

TC98-207

TC98-207

DOCKET NO.

In the Matter of — IN THE MATTER OF THE
APPLICATION OF TELIGENT, INC. FOR
A CERTIFICATE OF AUTHORITY TO
PROVIDE TELECOMMUNICATIONS
SERVICES IN SOUTH DAKOTA

Public Utilities Commission of the State of South Dakota

DATE

MEMORANDUM

11/30/98 Filed and docketed;
12/3/98 Public Utility
2/1/99 Revised Public Utility
3/23/99 Revised Original Docket No. 17,
3/30/99 Under Secretary C.P.A.,
5/30/99 Docket Closed



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NOV 30 1998

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

TC98-207

Teligent, Inc.

9000 Jambou Drive, Suite 400
Denver, CO 80231
Phone: 703.762.0100
Fax: 703.762.0200
URL: www.tigent.com

November 23, 1998

VIA OVERNIGHT DELIVERY

Mr. William Bullard, Executive Director
South Dakota Public Utilities Commission
500 East Capitol
Pierre, South Dakota 57501-5070

Re: Application for Authority for Teligent, Inc.

Dear Mr. Bullard:

Enclosed please find an original and ten (10) copies of Teligent, Inc.'s application for authorization to resell telecommunications services in the State of South Dakota as well as a check payable to the South Dakota Public Utilities Commission in the amount of two-hundred and fifty dollars (\$250.00) to cover filing fees.

Also enclosed please find an extra copy of this transmittal letter, application and attachments. Please date-stamp and return the copy in the enclosed self-addressed envelope.

Should you have any questions or require additional information in this matter, please call me at (703) 288-5664.

Respectfully submitted,

Erik J. Cecil
Regulatory Counsel

86388.0

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NOV 30 1998

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

TC98-207

Before the
SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

TELIGENT, INC

IN THE MATTER OF THE APPLICATION FOR A CERTIFICATE
OF PUBLIC CONVENIENCE AND NECESSITY TO PROVIDE
RESOLD INTRALATA AND INTERLATA LONG DISTANCE
TELECOMMUNICATIONS SERVICES

Application No _____

TELIGENT, INC ("Applicant") hereby submits this Application for a Certificate of Public Convenience and Necessity, seeking authority from the South Dakota Public Utilities Commission under the provisions of South Dakota Administrative Code Statutes § 49-31-3 to provide resold interexchange telecommunications services throughout the State of South Dakota. In support of its Application, Applicant provides the following information

- 1 The name, address, and telephone number of Applicant is

Teligent, Inc
8065 Leesburg Pike, Suite 400
Vienna, Virginia 22182
(703) 762-5100 (Voice)
(703) 762-5584 (Facsimile)

- 2 The name under which Applicant will provide these services is Teligent, Inc

- 3 (a) Applicant is a corporation formed on September 26, 1997 under the laws of the State of Delaware. Applicant's Federal Identification Number is 541866562. Attached hereto as Exhibit A is a copy of Applicant's Certificate of Incorporation. Applicant was issued a Certificate of Authority to do business in South Dakota on June 1, 1998. Attached hereto as Exhibit B is a copy of Applicant's Certificate of Authority.

(b) Applicant's registered agent is Teligent, Inc., c/o CT Corporation Systems, 319 S. Coteau Street, Pierre, South Dakota, 57501

(c) Teligent is a publicly-held corporation with approximately 15.5% of its equity widely held and its major stockholders or partners holding a ten percent or greater equity interest are

- (a) The Associated Group, 200 Gateway Towers, Pittsburgh, PA 15222 (40.77%)
- (b) Telcom Ventures, L.L.C. 211 N. Union Street, Suite 300, Alexandria, VA 22201 (32.73%)
- (c) Nippon Telegraph and Telephone Corp., ("NTT") Tokyo Opera City Tower, 20-2 Nishi-Shinjuku 3-Chome, Shinjuku-Ka, Tokyo 163-14, Japan (11%)

4 The Associated Group has an affiliated interest in the Applicant as defined in AS 42.05.720(1)(A)-(G). The Associated Groups address is

200 Gateway Towers
Pittsburgh, Pennsylvania 15222

5 Applicant will provide resold interexchange telecommunications services throughout the State of South Dakota. Initially, Applicant will offer its services to small-to-medium sized business customers and other carriers. In the future, should a market demand exist, Applicant may also offer residential services.

6 Applicant will be a reseller of long distance services and will not be building, servicing or maintaining any facilities or equipment of its own. Applicant reserves the right to resell the services of any underlying carrier that has been issued a Certificate of Authority by the State of South Dakota.

7 Applicant will provide service throughout the State of South Dakota

8 Attached as Exhibit C is the Applicant's Securities and Exchange Commission Form

10-K Applicant is submitting herewith as Exhibit D its 1997 Annual Report The Annual report contains Teligent's Audited financial statements, for the year ended December 1997 and for the periods March 5, 1996 (date of inception) to December 31, 1997 and December 31, 1996 and a Report of Independent Auditors

9 Attached herewith as Exhibit E is a copy of the proposed Tariff containing the terms and conditions of service

10 The name, title and telephone number of the individual(s) who will act as the liaisons with the commission regarding this application are

(a) Issues relating to processing this application

Terri B. Natoli, Esq.
Carolyn K. Kalbfus, Esq.
8065 Leesburg Pike, Suite 400
Vienna, Virginia 22182
(703)762-5100
(703)762-5584 (facsimile)
terri.natoli@teligent.com (e-mail)
carolyn.kalbfus@teligent.com (e-mail)

(b) Issues relating to Consumer, Technical and Service Quality issues

Deb Matthews, Customer Service Representative
Teligent, Inc.
460 Herndon Park Way
Herndon, VA 20170
(703)326-4870 (voice)
(703)326-4500 (facsimile)

(c) Issues relating to Tariff and Pricing Issues

Scott Anderson
Teligent, Inc
8065 Leesburg Pike, Suite 400
Vienna, Virginia 22182
(703)762-5100
(703)762-5584 (facsimile)
scott.anderson@teligent.com (e-mail)

11 Teligent will provide its own billing and customer care. The manner in which customer billing and service matters are dealt is detailed Section 2 of the Tariff attached as Exhibit E.

12 Applicant has not been denied registration or certification in any state in which is has applied for such registration or certification. Applicant is currently registered and/or authorized to serve in the following states:

CLEC authority in: Alabama, California, Colorado, Connecticut, Delaware, District of Columbia, Florida, Georgia, Hawaii, Illinois, Indiana, Iowa, Kansas, Louisiana, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Nebraska, Nevada, New Jersey, New York, Ohio, Pennsylvania, South Carolina, Texas, Utah, Virginia, Washington and Wisconsin.

IXC authority in: Alabama, Arkansas, California, Colorado, Connecticut, Delaware, Florida, Georgia, Hawaii, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Nebraska, Nevada, New Jersey, New York, Oregon, Pennsylvania, South Carolina, Texas, Utah, Virginia, Washington and Wisconsin.

13 Initially, Applicant will have its own dedicated marketing sales force employed by the Company to offer the full range of telecommunication services to consumers. In the future, however, Applicant's marketing efforts may include indirect sales channels, such as agents or partnerships. Applicant will comply with all state and federal requirements by ensuring that service be provided only to new customers who affirmatively select its services. Applicant is in the process

of conducting extensive classes for its marketing agents, with respect to a customer's choice for selecting a long distance carrier. The Applicant has developed a zero-tolerance policy on "slamming" and has educated its sales force accordingly. As part of that policy, any employee who engages in slamming will be subject to termination of employment.

CONCLUSION

WHEREFORE, Applicant requests that the South Dakota Public Utilities Commission grant it a Certificate of Public Convenience and Necessity to provide the full range of resold interexchange telecommunications services throughout the State of South Dakota. Applicant's entrance into the South Dakota market will provide consumers with an additional, alternative service provider at competitive rates. Accordingly, Applicant submits that the public convenience and necessity would be well-served by grant of its Application.

Respectfully submitted,


Terri H. Naitoli
Associate General Counsel

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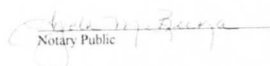
Verification

I, Terri B. Natoli, Assistant Secretary to Teligent, Inc., being duly sworn, state that I am representing Teligent, Inc., and that, to the best of my knowledge, information, and belief the information provided by Teligent, Inc. in the attached application is true, accurate and complete



Terri B. Natoli

Subscribed and sworn to before me this 18 day of October, 1998



Notary Public

My commission expires Sept 30, 2000

Exhibit A

Teligent's Certificate of Incorporation

Office of the Secretary of State

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF INCORPORATION OF "TELIGENT, INC.", FILED IN THIS OFFICE ON THE TWENTY-SIXTH DAY OF SEPTEMBER, A.D. 1997, AT 8:30 O'CLOCK A.M.



2801377 8100

971395046

8766307

11-19-97

CERTIFICATE OF INCORPORATION

OF

TELLIGENT, INC.

FIRST: The name of the Corporation is Telligent, Inc. (hereinafter the "Corporation").

SECOND: The address of the registered office of the Corporation in the State of Delaware is 1209 Orange Street, in the City of Wilmington, County of New Castle. The name of its registered agent at that address is The Corporation Trust Company.

THIRD: The purpose of the Corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of the State of Delaware as set forth in Title 8 of the Delaware Code (the "GCL").

FOURTH: The total number of shares of stock which the Corporation shall have authority to issue is 1000 shares of Common Stock, each having a par value of one penny (\$.01).

FIFTH: The name and mailing address of the Sole Incorporator is as follows:

Mary E. Keogh
P.O. Box 636
Wilmington, DE 19899

SIXTH: The following provisions are inserted for the management of the business and the conduct of the affairs of the Corporation, and for further definition, limitation and regulation of the powers of the Corporation and of its directors and stockholders:

(1) The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors.

(2) The directors shall have concurrent power with the stockholders to make, alter,

amend, change, add to or repeal the By-Laws of the Corporation.

(3) The number of directors of the Corporation shall be as from time to time fixed by, or in the manner provided in, the By-Laws of the Corporation. Election of directors need not be by written ballot unless the By-Laws so provide.

(4) No director shall be personally liable to the Corporation or any of its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) pursuant to Section 174 of the GCL or (iv) for any transaction from which the director derived an improper personal benefit. Any repeal or modification of this Article SIXTH by the stockholders of the Corporation shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification with respect to acts or omissions occurring prior to such repeal or modification.

(5) In addition to the powers and authority hereinbefore or by statute expressly conferred upon them, the directors are hereby empowered to exercise all such powers and do all such acts and things as may be exercised or done by the Corporation, subject, nevertheless, to the provisions of the GCL, this Certificate of Incorporation, and any By-Laws adopted by the stockholders; provided, however, that no By-Laws hereafter adopted by the stockholders shall invalidate any prior act of the directors which would have been valid if such By-Laws had not been adopted.

SEVENTH: Meetings of stockholders may be held within or without the State of Delaware, as the By-Laws may provide. The books of the Corporation may be kept

(subject to any provision contained in the GCL) outside the State of Delaware at such place or places as may be designated from time to time by the Board of Directors or in the By-Laws of the Corporation.

EIGHTH: The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation.

I, THE UNDERSIGNED, being the Sole Incorporator hereinbefore named, for the purpose of forming a corporation pursuant to the GCL, do make this Certificate, hereby declaring and certifying that this is my act and deed and the facts herein stated are true, and accordingly have hereunto set my hand this 26th day of September, 1997.



Mary E. Keogh
Sole Incorporator

Exhibit B

Teligent's Authority to Do Business in South Dakota

State of South Dakota



OFFICE OF THE SECRETARY OF STATE

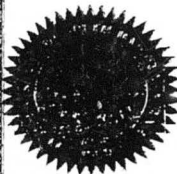
Department of State

United States of America,

State of South Dakota

SECRETARY'S OFFICE

This is to certify that the attached instrument of writing is a true, correct and examined copy of the Application for Certificate of Authority for TELIGENT, INC. (DE) filed in this office on June 1, 1998.



IN TESTIMONY WHEREOF, I have hereunto set my hand and caused to be affixed the Great Seal of the State of South Dakota at the city of Pierre, the capital, this June 1, 1998.

Joseph Hazelton
Joseph Hazelton, Secretary of State

Thomas G. Leckay, Deputy Secretary

Fee, \$12.00

State of South Dakota

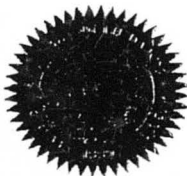


OFFICE OF THE SECRETARY OF STATE

CERTIFICATE OF AUTHORITY

I, JOYCE HAZELTINE, Secretary of State of the State of South Dakota, hereby certify that the Application for a Certificate of Authority of TELIGENT, INC. (OE) to transact business in this state duly signed and verified pursuant to the provisions of the South Dakota Corporation Acts, have been received in this office and are found to conform to law.

ACCORDINGLY and by virtue of the authority vested in me by law, I hereby issue this Certificate of Authority and attach hereto a duplicate of the application to transact business in this state under the name of TELIGENT, INC.



IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the Great Seal of the State of South Dakota, at Pierre, the Capital, this June 1, 1998.

Joyce Hazeltine
JOYCE HAZELTINE
Secretary of State

NEXT

DOCUMENT (S)

BEST IMAGE

POSSIBLE

JUN-03-98 WED 07:05 PM THE ASSOCIATED GROUP

FAX NO. 610 660 4820

P. 11/21

FROM CORPORATION TRUST CO. 302-655-1476

(WED) 06.03.98 12:20/ST. 12:16/NO. 3561004089 P. 13



Secretary of State

State Capitol

500 E. Capitol Ave.

Pierre 577301

Phone 605-773-1476

Fax 605-773-4656

FILE NO. _____

RECEIPT NO. _____

RECEIVED

JUN 01 1998

S.S. SEP. OF STATE

Application for Certificate of Authority

Pursuant to the provisions of SDCL 47-20, the undersigned corporation hereby applies for a Certificate of Authority to transact business in the State of South Dakota for that purpose submits the following statement.

- (1) The name of the corporation is SECURITY OF SOUTHERN INTELLIGENT, INC.
(must corporate name)
- (2) If the name of the corporation does not contain the word "corporation", "company", "incorporated" or "limited" or does not contain an abbreviation of one of such words, then the name of the corporation with the word or abbreviation which it elects to add thereto for use in this state is _____
- (3) State where incorporated Delaware Federal Taxpayer ID# 54-1866562
- (4) The date of its incorporation is September 26, 1997 and the period of its duration, which may be perpetual, is perpetual
- (5) The address of its principal office in the state or country under the laws of which it is incorporated is 1208 Orange Street, Wilmington, DE Zip Code 19801
mailing address if different from above is 8065 Leesburg Pike
Vienna, VA Zip Code 22182
- (6) The street address, or a statement that there is no street address, of its proposed registered office in the State of South Dakota is 319 E. Cottage Street, Pierre, South Dakota Zip Code 5750
and the name of its proposed registered agent in the State of South Dakota at that address is C T Corporation System
- (7) The purposes which it proposes to pursue in the transaction of business in the State of South Dakota are: (state specific purposes)
to provide wireless telecommunications products and services
- (8) The names and respective addresses of its directors and officers are:

Name	Officer Title	Street Address	City	State	Zip
See Attached List					

(9) The aggregate number of shares which it has authority to issue, itemized by class, par value of shares, shares without par value, and series, if any, within a class is:

Number of shares	Class	Series	Par value per share or statement that shares are without par value
200,000,000	A Common	---	\$.01
65,000,000	B Common	---	\$.01
10,000,000	Preferred	---	\$.01

12021379
7/4/97

FROM CORPORATION TRUST CO. 302-855-1476

(WED) 06:03:58 12/20/ST. 12:16/NO 3501004069 P. 14

(10) The aggregate number of its issued shares, classified by classes, par value of shares, shares without par value, and series, if any, within a class, is:

Number of shares	Class	Series	Par value per share or statement that shares are without par value
8,165,129	A Common	---	\$.01
44,429,299	B Common	---	\$.01
0	Preferred	---	\$.01

(11) The amount of its stated capital is \$ 525,914.28

Shares listed times par value equals stated capital. In the case of no par value stock, stated capital is the consideration received for the issued shares.

(12) This application is accompanied by a CERTIFICATE OF FACT or a CERTIFICATE OF GOOD STANDING duly acknowledged by the Secretary of State or other officer having custody of corporate records in the state or country under whose laws it is incorporated.

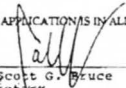
(13) That such corporation shall not directly or indirectly combine or make any contract with any incorporated company, foreign or domestic, through their stockholders or the trustees or assigns of such stockholders, or with any partnership or association of persons, or in any manner whatever to fix the prices, limit the production or regulate the transportation of any product or commodity so as to prevent competition in such prices, production or transportation or to establish excessive prices therefor.

(14) That such corporation, as a consideration of its being permitted to begin or continue doing business within the State of South Dakota, will comply with all the laws of the said State with regard to foreign corporations.

The application must be signed, in the presence of a notary public, by the chairman of the board of directors, or by the president or by another officer.

I DECLARE AND AFFIRM UNDER THE PENALTY OF PERJURY THAT THIS APPLICATION IS IN ALL THINGS TRUE AND CORRECT.

Dated May 28 1998


(Signature) Scott G. Bruce
Secretary
(Title)

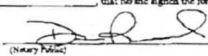
STATE OF PENNSYLVANIA

COUNTY OF MONROGHERY

I, Deanna Ranck, a notary public, do hereby certify that on this 28th day of May 1998, personally appeared before me Scott G. Bruce, who, being by me first duly sworn, declared that he/she is the Secretary of Taligent, Inc. that he/she signed the foregoing document as officer of the corporation, and the statements therein contained are true.

December 31, 2001

My Commission Expires


(Notary Public)

Notarial Seal
Deanna Ranck, Notary Public
Lower Merion Twp., Montgomery County
My Commission Expires Dec. 31, 2001
Member, Pennsylvania Association of Notaries

Notarial Seal

The Consent of Appointment below must be signed by the registered agent listed in number six.

JUN-03-99 WED 07:06 PM THE ASSOCIATED GROUP
FROM CORPORATION TRUST CO. 302-655-1476

FAX NO. 610 660 4820

P. 13/21

(WED) 06.03.99 12:21/ST. 12:16/NO. 3581004089 P. 15

Telligent, Inc.

Directors

Mylena P. Berkman
200 Gateway Towers, Pittsburgh, PA. 15222

David J. Beckman
3 Bala Plaza East, Suite 502, Bala Cynwyd, PA. 19004

William H. Beckman
650 Madison Avenue, 25th Floor, New York, NY 10022

Donald H. Jones
200 Gateway Towers, Pittsburgh, PA. 15222

Alex J. Mandl
8065 Leesburg Pike, Suite 400, Vienna, VA 22182

Tetsuro Mikami
Tokyo Opera City Tower, 20-2 Nishi-Shinjuku 3-chome, Shinjuku-ku, Tokyo 163-14, Japan

Dr. Rajendra Singh
211 North Union Street, Suite 300, Alexandria, VA 22314

Executive Officers

Alex J. Mandl - Chairman and Chief Executive Officer
8065 Leesburg Pike, Suite 400, Vienna, VA. 22182

Kirby G. Pickle, Jr. - President and Chief Operating Officer
8065 Leesburg Pike, Suite 400, Vienna, VA. 22182

Laurence E. Harris - Senior Vice President, General Counsel and Assistant Secretary
8065 Leesburg Pike, Suite 400, Vienna, VA. 22182

Abraham L. Morris - Senior Vice President, Chief Financial Officer and Treasurer
8065 Leesburg Pike, Suite 400, Vienna, VA. 22182

Steve F. Bell - Senior Vice President for Human Resources
8065 Leesburg Pike, Suite 400, Vienna, VA. 22182

Other Officers

Keith W. Mackmark - Senior Vice President for Engineering and Operations
8065 Leesburg Pike, Suite 400, Vienna, VA. 22182

Richard J. Hanna - Senior Vice President for Sales and Marketing
8065 Leesburg Pike, Suite 400, Vienna, VA. 22182

W. L. J. Turetsky - Vice President for Law and Regulatory
8065 Leesburg Pike, Suite 400, Vienna, VA. 22182

Philip C. McKinney - Vice President for Information Technology
8065 Leesburg Pike, Suite 400, Vienna, VA. 22182

Cindy L. Tallon - Vice President and Controller
8065 Leesburg Pike, Suite 400, Vienna, VA. 22182

Robert H. Schwartz - Vice President for Corporate Development and Strategy
8065 Leesburg Pike, Suite 400, Vienna, VA. 22182

Scott G. Bruce - Secretary
3 Bala Plaza East, Suite 502, Bala Cynwyd, PA. 19004

Consent of Appointment by the Registered Agent

I, C T Corporation System, hereby give my consent to serve as the registered agent for Reliant, Inc.
(name of registered agent)
(name of corporation)
Dated May 29 19 98 Bonnie A. Schuman
(signature of registered agent)

The proper filing fee must accompany the application. Make checks payable to the Secretary of State.

FEE SCHEDULE

Authorized capital stock of	25,000	or less	\$ 90
Over \$25,000 and not exceeding	100,000		110
Over \$100,000 and not exceeding	500,000		130
Over \$500,000 and not exceeding	1,000,000		150
Over \$1,000,000 and not exceeding	1,500,000		200
Over \$1,500,000 and not exceeding	2,000,000		250
Over \$2,000,000 and not exceeding	2,500,000		300
Over \$2,500,000 and not exceeding	3,000,000		350
Over \$3,000,000 and not exceeding	3,500,000		400
Over \$3,500,000 and not exceeding	4,000,000		450
Over \$4,000,000 and not exceeding	4,500,000		500
Over \$4,500,000 and not exceeding	5,000,000		550

For each additional \$500,000, \$60 in addition to \$150.

For purposes only of computing fees under this section, the dollar value of each authorized share having a par value shall be equal to par value and the value of each authorized share having no par value shall be equal to one hundred dollars per share. The maximum amount charged under this subdivision may not exceed sixteen thousand dollars.

FILING INSTRUCTIONS:

The application must be signed, in the presence of a notary public, by the chairman of the board of directors, or its president, or any other officer. One original and one photocopy of the application must be submitted.

The application must be accompanied by an original, currently dated, **CERTIFICATE OF FACT** or a **CERTIFICATE OF GOOD STANDING** from the Secretary of State in the state where incorporated. A photocopy of a certificate is not acceptable. It should be dated within ninety (90) days of submitting it to our office.

South Dakota law requires every corporation to continuously maintain a resident of this state as the registered agent (number six on the application). The registered agent's address is considered the registered office address of the corporation in South Dakota. A complete street address must be listed for service of process.

The Consent of Registered Agent portion must be signed by the South Dakota registered agent.

Mail the application, certificate, and filing fee to the Secretary of State, Corporate Division, 500 E. Capitol Avenue, Pierre, SD 57501-5070. The duplicate and a Certificate of Authority will be returned for your records.

State of Delaware
Office of the Secretary of State

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY "TELIGENT, INC." IS DULY INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL CORPORATE EXISTENCE SO FAR AS THE RECORDS OF THIS OFFICE SHOW AS OF THE TWENTY-NINTH DAY OF MAY, A.D. 1998.

AND I DO HEREBY FURTHER CERTIFY THAT THE ANNUAL REPORTS HAVE BEEN FILED TO DATE.

AND I DO HEREBY FURTHER CERTIFY THAT THE FRANCHISE TAXES HAVE BEEN PAID TO DATE.



Edward J. Freel
Edward J. Freel, Secretary of State

2801377 8300

981206582

AUTHENTICATION:

DATE:

9109096

05-29-98

Exhibit C

Form 10-K

Form 10-K

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 1997

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____
Commission File Number 000-23387

TELIGENT, INC.

(Exact Name of Registrant as Specified in Its Charter)

DELAWARE (State or Other Jurisdiction of Incorporation or Organization)	54-1866562 (IRS Employer Identification No.)
8065 Leesburg Pike Vienna, Virginia (Address of Principal Executive Offices)	22182 (Zip Code)

Registrant's Telephone Number, Including Area Code: (703) 762-5100

Securities registered pursuant to Section 12(b) of the Act:
11(b) 9 Senior Notes due 2007

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, Class A, par value \$0.01 per share

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in the definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K ☒

The aggregate market value of the registrant's voting stock held by non-affiliates of the registrant was approximately \$201 million on March 20, 1998, based on the closing sales price of the registrant's Class A Common Stock as reported on The Nasdaq Stock Market as of such date.

The number of shares outstanding of each of the registrant's classes of common stock as of March 20, 1998 was as follows:

Common Stock, Class A	8,163,270
Common Stock, Class B	44,426,299

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement to be filed with the Securities and Exchange Commission ("SEC") in connection with the Registrant's 1998 Annual Meeting of Stockholders, are incorporated by reference into Part III. If the registrant does not file a definitive proxy statement with the SEC on or before April 30, 1998, the registrant will, on or before April 30, 1998, file an amendment to this Form 10-K containing the Part III information.

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Signatures

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Except for any historical information contained herein, the matters discussed in this Annual Report on Form 10-K contain certain "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements involve known and unknown risks, uncertainties and other factors including, but not limited to, economic, key employee, competitive, governmental and technological factors affecting the Company's growth, operations, markets, products, services, licenses and other factors discussed in the Company's other filings with the Securities and Exchange Commission. These factors may cause the actual results, performance or achievements of the Company or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Given these uncertainties, prospective investors are cautioned not to place undue reliance on such forward-looking statements.

PART I

ITEM 1. BUSINESS

The Company

Teligent, Inc. ("Teligent" or the "Company") intends to be a premier provider of high quality, low cost voice, data, Internet and video telecommunications services primarily to small and medium-sized businesses through its own fixed local wireless point-to-multipoint broadband networks and leased long distance facilities. Teligent anticipates offering an integrated package of services including local and long distance telephone services, high speed data connectivity, Internet access and videoconferencing. Teligent holds 24 GHz fixed wireless licenses in 74 of the most populous U.S. metropolitan market areas, covering over 50% of the nation's business telephone lines and a population of approximately 130 million. The Company intends to offer its integrated package of services in at least 10 market areas by the end of 1998 and 30 by the end of 1999, and subsequently in all of its 74 currently licensed market areas. The Company currently provides commercial Internet access through fixed wireless point-to-point broadband systems.

The predecessor to the Company, Associated Communications, L.L.C., was founded in 1996 as limited liability company joint venture between a subsidiary of The Associated Group, Inc. ("Associated") and an affiliate of Telcom Ventures, L.L.C. ("Telcom Ventures"), both of which have extensive experience in pioneering wireless telecommunications businesses. Associated Communications, L.L.C. was subsequently renamed Teligent, L.L.C. In September 1996, Alex J. Mandl, formerly President and Chief Operating Officer of AT&T, joined Associated Communications, L.L.C. as Chairman of the Board and Chief Executive Officer. On November 26, 1997, the Company issued 6,325,000 shares of Class A Common Stock at \$21.50 per share in its initial public offering (the "Equity Offering") and \$300 million aggregate principal amount of 11 1/2% Senior Notes due 2007 (the "Senior Notes Offering"). Prior to and as a condition to the Senior Notes Offering and the Equity Offering (together with the Senior Notes Offering, the "Offerings"), Teligent, L.L.C. merged with and into the Company (the "Merger") with the Company surviving the Merger. See "Business - Certain Transactions - The Reorganization."

The Company obtained the majority of its 24 GHz fixed wireless licenses in November 1997 through the contribution to Teligent, L.L.C. of the licenses by Teligent, L.L.C.'s founding members, Microwave Services, Inc. ("MSI"), a subsidiary of Associated, and Digital Services Corporation ("DSC"), an affiliate of Telcom Ventures. MSI and DSC began the process of applying for fixed wireless licenses in 1993 prior to the Federal Communication Commission's ("FCC") implementation of spectrum auctions. These licenses have been granted by the FCC and such grants are no longer subject to any petitions, challenges or administrative or judicial review. The Company's licenses are the subject of other proceedings pending before the FCC. See "Business - Government Regulation - Federal Regulation - FCC Licensing." In addition, the Company obtained FCC licenses in three standard metropolitan statistical areas ("SMSAs") in connection with its acquisition of FirstMark Communications, Inc. ("FirstMark") in October 1997 and from Teligent, L.L.C., which had acquired licenses directly from the FCC, in November 1997. See "Business - Government Regulation - Federal Regulation - Transfer of Control of Wireless Licenses."

In November 1997, Nippon Telegraph and Telephone Corporation ("NTT"), the world's largest telecommunications carrier, through its indirect wholly owned subsidiary NTT&I Investment, Inc. ("NTTA&I") made a strategic equity investment totaling \$100 million in the Company. In connection with NTT's equity investment, the original members of Teligent, L.L.C. made additional cash contributions to Teligent, L.L.C. in the aggregate amount of \$60.0 million. See "Business - Certain Transactions."

Associated is a publicly traded company (Nasdaq: AGRPA and AGRPB) principally engaged in the ownership and operation of a variety of wireless communications assets and businesses. Telcom Ventures is a privately held company owned by the family of Dr. Rajendra Singh, an investor in wireless technologies and network design, and investment partnerships formed by The Carlyle Group, a Washington, DC private investment firm. Telcom Ventures is engaged in investing in international wireless opportunities and developing, building and deploying emerging wireless technologies.

Teligent believes that it is well positioned to capture revenues in the estimated \$110 billion business telecommunications market. The Company intends to focus particularly on the estimated \$47 billion business local exchange market. Local exchange services have historically been provided by regional monopolies known as incumbent local exchange carriers ("ILECs") that have typically utilized copper wire-based "legacy" networks. The ILECs' legacy networks, faced with increasing demand from businesses for cost-effective capacity to support bandwidth-intensive applications such as Internet access, have created a "last mile bottleneck" in the local loop between the customer premise and the ILEC network switch. In addition, Teligent's market research indicates that the ILECs have been unable to satisfy customer demands for cost-effective, flexible and responsive service and that a significant portion of Teligent's target customer base is currently dissatisfied with its ILEC service. The potential revenue opportunities in this market, coupled with changes in the regulatory environment designed to enable facilities-based competition, have created opportunities for competitive local exchange carriers ("CLECs"). The Company intends to alleviate this last mile local bottleneck and gain market share by deploying technologically advanced, high bandwidth digital wireless technology complemented by superior customer service and competitive pricing.

Teligent expects to provide local coverage throughout its market areas with lower capital requirements than either fiber-based or point-to-point wireless CLECs, enabling it to offer its services to a broader customer base more quickly and at a lower cost. Wireless point-to-multipoint broadband networks allow transmissions between multiple customer antennas and a single base station antenna, thereby allowing Teligent to share the same spectrum among its customers and reducing its capital expenditures. The Company believes that a significant portion of small and medium-sized businesses is located in buildings that are not economically attractive to fiber-based providers. Teligent's capital expenditures will be largely incremental or success-based, thereby minimizing the risk of deploying network equipment not associated with revenues.

Business Strategy

Teligent's goal is to be a premier facilities-based provider of voice, data, Internet and video telecommunication services to small and medium-sized businesses. The Company intends to leverage its ability to provide cost-effective, high bandwidth connectivity in order to offer an integrated package of local and long distance telephone service, high-speed data connectivity, Internet access and videoconferencing. The Company is implementing the following initiatives to achieve this objective:

Target Small and Medium-Sized Businesses. Teligent plans to focus its primary marketing efforts on small and medium-sized businesses with 5 to 350 telephone lines. The Company expects to attract these customers through both a direct sales effort and indirect sales channels by offering (i) an integrated package of telecommunications services, (ii) competitive pricing, (iii) high quality and responsive customer service and (iv) high bandwidth services which may be difficult to obtain from other telecommunications providers.

Teligent also intends to selectively pursue sales opportunities with larger businesses when its value proposition and its service offerings are competitively advantaged.

End User Focus. Teligent intends to approach its target market primarily by offering services directly to end users, as opposed to positioning itself as a "carrier's carrier" offering wholesale network capacity. By deriving the majority of its revenues from providing local switched voice and data communications services directly to end user customers, Teligent believes that it will (i) establish a sustainable and broad base of its own customers, thereby minimizing the risk of generating substantial revenues from a limited number of sources, (ii) maximize revenues and profitability by accessing the higher priced retail market and (iii) achieve competitive differentiation based on high quality service that is responsive to the customer.

Develop Brand Awareness. Teligent will seek to position itself as a high quality service provider by offering network reliability complemented by quality customer support. The Company is designing its marketing campaign to reflect these objectives and intends to build its reputation by: (i) working closely with its customers to develop services tailored to their particular needs and (ii) targeting advertising and promotion efforts in its coverage areas, gradually expanding to mass media with market-wide and potentially nationwide coverage. The Company also believes that its speed to market advantage will assist its branding campaign, by enabling it to be one of the first widely available facilities-based competitors in a market.

Achieve Market Share Via Competitive Pricing. As a new market entrant, Teligent's strategy will be to price its services competitively to gain market share early. For switched voice services and other services already provided by the ILEC, the Company expects to price at a discount. For certain data and bandwidth-intensive services that may not be provided by competitors or for which there may exist an underserved market demand, the Company may be able to price its services at a premium. The Company anticipates that some ILECs may reduce their prices as increased competition begins to erode their market share. The Company believes that it will be able to remain competitive if market prices decline because of its lower expected network cost. The Company also expects to price its bundled long distance service at a discount to market prices as a further incentive to attract potential customers and to broaden its revenue base.

