

In the Matter of the Joint Application of)
TELEGLOBE, INC., and EXCEL COM-)
MUNICATIONS, INC., for Approval of)
Agreement and Plan of Merger.)

DOCKET NO. 98-2241-01

REPORT AND ORDER

ISSUED: August 26, 1998

SYNOPSIS

The proposed merger appearing to be in the public interest, the Commission approved the same.

By the Commission:

PROCEDURAL HISTORY

On July 13, 1998, TELEGLOBE, INC., and EXCEL COMMUNICATIONS, INC., submitted their joint application for approval of an agreement and plan of merger. The Commission referred the matter to the Division of Public Utilities, Utah Department of Commerce ("DPU"), for review and recommendation. DPU filed a memorandum recommending approval July 31, 1998. The Administrative Law Judge, having been fully advised in the matter, now enters the following Report, containing proposed Findings of Fact, Conclusions of Law, and the Order based thereon.

FINDINGS OF FACT

The following Findings are drawn verbatim from DPU's memorandum, and we hereby adopt them as our own:

1. In support of its application, Teleglobe filed a postmerger corporate organizational chart, financial, managerial, and technical information, as well as a verification of the applicant. The application also included updated financial, managerial and technical information about Excel Communications through December 31, 1997.
2. Teleglobe is a Canadian corporation, which through its operating subsidiaries, is among the world's largest intercontinental telecommunications carriers. To date, it is operated primarily as a carrier's carrier of international services and only recently entered the retail market. Teleglobe's stock is publicly traded on the New York Stock Exchange, and Toronto Stock Exchange, and the Montreal Exchange under the stock symbol TGO. Headquartered in Montreal, Canada, Teleglobe is a North American based intercontinental telecommunications carrier whose network and service capabilities reach 240 countries and territories. Its operating subsidiaries are currently authorized to provide telecommunications services in Utah on a deregulated basis as well as interexchange services in 24 states and local exchange services in one state.
3. Excel Communications, Inc., is a Delaware holding company publicly traded on the New York Stock Exchange under the stock symbol ECI and, through its operating subsidiaries, claims to be the fifth largest long distance company in the United States. It has focused primarily on providing residential resold services but, with the purchase of Telco Communications Group last year, it has expanded to include services provided over Telco's leased network facilities, which include increased commercial products, wholesale and carrier services. Its subsidiaries are authorized to provide local exchange telecommunications services in 30 states as well as throughout the State of Utah, pursuant to

certifications granted in Docket Nos. 96-2213-01 and 96-2214-01 for Telco Holdings, Inc. (formerly Dial & Save of Utah, Inc.) and Excel Telecommunications, Inc., respectively.

4. Teleglobe and Excel have executed an Agreement and Plan of Merger, whereby North Merger Sub Corporation, a Delaware corporation that is a wholly-owned subsidiary of Teleglobe created specifically for purposes of consummating the transaction, will be merged into Excel, and the current stockholders of Excel will exchange each issued and outstanding share of common stock of Excel for 0.885 of a common share of Teleglobe capital stock. Upon consummation of the proposed transaction, Excel will become a wholly-owned subsidiary of Teleglobe, and the former Excel shareholders will hold 48.5% of outstanding Teleglobe shares. The Applicants assert that the merger will be virtually seamless to the retail customers in terms of the services they currently receive, but it will make additional products and services available to both Excel's and Teleglobe's customers throughout the country, including customers in Utah.

5. Teleglobe appears financially well qualified to consummate the proposed transaction. It had revenues of approximately CAN\$2 billion in 1997, preceded by four years of steadily-growing revenues. Its shareholder's equity has nearly doubled in the same five-year period while long-term debt decreased.

6. Teleglobe's managers are highly skilled, having acquired extensive experience in all areas of the telecommunications industry. Additionally, the corporation has structured its regional operations to be managed locally, while benefitting from centralized financial, network, information technology and development services, and expects each such operation to be profitable. It enters new markets primarily by hiring experienced local professionals who understand the relevant markets.

7. Teleglobe and its affiliate companies have demonstrated that they possess the technical capability to provide local service on a resale basis. The corporation has an international network linking approximately 240 countries and territories that it believes is one of the most extensive intercontinental facilities-based networks among North American carriers. It provides comprehensive telecommunications services including voice, data, Internet and value-added services, primarily on a wholesale basis, to more than 275 carriers and Internet service providers in more than 140 countries. The company also owns or has access to cable landing stations on the Atlantic and Pacific coasts of North America as well as satellite earth stations which are connected by fiber optic links to the company's international switching centers and Internet gateways.

DISCUSSION

Consummation of the proposed transaction is most likely to serve the public interest by promoting competition in the telecommunications market. The proposed merger bids fair to provide Teleglobe and Excel the opportunity to strengthen their competitive positions by combining their financial resources and complementary services, facilities and expertise. The combination of Teleglobe's extensive intercontinental network with Excel's channels of distribution will allow the combined company to offer a broad array of new products and services to homes, businesses, and carriers, thereby promoting competition in Utah.

CONCLUSIONS OF LAW

The proposed merger should be approved.

ORDER

NOW, THEREFORE, IT IS HEREBY ORDERED that:

The Agreement and Plan of Merger between the joint applicants be, and it is, approved.

Any person aggrieved by this Order may petition the Commission for review within 20 days of the date of this Order. Failure so to do will forfeit the right to appeal to the Utah Supreme Court.

DATED at Salt Lake City, Utah, this 26th day of August, 1998.

/s/ A. Robert Thurman

Administrative Law Judge

Approved and Confirmed this 26th day of August, 1998, as the Report and Order of the Public Service Commission of Utah.

/s/ Stephen F. Mecham, Chairman

(SEAL) /s/ Constance B. White, Commissioner

/s/ Clark D. Jones, Commissioner

Attest:

/s/ Julie Orchard

Commission Secretary