



**MEMORANDUM**

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Arizona Corporation Commission

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TO: Docket Control

NOV 14 2000

FROM: Deborah R. Scott  
Director  
Utilities Division

AZ CORP COMMISSION  
DOCUMENT CONTROL

DATE: November 14, 2000

RE: STAFF REPORT FOR AMERICAN LONG LINES, INC. ("ALL"), TELIGENT, INC. ("TELIGENT") AND TELIGENT SERVICES, INC.'S ("TSI") APPLICATION WITH THE ARIZONA CORPORATION COMMISSION ("COMMISSION") FOR APPROVAL TO TRANSFER 100 PERCENT OF THE EQUITY OF ALL FROM ITS CURRENT SHAREHOLDERS TO TSI (DOCKET NOS. T-03336A-00-0521 AND T-03761A-00-0521)

Attached is the staff report for American Long Lines, Inc. ("ALL"), Teligent, Inc. ("Teligent") and Teligent Services, Inc.'s ("TSI") application with the Arizona Corporation Commission ("Commission") for approval to transfer 100 percent of the equity of all from its current shareholders to TSI.

DRS:JMR:jbc

Originator: Joel M. Reiker

Attachment: Original and Eleven Copies

STAFF REPORT  
UTILITIES DIVISION  
ARIZONA CORPORATION

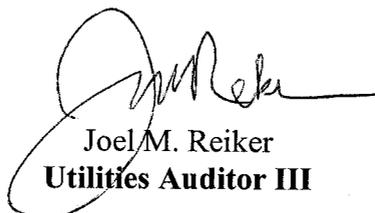
AMERICAN LONG LINES, INC.  
AND TELIGENT SERVICES, INC.  
DOCKET NOS. T-03336A-00-0521  
T-03761A-00-0521

APPLICATION  
FOR APPROVAL OF THE  
TRANSFER OF EQUITY

OCTOBER 2000

## STAFF ACKNOWLEDGMENT

The financial analysis contained in the Staff Report for American Long Lines, Inc., and Teligent Services Inc., Docket Nos. T-03336A-00-0521 and T-03761A-00-0521 was prepared by Joel M. Reiker.



Joel M. Reiker  
**Utilities Auditor III**

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## **Introduction and Background**

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

ALL is a Pennsylvania corporation authorized to provide resold telecommunications services in Arizona.<sup>1</sup> ALL's President and Chief Executive Officer is Alan Widra. Mr. Widra and certain family members (collectively the "Shareholders") own 100 percent of All's common equity.

TSI is a wholly-owned subsidiary of Teligent, a publicly owned Delaware corporation with a market capitalization of \$575 million as of October, 2000. Teligent is a leading provider of broadband communications in 42 major markets throughout the United States. TSI currently holds a Certificate of Convenience and Necessity ("CC&N") to provide intrastate competitive telecommunications services in Arizona.<sup>2</sup>

## **The Proposed Transaction**

The Shareholders are currently negotiating the terms of an agreement whereby Teligent will ultimately acquire indirect ownership of ALL through its subsidiary, TSI. While the exact terms of the transaction have not been finalized, it is expected that the transaction will be in the form of a reverse-triangular merger. The contemplated reverse-triangular merger would involve the creation of a merger subsidiary of Teligent, which will be merged with ALL, ALL being the surviving entity. Teligent would then contribute 100 percent of ALL's common equity to TSI. As the ultimate result of the process, ALL would be a direct wholly-owned subsidiary of TSI and an indirect subsidiary of Teligent.

## **Financial and Technical Analysis**

Teligent has demonstrated that it has the financial resources to effectuate the merger. According to its June 30, 2000 10-Q, filed with the SEC, the company had total assets of \$1.0 billion, including current assets of \$366 million, and revenues of \$32 million. According to the October 6, 2000 edition of *Value Line*, sales of Teligent's local and broadband data services should continue increasing at a rapid pace.

The transfer of control of ALL to TSI may result in benefits related to economies of scale. Reduced administrative expenses and increased access to capital resources and managerial expertise through Teligent may also be realized.

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<sup>1</sup> Decision No. 60673, dated February 9, 1998, granted ALL authority to provide competitive interLATA and intraLATA resold telecommunications services.

<sup>2</sup> Decision No. 62233, dated January 12, 2000 authorized the transfer of Teligent's CC&N to its newly-formed subsidiary, TSI

The applicants have asserted that the transfer of ownership of ALL to TSI/Teligent would be seamless and transparent to ALL's Arizona customers. ALL will continue to provide service under its current name and existing Tariff, as well as existing management and employees. Further, the terms and conditions of ALL's service will not be affected by the transaction.

### **Conclusion and Recommendation**

Staff believes the transfer of ownership of ALL to TSI/Teligent would be seamless to ALL's Arizona customers. Further, the transaction may result in increased access to financial resources, management experience, as well as decreased administrative expenses resulting from economies of scale.

Staff recommends approval of the Acquisition of 100 percent of the equity of ALL by Teligent, and ultimate transfer of 100 percent of the equity of ALL from Teligent to its subsidiary, TSI.

Staff recommends that a hearing not be held in this matter.