Rapid Deployment. Teligent intends to take advantage of its network flexibility and lower incremental capital requirements in order to quickly roll-out and penetrate its market areas. Teligent believes that this rapid deployment should allow it to become one of the first significant facilities-based competitors in many parts of its market areas. The Company believes that this rapid deployment should enable it to establish a level of market penetration which will further enhance the Company's relative cost advantage, attract additional customers and further enhance its brand reputation.

Exploit Future Growth Opportunities. Teligent intends to continue building on the capabilities of its networks to expand its target market and service offerings. Such expansion may include targeting residential customers in multiple dwelling units as well as international opportunities, either through joint ventures or by direct entry.

Teligent's Network Architecture

The Company intends to deploy its own 24 GHz fixed wireless point-to-multipoint broadband local networks to provide last mile connectivity in its licensed market areas. Prior to commercial deployment of the point-to-multipoint networks, and where otherwise economically attractive, the networks may also include point-to-point links and resold local services. The Company believes that this flexibility will allow it to accommodate new customers quickly, as well as expand its addressable customer base. Teligent also expects to offer long distance service on a resale basis, and intends to connect each local exchange network to an inter-exchange carrier's ("IXC") point of presence.

The network equipment will use digital wireless technology to deliver high quality voice, data and videoconferencing services that Teligent believes will provide comparable performance to that of fiber optic-based systems. The Company's networks will also incorporate encryption and authentication to increase privacy and reduce the potential for fraud. Each market area is expected to be served by a voice switching and data routing center. The Company will use a combination of wired and wireless facilities to connect the center to the base stations distributed throughout the market area. The base stations will transmit to and receive signals from wireless equipment at a customer premise (the "customer premise equipment," or, "CPE"), allowing transmissions between multiple customer antennas and a single base station antenna. The customer premise equipment includes two components: (i) an integrated radio/antenna unit installed either on the roof, an exterior wall or inside a window of the customer's building and (ii) the indoor customer interface equipment installed within the building which is connected to the internal building wiring. The radio/antenna unit will communicate with the base station via microwave signal operating within the 24 GHz band. The base stations will have an average service radius of approximately three miles (five kilometers), depending on a number of factors such as power levels used, customer density, local weather environment and network design. A base station will have the capability to support customers within a 360-degree coverage area, depending on line of sight. The modular design of the CPE is intended to make equipment installation easier and ensure short service activation intervals.

The Company's point-to-multipoint hardware and network capacity is expected to be shared among all the customers within the coverage area. A base station sector. A key feature of the Company's network architecture will be the future capability to allocate and share network capacity on an on-demand basis. In the future, Teligent's system is intended to dynamically allocate spectral bandwidth and therefore capacity, among the several customers served by a base station sector based on individual customer demand enabling a customer to instantaneously increase or decrease the capacity required.

Traffic between base station sites and the Company's switching centers will be carried over a backbone network that will be a combination of Company-owned wireless microwave links as well as fiber optic transmission facilities, where appropriate.

Additionally, as customers are added and the backbone capacity requirements increase, some of the wireless links initially deployed may be replaced with additional fiber-based facilities. In such cases, the wireless equipment may be redeployed elsewhere in the network, in order to reduce stranded assets.

Teligent expects to deploy digital voice switches and data switches in each of its principal market areas. Such voice and data switches will consist of traditional circuit-based systems as well as more advanced packet and cell-based switching systems. These switching systems will be engineered to provide interconnection of customer traffic with other local exchange networks, long distance networks and the Internet, as well as with other locations the customer may have within the Teligent network.

The Company plans to have a central Network Operation Center ("NOC") which will monitor its networks 24 hours a day, seven days a week and provide real-time alarm, status and performance information. The Company intends to build a backup NOC facility to further enhance network reliability. The NOC will provide customers remote circuit provisioning to ensure service availability. At the NOC, the network will be managed and maintained on an end-to-end basis using an Integrated Network Management System ("NMS"). The NMS will allow the Company to monitor various network elements to ensure consistent and reliable performance. This monitoring capability will be designed to allow the Company to plan for and conduct preventative maintenance activities in order to avoid network outages and to respond promptly to any network disruption that might occur. Teligent's NOC will be designed to permit enhancements such as providing end customers with the capability to manage their segments of the network.

Deployment Strategy

Teligent intends to build out and commercialize its networks based upon the following strategy:

Integrated Market Research and Base Station Site Optimization. Within each market area, Teligent will conduct market research and identify and target specific geographic areas with favorable customer characteristics. Such areas need not be contiguous or centrally located since Teligent's stand-alone base stations are intended to be able to serve geographically dispersed pockets of businesses.

Base Station Site Construction. The Company intends to determine which potential base station sites offer the best lines of sight, gain access to those sites on a cost-effective basis and prepare installation to coincide with customer activations.

Initiate Sales. As base station sites are identified, Teligent's sales force will target those buildings accessible by line of sight, prioritize buildings based upon their revenue potential, and then begin selling Teligent's voice and data services within each building. This should allow the Company to deploy CPE in most cases only after signing a customer.

Customer Premise Equipment Installation. When Teligent acquires customers in a building, two additional sets of equipment will be deployed. First, a radio/antenna unit (and related equipment) will be installed on the roof of the customer's building, which will transmit and receive all of that building's communications back and forth from a base station site. Due to the small size of the radio/antenna unit (less than two feet long) and ease of installation, the Company believes customer installation can be accomplished within approximately three to five days. Second, equipment will be deployed at each customer's premise to connect their phone system, PBX or computer network to the radio on the roof. The Company may, however, selectively utilize unbundled local loops on an opportunistic basis to complement the Company's core wireless local loop deployment strategy.

Leverage Capital Deployed. Teligent plans to maximize the return on its infrastructure in two ways. First, the sales force will be encouraged to acquire additional customers in "on net" buildings, which have already installed customer units. Additionally, the Company will seek to sell incremental products to existing customers.

Sales and Marketing

Overview. Teligent plans to address its initial target markets as a high quality and lower cost single source provider of telephony services. To develop the market potential of its fixed local wireless network, the Company has organized its operations into two geographic regions. Each region has its own Division President in charge of operations, field service, site acquisition, proactive customer service and sales and marketing. Teligent believes that the reputation and quality of its senior management will afford it a critical advantage in attracting the highest quality sales people as it builds its sales force throughout its market areas. The extent of sales activity in each market will depend upon a number of factors including (i) number of license areas, (ii) geographic size of license areas, (iii) end user density within licensed areas and (iv) competitive landscape. In order to gain market share, the Company intends to competitively price its service by leveraging the network cost advantages which it expects to achieve as it acquires customers.

Sales Force/Customer Care. Teligent's goal is to complement its full array of services for small- and medium-sized businesses with a level of customer service and sales professionalism significantly higher than that of its principal competitors. The Company seeks to recruit salespeople with successful experience in competitive telephony businesses, including individuals with backgrounds in CLECs, competitive long distance telecommunications equipment and data services. The salespeople will have performance incentives through a structure that ties a significant portion of their compensation to the actual revenue they

produce. In addition, salespeople will be encouraged to maximize penetration in "on net" buildings. The sales force will be trained to sell the Company's full product line of local, long distance, Internet and data services.

This ability to bundle multiple services is intended to attract customers looking for a single point of contact for their telecommunications needs. Teligent will emphasize responsive, proactive service allowing small and medium-sized businesses access to seven day, 24 hour in-house technical support.

Marketing. The Company plans to supplement its direct sales force through various marketing plans, including direct mail, partnership marketing (on specific buildings or associated properties) and targeted advertising and promotional efforts in Teligent's coverage areas. In addition, the Company intends to use alternate or indirect channels of distribution, including an active sales agent program.

The Company is in the process of creating a centralized marketing group responsible for developing the Teligent product line and for ensuring that each of its components and overall package of services are competitive. Teligent's initial focus is on local exchange service, but the Company expects that where demand exists, it will bundle additional product lines, such as resold long distance and Internet access, with its local service.

Teligent intends to offer multiple product service packages to business customers. By offering services both as a bundled package and on a component basis (i.e., local, long distance or Internet access, individually), Teligent intends to capitalize upon the potential revenue opportunities in the marketplace. Teligent believes that this flexible sales strategy should help reduce switching barriers for those customers who may initially be reluctant to switch all of their services and vendors at once or for those who have existing contracts.

Service Offerings

The Company intends to deploy its networks on an initial basis to support a comprehensive and fully integrated product line that is designed to meet the broad telecommunications needs of small and medium-sized business customers. These services will typically include the basic telephone services, including local and long distance, and data services that customers have today. Over time, the Company also expects to offer high-speed data connectivity required for new applications, such as high-speed Internet access, multimedia, virtual workgroups, application and document sharing, and two-way video conferencing. Teligent intends to address customer demand for bundled service offerings to provide the convenience of dealing with a single telecommunications provider.

Teligent intends to provide its local retail services to end users using its own broadband wireless local networks. However, the Company will also consider providing its local retail product offering on a lease by case basis using other telecommunications carriers' transport facilities, such as unbundled local loops from ILECs or facilities from other CLECs where it can use such facilities to penetrate the market more quickly and/or cost efficiently. As the Company extends its wireless local service to such buildings, it intends to migrate any such customers to its own facilities.

The Company began deployment efforts in Dallas, TX, Los Angeles, CA and Washington, DC during the fourth quarter of 1997. The Company currently provides commercial Internet access through fixed wireless point-to-point broadband systems.

End User Services

The Company plans to offer an integrated package of services including local and long distance services (domestic and international) as well as Internet services, frame relay, voice mail, conference bridges, videoconferencing, advanced fax management, integrated single number service, call screening, call forwarding and other advanced telecommunications services.

Local Exchange Services. Teligent intends to provide a complete range of local exchange services by developing and implementing its own nationwide network of central office class switches and related hardware and software. These services are expected to include basic local services, access to long distance and intra-LATA switched and dedicated lines, direct inward dialing, Digital PBX, Centrex and custom calling services.

Long Distance. As a complement to its local exchange services, Teligent also plans to offer long distance services as part of a product bundle to its customers through resale agreements with national long distance companies. These long distance services will include domestic intrastate, interstate and international calling, toll-free services (800, 888), calling card, and conference call bridging and other enhanced services. When the Company's coverage area spans multiple LATAs, it plans to use its own facilities to provide inter-LATA long distance service.

Internet and Data Services. The Company intends to offer transport for Internet services from the customer premise to an Internet access point in each city, using the high bandwidth capacity of its 24 GHz networks. It also intends to offer Internet access through resale, partnership or outsourcing, as a part of a bundled offering under the Teligent brand name. These Internet services are expected to include routing, addressing, domain name service ("DNS"), registration services, network security and fire walls, intranet services, e-mail, news servers, hosting and peering.

Dedicated Private Line. Teligent intends to provide local dedicated data access circuits as well as the long distance portion of those circuits on a resale basis. These lines, which link customers LANs together to create MANs and WANs, are used by banks, billing clearinghouses, advertising agencies, hospitals and other businesses to exchange large data files as well by any business to connect offices for file sharing, e-mail and workgroup applications.

Wholesale Services

Although not its core strategy, after penetrating a market area, the Company may sell excess capacity to generate additional revenue and increase local network utilization. The marketplace demand for telecommunications services is experiencing substantial growth as a result of the increased acceptance and reliance on the Internet by business users as well as the emergence of bandwidth intensive applications such as videoconferencing, Internet telephony, and large data file transfers. The Company may also offer wireless backhaul services to connect the cell sites of cellular and PCS companies to their mobile switching centers.

24 GHz Wireless Licenses

The Company is licensed by the FCC to operate point-to-point and point-to-multipoint 24 GHz fixed wireless systems in 74 SMSAs, covering over 700 municipalities in the United States, including 320-400 MHz of spectrum in 27 of the 35 most populous market areas in the United States, and at least 80 MHz of spectrum in 47 other major market areas. The following chart lists the Company's license areas in descending order of size based on the estimated 1994 population of the market (based on U.S. Census Bureau data and Claritas Inc. data), the Company's licensed spectrum bandwidth in each market area and the estimated 1994 number of business employees in each market area (based on American Business Information Inc. data).

SMSA Rank	Market Areas	Bandwidth (MHz)	Population	Business Employees In Market Area
1	New York, NY	400	9,434,000	3,597,000
2	Los Angeles, CA	400	9,132,000	3,229,000

SMSA Rank	Market Areas	Bandwidth (MHz)	Population	Business Employees In Market Area
3	Chicago, IL	400	7,538,000	3,113,000
4	Philadelphia, PA	320	4,913,000	1,701,000
5	Detroit, MI	400	4,322,000	1,517,000
6	Dallas, TX	400	4,302,000	1,729,000
7	Houston, TX	400	3,925,000	1,471,000
8	Washington, DC	400	3,850,000	1,693,000
9	San Francisco, CA	320	3,814,000	1,629,000
10	Boston, MA	400	3,194,000	1,436,000
12	Atlanta, GA	400	3,015,000	1,236,000
13	San Diego, CA	320	2,674,000	908,000
15	Minneapolis, MN	400	2,586,000	1,271,000
17	St. Louis, MO	400	2,475,000	893,000
18	Baltimore, MD	320	2,435,000	762,000
19	Phoenix, AZ	400	2,309,000	894,000
20	Seattle, WA	400	2,135,000	894,000
21	Pittsburgh, PA	400	2,100,000	665,000
22	Denver, CO	80	2,069,000	890,000
23	Miami, FL	400	2,058,000	768,000
24	Tampa, FL	400	2,016,000	698,000
26	Cleveland, OH	320	1,848,000	803,000
27	Portland, OR	320	1,573,000	618,000
28	San Jose, CA	240	1,541,000	643,000
29	Cincinnati, OH	240	1,510,000	578,000
30	Kansas City, MO	320	1,509,000	643,000
31	Sacramento, CA	320	1,482,000	442,000
32	Milwaukee, WI	320	1,469,000	660,000
33	San Antonio, TX	320	1,402,000	435,000
35	Indianapolis, IN	320	1,333,000	551,000
36	Columbus, OH	160	1,302,000	586,000
37	Salt Lake City, UT	80	1,214,000	449,000
38	Orlando, FL	80	1,206,000	573,000
39	Buffalo, NY	80	1,201,000	442,000
40	New Orleans, LA	80	1,178,000	469,000
41	Hartford, CT	80	1,154,000	520,000
43	Nashville, TN	80	1,060,000	508,000
44	Norfolk, VA	80	1,041,000	321,000
45	Rochester, NY	80	1,038,000	444,000
46	Memphis, TN	80	1,034,000	470,000
47	Jacksonville, FL	80	1,009,000	433,000
48	Oklahoma City, OK	80	977,000	434,000
49	Greensboro, NC	80	963,000	488,000
50	Louisville, KY	80	931,000	414,000
51	West Palm Beach, FL	80	931,000	316,000
52	Las Vegas, NV	80	931,000	445,000
53	Birmingham, AL	80	905,000	386,000
54	Austin, TX	80	884,000	396,000
55	Honolulu, HI	80	881,000	344,000

SMSA Rank	Market Areas	Bandwidth (MHz)	Population	Business Employees In Market Area
56	Dayton, OH	80	864,000	389,000
57	Albany, NY	80	851,000	377,000
58	Charlotte, NC	80	840,000	467,000
60	Richmond, VA	80	792,000	369,000
61	Tulsa, OK	80	788,000	321,000
62	Raleigh, NC	80	788,000	385,000
63	Fresno, CA	80	734,000	240,000
65	Tucson, AZ	80	717,000	280,000
66	Allentown, PA	80	713,000	269,000
68	Ventura, CA	80	694,000	223,000
69	Syracuse, NY	80	681,000	298,000
70	Akron, OH	80	680,000	284,000
71	Greenville, SC	80	674,000	301,000
72	El Paso, TX	80	663,000	209,000
75	Omaha, NE	80	631,000	304,000
78	Wilmington, DE	80	609,000	291,000
79	Albuquerque, NM	80	592,000	272,000
80	Springfield, MA	80	581,000	235,000
82	Baton Rouge, LA	80	562,000	218,000
84	Charleston, SC	80	545,000	197,000
86	New Haven, CT	80	528,000	227,000
87	Stockton, CA	80	522,000	165,000
97	Newport News, VA	80	470,000	170,000
120	Santa Barbara, CA	80	378,000	134,000
135	Trenton, NJ	80	330,000	165,000
TOTAL			130,027,000	\$1,662,000

Competition in the Telecommunications Industry

Local Telecommunications Market

Competition from ILECs. The local telecommunications market is intensely competitive for newer entrants and currently is dominated by the Regional Bell Operating Companies ("RBOCs") and other ILECs. The Company has not begun to market its point-to-multipoint wireless local broadband services to potential customers on a widespread basis and is currently providing point-to-point services on a limited basis. The Company has not obtained significant market share in any of the areas where it offers its services or intends to offer services, nor does it expect to do so in the near future given the size of the local telecommunications market, the intense competition therein and the diversity of customer requirements. In each market area in which the Company is authorized to provide services, the Company competes or will compete with several other service providers and technologies. Many of the Company's competitors have long-standing relationships with customers and suppliers in their respective industries, greater name recognition and significantly greater financial, technical and marketing resources than the Company. The Company expects to compete on the basis of local service features, quality, price, reliability, customer service and rapid response to customer needs while bundling local resold long distance and Internet access. The Company faces significant competition from ILECs, such as the RBOCs. The ILECs have long standing relationships with their customers, have significant name recognition and financial resources, have the potential to subsidize competitive services with revenues from a variety of business services, and benefit

from existing state and federal regulations that favor the ILECs over the Company in certain respects. Regulatory decisions and recent legislation, such as the Telecommunications Act of 1996 (the "Telecommunications Act"), have reduced barriers to entry into new segments of the industry. In particular, the Telecommunications Act, among other things: (i) enhances local exchange competition by preempting laws prohibiting, or that have the effect of prohibiting, competition in the local exchange market, by requiring ILECs to provide fair and equal standards for interconnection, by requiring ILECs to unbundle their facilities and services, and by requiring ILECs to make certain services available for resale and (ii) permits an RBOC to compete in the inter-LATA long distance service market outside of its local territory immediately, and within its local service territory, on a state-by-state basis since certain market-opening requirements are implemented and entry is determined to be in the public interest. The Company believes that these requirements of the Telecommunications Act promote greater competition and will help provide opportunities for broader entrance into the local exchange market. However, as ILECs face increased competition, regulatory decisions are likely to provide them with increased pricing flexibility, which in turn may result in increased price competition. There can be no assurance that such increased price competition will not have a material adverse effect on the Company's business, financial condition and results of operations. Nor can there be any assurance that substantial local exchange competition will develop in the near future.

A number of companies are developing enhancements to increase the performance of ILECs' copper wire-based legacy networks. These generally consist of digital subscriber line products, such as ADSL, HDSL and VDSL. There can be no assurance that the Company will be able to compete effectively with these enhancements.

Competition from New 24 GHz and Fixed Broad Wireless Service Providers. The Company also faces potential competition from new entrants to the 24 GHz fixed wireless market, including ILECs, CLECs and other leading telecommunications companies. The FCC issued an Order, the "Relocation Order," on March 14, 1997 providing for the relocation of certain fixed wireless licensees in the 18 GHz band to a reallocated portion of the 24 GHz band. In the Relocation Order, the FCC announced that it will conduct a rulemaking proceeding to devise rules for the issuance of licenses for up to five 80 MHz channels in the 24 GHz spectrum band in each market except for those services already issued to the Company and other previous 18 GHz licensees. See "Business - Government Regulation." The grant of additional fixed wireless authorizations by the FCC in the 24 GHz band could result in increased competition and diminish the value of the Company's existing fixed wireless authorizations. The Company believes that any additional 24 GHz licenses will be made available through an auction. The Company believes that, assuming that additional authorizations are made available by the FCC, additional entities having greater resources than the Company could acquire authorizations in auctions from the FCC to provide telecommunications services in the 24 GHz band. See "Business - Government Regulation."

The Company will also face competition from other terrestrial fixed wireless services, including Multichannel Multipoint Distribution Service ("MMDS"), 28 GHz Local Multipoint Distribution Service ("LMDS") and 38 GHz wireless communications systems, 2 x GHz Wireless Communications Service ("WCS"). FCC Part 15 unlicensed wireless radio devices and other services that use existing point-to-point wireless channels on other frequencies. Additionally, other companies have filed applications for global broadband satellite systems proposed to be used to broadband voice and data services. If developed, these systems could also present significant competition to the Company.

The Company faces competition from entities which offer or are licensed to offer, 38 GHz services, such as Advanced Radio Telecommunications, Inc. ("ART"), WinStar Communications, Inc. ("Winstar") and BizTel, Inc. ("BizTel"). Teligent could also face competition in certain aspects of its existing and proposed businesses from competitors providing wireless services in other portions of the radio spectrum, such as CAI Wireless Systems Inc. a provider of wireless Internet access services, and CellularVision, a provider of wireless television services which, in the future, also may provide wireless Internet access and

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other local telecommunications services. In many instances, these service providers hold licenses for other frequencies, such as 28 GHz, that enable them to provide comparable telecommunications services to those of the Company in geographic areas that encompass, or overlap, the Company's market areas. Additionally, some of these entities include among their stockholders major telecommunications entities, such as Amertech with respect to ART, and Teleport Communications Group, Inc. ("Teleport") with respect to BuTel. Teleport has acquired BuTel and AT&T has announced its agreement to acquire Teleport, subject to FCC and other regulatory approvals. Due to the relative ease and speed of deployment of fixed wireless-based technologies, the Company could face intense price competition from these and other wireless-based service providers. The Company believes that additional entities having greater resources than the Company could acquire licenses to provide 38 GHz, MMDS, LMDS, WCS, DEMS or other fixed wireless services.

The FCC conducted auctions for 28 GHz LMDS licenses in all markets for the provision of high capacity, wide-area fixed wireless point-to-multipoint systems. In addition, the FCC has adopted rules to auction geographical wide-area licenses for the operation of fixed wireless point-to-point and point-to-multipoint communications services in the 38 GHz band, although many 38 GHz licenses have already been issued nationwide. The 28 GHz LMDS auction concluded in March 1998 and the 38 GHz auction is expected to occur later in 1998. The Company initially filed an application for and participated in the early rounds of the LMDS auction, but withdrew from the auction without acquiring any licenses or payment liabilities. The MMDS service, also known as "wireless cable," also currently competes for metropolitan wireless broadband services. At present, wireless cable licenses are used primarily for the distribution of video programming and have only a limited capability to provide two-way communications needed for wireless broadband telecommunications services, but there can be no assurance that this will continue to be the case. The FCC has initiated a proceeding to determine whether to provide wireless cable operators with greater technical flexibility to offer two-way services. Cellular PCS and other mobile service providers may also offer fixed services over their licensed frequencies. Finally, the FCC has allocated a number of spectrum blocks for use by wireless devices that do not require site or network licensing. A number of vendors have developed such devices that may provide competition to the Company, in particular for certain low data-rate transmission services.

Other Competitors. The Company will also face both local and long distance competition from AT&T and other IXCs. The Company may face competition from electric utilities (several of whom have secured the necessary authorizations to provide local telephone service and are reportedly in various stages of perfecting and implementing their business plans), ILECs operating outside their current local service areas, other IXCs such as MCI and Sprint, and other providers. These entities provide transmission services using technologies that may enjoy a greater degree of market acceptance than the Company's wireless broadband technology in the provision of last mile broadband services. Moreover, the consolidation of telecommunications companies and the formation of business alliances within the telecommunications industry, which are expected to accelerate as a result of the passage of the Telecommunications Act, could give rise to significant new or stronger competitors to the Company. There can be no assurance that the Company will be able to compete effectively in any of its markets.

The Company's Internet access services also are likely to face significant competition from other ISPs, as well as from cable television operators deploying cable modems, which provide high speed data capability over installed coaxial cable television networks and there can be no assurance that such competition will not be significant. Although cable modems currently are not widely available and do not provide data transfer rates that are as rapid as those which can be provided by the Company's services, the Company believes that the cable industry may support the deployment of cable modems to residential cable customers through methods such as price subsidies. Notwithstanding the cable industry's interest in rapid deployment of cable modems, the Company believes that in order to provide broadband capacity to a significant number of business and government users, cable operators will be required to spend significant time and capital in order to upgrade their existing networks to a more advanced hybrid fiber coaxial network architecture. However, there can be no assurance that cable modems will not emerge as a source of

competition to the Company's Internet business. Further, Internet access services based on existing technologies such as ISDN and, in the future, on such technologies as ADSL and HDSL will likely provide additional sources of competition to the Company's Internet access services. Additionally, the Company believes that many ILECs and CLECs already are promoting other Internet access services.

Long Distance Telecommunications Market

The long distance market has relatively insignificant barriers to entry, numerous entities competing for the same customers and a high (and increasing) average churn rate as customers frequently change long distance providers in response to the offering of lower rates or promotional incentives by competitors. The Company will compete with major carriers such as AT&T, MCI, Sprint and WorldCom (which has agreed to acquire MCI, subject to receipt of necessary government approvals), as well as other national and regional long distance carriers and resellers, many of whom own substantially all of their own facilities and are able to provide services at costs lower than the Company's expected costs since the Company will generally lease its access facilities. The Company believes that the RBOCs also will become significant competitors in the long distance telecommunications industry after 1998. See "Business - Government Regulation." ISPs also will compete in this market. The Company believes that the principal competitive factors affecting its market share will be pricing, customer service, accurate billing, clear pricing policies and, to a lesser extent, variety of services. The ability of the Company to compete effectively will depend upon its ability to maintain high quality, market-driven services at prices generally perceived to be equal to or below those charged by its competitors. To maintain its competitive posture, the Company believes that it must be in a position to reduce its prices in order to meet reductions in rates, if any, by others. Any such reductions could adversely affect the Company. In addition, ILECs have been obtaining additional pricing flexibility. This may enable ILECs to grant volume discounts to larger long distance companies, which also would put the Company's long distance business at a disadvantage in competing with larger providers.

Vendor Evaluation

The Company has the ability to source key network components from a number of equipment vendors. The Company has initiated a process of evaluating competing products of several vendors. In July 1997, the Company issued a Request for Proposal for the Company's 24 GHz telecommunications network, including radio access and transmission equipment, switching and network management products and services. The Company received and has evaluated proposals from several telecommunication infrastructure integrators and manufacturers. After this evaluation, the Company selected Northern Telecom, Inc. ("Nortel") as its preferred vendor and systems integrator and entered into a Network Products Purchase Agreement with Nortel. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources - Vendor Financing." Additionally, in support of this effort, the Company has entered into agreements with manufacturers specializing in radio access and transmission equipment to provide technology trials of 24 GHz point-to-multipoint equipment.

Intellectual Property

The Company uses the name "Teligent" as its primary business name and servicemark. It is the owner of U.S. Reg. No. 1,893,005 "TELIGENT," which was originally issued on May 9, 1995 to Creative Integrated Systems, Inc. for various items of communication equipment, based on use in commerce since January 6, 1994. The Company has licensed Creative Integrated Systems, Inc. to continue using the mark in connection with communications equipment.

On April 7, 1997, the Company filed applications to register its name and logo design in the United States Patent and Trademark Office for "land based and satellite communications services." First action on the applications is expected in 1998. The Company reasonably believes that the applications will mature to registration, but there is no assurance until the registrations actually issue.

The Company relies upon a combination of licenses, confidentiality agreements and other contractual covenants, to establish and protect its technology and other intellectual property rights. The Company currently has no patents or patent applications pending. There can be no assurance that the steps taken by the Company will be adequate to prevent misappropriation of its technology or other intellectual property or that the Company's competitors will not independently develop technologies that are substantially equivalent or superior to the Company's technology. Moreover, although the Company believes that its business as currently conducted does not infringe upon the valid proprietary rights of others, there can be no assurance that third parties will not assert infringement claims against the Company or that, in the event of an unfavorable ruling in any such claim, a license or similar agreement to utilize technology relied upon by the Company in the conduct of its business will be available to the Company on reasonable terms.

Government Regulation

Overview

The Company's fixed wireless broadband services are subject to regulation by federal, state and local governmental agencies. The Company has obtained all authorizations and approvals necessary and appropriate to conduct its operations as currently conducted and believes that it is in compliance with all laws, rules and regulations governing its current operations. Nevertheless, changes in existing laws and regulations, including those relating to the provision of wireless local telecommunications services via 24 GHz fixed wireless licenses and/or the future granting of 24 GHz fixed wireless authorizations, or any failure or significant delay in obtaining necessary future regulatory approvals, could have a material adverse effect on the Company's business, financial condition and results of operations.

At the federal level, the FCC has jurisdiction over the use of the electromagnetic spectrum (i.e., wireless services) and has exclusive jurisdiction over all interstate telecommunications services, that is, those that originate in one state and terminate in another state. State regulatory commissions have jurisdiction over intrastate telecommunications, that is, those that originate and terminate in the same state. Municipalities and other local jurisdictions may regulate limited aspects of the Company's business by, for example, imposing zoning and franchise requirements and requiring installation permits. The Company also is subject to taxation at the federal and state levels and may be subject to varying taxes and fees from local jurisdictions.

Federal Legislation

The Telecommunications Act. The Telecommunications Act, enacted on February 8, 1996, substantially departs from prior legislation in the telecommunications industry by establishing local exchange competition as a national policy through the removal of state regulatory barriers to competition and the preemption of laws restricting competition in the local exchange market. The Telecommunications Act, among other things, mandates that ILECs (i) permit resale of their services and facilities on reasonable and nondiscriminatory terms and at wholesale rates, (ii) allow customers to retain the same telephone number ("number portability") when they switch local service providers, (iii) permit interconnection by competitors to an ILEC's network at any technically feasible point that is at least equal in quality to that which the local exchange carrier provides to itself and pursuant to reasonable and nondiscriminatory rates and terms, (iv) unbundle their network services and facilities at any technically feasible point and permit competitors and others to use these facilities at cost-based and nondiscriminatory rates and (v) ensure that an ILEC's customers to the extent technically feasible ("dialing parity"). The Telecommunications Act also allows RBOCs to provide in-region inter-LATA services on a state-by-state basis once certain market-opening requirements are implemented and entry is determined to be in the public interest. The provisions of the Telecommunications Act are designed to ensure that RBOCs take affirmative steps to level the playing

field for their competitors so that others can compete effectively before the RBOC secures in-region long-distance entry. The FCC, in consultation with the United States Department of Justice and the states, is given jurisdiction to determine whether to approve applications for long distance entry. There can be no assurance, however, that the states and the FCC will implement the Telecommunications Act in a manner favorable to the Company and its customers.

Under the Telecommunications Act, states have begun and, in a number of cases, completed regulatory proceedings to determine the pricing of unbundled network elements and services, the results of these proceedings will determine whether it is economically attractive to use these elements.

The RBOCs, but not other ILECs, have an added incentive to open their local exchange networks to facilities-based competition because Section 271 of the Telecommunications Act provides for the removal of the current ban on RBOC provision of in-region inter-LATA toll service and equipment and manufacturing only after meeting certain requirements. This ban will be removed only after the RBOC demonstrates to the FCC, which must consult with the Department of Justice and the relevant state commissions, that the RBOC has (i) met the requirements of the Telecommunications Act's 14-point competitive checklist and fully implemented an approved interconnection agreement with one or more unaffiliated, facilities-based competitors providing business and residential service somewhere in the state (or that by a date certain no such competitors have "requested" interconnection as defined in the Telecommunications Act) and the RBOC is offering all of the elements in the competitive checklist; (ii) demonstrated that it will provide in-region inter-LATA toll services through a separate affiliate, which is required for three years, unless extended by the FCC; and (iii) demonstrated that entry is consistent with the public interest.

Federal Regulation

The Telecommunications Act Regulations. The Telecommunications Act in some sections is self-executing, but in most cases the FCC must issue regulations that identify specific requirements before the Company and its competitors can proceed to implement the changes the Telecommunications Act prescribes. The Company actively monitors all pertinent FCC proceedings and has participated in some of these proceedings. The outcome of these various ongoing FCC rulemaking proceedings or judicial appeals of such proceedings could materially affect the Company's business, financial condition and results of operations.

As required by the Telecommunications Act, the FCC adopted, in August 1996, new rules implementing the interconnection and resale provisions of the Telecommunications Act (the "Interconnection Order") which are intended to remove or minimize regulatory, economic and operational impediments to full competition for local services, including switched local exchange service. A number of parties filed an appeal against the Interconnection Order in Federal court seeking to vacate certain of the rules adopted therein. In a July 18, 1997 decision, the United States Court of Appeals for the Eighth Circuit vacated significant portions of the Interconnection Order, including its provisions governing the pricing of local telecommunications services and unbundled network elements, its unbundling requirements and its "pick and choose" provision (which enabled a telecommunications carrier to demand any term of an ILEC's interconnection contract with another carrier). The Eighth Circuit also issued an October 14, 1997 decision that vacated an FCC rule that obligated ILECs, under certain circumstances, to provide combinations of network elements, rather than provide them individually. This decision may make it more difficult or expensive for competitors to use combinations of ILEC elements. Because the Company does not anticipate widespread use of combinations of elements, the decision should not have a material adverse effect on its operations. Moreover, because the decision may increase the cost and decrease the efficiency of ILEC network element-based competitive approaches, the Company believes that the decision may comparatively advantage the Company's entry strategy, which does not heavily rely on the use of ILEC network elements. The FCC, numerous ILECs and various other parties filed petitions for certiorari with the U.S. Supreme Court, which accepted the case for review on January 26, 1998. The Supreme Court is not

expected to issue a decision before the end of 1998. Some of the same parties and certain other parties also have asked the FCC to reconsider these and other regulations implementing the Telecommunications Act. Although the Company believes that the final outcome of the Eighth Circuit cases, including any further proceedings or a Supreme Court appeal, will not have a material adverse effect on its operations, there can be no certainty in this regard.

