and Certificate;
 - 28 (d) ALL does not require any financial resources from Teligent and ALL's
continued operations are not contingent upon Teligent's operations;
 - (e) In the event that ALL ceases operations in Arizona, its customers would
continue to receive service from the underlying carrier and would be able to

² The Agreement is in the form of a reverse-triangular merger, involving the creation of a merger subsidiary of Teligent, which will then be merged with ALL, ALL being the surviving entity. Teligent will then contribute 100 percent of ALL's common equity to TSI.

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change providers with minimal inconvenience;
(f) Chapter 11 bankruptcy provides a process for Teligent to reorganize its debt and capital structure and possibly emerge as a viable business, unlike a chapter 7 filing which results in complete liquidation of the company's assets.

22. No exceptions were filed to the Staff Reports or Staff's August 14, 2001 comments, nor did any party request that a hearing be held.

CONCLUSIONS OF LAW

1. Applicants are public service corporations within the meaning of Article XV of the Arizona Constitution and A.R.S. §§ 40-281 and 40-282.

2. The Commission has jurisdiction over Applicant and the subject matter of the application.

3. Notice of the application was given in accordance with the law.

4. The transfer of ownership of ALL to TSI and Teligent is in the public interest.

5. Staff's recommendation in Findings of Fact No. 21 is reasonable and should be adopted.

ORDER

IT IS THEREFORE ORDERED that the Joint Application of American Long Lines, Inc., Teligent, Inc. and Teligent Services, Inc., for approval to transfer 100 percent of the equity of American Long Lines, Inc. to Teligent Services, Inc., is hereby granted.

IT IS FURTHER ORDERED that American Long lines, Inc., Teligent, Inc., and Teligent Services, Inc. shall file all documentation relating to the transfer of equity with the Commission within 30 days from the date of the transaction.

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1 SERVICE LIST FOR: AMERICAN LONG LINES, INC. TELIGENT, INC.
2 and TELIGENT SERVICES, INC.

3 DOCKET NOS.: T-03761A-00-0521 and T-03336A-00-0521

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