On December 31, 1997, a United States District Court judge in Texas held unconstitutional certain sections of the Telecommunications Act, including Section 271, which prohibits an RBOC from providing long distance service that originates (or in certain cases terminates) in one of its in-region states until the RBOC has satisfied certain statutory conditions in that state and has received the approval of the FCC. This decision would permit the three RBOCs that are parties to the case immediately to begin offering widespread in-region long distance services. Unless overturned on appeal, this decision could have a material adverse effect on the Company. The District Court has granted the request of the FCC and certain IXCs for a stay, and the FCC and certain IXCs have filed appeals of the decision with the United States Court of Appeals for the Fifth Circuit. Although there can be no assurance as to the outcome of the litigation, the Company believes that significant parts of the District Court decision may be reversed or vacated on appeal. To date, three RBOCs have filed a total of four applications with the FCC for in-region long distance authority, but the FCC has denied each application. Several entities have sought reconsideration or appeal of these decisions.

In July 1996, the FCC released rules to permit both residential and business customers to retain their telephone numbers when switching from one local service provider to another (known as "number portability"). RBOCs are required to implement number portability in the top 100 markets by March 31, 1998 and to complete it by December 31, 1998. In smaller markets, RBOCs must implement number portability within six months of a request commencing December 31, 1998. Other ILECs are required to implement number portability only in those of the top 100 markets where the feature is required by another ILEC. Various waivers to extend the implementation date have been filed by other RBOCs, ILECs, and CLECs. Non-RBOC ILECs are not required to implement number portability in any additional markets until December 31, 1998, and then only in markets where the feature is requested by another ILEC.

In addition pursuant to the Telecommunications Act, the FCC issued new regulations in 1997 regarding the implementation of the universal service program and the assessment of access charges on carriers obtaining access to local exchange networks. Both the access charge and universal service regimes were substantially revised. As a result of these changes, the costs of business and multiple residential lines are expected to increase. Several parties have sought FCC reconsideration or appealed various parts of the new FCC rules, including the revenue basis on which universal service contributions are determined. The Company is unable to predict the final formula for universal service contribution or its own level of contribution.

FCC Licensing. The Communications Act of 1934 (the "Communications Act") imposes certain requirements relating to licensing, common carrier obligations, reporting and treatment of competition. Under current FCC rules, the recipient of an authorization for fixed wireless microwave facilities, including the Company is required to construct facilities to place the station "in operation" within 18 months of the date of grant of the authorization. In the event that the recipient fails to comply with the construction deadline, the license is terminated absent an extension of the deadline. Except for those facilities for which the 18-month deadline has not passed, the Company or its predecessor-in-license constructed facilities in each of their licensed markets to satisfy this construction deadline. In addition, if a station does not transmit operational traffic for a consecutive period of twelve months at any time after construction is complete, or if removal of equipment or facilities renders the station incapable of providing service, the license is subject to forfeiture, absent a waiver of the FCC's rules. The FCC's current policy is to align the expiration dates of all fixed wireless licenses of a particular service such that they mature concurrently and, upon expiration, to renew all such licenses for ten years. The initial term of most currently outstanding fixed wireless licenses,

including the Company's licenses, expires on January 1, 2001. While FCC custom and practice establishes a presumption in favor of granting the renewal of licenses to licensees, such presumption requires that the licensee substantially comply with its regulatory obligations during its license period. The FCC's failure to renew one or more licenses could have a material adverse effect on the Company's business, financial condition and results of operations.

Under the terms of its licenses, the Company is classified as a common carrier, and as such is required to offer service on a non-discriminatory basis at just and reasonable rates to anyone reasonably requesting such service. Although the Communications Act prohibits the Company from unjustly or unreasonably discriminating among its customers, the statute as currently interpreted by the FCC does permit the Company to reasonably classify its customers and reasonably differentiate among such classifications. Under the FCC's streamlined regulation of non-dominant interstate carriers, the Company, as a non-dominant carrier, is not subject to rate regulation but is required to maintain tariffs for its interstate common carrier service. The FCC has recently issued regulations pursuant to which the Company does not need to file tariffs setting forth its rates, terms, and conditions of service for interstate exchange access service ("permissive detariffing") and is currently conducting a rulemaking in which it has proposed prohibiting tariff filing for such services ("mandatory detariffing"). The Company's provision of intrastate services, including local exchange service if the Company should offer it, is subject to regulation by each state in which the Company provides intrastate services. The Company has also obtained a "Section 214" authorization from the FCC authorizing it to provide international facilities-based and resale telecommunications services between the U.S. and virtually any other country. The Company must maintain—and currently does have—tariffs on file with the FCC governing its provisions of interstate and international telecommunications services.

Transfer of Control of Wireless Licenses. MSI and DSC contributed their fixed wireless licenses to Teligent, L.L.C., the predecessor of the Company. In connection with the acquisition of FirstMark, the Company acquired additional licenses in three SMSAs. The assignment of transfer of control of licenses issued by the FCC is subject to the prior consent of the FCC, which consent generally turns on a number of factors including the identity, background and the legal and financial qualifications of the assignee and the satisfaction of certain other regulatory requirements. The FCC granted the application for the transfer of control of FirstMark's fixed wireless licenses to Teligent, L.L.C. in July 1997. The FCC granted the applications to assign the MSI and DSC licenses to Teligent, L.L.C. in October 1997 and transferred control over all such licenses to the Company in November 1997. There were no petitions to deny filed against the FirstMark transfer of control application or the MSI and DSC assignment applications and the FCC grant thereof has become final.

Relocation of Licenses to 24 GHz. The FCC issued an Order (the "Relocation Order") on March 14, 1997 providing for the relocation of certain fixed wireless licenses in the 18 GHz band to a reallocated portion of the 24 GHz band, pursuant to a request of the National Telecommunications and Information Administration ("NTIA") acting on behalf of the Department of Defense. The Relocation Order provided for the relocation of these licenses from 100 MHz over 5 channels in the 18 GHz band to 400 MHz over 8 corresponding channels in the 24 GHz band. On June 24, 1997, the FCC issued a subsequent order (the "Modification Order") that implemented the Relocation Order by modifying the affected 18 GHz licenses, including those held by the Company, to authorize operations at 24 GHz. Pursuant to the Relocation Order, those 18 GHz fixed wireless operators in the Washington, DC and Denver, CO areas (including the Company's Washington, DC, Baltimore, MD and Denver, CO facilities) were required to relocate to corresponding channels in the 24 GHz band no later than June 5, 1997. The 18 GHz fixed wireless licenses in all other areas must relocate to corresponding channels in the 24 GHz band no later than January 1, 2001. Although the Company is permitted to continue operations in the 18 GHz band outside of the Washington, DC and Denver, CO areas until that date, its intention generally is to convert all of its facilities to 24 GHz band operation as soon as possible.

The FCC implemented this relocation without notice and comment procedures in order to give effect to NTIA's request on behalf of the Department of Defense to protect national security satellite operations from harmful interference from 18 GHz license stations. A number of parties have filed petitions with the FCC seeking a number of remedies including either partial or full reconsideration or review of one or both of these orders and modification or revocation of the Company's licenses. These parties argued, among other things, that the FCC decision should be reversed because the FCC's allocation of 400 MHz of 24 GHz spectrum for licenses was unnecessary and that the FCC should not have so relocated the fixed wireless licensees without conducting prior notice and comment rulemaking proceedings. The Company filed timely responses with the FCC opposing the petitions and continues to build out its networks as permitted under its licenses, the Relocation Order and the Modification Order. In addition, one of these parties, DirecTV, has filed a petition for rulemaking with the FCC requesting that the FCC grant permission for DirecTV and others to construct and operate broadcast satellite uplink facilities in certain areas on a portion of the 24 GHz band allocated and granted to the former 18 GHz fixed wireless licensees. The Company has filed a timely opposition to this rulemaking petition.

The Company cannot determine how the FCC will resolve the petitions for reconsideration or review of the Relocation Order and the Modification Order and the DirecTV rulemaking petition. Thus, any construction or operation at 24 GHz prior to the final resolution of these petitions is at the Company's risk and expense. If the Relocation Order or Modification Order was subsequently modified or reversed, such a modification or reversal could have a material adverse effect on the Company's business, financial condition and results of operations. In particular, it cannot be determined whether, under a modified license relocation, the Company's equipment would be rendered unusable or usable only after significant expense and delay.

Grant of the DirecTV rulemaking petition could materially and adversely affect the Company's business, financial condition and results of operations. If implemented, DirecTV's proposals could result in the construction and operation of satellite uplink facilities on 24 GHz frequencies currently allocated to fixed wireless services, which could interfere with the Company's operations in the vicinity of these satellite uplink facilities. In addition, in the Relocation Order the FCC announced that it will commence a rulemaking proceeding to address future fixed wireless licensing in the 24 GHz band, which may include proposals to auction available spectrum and to adopt service rules for 24 GHz operations. There can be no assurance that the Company's point-to-point and point-to-multipoint equipment as currently designed will comply with the service rules ultimately adopted by the FCC.

The FCC's decisions upon reconsideration will be subject to judicial appeal to a U.S. court of appeals. There can be no assurance that the FCC will be able to defend any such litigation successfully. The court may affirm the Relocation Order or any order made by the FCC upon reconsideration, vacate and remand the matter to the FCC for initiation of a rulemaking proceeding, or make any other ruling. If the matter is remanded, the FCC could decide this issue in the same way or it could make a different decision, which may be adverse to the Company. Failure by the court to affirm the terms of the Relocation Order or the Modification Order could have a material adverse effect on the Company's business, financial condition and results of operations.

Uncertainty during an appeal period regarding the Company's prospects and the implications of the result of such litigation may disrupt the Company's relationships with actual and potential customers, equipment vendors, lenders or other parties, which could have a material adverse effect on the Company's business, financial condition and results of operations.

Teledesic. On September 6, 1996, Teledesic Corporation ("Teledesic") filed a petition seeking the dismissal of then-pending applications for additional transmission (modem) stations in seven licensed MSI fixed wireless markets, and the rescission of existing licenses, then held by or belonging to MSI or DSC. In its petition, Teledesic claimed that its then-proposed satellite system was incompatible with existing licensed terrestrial networks in the 18 GHz band, that the FCC's initial grants of the fixed wireless licenses to MSI

and DSC was inappropriate, and that MSI and DSC had failed to construct and operate their licensed facilities in compliance with the FCC's rules. The Company, MSI and DSC opposed Teledesic's petition in their respective pleadings filed with the FCC.

In November and December 1996, the FCC inspected each of the MSI and DSC fixed wireless facilities and determined that the companies had complied with all applicable construction and operational requirements. In letters dated April 2, 1997, and April 8, 1997, the FCC notified MSI and DSC, respectively, that the FCC "concluded its inquiry" and "determined not to take any further action" in connection with the investigation. Moreover, on February 24, 1997, the Company, MSI and DSC entered into an agreement pursuant to which Teledesic agreed to withdraw its petition and reimburse MSI, DSC and the Company, respectively, for some of the costs related to the relocation of their 18 GHz fixed wireless systems to the 24 GHz band, conditioned upon the FCC's relocation of 18 GHz fixed wireless licensees to the 24 GHz band.

In their petitions for reconsideration of the Relocation Order, a number of parties raised substantially similar arguments to those initially raised by Teledesic against the validity of the licenses now held by, and the constructed fixed wireless facilities now owned by, the Company. The Company, MSI and DSC have opposed those claims.

On March 21, 1997, Teledesic withdrew its petition against MSI's pending applications and MSI's and DSC's licenses.

Alien Ownership. Under the Communications Act, the FCC may, if it finds the public interest will be served, refuse to grant common carrier licenses to, or may revoke the licenses of, an entity directly or indirectly controlled by non-U.S. citizens or by a corporation the capital stock of which is more than 25% owned or voted by non-U.S. citizens or companies. The Communications Act also prohibits any entity, more than 20% of whose capital stock is owned or voted by non-U.S. citizens or companies, from receiving a license for common carrier services. Since February 9, 1998, the FCC rules have provided for a rebuttable presumption that greater than 25% indirect ownership or control of a common carrier licensee by citizens or companies from a country that is a signatory to the Telecommunications Annex to the World Trade Organization General Agreement on Trade in Services ("WTO Agreement") serves the public interest. The 20% restriction on direct foreign ownership will still apply. The Company is not aware of alien ownership of its outstanding stock that would cause it to be in violation of the Communications Act. However, a significant amount of the Company's and Associated's common stock is held in nominee name and, accordingly, the Company is not aware of the citizenship of the actual beneficial owners of such shares. With regard to investors from countries that are not signatories to the WTO Agreement, the FCC continues to apply an "effective competitive opportunities" ("ECO") test in the exercise of its statutory discretion to permit indirect alien ownership of more than a 25% interest in a common carrier licensee. Under this ECO test, if U.S. investors are permitted to own an interest greater than 25% in a communications carrier offering similar services in the alien investor's home market and such market satisfies certain other open competition criteria, the FCC will generally permit that alien to own an equivalent interest in a U.S.-licensed common carrier. Other factors, such as the promotion of competition in the U.S. market and U.S. national security concerns, may affect this determination.

State Regulation

Many of the Company's services will be classified as intrastate services subject to state regulation. All of the states where the Company operates, or will operate, require some degree of state regulatory commission approval to provide certain intrastate services. In most states, intrastate tariffs are also required for various intrastate services, although the Company is not typically subject to price or rate of return regulation for tariffed intrastate services. The Company has received state authorization to provide facilities-based local services in California, Colorado, the District of Columbia, Florida, Georgia, Hawaii, Illinois, Indiana, Iowa, Kansas, Maryland, Massachusetts, Michigan, Minnesota, Nevada, New York, Ohio,

Texas, Virginia and Wisconsin. In summary, the Company has obtained state authorization in 45 markets and has applied for State authorization in the remaining 29 markets where it holds FCC licenses.

The Telecommunications Act requires each state to remove barriers to entry and barriers to competition for ILEC competitors. While no assurance can be given as to how quickly and how effectively each state will act to implement this legislation, many state authorization processes are being streamlined and the authorization time frames shortened considerably. Not all states have a streamlined process and in some jurisdictions the Company may experience delays.

Under the Telecommunications Act, if a request is made by the Company, ILECs have a statutory duty to negotiate interconnection and access arrangements in good faith for the Company's provision of local service. The Company has reached comprehensive negotiated interconnection agreements with Ameritech (Illinois and Wisconsin), Bell Atlantic (D.C., Maryland and Virginia), BellSouth (Florida and Georgia), GTE (California, Florida, Texas and Virginia), Pacific Bell (California) and Southwestern Bell (Texas). The Company is in the process of negotiating comprehensive interconnection agreements with Bell Atlantic (Delaware, Massachusetts, New Jersey, New York and Pennsylvania), Sprint (Florida) and US West (Colorado).

During these negotiations, the Company or the ILEC may submit disputes to the state regulatory commissions for mediation and, after the expiration of the statutory negotiation period set forth in the Telecommunications Act, the parties may submit outstanding disputes to the states for arbitration. To date the Company has not submitted any disputes to the states for mediation or arbitration. The Company has been working with state regulatory commissions, as well as the FCC and other governmental entities, to encourage the adoption of rules facilitating rooftop and building access for competitive carriers.

Local Regulation

The Company will need to interact with local governments in a variety of ways. How diverse local governments will exercise traditional functions, including zoning, permitting and management of rights of way, and address the expansion of telecommunications competition and varying means of entry in particular, is uncertain. The kinds and timing of approvals required to install antennas and conduct other aspects of the Company's business varies among local governments and may also vary with the specific technology or equipment configuration used by the Company.

While the Telecommunications Act permits local governments to manage rights of way, the scope of that authority, including the circumstances when fees can be charged and the amount of such charges, has already been the subject of numerous disputes between telecommunications carriers and such local governments. In addition, some local governments have been requiring substantial filings and review before telecommunications carriers can operate in their licensed areas and have also required the payment of significant franchise fees or taxes. Some of these disputes involving licensing of telecommunications carriers, antenna siting, and rights of way are in litigation and more administrative and court litigation is likely. The prohibition of entry barriers set forth in the Telecommunications Act and the FCC's power to preempt such barriers have been implicated in such litigation. On December 12, 1997, Teligent accepted under protest a franchise with the City of Dallas, which is similar to other Dallas franchises agreed to by other CLECs. On the same date, Teligent filed a Complaint for Declaratory Judgment against the City of Dallas in the United States District Court for the Northern District of Texas alleging that Teligent does not own, construct, install or maintain facilities located in public rights of way, and that the City of Dallas is therefore prohibited both by federal and state law from barring Teligent's competitive entry into the Dallas market unless Teligent first accepts a franchise. There can be no assurance as to the outcome of the litigation. The FCC has recently preempted, and thereby prevented enforcement of, certain state and local regulations that had the effect of inhibiting local competition. Any inability or unwillingness by the FCC to preempt additional state and local regulations in a timely fashion could have a material adverse impact on the Company.

Certain Transactions

The Reorganization

Immediately prior to the consummation of the Offerings, Teligent, L.L.C. merged with and into the Company, with the Company surviving the merger (the "Reorganization"). The Company was organized in September 1997 for the purpose of succeeding to the business of Teligent, L.L.C. In connection with the Reorganization, the Company's Certificate of Incorporation and By-laws were amended in their entirety. As a result of the Reorganization, all of Teligent, L.L.C.'s member interests were converted into and became shares of common stock of the Company, as follows: (i) the interest of MSI was converted into 21,436,689 shares of Series B-1 Common Stock; (ii) the interest of Telcom Ventures was converted into 17,206,210 shares of Series B-2 Common Stock; (iii) the interest of NTTA&T was converted into 2,313,360 shares of Series B-3 Common Stock (further described below); and (iv) the interest of the former sole stockholder of FirstMark (the "FirstMark Sole Stockholder") was converted into 1,831,410 shares of Class A Common Stock. In each case, the number of shares of common stock received by each member of Teligent, L.L.C. pursuant to the Reorganization was proportionate to such member's percentage interest in Teligent, L.L.C. immediately prior to the Reorganization. The Company received no additional consideration in connection with such conversion of member interests into shares of common stock pursuant to the Reorganization.

The Additional Sponsor Equity Contributions

In connection with the Strategic Equity Investment (see "The Strategic Equity Investment" immediately below), the original members of Teligent, L.L.C. made additional cash contributions to Teligent, L.L.C. in the aggregate amount of \$60 million (the "Additional Sponsor Cash Contribution"). In addition, on November 7, 1997, Associated agreed to contribute to Teligent, Associated Communications of Los Angeles ("ACLA"), a wireless competitive access provider, and, in consideration of such agreement, received an approximate 1% increase in its member interest in Teligent, L.L.C.

The Strategic Equity Investment

NTT Purchase Agreement. The Company and NTT entered into the NTT Purchase Agreement on September 30, 1997, providing for NTT to make the Strategic Equity Investment in two stages. At the First Closing, which occurred on November 13, 1997, NTT, through NTTA&T, purchased for \$40 million a 5% member interest in Teligent, L.L.C. (calculated as of the date of the NTT Purchase Agreement after giving pro forma effect to the consummation of the FirstMark Acquisition and the Additional Sponsor Equity Contributions, but before giving effect to the consummation of the Equity Offering and the conversion of existing equity incentive awards into stock options in connection with the Reorganization), which as a result of the Reorganization was converted into 2,313,360 shares of Series B-3 Common Stock. At the Second Closing, which occurred on November 26, 1997, NTT, through NTTA&T, purchased for \$60 million 3,470,040 shares of Series B-3 Common Stock representing a 7.5% equity interest in the Company. After giving effect to the Equity Offering, NTT's equity interest in the Company became 11.0%.

Immediately prior to the consummation of the Equity Offerings, the Company entered into a Stockholders Agreement with NTTA&T and the other stockholders of the Company (other than the FirstMark Sole Stockholder) as of such time, which provide for certain rights and obligations with respect to the ownership and governance of the Company. See "Item 13. Certain Relationships and Related Transactions—Stockholders Agreement." The Stockholders Agreement also provides for certain rights and obligations of the parties thereto relating to the Company's compliance with the foreign ownership restrictions under the Communications Act of 1934 and the rules, regulations and decisions of the FCC.

Registration Rights Agreement. In connection with the Strategic Equity Investment, Teligent and NTTA&T entered into a Registration Rights Agreement (the "Registration Rights Agreement"). The

Registration Rights Agreement provides that NTT&T may demand registration (each, a "Demand Registration") of the shares of common stock received by NTT&T pursuant to the Reorganization ("NTT Registrable Securities") at any time after the six month anniversary after the consummation of the Equity Offering (subject to a maximum of three Demand Registrations in total), provided such demand is (i) made by holders of at least 20% of the outstanding NTT Registrable Securities or (ii) with respect to NTT Registrable Securities the aggregate offering price of which, net of underwriting discounts and commissions, is not less than \$20 million. Upon such request, the Company is required to use its reasonable best efforts to register under the Securities Act of 1933, as amended (the "Securities Act"), subject to certain holdback periods, NTT Registrable Securities held by the requesting holders and any other holders who desire to sell common stock pursuant to such Demand Registration. In addition, the Registration Rights Agreement provides that, subject to certain limitations, holders of NTT Registrable Securities may participate in any registration of common stock by the Company under the Securities Act (other than on Form S-4 or S-8 under the Securities Act) (each, a "Piggyback Registration"). Holders of NTT Registrable Securities also have the right, subject to certain holdback periods and other limitations, after the six month anniversary of the consummation of the Equity Offering to demand that the Company effect a registration on Form S-3 under the Securities Act, if available, (a "Form S-3 Registration") of all or part of their NTT Registrable Securities, so long as the anticipated aggregate offering price for such NTT Registrable Securities is in excess of \$10 million.

Under the Registration Rights Agreement, the Company is required to pay all registration expenses (other than underwriting discounts and commissions and fees and disbursements of counsel of the selling stockholders) with respect to all required Demand Registrations and Form S-3 Registrations and up to three Piggyback Registrations. Under the Registration Rights Agreement, the Company is required to indemnify the selling stockholders, and the Company may request as a condition to effecting any registration indemnification from the selling stockholders, against certain liabilities in respect of any registration statement covered by the agreement. NTT&T is permitted under the Registration Rights Agreement to assign its rights thereunder to any person to which it transfers no less than 20% of the NTT Registrable Securities. The Registration Rights Agreement terminates with respect to particular NTT Registrable Securities when (i) a registration statement with respect to the sale of such securities shall have become effective under the Securities Act and such securities have been disposed of under such registration statement, (ii) such securities have been transferred pursuant to Rule 144, (iii) such securities have been otherwise transferred or disposed of, and new certificates therefor not bearing a legend restricting further transfer shall have been delivered by the Company, and subsequent transfer or disposition of them does not require registration or qualification under the Securities Act or any similar state law then in force, or (iv) such securities have ceased to be outstanding.

Technical Services Agreement. Pursuant to the NTT Purchase Agreement and in satisfaction of a condition to the First Closing, the Company entered into a technical services agreement (the "TSA") with NTT America, Inc., a wholly owned subsidiary of NTT ("NTT America"), whereby NTT America will provide certain technical services to the Company relating to network design and implementation. The term of the TSA commenced on December 1, 1997, and terminates on the fifth anniversary of the commencement date, unless extended or earlier terminated as provided therein (the "Term"). After the initial five-year period, the Term is automatically extended for additional one-year periods unless either party gives notice of termination within sixty days prior to the then applicable termination date. Under the TSA, during the first two years of the Term (the "Initial Phase"), the Company is required to pay NTT America a fee in the amount of \$4 million per year. The TSA provides that the fees payable by the Company to NTT America during each of the remaining three years of the Term shall be negotiated annually based upon the scope of technical services to be provided under an annual work plan (the "Work Plan") to be prepared by the Company and NTT America. The parties have the right to terminate the TSA in the event they cannot agree on any annual Work Plan or the fees payable therefor.

The FirstMark Acquisition

In October 1997, pursuant to the Company's acquisition of FirstMark, the Company acquired all of the stock of FirstMark for an aggregate purchase price of approximately \$10.5 million in cash and a 5% member interest in Teligent, L.L.C. FirstMark held licenses for fixed wireless channels in the 24 GHz band (which were relocated from the 18 GHz band) in the Los Angeles and San Francisco, CA and New York, NY markets. See "Business - Government Regulation - Federal Regulation - Transfer of Control of Wireless Licenses."

Vendor Financing

The Company has entered into the Network Products Purchase Agreement with Nortel for the purchase of certain telecommunications system equipment and services (the "Deliverables") to be purchased by the Company. The Company has also entered into the Financing Commitment Letter with Nortel setting forth the anticipated terms and conditions under which Nortel will provide the Nortel Loans which will be used to finance the purchase of the equipment and provide working capital. The Financing Commitment Letter expires May 31, 1998. The Company is currently negotiating a credit facility with a consortium of banks under which the Company will finance all purchases made under the Network Products Purchase Agreement. See "Management's Discussion and Analysis of Financial Condition and Results of Operations." The purchase of certain Deliverables from Nortel has commenced in advance of the signing of this agreement.

Employees

As of March 20, 1998, the Company had a total of 474 employees.

ITEM 2. PROPERTIES

Teligent's principal executive offices are located at Vienna, Virginia and consist of approximately 75,000 square feet held under a lease, which expires on March 1, 2002. The Company has entered into a lease, expiring in 2008, for a network operating center consisting of approximately 50,000 square feet of space located in Herndon, Virginia. The Company will lease and has been leasing space in and around each of its licensed areas that is necessary to house switches, other equipment and personnel. The Company believes that these facilities are adequate for its needs at the present time. See Note 10 to the Financial Statements for additional information regarding future minimum lease commitments.

ITEM 3. LEGAL PROCEEDINGS

Other than the license and regulatory proceedings described under "Business - Government Regulation," the Company is not currently a party to any legal proceedings, which, individually or in the aggregate, the Company believes will have a material adverse effect on the Company's financial condition or results of operations.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

During the fourth quarter of the fiscal year covered by this Annual Report on Form 10-K, there were no matters submitted to a vote of security holders through the solicitation of proxies or otherwise.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Teligent has authorized two classes of Common Stock, Class A Common Stock and Class B Common Stock. The Company's Class A Common Stock was initially offered to the public on November 21, 1997 and is listed on The Nasdaq Stock Market under the symbol "TGNT." Teligent's Class B Common Stock, par value \$ 0.01 per share (the "Class B Common Stock"), is not traded on any exchange. As of March 20, 1998, there were three stockholders of record of the Class B Common Stock. The following table sets forth for the periods indicated the high and low sales price information of the Class A Common Stock as reported on The Nasdaq National Market System. Such transactions reflect inter-dealer quotations, without retail markup, markdown or commission and may not necessarily represent actual transactions.

CLASS A COMMON STOCK

	HIGH	LOW
November 21, 1997 to December 31, 1997	\$27	\$21 1/2

As of March 20, 1998, the last sale price of the Class A Common Stock as reported on The Nasdaq National Market was \$33.00 per share. As of March 20, 1998 there were 111 record holders of Teligent's Class A Common Stock, which number does not include stockholders who beneficially own shares held in street name by brokers.

Teligent has not paid any cash dividends on its Common Stock in the past and does not anticipate paying any cash dividends on its Common Stock in the foreseeable future. The terms of the indentures relating to the Company's 11 1/2% Senior Notes due 2007 and the Company's 11 1/2% Discount Notes due 2008 restrict the ability of the Company to pay dividends on Common Stock, as further described in Management's Discussion and Analysis of Financial Condition and Results of Operations, as well as in Note 13 to the Company's Financial Statements included in Item 14 elsewhere in this Annual Report on Form 10-K.

On November 21, 1997, the Commission declared effective the Company's Registration Statement on Form S-1 (Registration No. 333-37381) relating to the Equity Offering, pursuant to an Underwriting Agreement dated November 20, 1997 (the "Underwriting Agreement") between Teligent and Merrill Lynch & Co., Salomon Brothers Inc., Bear Stearns & Co. Inc. and Goldman, Sachs & Co., as representatives of the Underwriters named therein (the "Underwriters"). The Equity Offering was consummated on November 26, 1997. The shares of Class A Common Stock were offered to the public at \$21.50 per share or an aggregate offering price of \$136.0 million. Proceeds to the Company, after deducting underwriting discounts and commissions but before deducting expenses estimated at \$1.5 million, was \$125.7 million. The expenses incurred in connection with the offering were attributable to legal and accounting fees, printing costs and other filing and offering costs. The Company has used the proceeds of the Equity Offering, together with proceeds from the Senior Notes Offering, to fund capital expenditures and general working capital requirements.

On February 20, 1998, the Company completed an offering (the "Discounted Notes Offering") pursuant to Rule 144A under the Securities Act, of \$440 million 11 1/2% Senior Discount Notes due 2008 (the "Discount Notes"). The Discount Notes carry zero-coupon interest until March 1, 2003, after which the Discount Notes pay interest at 11 1/2% payable March 1 and September 1 through March 1, 2008. The Discount Notes were sold at an aggregate price of \$250.7 million, and the Company received approximately \$243.1 million net proceeds, after deductions for offering expenses. The Discount Notes were purchased by Merrill Lynch, Pierce, Fenner & Smith Incorporated, Goldman, Sachs & Co., Salomon Brothers Inc., and TD Securities USA Inc.

ITEM 6. SELECTED FINANCIAL DATA

The selected financial data presented below as of December 31, 1997 and 1996 and for the year ended December 31, 1997 and the periods from March 5, 1996 (date of inception) to December 31, 1997 and 1996 were derived from the Company's audited financial statements and should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Company's audited financial statements and the related notes thereto, included elsewhere in this Annual Report on Form 10-K.

	Year Ended December 31, 1997	March 5, 1996 (date of inception) to December 31, 1997	1996
	(in thousands, except share and per share data)		
Statement of Operations Data:			
Revenues	\$ 3,311	\$ 4,894	\$ 1,356
Cost and expenses:			
Cost of services	4,745	6,410	1,625
Sales, general and administrative	41,406	53,024	9,543
Stock based compensation	46,083	66,822	2,776
Depreciation and amortization	6,254	6,615	163
Total costs and expenses	98,488	132,871	14,107
Operating loss	(95,177)	(127,977)	(12,751)
Interest and other income	3,242	3,252	—
Interest expense	(6,499)	(6,719)	(874)
Net loss	\$ (98,434)	\$ (131,444)	\$ (13,625)

Other Data			
Net loss per common share outstanding	\$ (2.44)	\$ (3.28)	\$ (10.29)
Weighted average common shares outstanding	46,083,680	46,083,160	46,257,709
Modified EBITDA	\$ (41,440)	\$ (50,762)	\$ (5,822)
Cash used in operating activities	34,425	(40,474)	(6,047)
Cash used in investing activities	(14,587)	(18,299)	(17,599)
Cash provided by financing activities	472,613	68,967	11,888

	December 31, 1997	December 31, 1996
	(in thousands)	
Balance Sheet Data:		
Cash and cash equivalents	\$ 424,901	\$ 1,303
Working capital deficit	(44,316)	(6,978)
Property and equipment, net	8,150	3,545
Total assets	506,340	8,145
Long-term debt, less current portion	(30,000)	—
Stockholders' equity deficit	(274,140)	(4,878)

(1) Modified EBITDA consists of earnings before interest, taxes, depreciation, amortization, non-cash charges for stock-based compensation and for the amortization of notes receivable from Intuitive. While not a measure under generally accepted accounting principles ("GAAP"), EBITDA (earnings before interest, taxes, depreciation and amortization) is a measure commonly used in the telecommunications industry and is presented to assist in understanding the Company's operating results. Although EBITDA should not be construed as a substitute for operating income determined in accordance with GAAP, it is included herein to provide additional information with respect to the ability of the Company to meet future debt service, capital expenditures and working capital requirements. See the Financial Statements and the notes thereto. As all companies and analysts do not calculate these non-GAAP measurements in the same manner, the amount may not be comparable to other calculations.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Except for any historical information contained herein, the matters discussed in this Annual Report on Form 10-K contain certain "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements involve known and unknown risks, uncertainties and other factors including, but not limited to, economic, key employee, competitive, governmental and technological factors affecting the Company's growth, operations, markets, products, services, licenses and other factors discussed in the Company's other filings with the Securities and Exchange Commission. These factors may cause the actual results, performance or achievements of the Company or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Given these uncertainties, prospective investors are cautioned not to place undue reliance on such forward-looking statements.

General

The following discussion and analysis is based upon the financial statements of the Company from its inception on March 3, 1996 to December 31, 1997 and should be read in conjunction with the Financial Statements and notes thereto contained elsewhere in this Annual Report on Form 10-K.

Overview

Teligent intends to capitalize on a convergence of technological, regulatory and market developments to capture revenues in the estimated \$110 billion business telecommunications market. Teligent's goal is to be a premier facilities-based provider of telecommunications solutions to small and medium-sized businesses. The Company intends to provide cost-effective, high bandwidth connectivity in order to offer an integrated package of local and long distance telephone service, high-speed data connectivity, Internet access and videoconferencing.

The Company's business commenced on March 3, 1996, and the Company has generated only nominal revenues from operations to date. Prior to the transfer by MSI and DSC of their fixed wireless licenses to the Company in October 1997, revenues and cash flows associated with customers using the fixed wireless licenses were accounted for by MSI and DSC. Accordingly, Teligent's historic revenues principally reflect certain management and administration services to MSI and DSC in connection with the development, construction and operation of their 18 GHz and subsequently 24 GHz fixed wireless networks. The Company's primary activities have focused on the acquisition of licenses and authorizations, the acquisition of building access rights, the hiring of management and other key personnel, the raising of capital, the acquisition of equipment, the development of operating systems and the negotiation of interconnection agreements.

The Company has experienced significant operating and net losses and negative operating cash flow to date and expects to continue to experience operating and net losses and negative operating cash flow until such time as it develops a revenue-generating customer base sufficient to fund operating expenses. After the Company initiates service in a significant number of markets, the Company expects to achieve positive operating margins over time by increasing the number of revenue-generating customers and providing additional capacity for its customers without significantly increasing related capital expenditures, costs of building access rights and other operating costs. Over time, the Company believes that its cost structure will be further enhanced as the majority of its network deployment costs will consist of electronics, which tend to decline in price through time as economies of scale are achieved. The Company expects that operating and net losses and negative operating cash flow will increase significantly as the Company implements its growth strategy. See "Liquidity and Capital Resources."

Factors Affecting Future Operations

The Company's primary activities to date have focused on the acquisition of licenses and authorizations, the acquisition of building access rights, the hiring of management and other key personnel, the raising of capital, the acquisition of equipment, the development of operating systems and the negotiation of interconnection agreements. The Company's ability to provide commercial service on a widespread basis and to generate revenues and positive operating cash flow will depend on its ability to, among other things, (i) develop its operational and support systems, (ii) acquire appropriate building access for its operations, (iii) obtain state authorizations to operate as a CLEC and an IXC in its market areas and any other required local authorizations, (iv) commercialize its 24 GHz point-to-multipoint technology on a market-by-market basis, (v) attract and retain an adequate customer base, (vi) raise additional capital, (vii) attract personnel and (viii) enter into an implement interconnection agreements with ILECs. Given the Company's limited operating history, there can be no assurance that it will be able to achieve these goals, generate sufficient revenues to make principal and interest payments on its indebtedness, or compete successfully in the telecommunications industry.

Although fixed wireless point-to-point technology has been in use for a significant period of time, two-way point-to-multipoint technology has only been deployed on a limited basis, and not at the 24 GHz frequency (other than in connection with the Company's trial locations). The Company has selected point-to-multipoint technology because the Company believes it will offer several advantages over other technologies. However, the Company's point-to-multipoint technology has not been tested on a commercial basis and may not perform as expected or provide the advantages expected by the Company.

Revenues

Target Market and Penetration. Teligent's wireless licenses cover approximately 3.7 million U.S. businesses and 26.7 million business lines in 24 of the most populous U.S. metropolitan market areas. The Company intends to focus its marketing efforts on small and medium-sized businesses with 5 to 150 telephone lines. Teligent's market research indicates that a significant portion of its target customer base is currently dissatisfied with its ILEC service. To address this market opportunity, Teligent plans to initially focus its sales efforts on business customers whose needs are not well served by fiber-based services and whose bandwidth needs are not adequately met by copper-based services.

The Company has compiled geographic databases of commercial buildings, business establishments and multi-tenant units. These databases will be used to optimize network deployment as well as target sales and marketing efforts in order to maximize capital efficiency. In addition, by using this data, the Company plans to measure its performance by market segment as it grows and then use this analysis to optimize deployment of its network in the future.

Service Offering. Teligent initially intends to derive the majority of its revenues from local switched voice and data communications services directly provided to end user customers. Teligent also intends to offer an integrated package of local and long distance telephone services, value-added services, high speed data connectivity, Internet access and videoconferencing. As a result of regulatory constraints, local and long distance services have historically been purchased separately. Due to changes in the regulatory environment, the Company believes business customers will increasingly seek to purchase local and long distance service from the same provider. Where economically attractive, the Company may also enter into arrangements through which other carriers could resell Teligent's services to their own customers.

Pricing. Teligent's pricing structures will vary according to service. Switched voice service revenues will typically consist of two types of charges: a fixed charge for access to the network and additional charges based on actual usage. Data service revenues will more commonly consist solely of fixed charges as the result of the current industry practice of providing service on a dedicated basis. In the future,

the Company believes that its wireless local networks will be able to offer advanced functions, which would enable data services to be provided on an as-needed basis instead of on a dedicated basis. As a result, Teligent expects to be able to price its data services on a usage basis, which may prove more economical and attractive to potential customers than dedicated pricing, enabling Teligent to differentiate itself in the marketplace.

As a new market entrant, Teligent's strategy will be to price its services competitively to gain market share early. For switched voice services and other services already provided by the ILEC, the Company expects to price at a discount. For certain data and bandwidth-intensive services that may not be provided by competitors or for which there may exist an underserved market demand, the Company may be able to price its services at a premium. The Company anticipates that some ILECs may reduce their prices as increased competition begins to erode their market share. The Company believes that it will be able to remain competitive if market prices decline because of its lower expected network cost. The Company also expects to price its bundled long distance service at a discount to market prices as a further incentive to attract potential customers and to broaden its revenue base.

Churn. Similar to other telecommunications providers, the Company expects to encounter customer churn as its customer base grows. The Company believes that it will be able to mitigate churn through its competitive pricing, ability to provide last mile local loop service through its own networks, which will enhance its ability to ensure high quality service by minimizing its reliance on the ILEC for maintenance or equipment upgrades, and its bundled service offering. In the event of customer churn, the Company's customer premise equipment will be able to be redeployed at other customer premises thereby reducing the risk of stranded assets.

Network Related Costs

In addition to the capital expenditures described below, additional costs are required to operate and maintain the networks, including: real estate leases for switching centers, base station sites and customer sites; preparation, installation, operation and maintenance of switching centers; base station sites and individual customer radio links, as well as customer premise equipment; leasing of backhaul facilities between base station sites and switching centers; network operation center facility expense; the cost to interconnect and terminate traffic with other network providers; software licensing fees; and network design and base station configuration planning.

Site Leases. Site lease costs, particularly customer rooftop lease costs, may represent a substantial ongoing operating expense. Teligent has developed a detailed strategy to minimize these costs. First, as part of its sales strategy, the Company will focus its marketing efforts in targeted buildings where site leases are being or have already been acquired. Multiple customers located in the same building can therefore share a single rooftop antenna, as opposed to having individual customers dispersed across multiple buildings, each of which would require an individual antenna and a rooftop lease. Second, Teligent is exploring alternative approaches to building access.

Base Station Sites. Base station sites will be located primarily on rooftops of existing buildings. The Company anticipates that it will be able to utilize existing structures more frequently than PCS and cellular providers, which cover areas that Teligent does not intend to prioritize, such as highways and residential streets, where there may be a lack of suitable existing structures. Rather, the Company expects that most of its target customers will be located in business districts which contain existing commercial buildings suitable for base station sites, thereby minimizing site construction costs.

Installation and Maintenance. The Company will require a significant number of network installation and maintenance personnel for each market. As the Company's customer base grows, so will its utilization of switching centers, the base station to switch transport network and base station sites, all of

which require regular maintenance. While certain customer premise maintenance will be simple enough for customers to perform themselves, Company technicians will still be required to perform customer site maintenance and service changes.

Base Station to Switch Transport. Traffic between base station sites and the Company's switching centers will be carried over a combination of Company-owned wireless microwave links as well as hybrid fiber optic transmission facilities, where appropriate. Additionally, as customers are added and the base station to switch transport capacity requirements increase, some of the wireless links initially deployed may be replaced with additional fiber based facilities. In such cases, the wireless equipment may be redeployed elsewhere in the network, in order to reduce stranded assets.

Interconnection Costs. Because the vast majority of local telecommunications users are currently served by ILECs, local calls originating on Teligent's network will most likely be to other parties served by an ILEC. In such cases, Teligent will be required to pay interconnection fees to connect calls to subscribers on the ILEC's network. Additionally, the Company expects to lease capacity from other network providers to carry much of its long distance and Internet traffic. As a facilities-based local access provider, Teligent will earn access charges for long distance services it provides to local customers on its network, thereby significantly enhancing its operating margins. The Company believes that this will become an added competitive advantage as it expands its revenue base by providing an increasing portion of long distance services.

Cost of Operations

Teligent will incur operating costs common to all telecommunications providers including customer service and technical support, information systems, billing and collections, general management and overhead expense, office leases, bad debt expense and administrative functions. Those functional areas driven by headcount, such as customer service, will increase gradually as required by customer demand. Other areas, particularly information and billing systems, may require significant upfront capital expenditures and operating costs to the extent that the Company purchases or creates its own infrastructure. Because Teligent lacks any legacy systems, the Company believes that it has the opportunity to develop systems that provide greater functionality and flexibility than many existing operators.

The Company's experienced management team has demonstrated past success in building and managing each of these functional areas. Company management is currently designing, developing and hiring the necessary staff for all of its operational departments. Management anticipates that centralized staff and operations will decrease as a portion of the Company's operating expenses over time. As the Company commercializes more markets and the customer base grows, the number of market-specific workers is expected to grow to represent the majority of the Company's employees. However, certain functions such as customer service call centers, network operations monitoring and billing and site planning are likely to remain centralized in order to achieve economies of scale.

The success of the Company depends, in large part, upon the continuing contributions of its key technical, marketing, sales and management personnel. The Company's future success is also dependent upon its continuing ability to attract and retain other highly qualified personnel. Competition for such personnel is intense, and the Company's inability to attract and retain additional key employees could have a material adverse effect on the Company's business, financial condition and results of operations. There can be no assurance that such key personnel will continue to be employed by the Company or that the Company will be able to attract and retain qualified personnel in the future.

Sales and Marketing Costs. Teligent intends to employ a significant direct sales force to focus on the end user. The salespeople will have performance incentives through a structure that will link a significant portion of each person's compensation to the actual revenue produced by that individual.

Particularly in the first few years, the sales force will target the specific geographic areas covered by newly constructed base station sites. As the network's geographic coverage expands, Teligent expects it will broaden its marketing and advertising activities. In addition, to enhance profitability and maximize benefits of network architecture, salespeople will be encouraged to maximize penetration in "on net" buildings that already have installed CPE. The Company also intends to use alternate or indirect channels of distribution, including a sales agent program.

Software and Development Costs. The Company expects to incur significant costs for rights to the software used within the wireless local loop, switching and network management portions of its network. The Company will incur significant software-related costs as it builds and maintains its advanced information systems to support functions such as billing and customer care.

Stock-based Compensation. The Company granted Company Appreciation Rights ("CARs") to Alex Mandl and Appreciation Units to employees and directors (collectively "Equity Awards"). See note 4 to the financial statements, "Stock-based Compensation." These Equity Awards were considered to be variable awards due to certain provisions thereof, and therefore gave rise to compensation expense. In connection with the Offerings, the Equity Awards were converted, effective as of the consummation of the Offerings, into stock options of Teligent, Inc. having the same vesting schedule, vesting rights and term as the applicable Equity Award converted. This conversion created a measurement date whereby the variable Equity Awards were converted to nonvariable stock options. The intrinsic value of the Equity Awards upon conversion to stock options resulted in non-cash compensation expense of \$186.3 million, of which \$84.0 million and \$2.8 million were recorded in 1997 and 1998, respectively, and additional non-cash expense of up to \$69.5 million will be expensed over the remaining vesting period of the options as follows: \$25.2 million per year through 2000, \$21.4 million in 2001, and \$2.5 million in 2002.

Depreciation and Amortization

The Company depreciates and amortizes its property and equipment using the straight line method over the estimated useful life of the assets ranging from five to ten years for equipment and the lesser of the life of the asset or the lease term for leasehold improvements. FCC licenses are amortized over fifteen years.

The Company uses certain property and equipment to provide service to customers on an 18 GHz frequency. However, the Company's future business plans are to deploy a 24 GHz frequency network in its capacity as a telecommunications provider. As such, the Company has recorded, as a component of depreciation expense in 1997, an impairment loss of \$5.0 million, which represents the difference between the net book value of the assets prior to the impairment loss and the estimated future cash flows to be derived by the assets.

Capital Expenditures

The Company's principal capital expenditure requirements involve the purchase and installation of CPE, base stations, network switches and switch electronics and network operations center expenditures.

Customer Premise Equipment. The purchase and installation of CPE is the largest single capital expense component in Teligent's business plan, and represents a success-based capital expenditure. Success-based capital expenditures afford Teligent greater flexibility in its business plan and reduce the risk of deploying equipment and capital, which are not associated with customers and revenues. While a certain amount of equipment must initially be installed at each base station, the majority of the equipment (and cost) will depend upon the number of customers acquired. As more customers are loaded onto a given base station area, the initial base station equipment will be augmented with additional sectors, radios, antennas and modems to meet customer demand.

The Company's CPE costs include an integrated radio antenna unit, modems, power supply, multiplexer and router equipment, line interface units, and cables and installation materials. Portions of the CPE costs can also be shared among multiple customers in the same building, thereby reducing the capital expenditures required per customer. In addition, in the event of customer churn, the Company's CPE can be redeployed at other customer premises thereby reducing stranded assets.

Base Station Site. A base station will be able to serve customers within a 360-degree coverage area, subject to lines of sight. Teligent expects its average coverage radius will be approximately three miles (five kilometers), depending on local conditions. A base station will typically comprise four to eight sectors, each of which cover a radial section of the service area depending on coverage and capacity requirements. Each sector requires one or more radio antenna units and modems, depending on the system deployed. Construction costs per base station are typically higher than are construction costs per customer site. The Company expects that its sites will typically be built on top of buildings as opposed to towers constructed by the Company.

Base Station to Switch Transport. Teligent will transport traffic between its base stations and switching sites. To the extent the Company uses wireless transport rather than leased fiber, it will incur capital expenditures as opposed to operating costs.

Switching. Switching costs include traditional circuit-based switches, line cards for interfacing with the backbone networks and with the networks of other carriers, packets and cell-based switching systems, such as ATM and Frame Relay switches, power systems, and environmental maintenance equipment. The Company expects to eventually deploy a switch in each of its markets and thereafter will be able to add increased switching capacity by adding more ports to each existing switch. Accordingly, the cost structure for switches is expected to have both a fixed and variable cost component.

Business Development, Capital Expenditures and Acquisitions

From inception through December 31, 1997, expenditures for property and equipment total \$13.7 million. In addition, the Company has incurred significant other costs and expenses in the development of its business and has recorded cumulative losses from inception through December 31, 1997 of approximately \$151.7 million. This amount includes \$86.8 million of non-cash compensation, consisting of expenses associated with the Equity Awards. In October 1997, the Company consummated its acquisition of FirstMark, whereby it acquired all of the capital stock of FirstMark, which holds additional FCC authorizations and licenses, for an aggregate purchase price (before related expenses) of approximately \$42 million which consisted of \$10.5 million in cash and a 9.9% member interest in the predecessor to the Company, Teligent, L.L.C. (which such member interest was subsequently converted to 1,831,410 shares of Class A Common Stock in the Company as a result of the Merger). The Company may, when and if the opportunity arises, acquire other spectrum rights or related businesses, incur expenses in the development of new technologies and expand its fixed wireless broadband services into new market areas.

Year 2000

While the Year 2000 considerations are not expected to materially impact the Company's internal operations, they may have an effect on some of the Company's customers and suppliers, and thus indirectly affect the Company. It is not possible to quantify the aggregate cost to the Company with respect to customers and suppliers with Year 2000 problems, although the Company does not anticipate it will have a material adverse impact on its business.

Results of Operations

Prior to the transfer by MSI and DSC of their fixed wireless licenses to the Company, revenues and cash flows associated with customers using the fixed wireless licenses were accounted for by MSI and DSC. Accordingly, the Company's historic revenues principally reflect certain management and administration services to MSI and DSC in connection with the development, construction and operation of their 18 GHz and subsequently 24 GHz fixed wireless networks. Additionally, Teligent has been reimbursed by MSI and DSC for the cost of certain services provided by Teligent prior to the transfer by MSI and DSC of their fixed wireless licenses to Teligent, in connection with the construction and operation of the fixed wireless links related to the 18 GHz and 24 GHz licenses. During the fourth quarter, the fixed wireless licenses previously owned by MSI and DSC were contributed to the Company, and the management service arrangements related to these licenses ended.

Twelve Months Ended December 31, 1997 Compared to The Period March 5, 1996 (Inception) to December 31, 1996

For the twelve months ended December 31, 1997, the Company generated revenues of approximately \$3.3 million, including \$2.7 million of management and other services primarily provided to MSI and DSC, and \$0.6 million from equipment leases.

For the period March 5, 1996 (inception) to December 31, 1996, the Company generated revenues of \$1.4 million, including \$1.2 million of management and other services primarily provided to MSI and DSC, and \$0.2 million from equipment leases.

For the year ended December 31, 1997, the Company incurred operating expenses (other than interest expense) of approximately \$138.7 million, including \$4.8 million relating to the cost of services, \$43.5 million of sales, general and administrative expenses, primarily due to payroll and consulting costs relating to the commencement of operations of the Company, and \$84.0 million of non-cash expense associated with the Equity Awards. Interest expense for 1997 was \$5.9 million, due to borrowings under a Revolving Credit Agreement (terminated in November 1997) and a \$300 million public debt offering which occurred in November 1997. Interest and other income for 1997 was \$3.2 million, primarily as a result of interest earned on cash and investments. Depreciation and amortization for 1997 was \$6.5 million due to higher capital expenditures, an impairment loss included in depreciation of \$5.0 million and amortization of intangibles acquired in the year.

For the period March 5, 1996 (inception) to December 31, 1996, the Company incurred operating expenses (other than interest expense) of approximately \$14.1 million, including \$1.6 million relating to the cost of services and \$9.6 million of sales, general and administrative expenses, primarily due to payroll and consulting costs relating to the commencement of operations of the Company, and \$2.8 million of non-cash expense associated with the Equity Awards. Interest expense for the period ending December 31, 1996 was \$0.9 million, primarily due to the loan structuring fee for a certain Revolving Credit Agreement, which such Revolving Credit Agreement was subsequently terminated by the Company in November 1997. The Company expects to generate significant operating and net losses for the next several years.

Liquidity and Capital Resources

Unlike other new wireless entrants that have expended considerable capital to acquire licenses, the majority of Teligent's licensed spectrum was contributed by MSI and DSC, and Teligent has no outstanding liabilities for license purchases. The development of the Company's business and deployment of its services and systems will require significant capital to fund capital expenditures, working capital, debt service and operating losses. The Company's principal capital expenditure requirements involve the purchase and installation of CPE, base stations, network switches and switch electronics and network operations center

expenditures and information systems, platforms and interfaces. The Company intends to offer its integrated package of services in at least 10 market areas by the end of 1998 and 30 by the end of 1999, and subsequently in all of its 74 currently licensed market areas. Based on the Company's current business plan, the Company anticipates its existing cash balances, together with the Vendor Financing and proceeds from its Discount Notes Offering, each as defined below, will be sufficient to fund the Company's capital requirements through December 2000. Actual capital requirements may vary based upon the timing and success of the Company's roll-out. If demand for the Company's services is lower than expected, the Company expects to be able to reduce demand-driven capital expenditures such as CPE and switch electronics. If the Company accelerates implementation of its network roll-out, the Company may be required to obtain additional financing earlier than anticipated.

The Company expects that its capital requirements after December 2000 will require it to obtain additional financing, which may include commercial bank borrowings, additional vendor financing or the sale or issuance of equity and debt securities either through one or more offerings or to one or more strategic investors. There can be no assurance that the Company will be successful in raising sufficient additional capital at all or on terms acceptable to the Company.

Because the Company's cost of rolling out its networks and operating its business, as well as the Company's revenues, will depend on a variety of factors including the ability of the Company to meet its roll-out schedules, the ability of the Company to negotiate favorable prices for purchases of network equipment, the number of customers and the services for which they subscribe, the nature and penetration of new services that may be offered by the Company, regulatory changes and changes in technology, actual costs and revenues will vary from expected amounts, possibly to a material degree, and such variations are likely to affect the Company's future capital requirements. Accordingly, there can be no assurance that the Company's actual capital requirements will not exceed the anticipated amounts described above. Further, the exact amount of the Company's future capital requirements will depend upon many factors, including the cost of the development of its networks in each of its markets, the extent of competition and pricing of telecommunications services in its markets, the acceptance of the Company's services and the development of new products.

Initial Public Common Stock Offering

In November 1997, the Company completed an initial public offering of 6,325,000 shares of Common Stock at \$21.80 per share, raising approximately \$125.7 million of net proceeds, after deducting approximately \$10.3 million of offering expenses.

Public Debt Offering

In November 1997, the Company issued \$300 million of 11 1/2% Senior Notes due 2007 (the "Senior Notes"). The Company used approximately \$93.9 million of the net proceeds of this offering to purchase a portfolio of U.S. Treasury securities, which are classified as restricted cash and investments on the balance sheet, and have been pledged as collateral for the payment of interest on the Senior Notes through December 1, 2000. Interest on the Senior Notes accrues at a rate of 11 1/2% per annum and is payable semi-annually on June 1 and December 1, commencing June 1, 1998.

Discount Notes Offering

On February 20, 1998, the Company completed an offering (the "Discount Notes Offering") of \$440 million 11 1/2% Senior Discount Notes due 2008 (the "Discount Notes"). The Discount Notes carry zero-coupon interest until March 1, 2003, after which the Discount Notes pay interest at 11 1/2% per annum payable March 1 and September 1, through March 1, 2008. The Company received approximately \$243.1 million net proceeds from the Discount Notes Offering, after deductions for offering expenses of approximately \$7.6 million.

Vendor Financing

Teligent has the ability to source key network components from a number of equipment vendors. Unlike many cellular and PCS networks, fixed wireless networks can be constructed using equipment from different manufacturers, because customers do not roam between base stations. Teligent believes that the flexibility provided by vendor diversity will assist in ensuring an adequate and prompt supply of equipment at attractive prices.

The Company has entered into the Network Products Purchase Agreement with Nortel for the purchase of certain telecommunications system equipment, software and services (collectively, the "Deliverables"). The Company has also entered into a commitment letter with Nortel setting forth the anticipated terms and conditions under which Nortel will provide loans in an aggregate amount of up to \$780 million (the "Nortel Loans") which will be used to finance the purchase of the Deliverables and provide working capital (the "Financing Commitment Letter"). The Financing Commitment Letter expires May 31, 1998 and the Company is currently negotiating a new credit facility with a consortium of banks under which the Company will finance all purchases made under the Network Products Purchase Agreement. The purchase of certain Deliverables from Nortel has commenced in advance of the signing of this agreement.

Historical Cash Flows

To develop its networks, the Company has relied upon several sources for its cash flow. The Company received cumulative cash contributions of approximately \$70.4 million from MSI and DSC. MSI and DSC also lent \$15.0 million to Alex J. Mandl in connection with his employment by the Company for the Company's benefit. The Company used \$42.5 million of the Additional Sponsor Cash Contributions to repay the outstanding balance of the Revolving Credit Agreement. In November 1997, the Company received net proceeds of cash contributions totaling \$99.0 million (net of transaction expenses) from NTT pursuant to a Securities Purchase Agreement, and the Company received an additional \$414.3 million of net proceeds from its public debt and equity offerings. The Company used \$93.9 million of the net proceeds from the debt offering to purchase a portfolio of U.S. Treasury Securities, pledged as collateral for the payment of interest on the Senior Notes through December 1, 2000.

From inception through December 31, 1997, the Company used \$40.5 million of cash in its operating activities and \$118.3 million of cash in its investing activities. At December 31, 1997, the Company had working capital of \$441.3 million and cash (including cash equivalents) of \$424.9 million, as compared to a working capital deficit of \$7.0 million and cash of \$1.3 million at December 31, 1996. The increase in working capital from December 31, 1996 to December 31, 1997 is primarily a result of the sponsor cash contributions and the Offerings. The buildout of the Company's networks and the marketing of its services will require significant capital and operating expenditures.

The Company's total assets increased from \$5.1 million as of December 31, 1996 to \$596.4 million at December 31, 1997, due primarily to cash from the Additional Sponsor Cash Contributions and the Offerings. Property and equipment, net of accumulated depreciation, comprised \$3.5 million of total assets at December 31, 1996, and \$8.2 million at December 31, 1997.

The Company used cash in operations of \$6.0 million for the period March 5, 1996 (date of inception) through December 31, 1996, primarily due to the loss from operations for the period offset by the current liabilities at December 31, 1996. For the year ended December 31, 1997 the Company used cash in operations of \$34.4 million, due primarily to the operating loss for the period offset by non-cash stock-based compensation and current liabilities at December 31, 1997.

The Company used cash in investing activities of \$3.7 million for the period March 5, 1996 (date of inception) to December 31, 1996 relating to the purchase of property and equipment. For the year ended December 31, 1997, the Company used \$114.6 million in investing activities, consisting primarily of \$10.0 million relating to the purchase of property and equipment, \$10.5 million of payments relating to the

acquisition of FirstMark, and \$93.9 million related to the purchase of U.S. Treasury securities which are pledged as collateral for the payment of interest on the Senior Notes through December 1, 2000.

The Company's cash flows provided by financing activities for the period March 5, 1996 (date of inception) to December 31, 1996 were \$11.1 million, consisting of cash capital contributions from MSI and DSC of \$9.1 million, and borrowings under the Revolving Credit Agreement of \$2.0 million. Cash flows provided by financing activities for the year ended December 31, 1997 amounted to \$572.6 million, consisting primarily of \$190.3 million of capital contributions from MSI, DSC and NTT, and \$414.3 million of net proceeds from the Equity Offering and the offering of the Senior Notes, after costs of \$21.7 million.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Company's financial statements and supplementary data, together with the report of the independent auditor, are included or incorporated by reference elsewhere herein. Reference is made to the "Index to Financial Statements and Financial Statement Schedule" following the signature page hereof.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this item is incorporated herein by reference to the Company's definitive proxy statement for the Company's 1998 Annual Meeting of Stockholders. If the registrant does not file a definitive proxy statement with the SEC on or before April 30, 1998, the registrant will, on or before April 30, 1998, file an amendment to this Form 10-K containing the Part III information.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated herein by reference to the Company's definitive proxy statement for the Company's 1998 Annual Meeting of Stockholders. If the registrant does not file a definitive proxy statement with the SEC on or before April 30, 1998, the registrant will, on or before April 30, 1998, file an amendment to this Form 10-K containing the Part III information.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this item is incorporated herein by reference to the Company's definitive proxy statement for the Company's 1998 Annual Meeting of Stockholders. If the registrant does not file a definitive proxy statement with the SEC on or before April 30, 1998, the registrant will, on or before April 30, 1998, file an amendment to this Form 10-K containing the Part III information.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this item is incorporated herein by reference to the Company's definitive proxy statement for the Company's 1998 Annual Meeting of Stockholders. If the registrant does not file a definitive proxy statement with the SEC on or before April 30, 1998, the registrant will, on or before April 30, 1998, file an amendment to this Form 10-K containing the Part III information.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) The following documents are filed as part of this report:

(1) Financial Statements

Balance Sheets, December 31, 1997 and 1998;
Statements of Operations for the year ended December 31, 1997 and the periods from March 5, 1996 (date of inception) to December 31, 1997 and 1998;
Statements of Stockholders' Equity (Deficit) for the period from March 5, 1996 (date of inception) to December 31, 1997;
Statements of Cash Flows for the year ended December 31, 1997 and the periods from March 5, 1996 (date of inception) to December 31, 1997 and 1998;
Notes to Financial Statements

(2) Financial Statement Schedules

All schedules are omitted because they are not applicable or not required or because the required information is incorporated herein by reference or included in the financial statements or notes thereto included elsewhere in this report.

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the fourth quarter of 1997.

(c) Exhibits. The following exhibits are filed as a part of this Annual Report on Form 10-K:

- 3.1 Form of Certificate of Incorporation of Registrant, filed as Exhibit 3.1 to the Company's Registration Statement on Form S-1 (Registration No. 333-37381), dated November 26, 1997, and incorporated herein by reference.
- 3.2 Form of Bylaws of Registrant, filed as Exhibit 3.2 to the Company's Registration Statement on Form S-1 (Registration No. 333-37381), dated November 26, 1997, and incorporated herein by reference.
- 4.1 Form of Stockholders' Agreement, filed as Exhibit 4.1 to the Company's Registration Statement on Form S-1 (Registration No. 333-37381), dated November 26, 1997, and incorporated herein by reference.
- 4.2 Form of Indenture between the Registrant, as issuer, and First Union National Bank, as Trustee, relating to Registrant's Senior Notes due 2007, including form of Note, filed as Exhibit 4.2 to the Company's Registration Statement on Form S-1 (Registration No. 333-37381), dated November 26, 1997, and incorporated herein by reference.
- 4.3 Form of Pledge Agreement between Registrant, as issuer, and First Union National Bank, as Escrow Agent, relating to Registrant's Senior Notes due 2007, filed as Exhibit 4.3 to the Company's Registration Statement on Form S-1 (Registration No. 333-37381), dated November 26, 1997, and incorporated herein by reference.
- 4.4 Form of Indenture between the Registrant, as issuer, and First Union National Bank, as Trustee, relating to Registrant's Senior Discount Notes due 2008, including form of Note.
- 4.5 Form of Certificate for the Class A Common Stock, filed as Exhibit 4.4 to the Company's Registration Statement on Form S-1 (Registration No. 333-37381), dated November 26, 1997, and incorporated herein by reference.
- 10.1 Employment Agreement, dated August 19, 1996, between Associated Communications, L.L.C. and Alex J. Mundl, filed as Exhibit 10.1 to the Company's Registration Statement on Form S-1 (Registration No. 333-37381), dated November 26, 1997, and incorporated herein by reference.
- 10.2 Stock Contribution Agreement, dated as of March 10, 1997, among Associated Communications, L.L.C., FirstMark Communications, Inc., and Lynn Forester, filed as Exhibit 10.2 to the Company's Registration

Statement on Form S-1 (Registration No. 333-37381), dated November 26, 1997, and incorporated herein by reference.

- 10.3 Securities Purchase Agreement, dated as of September 30, 1997, by and among Teligent, L.L.C., Microware Services, Inc., Digital Services Corporation, and Nippon Telegraph and Telephone Corporation, filed as Exhibit 10.3 to the Company's Registration Statement on Form S-1 (Registration No. 333-37381), dated November 26, 1997, and incorporated herein by reference.
- 10.4 Form of Registration Rights Agreement, by and among Teligent, L.L.C. and Nippon Telegraph and Telephone Corporation, filed as Exhibit 10.4 to the Company's Registration Statement on Form S-1 (Registration No. 333-37381), dated November 26, 1997, and incorporated herein by reference.
- 10.5 Form of Technical Services Agreement, by and among Teligent, L.L.C. and NTT America, Inc., filed as Exhibit 10.5 to the Company's Registration Statement on Form S-1 (Registration No. 333-37381), dated November 26, 1997, and incorporated herein by reference.
- 10.6 Agreement, dated September 29, 1997, among Teligent, L.L.C., Digital Services Corporation, Telecom DTS Investments, L.L.C., Microware Services, Inc., The Associated Group, Inc., and certain other parties, filed as Exhibit 10.6 to the Company's Registration Statement on Form S-1 (Registration No. 333-37381), dated November 26, 1997, and incorporated herein by reference.
- 10.7 Agreement and Plan of Merger, dated as of October 6, 1997, by and between Teligent, Inc. and Teligent, L.L.C., filed as Exhibit 10.7 to the Company's Registration Statement on Form S-1 (Registration No. 333-37381), dated November 26, 1997, and incorporated herein by reference.
- 10.8 Form of Lease Agreement, dated as of July 22, 1997, for the 8065 Leesburg Pike, Vienna, Virginia, office space lease between MHP Incorporated and Teligent, L.L.C., filed as Exhibit 10.8 to the Company's Registration Statement on Form S-1 (Registration No. 333-37381), dated November 26, 1997, and incorporated herein by reference.
- 10.9 Form of Teligent, Inc. 1997 Stock Incentive Plan, filed as Exhibit 10.9 to the Company's Registration Statement on Form S-1 (Registration No. 333-37381), dated November 26, 1997, and incorporated herein by reference.
- 10.10 Network Products Purchase Agreement, dated December 13, 1997, by and between Northern Telecom, Inc. and Teligent, Inc.
- 10.11 Financing Commitment Letter of Intent, dated October 28, 1997, by and between Northern Telecom, Inc. and Teligent, Inc., filed as Exhibit 10.9 to the Company's Registration Statement on Form S-1 (Registration No. 333-37381), dated November 26, 1997, and incorporated herein by reference.
- 10.12 Promissory Note, dated February 1, 1997, by Kirby G. Pickle, Jr. to Associated Communications, L.L.C., filed as Exhibit 10.10 to the Company's Registration Statement on Form S-1 (Registration No. 333-37381), dated November 26, 1997, and incorporated herein by reference.
- 10.13 Promissory Notes, each dated October 29, 1997, by Abraham L. Morris to Teligent, L.L.C., filed as Exhibit 10.11 to the Company's Registration Statement on Form S-1 (Registration No. 333-37381), dated November 26, 1997, and incorporated herein by reference.
- 10.14 Promissory Note, dated August 5, 1997, by Laurence E. Harris to Associated Communications, L.L.C., filed as Exhibit 10.12 to the Company's Registration Statement on Form S-1 (Registration No. 333-37381), dated November 26, 1997, and incorporated herein by reference.
- 10.15 Promissory Note, dated April 7, 1997, by Steven F. Bell to Associated Communications, L.L.C., filed as Exhibit 10.14 to the Company's Registration Statement on Form S-1 (Registration No. 333-37381), dated November 26, 1997, and incorporated herein by reference.
- 10.16 Registration rights agreement, dated as of March 6, 1998, by and between Teligent, Inc. and Microware Services, Inc.
- 21.1 Significant Subsidiaries of the Registrant.
- 23.1 Consent of Ernst & Young LLP, Independent Auditors.
- 27.1 Financial Data Schedule, filed only electronically with the Securities and Exchange Commission.

* Portions of this document have been omitted pursuant to a request for confidential treatment.

Conformed

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TELIGENT, INC.
(Registrant)

Date: March 30, 1998

By: /s/ Alex J. Mandl
Alex J. Mandl
Chairman of the Board, Chief Executive Officer
and Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Date: March 30, 1998

By: /s/ Alex J. Mandl
Alex J. Mandl
Chairman of the Board, Chief Executive Officer
and Director

Date: March 30, 1998

By: /s/ Abraham L. Morris
Abraham L. Morris
Senior Vice President, Chief Financial Officer
and Treasurer
(Principal Financial Officer)

Date: March 30, 1998

By: /s/ Cindy L. Tallent
Cindy L. Tallent
Vice President and Controller
(Principal Accounting Officer)

Date: March 30, 1998

By: /s/ Myles P. Berkman
Myles P. Berkman
Director

Date: March 30, 1998

By: /s/ David J. Berkman
David J. Berkman
Director

Date: March 30, 1998

By: /s/ William H. Berkman
William H. Berkman
Director

Date: March 30, 1998

By: /s/ Donald H. Jones
Donald H. Jones
Director

Date: March 30, 1998

By: /s/ Tetsuro Mikami
Tetsuro Mikami
Director

Date: March 30, 1998

By: /s/ Rajendra Singh
Rajendra Singh
Director

TELIGENT, INC.
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REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Teligent, Inc.

We have audited the accompanying balance sheets of Teligent, Inc., (a development stage company) (formerly Teligent, L.L.C.) as of December 31, 1997 and 1996, and the related statements of operations, and stockholders' equity (deficit) and cash flows for the year ended December 31, 1997, and for the periods from March 5, 1996 (date of inception) to December 31, 1997 and 1996. The financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Teligent, Inc., (formerly Teligent, L.L.C.) at December 31, 1997 and 1996, and the results of its operations and its cash flows for the year ended December 31, 1997, and for the periods from March 5, 1996 (date of inception) to December 31, 1997 and 1996, in conformity with generally accepted accounting principles.

Ernst & Young LLP

Vienna, Virginia
February 27, 1998

TELIGENT, INC.
(a development stage company)
BALANCE SHEETS

	December 31,	
	1997	1996
Assets		
Current assets		
Cash and cash equivalents	\$ 424,900,715	\$ 1,302,612
Prepaid expenses and other current assets	7,087,268	147,073
Restricted cash and investments	30,372,962	-
Total current assets	462,360,945	1,449,685
Property and equipment, net	8,185,899	3,544,949
Restricted cash and investments	64,702,148	-
Intangible assets, net	60,354,191	-
Other assets	777,085	150,695
Total assets	\$ 596,380,268	\$ 5,145,329
Liabilities and Stockholders' Equity (Deficit)		
Current liabilities		
Accounts payable	\$ 16,577,277	\$ 3,002,179
Accrued interest and other	4,467,473	646,972
Revolving line of credit	-	2,000,000
Accrued company appreciation rights	-	2,778,165
Total current liabilities	21,044,750	8,427,316
11 1/2% Senior Notes, due 2007	300,000,000	-
Other non-current liabilities	1,189,296	292,548
Commitments and contingencies		
Stockholders' equity (deficit):		
Preferred stock	-	-
Common stock	525,827	-
Member contributions	-	24,058,158
Additional paid-in capital	436,307,243	-
Deficit accumulated during the development stage	(151,686,848)	(13,632,693)
	285,146,222	10,425,465
Notes receivable from Executive	(11,000,000)	(14,000,000)
Total stockholders' equity (deficit)	274,146,222	(3,574,535)
Total liabilities and stockholders' equity (deficit)	\$ 596,380,268	\$ 5,145,329

See notes to financial statements
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TELIGENT, INC.
(a development stage company)
STATEMENTS OF OPERATIONS

	Year Ended	Period from March 5, 1996 (date of inception) to December 31,	
	December 31, 1997	1997	1996
Revenues:			
Management fees and other services provided to members	\$ 3,274,224	\$ 4,964,596	\$ 1,386,342
Wireless communication services	32,745	32,745	-
Total revenues	3,306,969	4,997,341	1,386,342
Costs and expenses:			
Cost of services	4,748,544	6,410,545	1,625,006
Sales, general and administrative expenses	43,465,732	53,048,369	9,582,637
Stock-based compensation	84,042,581	86,820,746	2,778,165
Depreciation and amortization	6,451,012	6,617,653	164,051
Total costs and expenses	138,707,872	146,897,313	14,149,859
Loss from operations	(135,400,903)	(141,899,972)	(12,763,517)
Interest and other income	3,241,837	3,251,032	10,095
Interest expense	(4,489,487)	(6,718,728)	(879,271)
Net loss	\$ (136,648,553)	\$ (145,367,668)	\$ (13,632,693)
Net loss per share	\$ (2.94)	\$ (3.25)	\$ (0.29)
Weighted average common shares outstanding	46,850,961	44,634,361	46,257,709

See notes to financial statements
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TELLIGENT, INC.
(a development stage company)
STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
Period from March 5, 1996 (date of inception) to December 31, 1997

	Capital Contributions	A	B.1	B.2	B.3	Total	Additional Paid in Capital	Accumulated Deficit	Stock Receivable From Executive	Total
Balance at March 5, 1996 (date of inception)	\$ 24,058,158	\$	\$	\$	\$	\$	\$	\$	\$	\$
Member capital contributions	24,058,158									24,058,158
Notes receivable from Executive	31,500,000							(31,500,000)	(31,500,000)	(31,500,000)
Amortization of notes receivable from Executive	100,000,000							(100,000,000)	(100,000,000)	(100,000,000)
Net loss								(13,632,093)		(13,632,093)
Balance at December 31, 1996	24,058,158							(13,632,093)		(13,632,093)
Contribution of licenses from members	8,497,006									8,497,006
Acquisition	31,500,000									31,500,000
Contribution of equity prior to public offering	100,000,000									100,000,000
Conversion of member interests										
Conversion of CMOs and Appreciation Units to stock										
Public stock offering										
Amortization of notes receivable from Executive										
Net loss										
Balance at December 31, 1997										

See notes to financial statements
4-5

TELLIGENT, INC.
(a development stage company)
STATEMENTS OF CASH FLOWS

	Year Ended December 31, 1997	Period from March 5, 1996 (date of inception) to December 31, 1997	
		1997	1996
Cash flows from operating activities:			
Net loss	\$ (13,632,093)	\$ (13,632,093)	\$ (13,632,093)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	6,455,632	6,455,632	164,051
Amortization of notes receivable from Executive	3,000,000	4,000,000	1,000,000
Amortization of debt issue costs	59,381	59,381	-
Other noncurrent liabilities	806,748	1,180,296	292,548
Stock-based compensation	84,042,581	86,820,746	2,278,165
Other	(626,390)	(1,777,088)	(150,695)
Changes in current assets and current liabilities:			
Restricted cash and investments	(1,168,387)	(1,168,387)	-
Prepaid expenses and other current assets	(6,426,665)	(6,877,708)	(147,073)
Accounts payable	15,875,098	16,877,277	1,002,179
Accrued expenses and other current liabilities	3,820,501	4,467,473	646,972
Net cash used in operating activities	(34,427,626)	(40,474,172)	(6,046,546)
Cash flows from investing activities:			
Restricted cash and investments	(93,906,753)	(93,906,753)	-
Purchase of property and equipment	(9,060,652)	(13,609,652)	(3,709,000)
Acquisition and other investments	(10,720,000)	(10,720,000)	-
Net cash used in investing activities	(114,587,405)	(118,236,405)	(3,709,000)
Cash flows from financing activities:			
Proceeds from bank borrowing	46,500,000	42,500,000	2,000,000
Repayment of bank borrowing	(42,500,000)	(42,500,000)	-
Equity contribution prior to public offering	60,000,000	60,000,000	-
Net proceeds from issuance of common stock	125,656,548	125,656,548	-
Proceeds from long term debt	300,000,000	300,000,000	-
Debt financing costs	(11,344,026)	(11,344,026)	-
Member contributions	100,300,612	109,158,770	9,058,158
Net cash provided by financing activities	572,613,134	583,671,292	11,058,158
Net increase in cash and equivalents	427,598,103	424,900,715	1,302,612
Cash and cash equivalents, beginning of period	1,302,612	-	-
Cash and cash equivalents, end of period	\$ 424,900,715	\$ 424,900,715	\$ 1,302,612
SUPPLEMENTAL CASHFLOW INFORMATION:			
Cash paid for interest	\$ 2,450,000	\$ 3,325,000	\$ 875,000

See notes to financial statements
7-9

TELIGENT, INC.
(a development stage company)
NOTES TO FINANCIAL STATEMENTS

1. THE COMPANY

Teligent, Inc. ("Teligent" or the "Company") (a development stage company) was formed in September 1997, as a wholly owned subsidiary of Teligent, L.L.C. On November 21, 1997 concurrent with an initial public offering of the Company's Class A Common Stock, Teligent, L.L.C. merged with and into the Company (the "Merger") with the Company as the surviving entity. Teligent, L.L.C. was originally formed in March 1996, by Microwave Services, Inc. ("MSI") and Digital Services Corporation ("DSC"), both of which, through affiliates, have extensive experience in pioneering wireless telecommunications businesses. Prior to the Merger, Nippon Telegraph and Telephone Corporation ("NTT"), through its wholly owned subsidiary NTTAT, acquired a 5% interest in Teligent L.L.C., and immediately after the Merger, acquired an additional 7.5% equity interest in the Company. All of Teligent, L.L.C.'s member interests were converted into shares of common stock upon the Merger in a manner proportionate to each member's percentage interest in Teligent, L.L.C. immediately prior to the Merger.

Teligent, currently in the development stage, intends to be a premier provider of high quality, low cost voice, data, and video telecommunications services primarily to small and medium size businesses through its own fixed local wireless point-to-multipoint broadband networks and leased long distance facilities. The Company intends to deploy its 24 GHz fixed wireless licenses in 74 major U.S. metropolitan market areas.

2. SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with maturity dates of 90 days or less at the time of purchase to be cash equivalents. Cash equivalents consist of money market fund investments and short-term commercial paper. Restricted cash and investments relates to cash and securities held exclusively to fund future interest payments and to secure letters of credit obtained by the Company.

Property and Equipment

Property and equipment is recorded at cost. Depreciation and amortization are computed on the straight-line method over the estimated useful lives of the assets: 5-10 years for operating equipment, computer equipment, and furniture, and the lesser of the life of the asset or the lease term for leasehold improvements. Maintenance and repairs are charged to expense when incurred.

Long-Lived Assets

In accordance with Statement of Financial Accounting Standards ("SFAS") No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of", management periodically reviews, if impairment indicators exist, the carrying value and lives of property and equipment and intangible assets based on expected future cash flows.

The Company uses certain property and equipment to provide service to customers on an 18 GHz frequency. However, the Company's future business plans are to deploy a 24 GHz frequency network in its capacity as a telecommunications provider. As such, the Company has recorded, as a component of depreciation expense, an impairment loss of \$8.0 million, which represents the difference between the net book value of the assets prior to the impairment loss and the estimated future cash flows to be derived by the assets.

Intangible Assets

Intangible assets, and their respective amortization lives, are as follows as of December 31, 1997:

		Years
Fixed wireless licenses	\$ 49,808,764	18
Debt financing costs	11,344,022	10
	61,152,786	
Accumulated amortization	(1,788,000)	
	<u>\$ 59,364,786</u>	

Fixed wireless licenses represent the direct costs of obtaining such licenses, including \$43.6 million acquired from FirstMax Communications, Inc. ("FirstMax" (see Note 7)). Debt financing costs represent fees and other costs incurred in connection with the issuance of long-term debt. Debt financing costs are amortized to interest expense over the term of the related debt.

Income Taxes

The Company uses the liability method of accounting for income taxes. Deferred income taxes result from temporary differences between the tax bases of assets and liabilities and the basis reported in the financial statements. Prior to the Merger, Teligent, L.L.C. was treated as a partnership for U.S. Federal income tax purposes. Therefore, no provision for income taxes was made prior to the Merger, and tax losses recognized prior to the Merger are not available to offset any future earnings of the Company.

Revenue Recognition

Revenue from providing wireless communications services is recognized when services are rendered based on usage of the Company's exchange networks and facilities. Revenue from management fees, equipment leases, and other services provided to members or affiliated companies is recognized as earned on the accrual basis.

Net Loss Per Share

During 1997, the Company adopted SFAS No. 128 ("Earnings Per Share"), which requires the Company to present basic and fully diluted earnings per share for all years presented. The Company's net loss per share calculation (basic and fully diluted) is based upon the number of common shares outstanding immediately prior to the initial public offering, as if outstanding for all periods presented similar to a stock split, plus the weighted average common shares issued subsequently through December 31, 1997. There are no reconciling items in the numerator or denominator of the Company's net loss per share calculation. Employee stock options (see note 4) have been excluded from the net loss per share calculation because their effect would be anti-dilutive.

Stock-Based Compensation

SFAS No. 123, "Accounting for Stock-Based Compensation" (SFAS No. 123), established a fair value method of accounting for employee stock options and similar equity instruments. The fair value

method requires compensation cost to be measured at the grant date, based on the value of the award, and recognized over the service period. SFAS No. 123 allows companies to either account for stock-based compensation under the provisions of SFAS No. 123 or under the provisions of APB No. 25, "Accounting for Stock Issued to Employees" ("APB No. 25"). The Company has elected to account for its stock-based compensation in accordance with the provisions of APB No. 25 and will present pro forma disclosures of net loss as if the fair value method had been adopted.

Recent Pronouncements

In June 1997, the Financial Accounting Standards Board ("FASB") issued SFAS No. 130, "Reporting Comprehensive Income" ("SFAS No. 130"), which is required to be adopted during the first quarter of fiscal 1998. SFAS No. 130 requires that an enterprise (a) classify items of other comprehensive income by their nature in the financial statements and (b) display the accumulated balance of other comprehensive income separately from retained earnings and additional paid-in capital in the Statement of Stockholders' Equity. The Company will be required to restate earlier periods provided for comparative purposes, but believes that the adoption of SFAS No. 130 will be not material to the Company's reported financial condition or results of operations.

In June 1997, the FASB issued SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information" ("SFAS No. 131"), which is required to be adopted during the year ended December 31, 1998. SFAS No. 131 changes the way public companies report segment information in annual financial statements and also requires those companies to report selected segment information in interim financial reports to stockholders. The effect of the disclosure for segment information on the Company's reported financial condition or results of operations is not expected to be material.

Reclassifications

Certain amounts in the prior periods' financial statements have been reclassified to conform to the current year's presentation.

3. CAPITAL STOCK

The Company has authorized two classes of common stock, Class A Common Stock and Class B Common Stock. The rights of the two classes of Common Stock are substantially identical, except that until the number of shares held by holders of the respective series of Class B Common Stock fall below certain thresholds, such holders will have the right to elect directors to the Company's Board of Directors as follows: a majority of the directors will be elected by the holders of Series B-1 Common Stock, one director will be elected by the holders of Series B-2 Common Stock, and one director will be elected by the holders of Series B-3 Common Stock.

The number of shares authorized, issued and outstanding at December 31, 1997, for each class of stock is summarized below.

Class	Par Value	Shares Authorized	Shares Issued and Outstanding
A	\$.01	200,000,000	8,156,410
Series B-1	.01	30,000,000	21,436,689
Series B-2	.01	25,000,000	17,206,210
Series B-3	.01	10,000,000	5,783,400

The Company has authorized 10,000,000 shares of Preferred Stock, par value \$0.1 per share, of which none are issued and outstanding.

Initial Public Common Stock Offering

In November 1997, the Company completed an initial public offering of 6,325,000 shares of Common Stock at \$21.50 per share (the "Equity Offering"), raising approximately \$125.7 million of net proceeds, after deducting approximately \$10.3 million of offering expenses.

4. STOCK-BASED COMPENSATION

Company Appreciation Rights and Appreciation Units

On September 1, 1996, Teligent, LLC granted six separate Company Appreciation Rights ("CARs") to an executive officer of the Company (the "Executive") pursuant to an employment agreement dated September 1, 1996 (The "Employment Agreement"). For each CAR, the Executive was entitled to receive a percentage of the excess of the Company's fair market value, as defined, over the target value for the CAR. The CARs vested over a period of six years.

During 1996, Teligent, LLC adopted a Long-Term Incentive Compensation Plan (the "Plan") under which an aggregate of 1,600,000 appreciation units (the "Appreciation Units") were available and granted to employees and directors of the Company.

Conversion of CARs and Appreciation Units into Stock Options

Upon consummation of the Equity Offering, all outstanding CARs and Appreciation Units were converted into options (the "Conversion Options") to purchase a number of shares of Class A Common Stock at respective exercise prices such that the intrinsic value of the stock options approximated the intrinsic value of the CARs and Appreciation Units. The stock options granted in connection with this conversion are governed by and subject to the terms of the 1997 Plan (see "1997 Stock Incentive Plan" below) and have the same vesting schedule, vesting rights and term as the applicable CAR or Appreciation Units which were converted.

Upon the conversion described above, the Company issued options to purchase an aggregate of 12,480,779 shares of the Company's Class A Common Stock at exercise prices ranging from \$3.35 to \$40.00 per share. In connection with the issuance of these options, the Company will recognize \$186.3 million of compensation expense over the vesting period of the options. The Company recognized \$84.0 million of compensation expense during the year ended December 31, 1997, (\$86.8 million for the period from March 5, 1996 (date of inception) to December 31, 1997) and will recognize additional expense up to \$99.5 million through September 1, 2002, as follows: \$25.2 million per year through 2000, \$21.4 million in 2001 and \$2.8 million in 2002.

1997 Stock Incentive Plan

The Company maintains the Teligent, Inc. 1997 Stock Incentive Plan (the "1997 Plan"). As of December 31, 1997, the maximum number of shares of common stock available for grant under the 1997 Plan was 14,729,125. Generally, all options granted under the 1997 Plan vest over a period of five years and expire ten years from the date of grant.

The Company applies the provisions of APB No. 25 in accounting for its stock-based compensation. Had compensation expense been determined in accordance with SFAS No. 123, the Company's net loss for the year ended December 31, 1997, and the periods from March 5, 1996 (date of inception) to December 31, 1996 and 1997 would have been \$161.2 million, \$12.8 million and \$173.7 million, respectively. Options arising from the conversion of CARs and Appreciation Units have been valued based on the number and exercise price of the options issued upon conversion. The weighted average fair value of options granted was \$18.57 and \$14.04 in 1997 and 1996, respectively, using the Black-Scholes option pricing model with

the following assumptions: dividend yield 0%, risk free rate interest rate of 6.6% in 1997 and 7.0% for the period from March 5, 1996 (date of inception) to December 31, 1996, an expected life of ten years, and an expected volatility of .50 in 1997 and .34 for the period from March 6, 1996 (date of inception) to December 31, 1996.

Additional information with respect to the Company's 1997 Plan is as follows:

	Number of Options	Weighted Average Exercise Price
Options at beginning of year	-	-
Converted from Appreciation Units	6,471,047	\$ 7.07
Converted from CARs	6,009,732	\$12.41
Options granted under 1997 Plan	380,450	\$22.18
Options forfeited and returned to the plan	(50,544)	\$12.94
Options outstanding at end of year	12,810,685	\$10.00
Weighted average remaining contractual life	9.4 years	
Options exercisable at end of year		
Exercise price of \$6.52	454,107	
Exercise price of \$3.35	1,001,622	
Total	1,455,729	

5. NOTES RECEIVABLE FROM EXECUTIVE AND DEFERRED COMPENSATION

The Executive's Employment Agreement provides for, among other things, a forgivable loan of \$15,000,000 with a five-year term, at an interest rate of 6.53% per year, which was advanced to the Executive from certain stockholders of the Company. The loan is recorded as a reduction to stockholders' equity in the Company's financial statements. The Employment Agreement also provides for a payment of \$5,000,000 on the fifth anniversary of the Executive's employment, or earlier in certain circumstances. The Company accrues the present value of the payment due over the expected service period of five years.

6. LONG-TERM DEBT

Public Debt Offering

In November 1997, the Company issued \$300 million of 11 1/8% Senior Notes due 2007 (the "Senior Notes"). The Company used approximately \$93.9 million of the net proceeds of this offering to purchase a portfolio of U.S. Treasury securities which are classified as restricted cash and investments on the balance sheet, and have been pledged as collateral for the payment of interest on the Senior Notes through December 1, 2000. Interest on the Senior Notes accrues at a rate of 11 1/8% per annum and is payable semi-annually on June 1 and December 1, commencing June 1, 1998.

On or after December 1, 2002, the Notes will be redeemable at the option of the Company, in whole at any time or in part from time to time, at the following prices (expressed in percentages of the principal amount thereof):

Year	Percentage
2002	105.750%
2003	103.833
2004	101.917
2005 and thereafter	100.000

Upon the occurrence of a change in control, as defined in the Senior Notes agreement, each holder of the Senior Notes will have the right to require the Company to repurchase all or any part of such holder's Senior Notes at a purchase price in cash equal to 101% of the principal amount thereof on any change of control payment date, plus accrued and unpaid interest, if any, to such change of control payment date.

Credit Facility

In December 1996, the Company entered into a loan agreement with a bank providing for a \$50.0 million senior secured revolving credit facility (the Credit Facility) which expired December 19, 1997. In November 1997, the Company used \$42.5 million of proceeds from member cash contributions to repay all outstanding amounts under the Credit Facility, which was terminated.

7. ACQUISITION

In October 1997, Teligent, L.L.C. acquired all of the outstanding stock of FirstMark, (the "FirstMark Acquisition"), for an aggregate purchase price of approximately \$42.0 million which consisted of \$10.5 million in cash and a 5% member interest in Teligent, L.L.C. valued at \$31.5 million. As a result of the Merger, the sole stockholder of FirstMark received 1,831,410 shares of Teligent, Inc. Class A Common Stock. The FirstMark Acquisition was accounted for under the purchase method of accounting. The majority of the purchase price (\$41.6 million) was allocated to the fixed wireless licenses acquired and the remaining amount was allocated to the net assets acquired. The acquisition of FirstMark would not have had a material impact on the Company's operating results for the year ended December 31, 1997 and thus no pro forma information has been disclosed herein.

8. PROPERTY AND EQUIPMENT

The amounts included in property and equipment are as follows:

	December 31, 1997	1996
Operating equipment	\$ 4,815,283	\$ 1,999,690
Computer equipment	2,105,557	183,605
Furniture and leasehold improvements	2,072,462	866,937
Systems in progress	5,178,080	3,158,768
	14,171,382	6,109,000
Accumulated depreciation	(5,985,483)	(64,051)
	\$ 8,185,899	\$ 5,444,949

9. INCOME TAXES

Income and losses were reported on the respective tax returns of the members of Teligent, L.L.C. and, therefore, no provision for income taxes was made for the period March 5, 1996 (date of inception) through December 31, 1996. As a result of the Merger, the Company has recorded income taxes in accordance with SFAS No. 109 for the year ended December 31, 1997.

The tax effects of temporary differences as of December 31, 1997 are as follows:

Deferred tax assets	\$ 2,356,383
Net operating loss carryforward	29,519,054
Stock based compensation	1,737,829
Property and equipment	1,230,400
Deferred compensation	704,100
Other	—
Total deferred tax assets	\$5,547,766
Deferred tax liability	—
Intangible assets	(13,106,847)
Net deferred tax assets	22,440,919
Valuation allowance	(22,440,919)
Total	\$ —

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. The Company has not recorded its deferred tax assets and liabilities on its balance sheet given the fact that the majority of the assets and liabilities are long term and as such have no impact on the balance sheet.

During the period ended December 31, 1997, the Company did not record an income tax provision given the significant operating losses and based on the fact that any resultant asset would be fully reserved. At December 31, 1997, the Company has a federal net operating loss carryforward of 36.9 million, which expires in the year 2017.

A reconciliation between income taxes computed using the statutory federal income tax rate (34%) and the effective rate, for the year ended December 31, 1997, is as follows:

Federal income tax (credit) at statutory rate	\$ (46,938,413)
Operating losses recognized by Teligent L.L.C.	—
for which no tax benefit is available	13,350,045
Purchase accounting adjustment	13,106,847
Net change in valuation allowance (from beginning balance of \$2,128,665)	20,312,254
Other	169,267
	\$ —

10. COMMITMENTS AND CONTINGENCIES

The Company leases various operating sites, roof-tops, storage, and administrative offices under operating leases. Rent expense was approximately \$2.3 million and \$0.9 million for the year ended December 31, 1997 and the period March 5, 1996 (date of inception) to December 31, 1996, respectively. Future minimum lease payments by year and in the aggregate, are as follows at December 31, 1997:

1998	\$ 5,013,242
1999	5,200,713
2000	5,140,898
2001	5,180,322
2002	4,223,945
Thereafter	20,614,343
	\$ 45,373,463

11. RELATED PARTY TRANSACTIONS

Employees of the parent companies of MSI and DSC performed administrative and management services on behalf of the Company. These services were billed to the Company at cost for the year ended December 31, 1997, and for the period March 5, 1996 (date of inception) through December 31, 1996, and totaled approximately \$1.7 million and \$1.5 million, respectively.

Employees of the Company are covered under certain health and benefit plans of the parent company of MSI. The Company is billed for their pro rata cost of these benefits.

The company entered into a five-year technical service agreement (the "TSA") with a subsidiary of NTT (the "Provider"). Under the terms of the TSA, the Provider will provide certain technical services to the Company relating to network design and implementation. During the first two years of the TSA which commenced December 1, 1997, the Company is required to pay the Provider a fee in the amount of \$4.0 million per year. Payments during the remaining three years shall be negotiated annually based on the scope of technical services to be provided.

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of the Company's financial instruments classified as current assets or liabilities, including cash and cash equivalents, restricted cash and investments and other assets, accounts payable and accrued expenses, approximate carrying value, principally because of the short maturity of these items. The fair value of the Company's non-current restricted cash and investments approximate carrying value based on their effective interest rates compared with market interest rates.

As of December 31, 1997, the estimated fair value and carrying amount of the Company's 11 1/2% Senior Notes due 2007 was \$301,590,000 and \$300,000,000, respectively.

13. SUBSEQUENT EVENT

On February 20, 1998, the Company completed an offering (the "Discount Notes Offering") of \$440 million 11 1/2% Senior Discount Notes due 2008 (the "Discount Notes"). The Discount Notes carry zero-coupon interest until March 1, 2003, after which the Discount Notes pay interest at 11 1/2% payable March 1 and September 1 through March 1, 2008. The Company received approximately \$243.1 million net proceeds from the Discount Notes Offering, after deductions for offering expenses of approximately \$7.6 million.

Exhibit D

Annual Report

1997 ANNUAL REPORT



The Smart Way To Communicate.

CORPORATE STRATEGY

Telecom intends to be a premier provider of low-cost, high-quality, integrated communications services—local, long distance, high speed data, Internet and video conferencing—delivered over its own digital, fixed wireless network to small and medium sized business customers in major markets throughout the country.



Letter to Shareholders

THE TEAM

• We concluded an agreement with Nortel (Northern Telecom) to supply switches and broadband wireless radio equipment, and network integration services. In addition, Nortel provided us with a vendor financing commitment of \$780 million. To date, we have installed 13 Nortel DMS-500 switches, seven of which have been installed in our initial markets.

• We built the financial platform to sustain our growth as currently planned through the year 2000. In the fourth quarter of 1997, Teligent completed its initial public offering and issued senior notes, raising \$436 million in gross proceeds. In addition, Nippon Telegraph and Telephone Corp. (NTT) invested \$100 million to purchase an 11% equity stake in the company. Its year-end 1997 Teligent had constructed cash of \$425 million, not including the \$780 million vendor financing commitment. We raised an additional \$250 million in gross proceeds in a private placement of senior discount notes in the first quarter of 1999. In short, we believe we have the liquidity and the flexibility necessary to execute our plan in an aggressive and effective manner.

• We moved into our permanent headquarters in the fourth quarter and at the same time began construction of a 50,000 square foot Teligent Operations Center in Herndon, Virginia, west of Washington, DC. The facility opened in April 1999, houses our network monitoring, national operations, information systems, and a customer care center—key elements of the infrastructure that will enable Teligent to become fully operational.

• We worked key regulatory approvals and agreements with incumbent local exchange carriers. To date, we have successfully negotiated interconnection agreements in more than 30 Teligent markets. In addition, we have obtained state authority to offer local telephone service in more than 30 markets.

Last year was a year of planning, not implementation and building infrastructure. The next two years, 1999 and 1999, are the years in which we plan to make our success come to life. As I said earlier, we are committed to aggressively launching at least

10 markets this year, beginning as early as the third quarter, and 20 more in 1999. We are well on our way to meeting—and perhaps exceeding—this goal.

We have hired and put in place five regional vice presidents. A sales force of more than 100 trained men and women has already been deployed in our initial markets. We are installing equipment. In the cities we'll enter this year, we have selected our initial wireless base station locations, identified customer building sites and began our local branding, marketing and sales efforts.

Building our brand is a critical task. We intend to accomplish this goal by offering a clearly superior range of complete, reliable and tailored local and national communications services, combined with significant savings. We plan to earn customer acceptance and loyalty by providing world-class customer care, even in the face of well-heeled, well-established competitors that already have a relationship with the business customers we hope to serve.

All of us at Teligent are excited about the challenge and opportunity ahead.

On behalf of the Board of Directors and the entire management team, I want to thank you for your support. We are excited by the challenge, thrilled with the opportunity and committed to building a company that will ultimately redefine the leading edge of communications services.



Alex J. Mandel
Chairman and Chief Executive Officer
May 11, 1999

Teligent is building
a new national
communications
network

TELIGENT CUSTOMERS

The Target Market

The Teligent opportunity was created by the changing communications needs of customers—especially the millions of small and medium-sized businesses unable to demand the preferential treatment that has been long afforded to the Fortune 500.

These customers, who contribute roughly two-thirds of the market for business communications services, have consistently told researchers of their frustration with their existing service. They have complained that they have been overlooked by communications companies that have focused on large, more established businesses.

Who are these underserved customers?

There are as diverse as medical laboratories and law offices, export companies and software developers, architecture firms and advertising agencies.

Some are located in dense urban neighborhoods. But many are situated in the growing, but less densely developed corridors that radiate from the nation's urban centers. They may have as few as five or as many as 350 phone lines.

But research has shown that they all share at least one concern. As they grow and their competition intensifies, they find themselves increasingly in need of more communications speed and capacity to take advantage of new applications—faster data transfer service, secure electronic commerce, high-speed Internet access and lower-cost video conferencing. Most importantly, they need and want these services at the most competitive prices.

These customers want equal access to the communications revolution—networks and services that will meet their needs today for basic local and long distance phone service, as well as more advanced data, Internet and video applications. But they also want a communications company that will listen—and meet—their needs in the future.

They want service that it will be as simple, fast and direct as possible, allowing them to remain competitive without draining their financial resources.

Enter Teligent, a direct-to-customer service company with a retailer's focus.

The Telecommunications Act of 1996, which opened up the markets for local telephone service to competition, opened the door for Teligent. For the first time, the latest advances in broadband technologies for voice, data and Internet access and a host of other communications options could be offered to small and medium-sized businesses. In effect, it was possible to use one bill, medium-sized businesses benefited as one package on one bill.

Free from dependence on the existing "copper" network of the incumbent telephone companies, the digital wireless communications networks being built by Teligent represent a major innovation. These networks match new technologies with existing techniques to combine higher network speeds and higher network capacity with substantial customer savings.

Teligent's service can change the way small and medium-sized businesses do business, with integrated offerings that include local, long distance, digital PBX, voice mail, "never busy" fax, calling card, toll-free 800 and 888 calling, dedicated Internet access, fractional T-1, web hosting, frame relay services, video conferencing and other advanced data and Internet services.

Whatever the custom-tailored offering, Teligent can give small and medium-sized businesses the tools they need to compete at the best possible price.

What makes this possible?

First, Teligent's commitment to small and medium-sized companies. Teligent brings simplicity, service and savings to a potential customer base that accounts for two-thirds of the \$120 billion market for business communications services. These are businesses that, for the most part, are not directly connected to fiber optics today, and are unlikely to be connected tomorrow.

Second, our retail mindset. Teligent is not focused on the wholesale business. That means we direct our resources to delivering service and customer care to business customers. Our customers will not have to compete for our time and energy with large wholesale accounts. The Teligent team, from the chairman to our sales and service professionals, is focused on the success of our small and medium-sized retail customers.

Third, we intend to be a facilities-based local service provider that does not rely on reselling the products or services of existing local exchange carriers. Because we plan to use Teligent "owned and operated" local facilities—the facilities that connect our customers to our network, and then out to other public networks—we will have a lower cost structure than other communications competitors that rely on service on existing copper local networks. And Teligent can pass those savings on to our customers.

The benefits should be immediate and measurable.

- **Simplicity.** There will be one bill, one bundle, and one point of customer contact.
- **Service.** Teligent is a local service company that will have trained personnel in every market backed by sophisticated systems, new equipment and an absolute commitment to create a competitive edge for our customers.
- **Savings.** Because of our cost-efficient networks, Teligent will offer significant savings over existing providers.
- **Speed.** Teligent's large bandwidth ensures communications move swiftly.
- **Flexibility.** Because Teligent is building new state-of-the-art billing and customer care systems, we can design those systems to meet our customers' needs. That type of flexibility enables Teligent to keep pace with rapid technological change.

Helping small
and mid-sized
businesses compete
with the giants

COMPETITIVE STRATEGY

Teligent Technology

The technology that allows Teligent to offer its best quality, broad-based services at the best possible price is advanced. But it's not rocket science.

Teligent is deploying a sophisticated form of digital signal processing and a pioneering point-to-multipoint wireless transmission system, which together will create a more efficient way to distribute information—voice, data or video—through any local communications network. But the underlying radio wave transmission principle is well established and has been tested through the years in both military and business communications applications.

The Teligent opportunity has its roots in the early 1990s, when Teligent's founding partners began applying to the Federal Communications Commission for licenses to use Teligent's radio transmissions at the high end of the radio spectrum. Teligent's founding partners believed that advances in the development of digital fixed wireless technology eventually would allow them to harness the power of those high frequency radio waves. When Congress enacted the Telecommunications Act in 1996, Teligent set out to put that spectrum to work for customers.

Teligent serves its customers by installing a small radio antenna (no larger than a computer screen) on top of their building. When a Teligent customer picks up a telephone, logs onto the Internet or begins a video conference, that signal travels on inside wiring to a small utility cabinet typically located near the rooftop antenna.

From the antenna, the signal is transmitted to a Teligent base station also situated on a rooftop. The base station aggregates and compresses voice, data and video traffic from many customer buildings, and then sends that information to a Teligent switch—either over the airwaves or through a fiber optic cable.

The Teligent switch recognizes the call as local, long distance, Internet, video or data transmission, and routes it accordingly. And because the signal is digital, the Teligent network can handle voice, video or data with equal agility.

The hardware is compact and easy to install, and the overall system produces a signal that is free from disruptions or static. And because the signal is digital and encrypted, the customer's information is safe and more secure.

Most importantly, the Teligent network architecture gives customers the speed and capacity—the bandwidth—the want and need. Teligent can offer business customers T-1 data transmission speeds of up to 1.5 megabits per second or greater. That means that a customer running at 1.5 Mbps can download a 200 megabit video file from the Internet in a little more than two minutes—instead of the one hour it would take at the current-typical copper network speed of 56 kilobits per second.

A single customer antenna can carry the equivalent of nearly 200 telephone lines. And a Teligent base station can handle the equivalent of 4,800 lines or more, with network availability of 99.99 percent.

By building and using its own networks, Teligent can ensure the highest standards of quality and avoid many of the problems associated with reselling the products and services of existing local carriers. By bypassing the existing local exchange carriers for the "last mile" connection to customers, Teligent avoids higher costs and service complexities.

A key element that boosts the economic efficiency of the Teligent network is point-to-multipoint wireless technology. Simply put, that means that a single Teligent base station can serve many customer buildings.

In 1997, Teligent successfully tested prototype point-to-multipoint equipment on a network trial in Richardson, Texas. During the first quarter of 1998, a Teligent team working in Los Angeles placed the first telephone call made over commercial available point-to-multipoint equipment deployed on the United States.

This technology—the new and innovative had to be matured and proven—gives Teligent the ability to deliver premium service at the best possible price, creating competitive equality for millions of small and medium-sized businesses.

That's not a standard, just smart communications engineering. Built on proven communications technology.

Delivering local and
long-distance phone
service and high-speed
data and Internet access

New Market Potential

A map of the United States showing the locations of 35 sampling sites. The sites are marked with black dots and are distributed across the country, with a higher concentration in the eastern half, particularly in the Northeast and Southeast. Sites are also present along the West Coast and in the central and northern regions.

	1992	1993
November 20, 1991		
December 31, 1992	62	82

Management's Discussion and Analysis of Financial Condition and Results of Operations

GENERAL

OVERVIEW

FACTORS AFFECTING FUTURE OPERATIONS



REVENUES

significant warranty-related costs in both building and maintaining the advanced information system to support hardware such as building and customer cars.

Success-based compensation. The Company's initial Employee Appreciation Rights ("EARs") for Merit Match and Application Units to employees and directors will be based on Equity Available. See note 4 to the financial statements. Stock-based compensation ("Stock Equity Awards") may also result in being awarded due to certain performance targets and therefore generate certain personal expense. Expense recognition of the Equity Offering, the Equity Award and the award of stock options of the Company, including the sales, vesting schedule, vesting rights and terms of the applicable Equity Award contracts. If the award is made at a price less than the current market price, the award will be considered to be non-qualified stock options. The offering of the Equity Award and the award of stock options resulted in total cash compensation expense of \$36.5 million, of which \$34.0 million and \$2.5 million were recorded in 1997 and 1998, respectively, and additional non-cash expense of up to \$9.5 million will be expensed over the remaining vesting period of the options as follows: \$25.2 million per year through 2000, \$2.0 million in 2001, and \$2.3 million in 2002.

Depreciation and Amortization

The Company depreciates and amortizes its property and equipment using the straight-line method over the estimated useful life of the assets ranging from five to ten years for equipment and the lesser of the life of the asset or the lease term for leasehold improvements. The Company amortizes leasehold improvements.

The Company uses cost-of-property and equipment for all assets to be quantified on an accrual basis. However, the Company's financial statements are prepared on a cash basis. Therefore, the assets are valued at the cost of the property and equipment. The Company's financial statements are prepared on a cash basis. Therefore, the assets are valued at the cost of the property and equipment. The Company's financial statements are prepared on a cash basis. Therefore, the assets are valued at the cost of the property and equipment.

with important loss and the estimated future cash flows to be derived from the assets.

Capital Expenditures

The Company's principal capital expenditures requirements include the purchase and installation of a IT base stations, network switches and switch electronics and related operations center expenditures.

Customer Premise Equipment. The purchase and installation of a IT is the largest single capital expense component in the Company's business plan and represents a success-based capital expenditure. Success-based capital expenditures afford the Company greater flexibility in its business plan and reduce the risk of deploying equipment and capital which are not associated with customers and revenues. While a certain amount of equipment must initially be installed at each base station, the majority of the equipment, and cost, will be deployed upon the number of customers acquired. As more customers are loaded onto a given base station, the initial base station equipment will be augmented with additional switches, routers, antennas and modems to meet customer demand.

The Company's CPE costs include an integrated edge gateway unit, modem, power supply, multiplexer and router equipment, line interface cards, and cables and installation materials. Portions of the CPE costs can also be shared among multiple customers in the same building, thereby reducing the capital expenditures required per customer. In addition, in the event of customer churn, the Company's CPE can be redeployed at other customer premises thereby reducing stranded assets.

Base Station Site. A base station will be able to serve customers within a 100 degree coverage area, subject to line-of-sight. Telcel expects its average coverage radius to be approximately three miles (the kilometers) depending on local conditions. A base station will typically serve approximately eight to ten cells, each of which covers a radial portion of the service area depending on coverage and capacity requirements. Each sector requires one or more radio antenna units and modems depending on the wireless deployment. A construction cost per base station site

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YEAR 2000

The Company's 2000 results are expected to be similar to 1999, with a slight increase in capital expenditures. The Company expects that its average cost per base station will be built on top of buildings or special towers and will be higher than the average cost per cell site. The Company's CPE costs include an integrated edge gateway unit, modem, power supply, multiplexer and router equipment, line interface cards, and cables and installation materials. Portions of the CPE costs can also be shared among multiple customers in the same building, thereby reducing the capital expenditures required per customer. In addition, in the event of customer churn, the Company's CPE can be redeployed at other customer premises thereby reducing stranded assets.

RESULTS OF OPERATIONS

The Company's 1999 results are expected to be similar to 1998, with a slight increase in capital expenditures. The Company expects that its average cost per base station will be built on top of buildings or special towers and will be higher than the average cost per cell site. The Company's CPE costs include an integrated edge gateway unit, modem, power supply, multiplexer and router equipment, line interface cards, and cables and installation materials. Portions of the CPE costs can also be shared among multiple customers in the same building, thereby reducing the capital expenditures required per customer. In addition, in the event of customer churn, the Company's CPE can be redeployed at other customer premises thereby reducing stranded assets.

Twelve Months Ended December 31, 1997 Compared to the Period March 5, 1996 (Inception) to December 31, 1996

The Company's 1997 results are expected to be similar to 1996, with a slight increase in capital expenditures. The Company expects that its average cost per base station will be built on top of buildings or special towers and will be higher than the average cost per cell site. The Company's CPE costs include an integrated edge gateway unit, modem, power supply, multiplexer and router equipment, line interface cards, and cables and installation materials. Portions of the CPE costs can also be shared among multiple customers in the same building, thereby reducing the capital expenditures required per customer. In addition, in the event of customer churn, the Company's CPE can be redeployed at other customer premises thereby reducing stranded assets.

Balance Sheets

	December 31, 1997	1996
Assets		
Current assets	\$ 473,090	\$ 1,302,332
Cash and cash equivalents	7,087,068	147,073
Prepaid expenses and other current assets	30,772,982	—
Restricted cash and investments	462,344,941	1,149,600
Total current assets	\$ 473,090	\$ 1,302,332
Properties and equipment, net	84,792,148	—
Restricted cash and investments	60,374,191	—
Intangible assets, net	—	150,000
Other assets	\$ 196,140,248	\$ 5,145,528
Total assets		
Liabilities and Stockholders' Equity (Deficit)		
Current liabilities	\$ 18,377,277	\$ 3,002,176
Accounts payable	1,467,473	646,972
Accrued interest and other	—	2,000,000
Resolving line of credit	—	2,750,000
Accrued computer acquisition rights	21,044,796	8,427,100
Total current liabilities	\$ 18,377,277	\$ 3,002,176
11 1/2% Senior Notes due 2047	1,189,246	292,548
Other non-current liabilities	—	—
Commitments and contingencies		
Stockholders' equity (deficit)		
Preferred stock	500,000	—
Common stock	24,058,158	—
Member contributions	496,877,243	—
Additional paid-in capital	151,596,848	12,652,660
Deficit accumulated during the development stage	285,146,222	(8,427,100)
Total stockholders' equity (deficit)	\$ 196,140,248	\$ 5,145,528
Notes payable, more than 1 year	—	1,574,550
Total stockholders' equity (deficit)		
Total liabilities and stockholders' equity (deficit)	\$ 196,140,248	\$ 5,145,528

See notes to financial statements.

Statements of Operations

	Year Ended December 31, 1997	Period from March 1, 1996, date of inception, to December 31, 1996
Revenues		
Manufacturing and other services (excluding development fees)	\$ 1,777,000	\$ 1,777,000
Wholesale and retail sales	—	—
Total revenues	\$ 1,777,000	\$ 1,777,000
Costs and expenses		
Cost of sales	1,777,000	1,777,000
Manufacturing and other services (excluding development fees)	—	—
Wholesale and retail sales	—	—
Depreciation and amortization	—	—
Other operating expenses	—	—
Total costs and expenses	1,777,000	1,777,000
Operating income	—	—
Interest expense	—	—
Income before taxes	—	—
Income tax expense	—	—
Net income	—	—
Net income per share	—	—
Weighted average common shares outstanding	—	—

See notes to financial statements.

Report No. 2000-000-000

Statements of Stockholders' Equity (Deficit)

Period from March 3, 1996, date of inception, to December 31, 1996

	Capital Contributions	A	B.1	B.2	B.3	Total	Additional Paid in Capital	Accumulated Deficit	Net Retainable from Exercise	Total
Balance at March 3, 1996										
Issuance of common stock	1,000,000					1,000,000				1,000,000
Net income										
Net loss										
Balance at December 31, 1996	1,000,000					1,000,000				1,000,000
Contributions from exercise	1,000,000					1,000,000				1,000,000
Net income										
Net loss										
Balance at March 3, 1996										
Issuance of common stock	1,000,000					1,000,000				1,000,000
Net income										
Net loss										
Balance at December 31, 1996	1,000,000					1,000,000				1,000,000

Report No. 2000-000-000

Report No. 2000-000-000

Statements of Cash Flows

Period from March 3, 1996, date of inception, to December 31, 1996

	Year Ended December 31, 1996	Year Ended December 31, 1995	Year Ended December 31, 1994
Cash flows from operating activities:			
Net income	1,000,000	1,000,000	1,000,000
Depreciation and amortization	1,000,000	1,000,000	1,000,000
Interest income	1,000,000	1,000,000	1,000,000
Interest expense	1,000,000	1,000,000	1,000,000
Net cash provided by operating activities	1,000,000	1,000,000	1,000,000
Cash flows from investing activities:			
Acquisition of property, plant, and equipment	(1,000,000)	(1,000,000)	(1,000,000)
Net cash used in investing activities	(1,000,000)	(1,000,000)	(1,000,000)
Cash flows from financing activities:			
Issuance of common stock	1,000,000	1,000,000	1,000,000
Net cash provided by financing activities	1,000,000	1,000,000	1,000,000
Net change in cash and cash equivalents	1,000,000	1,000,000	1,000,000
Cash and cash equivalents at beginning of period	1,000,000	1,000,000	1,000,000
Cash and cash equivalents at end of period	2,000,000	2,000,000	2,000,000

Report No. 2000-000-000

Notes to Financial Statements

1. THE COMPANY

Idigant Inc. ("Idigant" or the "Company," a development stage company, was formed in September 1997 as a wholly owned subsidiary of Idigant I.T.A. ("Idigant I.T.A.") pursuant to an initial public offering of the Company of Class A common stock. Idigant I.T.A. merged with and into the Company, the "Merger," with the Company as the surviving entity. Idigant I.T.A. was originally formed in March 1996 by Idigant Wireless Services, Inc. ("IWS") and Idigant Services Corporation ("ISC"), both of which through affiliates have extensive experience in providing wireless telecommunications businesses. Prior to the Merger, Idigant I.T.A. and Idigant Services Corporation ("IWS") through its wholly owned subsidiary, N.T.A. ("NTA"), acquired a 5% interest in Idigant I.T.A., and immediately after the Merger acquired an additional 75% equity interest in the Company. All of Idigant I.T.A.'s member interests were converted into shares of common stock upon the Merger in a manner proportionate to each member's percentage interest in Idigant I.T.A. immediately prior to the Merger.

Idigant, currently in the development stage, intends to be a premier provider of high quality, low cost voice, data, and video communications services primarily to small and medium sized businesses through its own fixed local wire, low point-to-multipoint broadband networks and leased long distance facilities. The Company intends to develop 24 wire fixed wireless licenses in 74 major U.S. metropolitan market areas.

2. SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with maturity dates of 90 days or less at the time of purchase to be cash equivalents. Cash equivalents consist of money market fund investments and short-term commercial paper. Restricted cash and investments relates to cash and securities held exclusively to fund future interest payments and to secure letters of credit obtained by the Company.

Property and Equipment

Property and equipment is recorded at cost. Depreciation and amortization are computed on the straight-line method over the estimated useful lives of the assets: 5-10 years for operating equipment, computer equipment and furniture; and the lesser of the life of the asset or the lease term for leasehold improvements. Maintenance and repairs are charged to expense when incurred.

Long-Lived Assets

In accordance with Statement of Financial Accounting Standards ("SFAS") No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Term Assets to be Disposed of," management periodically reviews impairment indicators such as the carrying value and loss of property and equipment and intangible assets based on expected future cash flows.

The Company uses certain property and equipment to provide service to customers on an "as-built" frequency. However, the Company's future business plans include deployment of 24 GHz frequency network in its capacity as a telecommunications provider. As such, the Company has recorded, as a component of depreciation expense, an impairment loss of \$5.0 million, which represents the difference between the net book value of the assets prior to the impairment loss and the estimated future cash flows to be derived by the assets.

Intangible Assets

Intangible assets and their respective amortization periods are as follows as of December 31, 1997:

		Years
Fixed wireless licenses	\$4,000,000	10
Debt financing costs	\$1,152,521	10
	\$5,152,521	
Accumulated amortization	\$2,000,000	
	\$3,152,521	

Fixed wireless licenses represent the date of initial obtaining such licenses including \$4.0 million acquired from EastMark Communications, Inc. ("EastMark") (see Note 7). Debt financing costs represent fees and office costs incurred in connection with the issuance of long-term debt. Debt financing costs are amortized to interest expense over the term of the related debt.

Income Taxes

The Company uses the liability method of accounting for income taxes. Deferred income taxes result from temporary differences between the tax bases of assets and liabilities and the bases reported on the financial statements. Prior to the Merger, Idigant I.T.A. was treated as a partnership for U.S. federal income tax purposes. Therefore, no provision for income taxes was made prior to the Merger, and tax losses recognized prior to the Merger are not available to offset any future earnings of the Company.

Revenue Recognition

Revenue from providing wireless communications services is recognized when services are rendered based on usage of the Company's exchange networks and facilities. Revenue from management fees, equipment leases, and other services provided to members or affiliated companies is recognized as earned on the accrual basis.

Net Loss Per Share

During 1997, the Company adopted SFAS No. 128, "Earnings Per Share," which requires the Company to report basic and diluted earnings per share for all periods presented. The Company has not two per share calculations. Basic and diluted earnings per share is calculated based on the number of common shares outstanding at the end of the period (1,000,000). During 1997, the Company had no periods of potential common stock options, plus the weighted average common shares issued subsequently through December 31, 1997. Therefore, the calculation of basic earnings per share is the same as the calculation of diluted earnings per share. Earnings per share calculations are not applicable to the Company as it has been excluded from the net loss per share calculation because there are no common shares outstanding.

Stock-Based Compensation

SFAS No. 123, "Accounting for Stock-Based Compensation," SFAS No. 123, established a fair value method of accounting for employee stock options and similar equity instruments. The fair value method requires compensation cost to be measured at the grant date, based on the value of the stock and recognized over the service period. SFAS No. 123 allows companies to either account for stock-based compensation under the provisions of SFAS No. 123 or until a company adopts APB No. 25. Accounting for stock-based compensation under the provisions of SFAS No. 123 and until a company adopts APB No. 25. The Company has elected to account for stock-based compensation accounting under the provisions of APB No. 25 and will present pro forma disclosures of net loss as if the fair value method had been adopted.

Recent Pronouncements

During 1997, the Financial Accounting Standards Board ("FASB") issued SFAS No. 130, "Reporting Comprehensive Income," SFAS No. 130, which is required to be adopted during the first quarter of fiscal 1998. SFAS No. 130 requires

that an enterprise (a) classifies items of other comprehensive income by their nature in the financial statements and (b) displays the accumulated balance of other comprehensive income separately from retained earnings and additional paid-in capital in the Statement of Stockholders' Equity. The Company will be required to state, during periods provided for comparative purposes, but believes that the adoption of SFAS No. 130 will not be material to the Company's reported financial condition or results of operations.

In June 1997, the FASB issued SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information" ("SFAS No. 131"), which is required to be adopted during the year ended December 31, 1998. SFAS No. 131 changes the way public companies report segment information in annual financial statements and also requires those companies to report selected segment information in interim financial reports to stockholders. The effect of the disclosure for segment information on the Company's reported financial condition or results of operations is not expected to be material.

Reclassifications

Certain amounts in the prior periods' financial statements have been reclassified to conform to the current year's presentation.

3. CAPITAL STOCK

The Company has authorized five classes of common stock: Class A common stock and Class B common stock. The rights of the two classes of common stock are substantially identical, except that until the number of shares held by holders of the respective series of Class B common stock fall below certain thresholds, such holders will have the right to elect directors to the Company's Board of Directors as follows: a majority of the directors will be elected by the holders of Series B-1 Common Stock; one director will be elected by the holders of Series B-2 common stock; and one director will be elected by the holders of Series B-3 common stock.

The number of shares authorized, issued and outstanding at December 31, 1997, for each class of stock is summarized below:

Class	Par Value	Shares Authorized	Shares Issued and Outstanding
A	\$10	200,000,000	83,264,410
Series B-1	01	50,000,000	21,436,609
Series B-2	01	25,000,000	17,296,210
Series B-3	01	10,000,000	5,783,190

The Company has authorized 10,000,000 shares of Preferred Stock, par value \$0.01 per share, of which none are issued and outstanding.

Initial Public Common Stock Offering

In November 1997, the Company completed an initial public offering of 6,325,000 shares of Common Stock at \$21.50 per share (the "Initial Offering"), raising approximately \$125.7 million of net proceeds after deducting approximately \$10.7 million of offering expenses.

4. STOCK-BASED COMPENSATION

Company Appreciation Rights and Appreciation Units

On September 1, 1996, Intelgent, L.P., granted six separate Company Appreciation Rights ("CARs") to an executive officer of the Company (the "Executive") pursuant to an employment agreement dated September 1, 1996 (the "Employment Agreement"). For each CAR, the Executive was entitled to receive a percentage of the excess of the Company's fair market value, as defined over the target value for the CAR. The CARs vested over a period of six years.

During 1996, Intelgent, L.P., adopted a Long-Term Incentive compensation Plan (the "Plan") under which an aggregate of 1,000,000 appreciation units (the "Appreciation Units") were available and granted to employees and directors of the Company.

Conversion of CARs and Appreciation Units into Stock Options

Upon consummation of the Initial Offering, all outstanding CARs and Appreciation Units were converted into options (the "Conversion Options") to purchase a number of shares of Class A common stock at respective exercise prices such that the aggregate value of the stock options approximated the intrinsic value of the CARs and Appreciation Units. The stock options granted in connection with this conversion are governed by and subject to the terms of the 1997 Plan (see "1997 Stock Incentive Plan" below) and have the same vesting schedule, exercise rights and terms as the applicable Class A common stock appreciation units.

Upon the conversion described above, the Company issued options to purchase an aggregate of 32,487,774 shares of the Company's Class A common stock at exercise prices ranging from \$5.93 to \$40.00 per share. In connection with the issuance of these options, the Company will recognize \$580.3 million of compensation expense over the vesting period of the options. The Company recognized \$55.9 million of compensation expense during the year ended December 31, 1997, \$59.0 million for the period from March 1, 1996, date of inception, to December 31, 1997, and will recognize additional expense up to \$99.0 million through September 1, 2002, as follows: \$25.2 million per year through 2000, \$25.0 million in 2001 and \$9.0 million in 2002.

1997 Stock Incentive Plan

The Company issued on the August 16, 1997 Stock Incentive Plan (the "1997 Plan") until December 31, 1997, the maximum number of shares of common stock available for grant under the 1997 Plan was 33,724,325 (initially, all options granted under the 1997 Plan vest over a period of five years and expire ten years from the date of grant).

The Company applies the provisions of APB No. 25 in accounting for its stock-based compensation. Had compensation expense been determined in accordance with SFAS No. 123, the Company's stock for the year ended December 31, 1997, and the periods from March 1, 1996, date of inception, to December 31, 1996 and 1997, would have been \$90.5 million, \$12.5 million and \$0.3 million, respectively. Options arising from the conversion of CARs and Appreciation Units have been valued based on the aggregate stock price of the common stock upon conversion. The weighted average fair value of options granted was \$18.77 and \$14.04 in 1997 and 1996, respectively, using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0.144%; risk-free rate of return of 6.44% and 6.0% for the period from March 1, 1996, date of inception, to December 31, 1996, and period from January 1, 1997, and an expected volatility of 30.0% and 30.0% for the period from March 1, 1996, date of inception, to December 31, 1996.

Additional information with respect to the Company's 1997 Plan is as follows:

	Number of Options	Weighted Average Exercise Price
Options at beginning of year		
Converted from Appreciation Units	8,471,041	\$ 7.10
Converted from CARs	6,609,742	\$12.41
Options granted under 1997 Plan	580,490	\$22.28
Options forfeited and returned to the plan	50,944	\$12.94
Options outstanding at end of year	12,610,388	\$10.00
Weighted average remaining contractual life	5.43 years	
Options exercisable at end of year		
At exercise price of \$6.32	454,017	
At exercise price of \$8.55	1,061,622	
Total	1,515,639	

5. NOTES RECEIVABLE FROM EXECUTIVE AND DEFERRED COMPENSATION

The Executive Employment Agreement provides for, among other things, a one-year loan of \$3,000,000 with a five-year term at an interest rate of 6.5% per year, which was advanced to the Executive from certain stockholders of the Company. The loan is recorded as a reduction to stockholders' equity in the Company's financial statements. The Employment Agreement also provides for a payment of \$3,000,000 on the fifth anniversary of the Executive's employment, or earlier in certain circumstances. The Company measures the present value of the payment due over the expected service period of five years.

6. LONG-TERM DEBT

Public Debt Offering

In November 1997, the Company issued \$300 million of 11% Senior Notes due 2007 (the "Senior Notes"). The Company used approximately \$89.5 million of the net proceeds of this offering to purchase a portfolio of U.S. Treasury securities which are classified as restricted cash and investment on the balance sheet, and have been pledged as collateral for the payment of interest on the Senior Notes through December 1, 2000. Interest on the Senior Notes accrues at a rate of 11% per annum and is payable semi-annually on June 1 and December 1, commencing June 1, 1999.

On or after December 1, 2002, the Notes will be redeemable at the option of the Company, in whole or in part, or in part from time to time, at the following prices (expressed in percentage of the principal amount thereof):

Year	Percentage
2002	(107.75)%
2003	(107.83)%
2004	(107.91)%
2005 and thereafter	(108.00)%

Upon the occurrence of a change in control, as defined in the Senior Notes agreement, each holder of the Senior Notes will have the right to require the Company to repurchase all or any part of such holder's Senior Notes at a purchase price in cash equal to 101% of the principal amount thereof on any change of control payment date, plus accrued and unpaid interest. It aims to such change of control payment date.

Credit Facility

In December 1996, the Company entered into a loan agreement with a bank providing for a \$500 million senior secured revolving credit facility (the "Credit Facility") which expired December 31, 1997. In November 1997, the Company used \$42.5 million of proceeds from member cash contributions to repay all outstanding amounts under the Credit Facility, which was terminated.

7. ACQUISITION

In October 1997, Teligent, L.L.C., acquired all of the outstanding stock of FirstMark (the "FirstMark Acquisition") for an aggregate purchase price of approximately \$47.0 million which consisted of \$10.5 million in cash and a 5% member interest in Teligent, L.L.C. (valued at \$37.5 million). As a result of the Merger, the sole stockholder of FirstMark received 1,831,410 shares of Teligent, Inc. Class A common stock. The FirstMark Acquisition was accounted for under the purchase method of accounting. The majority of the purchase price (\$47.0 million) was allocated to the intangible wireless licenses acquired and the remaining amount was allocated to the net assets acquired. The acquisition of FirstMark would not have had a material impact on the Company's operating results for the year ended December 31, 1997, and thus no pro forma information has been disclosed herein.

8. PROPERTY AND EQUIPMENT

The amounts included in property and equipment are as follows:

	1997	1996
Operating equipment	\$ 4,813,283	\$3,999,000
Computer equipment	2,103,757	(83,645)
Furniture and household improvements	2,072,462	866,947
Systems in progress	517,880	1,358,788
	14,177,382	5,180,490
Accumulated depreciation	(5,983,483)	(64,073)
	<u>\$ 8,193,899</u>	<u>\$5,116,417</u>

9. INCOME TAXES

Income and losses were reported on the respective tax returns of the members of Teligent, L.L.C., and therefore, no provision for income taxes was made for the period March 5, 1996 (date of inception) through December 31, 1996. As a result of the Merger, the Company has recorded income taxes in accordance with SFAS No. 109 for the year ended December 31, 1997.

The tax effect of temporary differences as of December 31, 1997 are as follows:

Deferred tax assets:	
Net operating loss carryforward	\$ 2,436,983
Stock-based compensation	29,570,014
Property and equipment	1,737,829
Deferred compensation	(2,836,400)
Other	704,300
Total deferred tax assets	<u>33,542,726</u>
Deferred tax liabilities:	
Intangible assets	(33,106,847)
Net deferred tax assets	<u>27,440,979</u>
Valuation allowance	(27,440,979)
Total	<u>\$ —</u>

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which these temporary differences become deductible. The Company has not recorded its deferred tax assets and liabilities on its balance sheet given the fact that the majority of the assets and liabilities are long-term and as such have no impact on the balance sheet.

During the period ended December 31, 1997, the Company did not record an income tax provision given the significant operating losses and based on the fact that any resultant asset would be fully reserved. At December 31, 1997, the Company has a federal net operating loss carryforward of \$6.9 million, which expires in the year 2017.

A reconciliation between income taxes computed using the statutory federal income tax rate, 34%, and the effective rate for the year ended December 31, 1997, is as follows:

Federal income tax credit:	
of statutory rate	\$ (469,843)
Operating losses recognized by Teligent, L.L.C. for which no tax benefit is available	13,040,645
Purchase accounting adjustment	15,066,847
Net change in valuation allowance from beginning balance of \$2,128,665	(20,912,254)
Other	<u>169,267</u>
	<u>\$ —</u>

10. COMMITMENTS AND CONTINGENCIES

The Company leases various operating sites, test beds, storage, and administrative offices under operating leases. Rent expenses are approximately \$2.5 million and \$0.9 million for the year ended December 31, 1997, and the period March 5, 1996 (date of inception) to December 31, 1996, respectively. Future minimum

Corporate Information

CORPORATE HEADQUARTERS

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Vienna, VA 22182
703 762 5190
703 762 5200 fax

INDEPENDENT AUDITORS

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Vienna, VA 22182

OUTSIDE COUNSEL

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919 Third Avenue
New York, NY 10022

TRANSFER AGENT

First Union National Bank
1825 West W.T. Harris Boulevard
Charlotte, NC 28288

STOCK INFORMATION

The Company's Class A Common Stock is listed and traded publicly on the Nasdaq National Market under the symbol TGNT.

ANNUAL REPORT ON FORM 10-K

A copy of the Company's annual report filed with the Securities and Exchange Commission is available to security holders without charge by contacting Investor Relations by mail, phone, e-mail, or by visiting the Company's web site.

INVESTOR RELATIONS

The Company's Annual Report and Quarterly Reports are available to shareholders and members of the investment community free of charge by contacting Investor Relations.

Telgent, Inc.
Investor Relations
8063 Leesburg Pike, Suite 400
Vienna, VA 22182
703 762 5204
703 762 5235 fax
ir@telgentinc.com
www.telgentinc.com

Exhibit E

Proposed Tariffs

Business Customer Interexchange Communications Services Tariff

**REGULATIONS AND SCHEDULE OF CHARGES
APPLICABLE TO
BUSINESS END USERS
FOR INTEREXCHANGE COMMUNICATIONS SERVICES
FILED WITH THE SOUTH DAKOTA PUBLIC UTILITIES COMMISSION**

Issued: November 24, 1998

Issued By:
David S. Turetsky
Vice President - Law and Regulatory
Teligent, Inc.
8005 Leesburg Pike, Suite 400
Vienna, Virginia 22182

Effective: _____

Business Customer Interexchange Communications Services Tariff

CHECK SHEET

Pages 1 through 34, inclusive of this tariff are effective as of the date shown. Revised sheets as named below contain all changes from the original tariff that are in effect on the date thereof.

Page	Number of Revisions Except as Indicated
1	Original
2	Original
3	Original
4	Original
5	Original
6	Original
7	Original
8	Original
9	Original
10	Original
11	Original
12	Original
13	Original
14	Original
15	Original
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17	Original
18	Original
19	Original
20	Original

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8065 Leesburg Pike, Suite 400
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Business Customer Interexchange Communications Services Tariff

CHECK SHEET

(Continued)

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Page	Number of Revisions Except as Indicated
21	Original
22	Original
23	Original
24	Original
25	Original
26	Original
27	Original
28	Original
29	Original
30	Original
31	Original
32	Original
33	Original
34	Original

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Business Customer Interexchange Communications Services Tariff

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Business Customer Interexchange Communications Services Tariff

TARIFF FORMAT SHEET

- A. **Page Numbering.** Page numbers appear in the upper-right corner of the page. Pages are numbered sequentially. New pages may occasionally be added to the tariff. When a new page is added, the page appears as a decimal. For example, a new page added between pages 34 and 35 would be 34.1.
- B. **Page Revision Numbers.** Page Revision Numbers also appear in the upper-right corner of the page. These numbers are used to determine the most current page revision on file with the Public Utilities Commission of South Dakota. For example, the Fourth Revised Sheet 34 cancels the Third Revised Sheet 34. Because of deferrals, notice periods, *etc.*, the most current page number on file with the Commission is not always the tariff page in effect. Business Customers should consult with check sheet for the page currently in effect.
- C. **Paragraph Numbering Sequence.** There are eight levels of paragraph coding. Each level of coding is subservient to its next higher level of coding.
- I
 - I I
 - I I I
 - I I I A
 - I I I A I
 - I I I A I (a)
 - I I I A I (a)(1)
 - I I I A I (a)(1)(i)
- D. **Check List of Effective Pages.** When a tariff filing is made with the Public Utilities Commission of South Dakota, an updated Check List of Effective Pages ("Check List") accompanies the tariff filing. The Check List lists the pages contained in the tariff, with a cross-reference to the current revision number. When new pages are added, the Check List is changed to reflect the revision. All revisions made in a given filing are designated by an asterisk (*). There will be no other symbols used on the Check List if these are the only changes made to it (i.e., the format, *etc.*). Business Customers should refer to the latest Check List to find out if a particular page is the most current page on file with the Commission.
- F. **Symbols Used in This Tariff**
- (C) To signify changed listing, rule, or condition which may affect rates or charges
 - (D) To signify discontinued material, including listing, rate, rule or condition
 - (I) To signify an increase
 - (L) To signify material relocated from or to another part of tariff schedule with no change in text, rate, rule or condition
 - (N) To signify new material including listing, rate, rule or condition
 - (R) To signify reduction
 - (T) To signify change in wording of text but not change in rate, rule, or condition.

TELIGENT, INC.

South Dakota P.U.C. Tariff No. 1
Original Sheet No. 7

Business Customer Interexchange Communications Services Tariff

APPLICABILITY OF TARIFF

This tariff applies to interexchange telephone services within the State of South Dakota.

Issued: November 24, 1998

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APPLICABILITY OF TARIFF

This tariff applies to interexchange telephone services within the State of South Dakota.

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Business Customer Interexchange Communications Services Tariff

SECTION 1 - DEFINITIONS

Access Arrangement - Any equipment or access facility necessary to connect the Business Customer's voice/data/video equipment to a Teligent Point-of-Presence for transmission purposes.

Account - Either a Business Customer's physical location or individual service represented by a unique account number within the Billing Hierarchy. Multiple Services each with a unique account number may be part of one physical location.

Accounting Code - A multi-digit code that enables a Business Customer to allocate charges to its internal accounts.

Application for Service - The Teligent order process that includes technical, billing and other descriptive information provided by the Business Customer that allows Teligent to provide requested communications Services for the Business Customer and Business Customer's Authorized Users. Upon acceptance by Teligent, the Application for service becomes a binding contract between the Business Customer and Teligent for the provision and acceptance of Services.

Authorization Code - A multi-digit code that enables a Business Customer to access Teligent's network and enables Teligent to identify the Business Customer's use for proper billing. Also called a Personal Identification Code or PIN.

Authorized User - A person, firm, or corporation, who is authorized by the Business Customer to be connected to the service of the Business Customer.

Automatic Number Identification (ANI) - The calling telephone number identification that is forwarded to Teligent's network by the Local Exchange Company (LEC) as a call is placed. ANI is provided by the LEC only when Feature Group B direct or Feature Group D interconnections are used to gain access to Teligent's telecommunications service.

Bandwidth - The information-carrying capability of a channel. Analog transmission usually is expressed in kHz or MHz and digital transmission in Kbps and Mbps.

Billing Hierarchy - Allows Business Customers to combine multiple accounts and Services into a single billing structure. Business Customers can choose whether to have all Services invoiced together, invoiced separately, or in any combination thereof. In addition the Business Customer may specify where the invoices are to be sent and who is to receive them. The Business Customer can select the data format for their invoice and call detail, microfiche or magnetic tape.

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Business Customer Interexchange Communications Services Tariff

Bit - An abbreviation of binary digit that is the smallest unit of information in a binary notation system.

Business Customer - The person, firm, company, corporation, or other entity, having a communications requirement of its own that is responsible for the payment of charges and for compliance with this tariff.

Business Customer-Provided Equipment - Telecommunications equipment provided by a Business Customer, used to originate calls using Teligent's service located at the originating location.

Business Hours - The phrase "business hours" means the time after 8:00 A.M. and before 5:00 P.M., Monday through Friday excluding holidays.

Business Office - The phrase "business office" means the primary location where the business operations of Teligent are performed and where a copy of Teligent's tariff is made available for public inspection. The address of the business office is 8065 Leesburg Pike, Suite 400, Vienna, VA 22182.

Called Station - The terminating point of a call (i.e., the called number).

Calling Station - The originating point of a call (i.e., the calling number).

Calling Area - A specific geographic area so designated for the purpose of applying a specified rate structure.

Carrier - The term "Carrier" means Teligent, Inc.

Carrier Identification Code (CIC) - A number assigned to any entity purchasing Feature Group B and/or D services. These codes are used with Feature Group B access as 950-CCCC, where CCCC equals Carrier Identification Code, and casual calling with 101CCCC.

Central Office - A Local Exchange Carrier's office where a Business Customer's lines are terminated for the purpose of offering local telephone service and to connect with interexchange carriers.

Channel or Circuit - A path for electrical or radio frequency transmission between two or more points having a bandwidth and of the Business Customer's own choosing.

Commission - South Dakota Public Utilities Commission.

Company - The term "Company" means Teligent, Inc.

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Business Customer Interexchange Communications Services Tariff

Dedicated Access Line (DSL) - A dedicated communications channel that terminates on a general access port provided by Teligent and has the capacity of a voice grade circuit.

Delinquent or Delinquency - An account for which payment has not been made in full on or before the last day for timely payment.

Dialed Number Identification Service (DNIS) designates the digits to be outpulsed for each toll free number terminating to a dedicated access facility. DNIS allows a Business Customer to receive calls to multiple toll free numbers on the same dedicated access facility.

Digital Transmission - Information transmitted in the form of digitally encoded signals.

Direct Dialed Call - A call requiring no operator assistance.

800 Number - A telephone number that can be dialed by the Business Customer toll-free. Includes numbers with NPA's of 800 888 877, etc.

Entrance Facility - The physical circuit arrangement that connects an Entrance Site to a Teligent Point-of-Presence.

Entrance Site - A location of Teligent's transmission facilities from which Services can be provided for a Business Customer to any other Entrance Site or Point-of-Presence.

Exchange Area - A geographically defined area wherein the telephone industry through the use of maps or legal descriptions sets down specified area where individual telephone exchange companies hold themselves out to provide communications services.

Exemption Certification - A written notification provided by the Business Customer certifying that Business Customer's dedicated facility should be exempted from the monthly Special Access Surcharge because (a) the facility terminates in a device not capable of interconnecting Teligent's service with the local exchange network or (b) the facility is associated with a Switched Access service that is subject to Carrier Common Line Charges.

Facility (or Facilities) - Any item or items of communications plant or equipment used to provide or connect to Teligent Services.

FCC - Federal Communications Commission

Hierarchy - See Billing Hierarchy.

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Business Customer Interexchange Communications Services Tariff

Incomplete Call - Any call where voice transmission between the calling and the called station is not established (i.e., busy, no answer, etc.)

Integrated Services Digital Network (ISDN) - A dedicated or switched (where available) originating and terminating service providing end-to-end digital connection for the simultaneous transmission of voice, data, video, imaging, fax and other communications services over multiple channels which have been combined to provide a single transmission path.

Interexchange Carrier (IXC) - A common carrier that provides long distance domestic and international communication services to the public.

Invoice Point - A level in the billing hierarchy at which accounts are grouped together (aggregated) for the purpose of billing the Business Customer.

Kilo Bits Per Second (Kbps) - The number of one-thousand bits transmitted in a one second interval.

Local Access Facility - The channel provided by the local telephone company (or other local service provider) to connect the Point-of-Presence to a Business Customer location.

Local Access Transport Area (LATA) - The phrase "Local Access Transport Area" means a geographical area established by the U.S. District Court for the District of Columbia in *United States v. Western Electric Co., Inc.*, 552 F.Supp. 151 (D.D.C. 1982), within which a local exchange company provides communication services.

Local Exchange Company (LXC) - A company that furnishes local exchange telephone services.

Location - A physical premises to or from which Teligent provides service. In instances where a Business Customer obtains service from Teligent at multiple locations, each of these locations will be designated as either "associated" or "non-associated." An "associated" location is a location that a Business Customer owns or leases, or that is occupied by a business enterprise in which the Business Customer has an equity interest of twenty (20) percent or more or which is occupied by a franchisee of the Business Customer. All locations other than "associated" locations will be considered "non-associated."

Mega Bits Per Second (Mbps) - The number of one-million bits transmitted in a one second interval.

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Business Customer Interexchange Communications Services Tariff

Minimum Annual or Monthly Commitment (MAC or MMC) - The amount of service that the Business Customer commits to purchase during each year or each month of a promotional offering. The Business Customer's MAC/MMC include charges for all Services identified in the Business Customer's agreement as contributory, after all applicable discounts. The MAC/MMC does not include non-usage charges, such as taxes, interest, surcharges, access facilities charges and other charges associated with access, fixed recurring charges, installation charges, and other non-recurring charges. If the Business Customer fails to satisfy the MAC/MCC, the Business Customer shall pay to Teligent, in addition to all other charges, the difference between the MAC/MCC and the Business Customer's actual charges for such Services for each year or month in which the Business Customer does not achieve the MAC/MCC.

XXX - The designation for the first three digits of a local telephone number where N represents 2-9 and X represents 0-9.

Nonbusiness Hours - The phrase "nonbusiness hours" means the time period after 5:00 P.M. and before 8:00 A.M., Monday through Friday, all day Saturday, Sunday, and on holidays.

Normal Work Hours - The time after 8:00 A.M. and before 5:00 P.M. Monday through Friday excluding Teligent-observed Holiday.

North American Dial Plan (NADP) - The method of identifying calls in the public network of North America, called World Numbering Zone 1. The calls are identified by their NPA (area code) - NXX (exchanger) - XXXX (station number) format.

NPA - An area code, otherwise called numbering plan area.

Off-Network Access Line (Off-Net) - A facility leased by Teligent and used in common by Business Customers to enter or exit the Teligent system. Off-Net is also known as switched service.

On-Network Access Line (On-Net) - A facility that connects a Business Customer location directly to the Teligent network for entrance or exit. On-Net is also known as dedicated service.

Other Common Carrier (OCC) - The term "other common carrier" denotes a specialized or other type of common carrier authorized by the Federal Communications Commission to provide domestic or international communications service.

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Business Customer Interexchange Communications Services Tariff

Permanent Virtual Circuit (PVC) - A virtual point-to-point (non-switched) logical link between two specific end-points over which packetized (frames) data can be transmitted according to defined service characteristics.

Point of Presence - Teligent's physical presence where Teligent maintains intercity communications channels and local distribution facilities for the purpose of providing its Services.

Premises - A building or buildings on contiguous property (except railroad rights-of-way, etc.)

Primary Interexchange Carrier (PIC) - The interexchange carrier to which a switched access line is presubscribed.

RF - Radio Frequency.

Regular Billing - A standard bill sent in the normal monthly Teligent billing cycle. This billing consists of one bill for each account assigned to the Business Customer with explanatory detail showing the derivation of the charges.

Residential Service - The phrase "residential service" means telecommunication services used primarily as nonbusiness service.

Resp Org (Responsible Organization) - The entity responsible for managing and administering Business Customers' toll free records in the 800 Service Management System (SMS 800). The SMS 800 recognizes one Resp Org for each toll free number.

Services - Teligent's regulated common carrier communications services provided under this tariff.

800 Service Management System (SMS 800) - The centralized operations support system used to create and update toll free records that are then downloaded to Service Control Points ("SCPs") for processing toll free service calls. The system is used by Resp Org to manage and administer toll free records.

Subscriber - The term "Business Customer" is synonymous with the term "subscriber."

Switch - The term "switch" denotes an electronic device that is used to provide circuit sharing, routing, and control.

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David S. Turetsky
Vice President - Law and Regulatory
Teligent, Inc.
8065 Leesburg Pike, Suite 400
Vienna, Virginia 22182

Effective _____

Business Customer Interexchange Communications Services Tariff

Timely Payment - A payment on a Business Customer's account made on or before the due date.

T-1 - A 1.544 Mbps digital transmission system equivalent to 24 voice frequency circuits/channels.

Underlying Carrier - A provider of interstate telecommunications services from whom Teligent acquires services that it resells to Business Customers.

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SECTION 2 - RULES AND REGULATIONS

2.1. Undertaking of Teligent

- 2.1.1. Teligent undertakes to provide interexchange communications services within the State of South Dakota on the terms and conditions and at the rates and charges specified herein.
- 2.1.2. Teligent installs, operates and maintains the communication services provided hereunder in accordance with the terms and conditions set forth under this Tariff. It may act as the Business Customer's agent for ordering access connection facilities provided by other carriers or entities when authorized by the Business Customer to allow connection of a Business Customer's location to the Teligent network. The Business Customer shall be responsible for all charges due for such service arrangements.
- 2.1.3. Teligent's Services and facilities are available twenty-four (24) hours per day, seven (7) days per week.

2.2. Use of Service

- 2.2.1. Services provided under this Tariff may be used only for the transmission of communications in a manner consistent with the terms of this Tariff and regulations of the Commission.
- 2.2.2. Services provided under this Tariff shall not be used for unlawful purposes. Service will not be furnished if any law enforcement agency, acting within its jurisdiction, advises that such services are being used in violation of the law.

2.3. Limitations

- 2.3.1. Service is offered subject to the availability of the necessary facilities or equipment, or both facilities and equipment, and subject to the provisions of this Tariff. The obligation of Teligent to provide service is dependent upon its ability to procure, construct, and maintain facilities that are required to meet the Business Customer's order for service. Teligent's provision of service through its own facilities requires the use of microwave transmit/receive equipment that must be located on the rooftop of the Business Customer's premises, referred to as a TAS. Teligent's microwave equipment at the TAS requires an unobstructed line-of-sight to a point of interconnection with Teligent's network at a Teligent base station or node, referred to as a TN. Teligent's equipment cannot be installed on the TAS roof top without the consent of the building owner and/or property manager(s). In addition, Teligent's equipment cannot be installed without access to the building's telephone closet(s), which may not be under the control of the Business Customer or Teligent. Therefore, the Teligent's facilities-based services are limited to the availability of rooftop access, an unobstructed line-of-sight to a point of interconnection and telephone closet access. Teligent will make all reasonable efforts to secure the necessary facilities.

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- 2.3.2 Teligent reserves the right to limit or to allocate the use of existing facilities, or to additional facilities offered by Teligent, when necessary because of lack of facilities, relevant resources, or due to causes beyond Teligent's control. In addition, Teligent reserves the right to discontinue service when the Business Customer is using the service in violation of law or the provisions of this Tariff.
- 2.3.3 Teligent does not undertake to transmit messages, but offers the use of its facilities when available, and will not be liable for errors in transmission nor for failure to establish connections.
- 2.3.4 Teligent reserves the right to refuse service to Business Customers due to insufficient or invalid charging information.
- 2.3.5 Teligent may block calls that are made to certain cities, or central office exchanges, or use certain authorization codes as Teligent, in its sole discretion, deems reasonably necessary to prevent unlawful or fraudulent use of service.
- 2.3.6 Teligent will use reasonable efforts to maintain only the facilities and equipment that it furnishes to the Business Customer. Teligent may substitute, change, or rearrange any equipment or facility at any time and from time to time, but shall not thereby alter the technical parameters of the service provided the Business Customer. Teligent shall have the right to make necessary repairs or changes in its facilities at any time and will have the right to suspend or interrupt service temporarily for the purpose of making the necessary repairs or changes in its system. When such suspension or interruption of service for any appreciable period is necessary, Teligent will give the Business Customers who may be affected reasonable notice thereof as circumstances will permit, and will prosecute the work with reasonable diligence, and if practicable at times that will cause the least inconvenience. When Teligent is repairing or changing its facilities, it shall take appropriate precautions to avoid unnecessary interruptions of Business Customer's service.
- 2.4 Liabilities of Teligent
- 2.4.1 Teligent's liability for damages arising out of mistakes, omissions, interruptions, delays, errors, or defects in the installation, provision, termination, maintenance, repair, or restoration occurring in the course of furnishing service, channels, or other facilities, and not caused by the negligence of the subscribers, commences upon activation of service. In no event does Teligent's liability exceed an amount equivalent to the proportionate charge to the Business Customer for the period of service during which such mistakes, omissions, interruptions, delays, errors or defects occur. For the purposes of computing such amount, a month is considered to have thirty (30) days.
- 2.4.2 When the facilities of other carriers are used in establishing connections to points not reached by Teligent's facilities, Teligent is not liable for any act or omission of the other carrier(s). The Business Customer will indemnify and save harmless Teligent from any third-party claims.

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TELIGENT, INC.

South Dakota P.U.C. Tariff No. 1
Original Sheet No. 17

Business Customer Interexchange Communications Services Tariff

- 2.4.3 In no event will Teligent be responsible for consequential damages or lost profits suffered by a Business Customer as a result of interrupted or unsatisfactory service. Teligent will not be liable for claims or damages resulting from or caused by: (i) Business Customer's fault, negligence or failure to perform Business Customer's responsibilities, (ii) claims against Business Customer by any other party, (iii) any act or omission of any other party, or (iv) equipment or service furnished by a third party.
- 2.4.4 Teligent does not guarantee or make any warranty with respect to any equipment provided by it where such equipment is used in locations containing an atmosphere that is explosive, prone to fire, dangerous or otherwise unsuitable for such equipment. The Business Customer shall indemnify and hold Teligent harmless from any and all loss, claims, demands, suits or other actions, or any liabilities whatsoever, whether suffered, made, instituted or asserted by the Business Customer or by any other party or persons, for any personal injury or death of any person or persons, and for any loss, damage or destruction of any property, whether owned by the Business Customer or others, caused or claimed to have been caused directly or indirectly by the installation, operation, failure to operate, maintenance, removal, presence, condition, location or use of such equipment so used.
- 2.4.5 Teligent is not liable for any defacement of, or damage to the premises of a Business Customer resulting from the furnishing of services or the attachment of equipment, instruments, apparatus, and associated wiring furnished by Teligent on such Business Customer's premises or by the installation or removal thereof, when such defacement or damage is not the result of Teligent negligence. No agents or employees of other participating carriers shall be deemed to be agents or employees of Teligent without written authorization. The Business Customer will indemnify and save harmless Teligent from any claims of the owner of the Business Customer's premises or other third party claims for such damages.
- 2.4.6 Teligent and Business Customer shall be excused from performance under this Tariff and under the application for service for any period, and to the extent that the party is prevented from performing any service pursuant hereto, in whole or in part, as a result of delays caused by the other party or an Act of God, governmental agency, war, civil disturbance, court order, labor dispute, third party nonperformance (including the failure of performance for reasons beyond the control of common carriers, interexchange carriers, local exchange carriers, suppliers and subcontractors), or other cause beyond its reasonable control, including failures or fluctuations in electrical equipment, and such nonperformance shall not be deemed a violation of this Tariff or of the application for service or grounds for termination of service. Both parties retain all rights of recourse against any third parties for any failures which may create a force majeure condition for the other party. With respect to the services, materials and equipment provided hereunder, Teligent hereby expressly disclaims all warranties, expressed or implied, not stated in this Tariff, and in particular disclaims all warranties of merchantability and fitness for a particular purpose.

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- 2.4.7 Teligent is not liable for any damages, including usage and toll charges, the Business Customer may incur as a result of the unauthorized use of its telephone facilities. This unauthorized use of the Business Customer's facilities includes, but is not limited to, the placement of calls from the Business Customer's premises, and the placement of calls through Business Customer-provided equipment that are transmitted or carried on the Teligent network. Teligent may work with Business Customers to recommend possible solutions to reduce unauthorized use of their facilities. However, Teligent does not warrant or guarantee that its recommendations will prevent all unauthorized use, and the Business Customer is responsible for controlling access to, and use of, its own telephone facilities.
- 2.4.8 Where there is a connection via Business Customer-provided terminal equipment or Business Customer-provided communications systems, the point of demarcation shall be defined as the Teligent facility that provides interconnection. Teligent shall not be held liable for Business Customer-provided access media or equipment. Any maintenance service or equipment arrangements shall be addressed on an individual case basis.
- 2.4.9 In no event will Teligent be liable for protection of Business Customer's transmission facilities or equipment from unauthorized access, or for any unauthorized access to or alteration, theft or destruction of Business Customer's data files, programs, procedure or information through accident, fraudulent means or devices or any other method.
- 2.4.10 Teligent will not be responsible if any changes in its service cause hardware or software not provided by Teligent to become obsolete, require modification or alteration, or otherwise affect the performance of such hardware or software.
- 2.5 **Responsibilities of the Business Customer**
- 2.5.1 The Business Customer is responsible for taking all necessary legal steps for interconnecting the Business Customer-provided terminal equipment or communications systems with Teligent's facilities or services. The Business Customer shall secure all licenses, permits, rights-of-way and other arrangements necessary for such interconnection. The Business Customer may not, nor may the Business Customer permit others to, rearrange, disconnect, remove, attempt to repair, or otherwise interfere with any of the facilities or equipment installed by Teligent, except upon the written consent of Teligent. The equipment Teligent provides or installs at the Business Customer's premises for use in connection with the service that Teligent offers shall not be used for any purpose other than for which it was provided.

Business Customer Interexchange Communications Services Tariff

- 2.5.2 The Business Customer shall ensure that the equipment and/or system is properly interfaced with Teligent's facilities or services, that the signals emitted into Teligent's network are of the proper mode, bandwidth, power, signal level or other technical parameters for the intended use of the Business Customer and in compliance with the criteria set forth in this Tariff, and that the signals do not damage equipment, injure personnel or degrade service to other Business Customers. If the FCC or some other appropriate certifying body certifies terminal equipment as being technically acceptable for direct electrical connection with interstate communications service, Teligent will permit such equipment to be connected with its channels without the use of protective interface devices.
- 2.5.3 If the Business Customer fails to maintain the equipment and/or system properly, with resulting imminent harm to Teligent's personnel or the quality of service to other Business Customers, Teligent may, upon written notice, require the use of protective equipment at the Business Customer's expense. If this fails to produce satisfactory quality and safety, Teligent may, upon written notice, terminate the Business Customer's service.
- 2.5.4 The Business Customer shall be responsible for securing its telephone equipment against being used to place fraudulent calls using Teligent's service. The Business Customer shall be responsible for payment of all applicable charges for services provided by Teligent and charged to the Business Customer's accounts, even where those calls are originated by fraudulent means either from Business Customer's premises or from remote locations. In addition, the Business Customer shall be responsible for all calls charged by fraudulent means to the Business Customer's calling card.
- 2.5.5 Teligent shall be indemnified and held harmless by the Business Customer against claims of libel, slander, or the infringement of copyright, or for the unauthorized use of any trademark, trade name, or service mark, arising from the material transmitted over Teligent's service, against claims for infringement of patents arising from, combining with, or using in connection with, service, Teligent's apparatus and systems of the Business Customer, against all other claims arising out of any act or omission of the Business Customer in connection with Teligent's service. The Business Customer shall be liable for:
- 2.5.5 A. Loss due to theft, fire, flood, or other destruction of Teligent's equipment or facilities on Business Customer's premises.
- 2.5.5 B. Reimbursing Teligent for damages to facilities or equipment caused by the negligence or willful acts of the Business Customer's officers, employees, agents or contractors.

Business Customer Interexchange Communications Services Tariff

- 2.5.5 C. Charges incurred with interconnect or local operating companies for service or service calls made to the Business Customer's premises or on the Business Customer's leased or owned telephonic equipment unless Teligent specifically authorizes said visit or repairs in advance of the occurrence and Teligent agrees in advance to accept the liability for said repairs or visit.
- 2.5.5 D. Payment for all Teligent service charges incurred through usage or direct action on the part of the Business Customer.
- 2.5.6 The Business Customer may be required to verify in writing that it is duly authorized to order service at all locations designated by the Business Customer for service, and assumes financial responsibility for all locations designated by the Business Customer to receive Teligent's services. If the verification (*i.e.*, a letter of authorization) cannot be produced within 5 (five) calendar days of the request, the presubscription of the Business Customer's locations are considered unauthorized.
- 2.5.7 The Business Customer shall not use the Teligent name, logo or trademark in any promotional materials, contracts, Tariffs, service bills, etc., without expressed written authorization from Teligent. The Business Customer shall not use the Teligent name, logo or trademark in any pre-sale activities. The Business Customer is prohibited from using Teligent's name or trademark on any of the Business Customer's products or services.
- 2.5.8 In instances where Teligent is connecting its service to the Business Customer's own customer-provided communications system or equipment or to any service or equipment provided by others, the Business Customer must ensure that the equipment or system must provide answer supervision upon the delivery of the call to the switching equipment or to the equipment connected to the communications system. When service is directly connected to a communications system at a Business Customer's premises, answer supervision must be provided when the call terminates in or passes through the first Business Customer premise equipment on that communications system, such as but not limited to when a call is (1) answered by a local station; (2) answered by an attendant; (3) routed to a recorded announcement; or (4) routed elsewhere by the switching system.
- 2.5.9 Any software used to provide Teligent's services is proprietary and Business Customer shall protect such software.
- 2.5.10 Business Customer may not assign or transfer any of its rights or services ordered without the prior written consent of Teligent. Teligent may assign any service orders to its parent company or any affiliate. Teligent will notify Business Customers of any such assignment.

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2.6 Application for Service

- 2.6.1 Applicants wishing to obtain service may apply for service orally with Teligent or pursuant to a completed and signed written service order.
- 2.6.2 A: Application for service may be changed by Business Customer upon written notice to Teligent, subject to acceptance and confirmation by Teligent, provided that a charge will apply to any change when the request is received by Teligent after notification by Teligent of the acceptance and confirmation. Such charge shall be the sum of the charges and costs for access facilities and other services and features and the lesser of (i) the monthly recurring rate for each service component that has been canceled as a result of the change times the appropriate minimum service period, plus the applicable installation or non-recurring charges, and (ii) the costs incurred by Teligent in accommodating each change, less net salvage. The costs incurred by Teligent will include the direct and indirect cost of facilities specifically provided or used, the costs of installation, including design preparation, engineering, supply expense, labor and supervision, general and administrative, and any other costs resulting from the preparation, installation and removal effort.
- 2.6.3 Where the Business Customer or applicant cancels an Application for service prior to the start of installation of service, or prior to the start of special construction, no charge applies. Where installation of service has been started prior to the cancellation, a cancellation charge equal to the costs incurred by Teligent shall apply, but in no case shall such charge exceed the charge for the minimum period of the service ordered, including applicable installation charges, if any. The costs incurred by Teligent will include the direct and indirect costs of facilities specifically provided or used, the cost of installation, including design preparation, engineering, supply expense, labor and supervision, general and administrative, and any other costs resulting from the preparation, installation and removal effort. If Teligent should assume a termination liability or other obligation for an access facility, that liability or obligation shall be the responsibility of the Business Customer.

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2.7. Establishing Credit, Deposits and Advance Payments

- 2.7.1. Each applicant for service will be required to establish credit. Any applicant whose credit has not been duly established to the sole and exclusive satisfaction of Teligent may be required to make an advance payment and/or make a deposit to be held as a guarantee of payment of charges at the time of application.
- 2.7.1.A. The maximum deposit for a new account shall not exceed the monthly recurring charges for one month's service, plus estimated toll or usage charges for two (2) months.
- 2.7.1.B. Deposits required for existing accounts shall not exceed the monthly recurring charges for one month's local exchange service, plus the highest actual toll or usage charges for two (2) consecutive months within the preceding 12 months.
- 2.7.1.C. Deposits will be refunded after 24 consecutive months, if the Business Customer's credit standing is satisfactory to Teligent. In the event that the Business Customer discontinues service with Teligent prior to the refund of the Business Customer's deposit, then Teligent shall have the right to apply said deposit to any unpaid balance remaining due and payable to Teligent.
- 2.7.1.D. The rate of interest will be the rate paid on deposits as specified in Wis. Admin Code PSC 165.051(5) from the date a deposit is made to the date it is applied to an account balance or is refunded.
- 2.7.2. Service may be discontinued for failure to furnish a suitable deposit pursuant to Section 2.7.1 above, when conditions appear to require Teligent to have such credit protection. Initial deposits may be required of Applicants or existing customers. If a deposit is requested, the customer may be required to pay the deposit within 10 days after issuance of written notice of termination and requested deposit, or, in lieu of the deposit, the Customer may elect to pay the current usage within 10 days after issuance of written notice of termination and requested deposit.
- 2.7.3. When making applications for service, the applicant may be required to pay at the time the application is accepted, the service connection charge, if applicable, and the first month's charges for exchange service, excluding charges for local messages in excess of the monthly guarantee. This provision will not be applied if a deposit is collected. In all cases, the regular monthly charges for service are payable as specified in this Tariff. The provisions of this paragraph affect the initial payment only and not the subsequent billing and collecting practices as elsewhere provided in this Tariff.

Business Customer Interexchange Communications Services Tariff

- 2.7.4. The amount of the advance payment (not including the service connection charge) is credited to the customer's account and applied against any indebtedness under the tariff.
- 2.7.5. The fact that a deposit has been made or a Guaranty provided, shall in no way relieve the Customer from complying with Teligent's regulations as to the prompt payment of bills, nor constitute a waiver or modification of the regular practices of Teligent providing for the temporary suspension of service or the termination of the service contract for nonpayment of bills.
- 2.7.6. If an applicant or customer, seeking to establish or reestablish credit under the provisions of these regulations, is dissatisfied with Teligent's decision regarding establishment of service or disputes a bill, Teligent shall direct its personnel to inform the applicant or customer, of the right to have a supervisor review the decision by contacting Teligent at the address shown below. A complaint may be submitted either verbally or in writing to the following:

Vice President - Law and Regulatory
Teligent, Inc.
8065 Leesburg Pike
Suite 400
Vienna, VA 22182
(1-800-689-9367)

- 2.7.7. If an applicant or business customer, seeking to establish or reestablish credit under the provision of this Tariff, is dissatisfied with Teligent's decision regarding establishment of service, the applicant or business customer has the option to pursue the matter with the South Dakota Public Utilities Commission. A complaint may be submitted either verbally or in writing to the following:

South Dakota Public Utilities Commission
500 East Capitol
Pierre, South Dakota 57501-5070
(605) 773-3201
(800) 332-1782

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2.8 Payment of Charges

- 2.8.1 The Business Customer is responsible for the payment of all charges for facilities and services furnished by Teligent to the Business Customer and to all users of the services, regardless of whether those services are used by the Business Customer itself or are resold to or shared with other persons.
- 2.8.2 Non-recurring charges are due and payable as specified on the bill. The rates for non-recurring charges will be those in effect as of the date of the invoice.
- 2.8.3 For billing of monthly charges, service is considered to be established upon the day in which Teligent notifies the Business Customer of installation and testing of the Business Customer's service. A Business Customer's first invoice may contain monthly recurring charges from previous periods for service provided from the date of installation through the current invoice period. Teligent shall present invoices for recurring charges monthly to the Business Customer, in advance of the month in which service is provided, and recurring charges shall be due and payable as specified on the bill. The rates for recurring charges will be those in effect as of the date of the invoice.
- 2.8.4 When billing is based on customer usage, charges will be billed monthly for the usage in preceding billing periods. When service does not begin on the first day of the month, or end on the last day of the month, the charge for the fraction of the month in which service was furnished will be calculated on a pro rata basis. For this purpose, every month is considered to have 30 days. Business Customer will be billed for all usage accrued beginning immediately upon access to the service. The rates charged to a Business Customer for usage charges will be the rates in effect on the first day of the Business Customer's billing cycle.
- 2.8.5 Bills are due and payable as specified on the bill, the due date will not be less than twenty-one (21) days after the date of the postmark on the bill. The Business Customer's first bill may be issued up to ninety (90) days after the date of installation.
- 2.8.6 Bills may be paid by mail or in person at the business office of Teligent or an agency authorized to receive such payment. All charges for service are payable only in United States funds. Payment may be made by cash, check, money order, cashier's check, or electronic funds transfer. Business Customer payments are considered prompt when received by Teligent or its agent by the due date on the bill. If the Business Customer remits to Teligent on more than one occasion during a twelve (12) month period a check, draft, or other instrument that is dishonored, Teligent may refuse acceptance of future checks and place the Business Customer on a "cash basis," pursuant to which Teligent has the right to refuse acceptance of anything as payment other than United States currency, United States Postal Service money orders, or cashier's check.

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- 2.8.7 If Teligent does not receive any portion of the payment, or if Teligent receives any portion of the payment in funds that are not immediately available, by the due date, then a late payment penalty shall be due to Teligent. The late payment penalty shall be the portion of the payment not received by the due date, multiplied by the one and one half percent (1.5%) late charge. Unpaid amounts are subject to a late fee every subsequent due date to the extent the amount remains unpaid.
- 2.8.8 Teligent may assess up to a twenty-five dollar (\$25.00) charge for each returned check.
- 2.8.9 Any disputed charge may be brought to Teligent's attention by verbal or written notification. In the case of a billing dispute between the Business Customer and Teligent that cannot be settled to their mutual satisfaction, the undisputed portion and subsequent bills must be paid on a timely basis, or the service may be subject to disconnection. The Business Customer may request an in depth investigation into the disputed amount and a review by a Teligent manager. During the period that the disputed amount is under investigation, but in no event to exceed 60 days, Teligent shall not pursue any collection procedures or assess late fees with regard to the disputed amount. The Business Customer shall be required to pay the undisputed part of the bill as established in 23.46 of the Commission's Substantive Rules, and if not paid, Teligent may discontinue service. In the event the dispute is not resolved, Teligent shall inform the Business Customer that the Business Customer has the option to pursue the matter with the Commission. If there is still a disagreement after investigation and review by Teligent supervisory personnel, the Business Customer has the option to pursue the matter with the Commission. A complaint may be submitted either verbally or in writing to the following:

South Dakota Public Utilities Commission
500 East Capitol
Pierre, South Dakota 57501-5070
(605) 773-1201
(800) 332-1782

- 2.8.10 All requests for call credits due to bad connection, disconnection, wrong number dialed, etc. shall be made through Teligent's business office. Carrier will make no refund of overpayments unless the claim for such, together with proper evidence is submitted within one (1) year from the date of alleged overpayment. In calculating refunds, usage discounts will be adjusted based on total usage after all credits or adjustments have been applied. In the event of a billing error resulting in an overbilling or overcharge to its Business Customers, Teligent may refund the amount overbilled or overcharged, by means of a pro-rata credit to the account of all existing Business Customers on a date certain, or by check if the account is final, or if so request by the Business Customer.

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- 2.8.11. Teligent will charge a processing fee to a Business Customer who requests a copy of a bill that has already been issued to such Business Customer, unless the Business Customer informs Teligent within thirty (30) days of the issuance of the bill that the original bill was not received. If a Business Customer or the Business Customer's representative thereafter requests additional copies of bills the following fees will be charged:

Bills dated within 90 days prior to receipt of the request	\$5.00 per bill, plus \$0.25 for each Telephone number reflected on bill over Five numbers.
Bills dated more than 90 days but less than twelve months previously	\$10.00 per bill, plus \$0.25 for each Telephone number reflected on bill over Five numbers.
Bills dated more than 12 months, but less than 48 months previously	\$50.00 per bill, plus \$0.25 for each Telephone number reflected on bill over Five numbers.

Teligent shall charge a processing fee to any party that subpoenas or otherwise lawfully seeks to compel the provision of a copy or copies of a bill(s) in connection with any lawful investigation or lawsuit. The processing fee for any requested bill(s) is \$5.00 per bill if the invoice date is less than ninety (90) days prior to the date of the request, \$10.00 per bill if the invoice date is more than ninety (90) days and less than twelve (12) months prior to the date of the request and \$50.00 per bill if the invoice date is more than twelve (12) months prior to the date of the request.

Teligent will not provide a copy of a bill that is over four (4) years old.

- 2.8.12. If billing for Teligent's services are found to differ from Teligent's tariffed rates, or if Teligent fails to bill the Business Customer for such services, Teligent will calculate a billing adjustment. If the Business Customer is due a refund, an adjustment shall be made for the entire period of the overcharges.

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- 2.8.13 Any applicant or one for whom an application is made, owning Teligent for service furnished under a former contract, shall pay or make satisfactory arrangements for paying any bill outstanding and unpaid for such service, before any additional service will be furnished. Teligent will provide proof of past indebtedness, which includes copies of billing records and related documentation, verification of Tariff rates used and documentation of all other elements of any bill required to be paid as a condition of service restoration.

2.9 Interruption of Service

- 2.9.1 A credit allowance will be issued to the Business Customer for the interruption of service that is not due to Teligent's testing or adjusting, an act, omission, or negligence of the Business Customer, the failure of channels or equipment provided by the Business Customer, or electric power failure where the Business Customer furnishes such electric power. Interruption of service is subject to the general liability provisions set forth herein. It shall be the obligation of the Business Customer to notify Teligent immediately of any interruption in service for which a credit allowance is desired. Before giving such notice, the Business Customer or end user shall ascertain that the trouble is not being caused by any action, omission, or negligence by the Business Customer within his or her control, electric power failure where the Business Customer furnishes such electric power, or wiring or equipment, if any, furnished by the Business Customer and connected to Teligent's facilities.
- 2.9.2 The Business Customer shall be credited for an interruption of 12 hours or more. The amount of the credit will be the greater of 1/30th of the monthly charge for the facilities affected or 1/720th of the monthly charge for the facilities affected for each hour or major fraction thereof that the interruption continues. For purposes of credit computation, every month shall be considered to have 720 hours.

Credit Formula

$$\text{Credit} = A \times 720 \times B$$

"A" = outage time in hours

"B" = total monthly charge for affected facility

- 2.9.3 The credit will appear on the subsequent bill for service. A check in the amount of the credit will be issued if the interruption occurs during the Business Customer's final billing cycle and the Business Customer's final bill shows no amount owed.

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2.10 Restoration of Service

- 2.10.1 The use and restoration of service shall be in accordance with the priority system specified in part 64, Subpart D of the Rules and Regulations of the Federal Communications Commission.

2.11 Disconnection of Service by Business Customer

- 2.11.1 By giving advance written notice, Business Customer may disconnect service at any time following its minimum service requirement(s).
- 2.11.2 Teligent will have up to 30 days to complete disconnect. Business Customer will be responsible for all charges for 30 days or until disconnect is effected, whichever is sooner. This 30 day period will begin upon receipt of the written notification from the Business Customer. However, in the event that Business Customer continues to utilize Teligent's services beyond the date upon which the services are to be disconnected, the Business Customer will be liable for the usage charges incurred.
- 2.11.3 For non-usage sensitive charges Business Customers will be liable for the entire monthly recurring charge during the month Business Customer's service terminates.
- 2.11.4 If the Business Customer disconnects service prior to the end of a term plan, the termination liabilities associated with the term plan will apply.
- 2.11.5 If the Business Customer is not satisfied with Teligent's services during the first 3 months of service, Teligent will pay the installation and activation fees to reconnect the Business Customer's prior services back to its prior service provider.

Issued: November 24, 1998

Issued By
David S. Turetsky
Vice President - Law and Regulatory
Teligent, Inc.
8065 Leesburg Pike, Suite 400
Vienna, Virginia 22182

Effective: _____

Business Customer Interexchange Communications Services Tariff

2.12 Cancellation for Cause

2.12.1 Teligent, by giving five (5) days prior written notice to the Business Customer or applicant may immediately cancel the application for or discontinue service without incurring any liability for any of the following reasons:

2.12.1.A Non-payment of any sum due to Teligent for service for more than 30 days beyond the date of rendition of the bill for such service. In the event Teligent terminates service for nonpayment, the Business Customer may be liable for all reasonable costs of collection including reasonable court costs, expenses and fees, or

2.12.1.B Non-payment of any sum due to Teligent for service for more than 30 days beyond rendition of the bill on any Teligent account regardless of whether the application or service being canceled is related or unrelated to the account or service for which the sum is past due, or

2.12.1.C A violation of or failure to comply with, any regulation of this Tariff if the noncompliance is not corrected within that ten (10) day period.

2.12.1.D Teligent confirms that both a phone number and mailing address are no longer valid for the Business Customer, or

2.12.1.E Teligent is prohibited from furnishing service by order of a court or other government authority having jurisdiction.

2.12.1.F The discontinuance of service(s) by Teligent pursuant to this section does not relieve the Business Customer of any obligation to pay Teligent for charges due and owing for service(s) furnished up to the time of discontinuance.

2.12.2 If service is terminated by Teligent for any cause set forth above and the Business Customer has subscribed to service under a term plan, the Business Customer will be charged the termination liability associated with the term plan.

Business Customer Interexchange Communications Services Tariff

- 2.12.3 Service may also be discontinued if the Business Customer fails to post the deposit required by the Tariff.
- 2.12.4 If service is disconnected for non-payment the Business Customer may restore service by full payment in any reasonable manner including by personal check. However, Teligent may refuse to accept a personal check if a Business Customer's check for payment of service has been dishonored, excepting bank error, within the last twelve months. There is a charge for restoration of service after disconnection; if, however, the equipment necessary for service has been removed, a complete activation fee will apply.
- 2.13 Notice and Communication
- 2.13.1 The Business Customer shall designate on the Application for service an address to which Teligent shall mail or deliver all notices and other communications except that Teligent may also designate a separate address to which Teligent's bills for service shall be mailed.
- 2.13.2 Teligent shall designate on the Application for service an address to which the Business Customer shall mail or deliver all notices and other communications, except that Teligent may designate a separate address on each bill for service to which the Business Customer shall mail payment on that bill until designated by Teligent. Until otherwise designated, all notices or other communications required to be given pursuant to this Tariff shall be made in writing to Teligent, Inc., 8065 Leesburg Pike, Suite 400, Vienna, Virginia 22182 or by calling Teligent's toll-free customer service number 1-800-689-9367.
- 2.13.3 Notices and other communications of either party, and all bills mailed by Teligent, shall be presumed to have been delivered to the other party on the third business day following placement of the notice, communication or bill with the U.S. Mail or a private delivery service, prepaid and properly addressed, or when actually received or refused by the addressee, whichever occurs first.

Business Customer Interexchange Communications Services Tariff

2.13.4 Teligent or the Business Customer shall advise the other party of any changes to the addresses designated for notices, other communications or billing, by following the procedures for giving notice set forth herein.

2.13.5 The Commission's address is:

South Dakota Public Utilities Commission
500 East Capitol
Pierre, South Dakota 57501-5070
(605) 773-3201
(800) 332-1782

2.14 Title to Facilities

Title to all facilities provided by Teligent in accordance with this Tariff remains with Teligent. The Business Customer has no property right in the assigned telephone number and none can be acquired by usage or otherwise. Teligent reserves the right to assign, designate, or change such numbers when reasonably necessary in the conduct of its business. Telephone numbers of Business Customers who discontinue service may be reassigned 30 days from the date of discontinuance of service.

2.15 Taxes, Surcharges and Utility Fees

Business Customer is responsible for the payment of all state, local and E911 taxes, surcharges, utility fees, or other similar fees (*i.e.*, gross receipts tax, sales tax, municipal utilities tax) that may be levied by a governing body or bodies in conjunction with or as a result of the service furnished under this Tariff. These charges will appear as separate line items on the Business Customer's bill and are not included in the rates contained in this Tariff. There shall be added to the Business Customer's bill for service, an additional charge equal to the pro rata share of any occupation, franchise, business, license, excise privilege or other similar charge or tax, now or hereafter imposed upon the gross receipts or revenue of Teligent by any municipal taxing body or municipal authority whether by statute, ordinance, law or otherwise, and whether presently due or to hereafter become due. The charge applicable to each Business Customer will appear as a separate line item on the Business Customer's regular monthly bill and shall be determined on a basis equal to the tax levied by each municipal taxing body or municipal authority.

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Vice President - Law and Regulatory
Teligent, Inc.
8065 Leesburg Pike, Suite 400
Vienna, Virginia 22182

Effective: _____

Business Customer Interexchange Communications Services Tariff

2.16 Access to Telephone Relay Service

When required by the Commission, Teligent will participate in telephone relay service for handicapped or hearing-impaired Business Customers, and will comply with all regulations and requirements relating thereto.

2.17 Special Construction

At the Business Customer's request, installation and/or maintenance may be performed outside Teligent's regular business hours or in hazardous locations. In such cases, charges based on cost of the actual labor, material, or other costs incurred by or charged to Teligent will apply. If installation is started during regular business hours but, at the Business Customer's request, extends beyond regular business hours into time periods including, but not limited to, weekends, holidays, and/or night hours, additional charges may apply. Subject to the agreement of Teligent and to all of the regulations contained in this Tariff, special construction of facilities may be undertaken on a reasonable efforts basis at the request of the Business Customer. Special construction is that construction undertaken:

1. Where facilities are not presently available, and there is no other requirement for the facilities so constructed; or
2. Is of a type other than that which Teligent would normally utilize in the furnishing of its services; or
3. Over a route other than that which Teligent would normally utilize in the furnishings of its services; or
4. In a quantity greater than that which Teligent would normally construct; or
5. Is required on an expedited basis; or
6. Is needed on a temporary basis until permanent facilities are available; or
7. Involves abnormal costs; or is
8. Built in advance of its normal construction.

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Business Customer Interexchange Communications Services Tariff

SECTION 3 - DESCRIPTION OF SERVICES AND RATES3.1 Long Distance Service Offering

Switched service Customers must commit to at least \$250.00 per month and Dedicated service Customers must commit to at least \$1500 per month to receive this service. Teligent's Long Distance Service is currently only available to Customers currently subscribing to Teligent's Discount Pricing Plan services in another state.

Should the Customer's billed charges not meet the minimum monthly commitment in a given month, then Teligent will charge the Customer the difference between the minimum monthly commitment and the actual billed charges for that month.

Switched Access	\$0.1550 per minute
Dedicated Access	\$0.1080 per minute

3.2 Timing of Calls

The Customer's charge is based on the actual usage of Teligent's network. Usage begins when the called party picks up the receiver. When the called party picks up is determined by hardware answer supervision in which the local telephone company sends a signal to the switch or the software utilizing audio tone detection. When software answer supervision is employed, up to sixty (60) seconds of ringing is allowed before it is billed as usage of the network. Chargeable time ends when either party hangs up, thereby releasing the network connection.

3.3 Minimum Call Completion Rate

A Customer can expect a call completion rate (number of calls completed/number of calls attempted) of not less than 99% during peak use periods for all Feature Group D services.

3.4 Service Contract Terms

Teligent's Services are available in contract terms of (a) month-to-month, (b) one-year, or (c) two-year. A month-to-month service contract term obligates the customer to a minimum service commitment of 30 days.

Teligent's Dedicated Services are available in contract terms of (a) one-year, or (b) two-year.

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0150.56.108

Business Customer Interexchange Communications Services Tariff

SECTION 4. PROMOTIONAL OFFERINGS AND DISCOUNTS

4.1 Overview

From time-to-time, Teligent will provide promotional offerings to its Customers. Such offerings will be limited to certain dates, times and locations. The specified terms and conditions of each promotional offering will be described herein. Discounts may be combined unless otherwise noted. All promotional offerings and discounts will be contained herein.

4.2 Non-Regulated Promotions Involving Tariffed Services

From time-to-time, Teligent may conduct contests or other promotions such as described in this Section 5 which offers customers of certain Teligent tariffed services certain non-regulated, non-tariffed or non-communications related goods or services in connection with the particular contest or promotion. Under no circumstances will such an offering constitute a change in the rates charged to, or received from, the customer of the Teligent tariffed service offering involved. Such services will continue to be provided to the end-user pursuant to applicable tariffed rates for such service specified herein. Should any offering of this nature involve a temporary change in the rate charged for a tariffed offering, e.g., a monetary rebate, a cash *à la carte*, a credit on a subsequent month's bill or any other type of direct monetary consideration tied to usage of the Teligent tariffed offering, Teligent will separately tariff such promotion in accordance with Commission rules.

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David S. Turetsky
Vice President - Law and Regulatory
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8065 Leesburg Pike, Suite 400
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THIS MULTI-TONE AREA OF THE DOCUMENT CHANGES COLOR GRADUALLY AND EVENLY FROM DARK TO LIGHT WITH DARKER AREAS BOTH TOP AND BOTTOM.



The Smart Way To Communicate
8065 Leesburg Pike
Vienna, Virginia 22182

NO. 16989

BB-7230
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11/24/98

*****\$250.00

PAY

PAY ONLY **250.00**
CTSCS

TO THE
ORDER OF

South Dakota Public Util. Com.
500 East Capitol
Pierre SD 57501-5070

VOID AFTER 90 DAYS

FIRST UNION NATIONAL BANK
OF VIRGINIA
Denton, Virginia 22724

VOID OVER \$250.00

Checks Over \$25,000 Require 2 Signatures

⑈0000016989⑈ ⑆256072701⑆ 207992001698⑈

0150.56.1110

South Dakota Public Utilities Commission

WEEKLY FILINGS

For the Period of November 26, 1998 through December 2, 1998

If you need a complete copy of a filing faxed, overnight expressed, or mailed to you,
please contact Delaine Kolbo within five business days of this filing
Phone: 605-773-3705 Fax: 605-773-3809

TELECOMMUNICATIONS

TC98-206 In the Matter of the Application of New Millennium ConQuest Service Corporation for a Certificate of Authority to Provide Telecommunications Services in South Dakota

Application by New Millennium ConQuest Service Corporation for a Certificate of Authority to provide resold intrastate telecommunications services in the state of South Dakota. Proposed services include direct dial outbound service and operator assisted services.

Staff Attorney: Karen Cremer
Staff Analyst: Kylie Tracy
Date Filed: 11/30/98
Intervention Deadline: 12/18/98

TC98-207 - In the Matter of the Application of Teligent, Inc. for a Certificate of Authority to Provide Telecommunications Services in South Dakota

Teligent, Inc. will offer its services to small-to-medium sized business customers and other carriers. In the future, should a market demand exist, Teligent may also offer residential services. Teligent will be a reseller of long distance services and will not be building, servicing or maintaining any facilities or equipment of its own.

Staff Attorney: Karen Cremer
Staff Analyst: Harlan Best
Date Filed: 11/30/98
Intervention Deadline: 12/18/98

Please Note: On last weeks filings list the analyst for NG98-011 - In the Matter of the Application of MidAmerican Energy Company for Authority to Increase Rates for Natural Gas Service was Bob Knadle and not Leni Healy

You may receive this listing and other PUC publications via our website or via internet e-mail
You may subscribe to the PUC mailing list at <http://www.state.sd.us/puc/>



Teligent

10000 10th Avenue, Suite 200
Denver, CO 80202
Tel: 303.733.1234
Fax: 303.733.1235
www.teligent.com

January 29, 1999

VIA OVERNIGHT MAIL

William Bullard, Secretary
South Dakota Public Service Commission
500 East Capitol
Pierre, South Dakota 57501-5070

Re: *Teligent, Inc.'s Application for Certificate of Authority to Provide Interexchange Service in South Dakota, SDPUC Docket TC98-207*

Dear Mr. Bullard:

Teligent, Inc. ("Teligent") herby submits an original and ten (10) copies of its responses to the interrogatories propounded by Harlan Best on December 2, 1998 as well as its accordingly revised tariff sheets. These responses are provided in support of Teligent's pending Application for Certificate of Authority to Provide Interexchange Service in South Dakota, SDPUC Docket TC98-207.

1. Teligent's tariff at 2.4.1, 2.4.3 and 2.4.4 (after the first sentence) attempts to limit liability of the company. Under South Dakota law, specifically SDCL 49-13-1 and 49-13-1.1, a person has the right to claim damages from a telecommunications company either before the Commission or a court of competent jurisdiction. Before bringing this application before the Commissioners for consideration, is your client willing to voluntarily rescind these tariff provisions? If so, please resubmit the appropriate tariff sheets with the provisions removed. Should you or your client wish to discuss this further, please contact Karen Cremer, staff attorney.

Response

The provisions of Teligent's tariff at Sections 2.4.1, 2.4.3, and 2.4.4 essentially mirror or have the same effect as the limitation of liability provisions currently in effect in US West Communications, Inc.'s Exchange and Network Services Tariff, Section 2, Page 25 at Section 2.4.1(A)(1 through 3), as well as those appearing in many other Commission-approved and currently effective tariffs. To require Teligent to remove these industry standard provisions, which have been approved in numerous jurisdictions nationwide, as well, places Teligent at a competitive disadvantage.

However, in order to facilitate its entry into the South Dakota interexchange telecommunications market, Teligent, files herewith its revised tariff pages containing the revisions requested by the Commission. Teligent respectfully reserves the right to appeal or contest the Commission's requirement that sections 2.4.1, 2.4.3 and 2.4.4 of its tariff be removed or modified.

2. Please provide a copy of the "sole and exclusive satisfaction" guidelines that are used to determine an applicant's credit. This appears at 2.7.1.

Response:

Section 2.7 of Teligent's proposed tariff has voluntarily been withdrawn. A copy of the revised page and section is enclosed with this letter.

3. Please provide a copy of the "credit standing is satisfactory" guidelines that are used to refund a deposit. This appears at 2.7.1.C.

Response:

Section 2.7 of Teligent's proposed tariff has voluntarily been withdrawn. A copy of the revised page and section is enclosed with this letter.

4. Please cite to South Dakota administrative rules for the interest rate not Wisconsin. This appears at 2.7.1.D.

Response:

Section 2.7 of Teligent's proposed tariff has voluntarily been withdrawn. A copy of the revised page and section is enclosed with this letter.

5. What is "23.46 of the Commission's Substantive Rules"? This appears at 2.8.9.

The reference to "23.46 of the Commission's Substantive Rules" was inadvertently included in Teligent's proposed tariff. The language has been withdrawn, and Section 2.8.9 has been revised accordingly. A copy of the revised page and section is enclosed with this letter.

6. Please strike the second paragraph of 2.8.11.

Response:

The second paragraph of Section 2.8.11 has been withdrawn from the proposed tariff. A copy of the revised page and section is enclosed with this letter.

7. Please explain the second sentence of 3.1 Long Distance Service Offering.

Response:

Teligent's Long Distance Service Offering, pursuant to Section 3.1, is based on a service commitment level. Specifically, customers taking switched service must commit to billing usage minimum of \$250.00 per month, and dedicated service customers must commit to billing usage minimum of \$1500.00 per month. Included in the Service Commitment Level description is Teligent's policy with regard to the handling of customer's not meeting the minimum monthly commitment levels. Section 3.1 has voluntarily been restructured so that it may be easier to understand. A copy of the revised page and section is enclosed with this letter.

8. At tariff cite 4.2, the end of the first line, please change the 5 to a 4.

Response:

Section 4.2 has been revised accordingly. A copy of the revised page and section is enclosed with this letter.

9. Please change the wording of the last sentence in 4.2 to state that all promotions will be filed with the SDPUC prior to implementation.

Response:

Section 4.2 has been revised accordingly. A copy of the revised page and section is enclosed with this letter.

10. Is Teligent, Inc. willing to post a \$25,000 security bond with the SDPUC in order for its application to be approved?

Response:

No. Teligent has voluntarily removed from its tariff all reference to deposits and advance payments. Teligent will not seek to collect customer deposits.

Please call Scott Anderson, Teligent's Tariff Coordinator, or myself with any questions or comments regarding this submission. Thank you for your attention concerning this matter.

Respectfully submitted,



Erik J. Cecil
Regulatory Counsel

Enclosures

Cc: Terri B. Natoli, Associate General Counsel

Business Customer Interexchange Communications Services Tariff

- 2.3.2 Teligent reserves the right to limit or to allocate the use of existing facilities, or to additional facilities offered by Teligent, when necessary, because of lack of facilities, relevant resources, or due to causes beyond Teligent's control. In addition, Teligent reserves the right to discontinue service when the Business Customer is using the service in violation of law or the provisions of this Tariff.
- 2.3.3 Teligent does not undertake to transmit messages, but offers the use of its facilities when available, and will not be liable for errors in transmission nor for failure to establish connections.
- 2.3.4 Teligent reserves the right to refuse service to Business Customers due to insufficient or invalid charging information.
- 2.3.5 Teligent may block calls that are made to certain cities, or central office exchanges, or use certain authorization codes as Teligent, in its sole discretion, deems reasonably necessary to prevent unlawful or fraudulent use of service.
- 2.3.6 Teligent will use reasonable efforts to maintain only the facilities and equipment that it furnishes to the Business Customer. Teligent may substitute, change, or rearrange any equipment or facility at any time and from time to time, but shall not thereby alter the technical parameters of the service provided the Business Customer. Teligent shall have the right to make necessary repairs or changes in its facilities at any time and will have the right to suspend or interrupt service temporarily for the purpose of making the necessary repairs or changes in its system. When such suspension or interruption of service for any appreciable period is necessary, Teligent will give the Business Customers who may be affected reasonable notice thereof as circumstances will permit, and will prosecute the work with reasonable diligence, and if practicable at times that will cause the least inconvenience. When Teligent is repairing or changing its facilities, it shall take appropriate precautions to avoid unnecessary interruptions of Business Customer's service.

2.4. Liabilities of Teligent

- 2.4.1 Except for granting credit allowances for interruptions of service, as provided in Section 2.9 of this tariff, Teligent shall not be liable for any failure of performance due to causes beyond its control, including, but not limited to acts of God, fires, floods, or other catastrophes, national emergencies, insurrections, riots or wars, strikes, lockouts, work stoppages, or other labor difficulties; and any law, order, regulation, or other action of any governing authority or agency thereof.
- 2.4.2 When the facilities of others are used in establishing connections to points not reached by Teligent's facilities, Teligent is not liable for any act or omission of the other carrier(s). The Business Customer will indemnify and save harmless Teligent from any third-party claims.

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David S. Turetsky
Vice President - Law and Regulatory
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8065 Leesburg Pike, Suite 400
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Business Customer Interexchange Communications Services Tariff

- 2.4.3. Teligent's liability for claims of loss or damage suffered by a Business Customer, or by others authorized to use Teligent's service, as a result of interrupted or unsatisfactory service shall not exceed an amount equivalent to the credit for interruption of services as provided in Section 2.9 of this tariff. Teligent will not be liable for claims or damages resulting from or caused by the Business Customer's fault, negligence or failure to perform Business Customer's responsibilities.
- 2.4.4. Teligent will not be liable with respect to any equipment where such equipment is installed and used in locations containing an atmosphere that is explosive, prone to fire, dangerous or otherwise unsuitable for such equipment.
- 2.4.5. Teligent is not liable for any defacement of, or damage to, the premises of a Business Customer resulting from the furnishing of services or the attachment of equipment, instruments, apparatus, and associated wiring furnished by Teligent on such Business Customer's premises or by the installation or removal thereof, when such defacement or damage is not the result of Teligent negligence. No agents or employees of other participating carriers shall be deemed to be agents or employees of Teligent without written authorization. The Business Customer will indemnify and save harmless Teligent from any claims of the owner of the Business Customer's premises or other third party claims for such damages.
- 2.4.6. Teligent and Business Customer shall be excused from performance under this Tariff and under the application for service for any period, and to the extent that the party is prevented from performing any service pursuant hereto, in whole or in part, as a result of delays caused by the other party or an Act of God, governmental agency, war, civil disturbance, court order, labor dispute, third party nonperformance (including the failure of performance for reasons beyond the control of common carriers, interexchange carriers, local exchange carriers, suppliers and subcontractors), or other cause beyond its reasonable control, including failures or fluctuations in electrical equipment, and such nonperformance shall not be deemed a violation of this Tariff or of the application for service or grounds for termination of service. Both parties retain all rights of recourse against any third parties for any failures which may create a force majeure condition for the other party. With respect to the services, materials and equipment provided hereunder, Teligent hereby expressly disclaims all warranties, expressed or implied, not stated in this Tariff, and in particular disclaims all warranties of merchantability and fitness for a particular purpose.

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Business Customer Interexchange Communications Services Tariff

2.7 Reserved for Future Use

This Section has been reserved for future use

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Business Customer Interexchange Communications Services Tariff

This page intentionally left blank, and reserved for future use.

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Business Customer Interexchange Communications Services Tariff

- 2.8.7 If Teligent does not receive any portion of the payment, or if Teligent receives any portion of the payment in funds that are not immediately available by the due date, then a late payment penalty shall be due to Teligent. The late payment penalty shall be the portion of the payment not received by the due date, multiplied by the one and one half percent (1.5%) late charge. Unpaid amounts are subject to a late fee every subsequent due date to the extent the amount remains unpaid.
- 2.8.8 Teligent may assess up to a twenty-five dollar (\$25.00) charge for each returned check.
- 2.8.9 Any disputed charge may be brought to Teligent's attention by verbal or written notification. In the case of a billing dispute between the Business Customer and Teligent that cannot be settled to their mutual satisfaction, the undisputed portion and subsequent bills must be paid on a timely basis, or the service may be subject to disconnection. The Business Customer may request an in depth investigation into the disputed amount and a review by a Teligent manager. During the period that the disputed amount is under investigation, but in no event to exceed 60 days, Teligent shall not pursue any collection procedures or assess late fees with regard to the disputed amount. The Business Customer shall be required to pay the undisputed part of the bill, and if not paid, Teligent may discontinue service. In the event the dispute is not resolved, Teligent shall inform the Business Customer that the Business Customer has the option to pursue the matter with the Commission. If there is still a disagreement after investigation and review by Teligent supervisory personnel, the Business Customer has the option to pursue the matter with the Commission. A complaint may be submitted either verbally or in writing to the following:

South Dakota Public Utilities Commission
500 East Capitol
Pierre, South Dakota 57501-5070
(605) 773-3201
(800) 332-1782

- 2.8.10 All requests for call credits due to bad connection, disconnection, wrong number dialed, etc. shall be made through Teligent's business office. Carrier will make no refund of overpayments unless the claim for such, together with proper evidence is submitted within one (1) year from the date of alleged overpayment. In calculating refunds, usage discounts will be adjusted based on total usage after all credits or adjustments have been applied. In the event of a billing error resulting in an overbilling or overcharge to its Business Customers, Teligent may refund the amount overbilled or overcharged, by means of a pro-rata credit to the account of all existing Business Customers on a date certain, or by check if the account is final, or if so request by the Business Customer.

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Business Customer Interexchange Communications Services Tariff

- 2.8.11 Teligent will charge a processing fee to a Business Customer who requests a copy of a bill that has already been issued to such Business Customer, unless the Business Customer informs Teligent within thirty (30) days of the issuance of the bill that the original bill was not received. If a Business Customer or the Business Customer's representative thereafter requests additional copies of bills the following fees will be charged:

Bills dated within 90 days prior to receipt of the request	\$5.00 per bill, plus \$0.25 for each Telephone number reflected on bill over Five numbers.
Bills dated more than 90 days but Less than twelve months previously	\$10.00 per bill, plus \$0.25 for each Telephone number reflected on bill over Five numbers.
Bills dated more than 12 months, but Less than 48 months previously	\$50.00 per bill, plus \$0.25 for each Telephone number reflected on bill over Five numbers.

Teligent will not provide a copy of a bill that is over four (4) years old.

- 2.8.12 If billing for Teligent's services are found to differ from Teligent's tariffed rates, or if Teligent fails to bill the Business Customer for such services, Teligent will calculate a billing adjustment. If the Business Customer is due a refund, an adjustment shall be made for the entire period of the overcharges.

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Business Customer Interexchange Communications Services Tariff

SECTION 3 - DESCRIPTION OF SERVICES AND RATES3.1 Long Distance Service Offering

Teligent's Long Distance Service is currently only available to Customers currently subscribing to Teligent's Discount Pricing Plan services in another state.

Service Commitment Level

Switched service Customers must commit to at least \$250.00 per month and Dedicated service Customers must commit to at least \$1500 per month to receive this service. Should the Customer's billed charges not meet the minimum monthly commitment in a given month, then Teligent will charge the Customer the difference between the minimum monthly commitment and the actual billed charges for that month.

Rates

Switched Access	\$0.1550 per minute
Dedicated Access	\$0.1080 per minute

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The Customer's charge is based on the actual usage of Teligent's network. Usage begins when the called party picks up the receiver. When the called party picks up is determined by hardware answer supervision in which the local telephone company sends a signal to the switch or the software utilizing audio tone detection. When software answer supervision is employed, up to sixty (60) seconds of ringing is allowed before it is billed as usage of the network. Chargeable time ends when either party hangs up, thereby releasing the network connection.

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A Customer can expect a call completion rate (number of calls completed/number of calls attempted) of not less than 99% during peak use periods for all Feature Group D services.

3.4 Service Contract Terms

Teligent's Services are available in contract terms of (a) month-to-month, (b) one-year, or (c) two-year. A month-to-month service contract term obligates the customer to a minimum service commitment of 30 days.

Teligent's Dedicated Services are available in contract terms of (a) one-year, or (b) two-year.

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Business Customer Interexchange Communications Services Tariff

SECTION 4. PROMOTIONAL OFFERINGS AND DISCOUNTS4.1 Overview

From time-to-time, Teligent will provide promotional offerings to its Customers. Such offerings will be limited to certain dates, times and locations. The specified terms and conditions of each promotional offering will be described herein. Discounts may be combined unless otherwise noted. All promotional offerings and discounts will be contained herein.

4.2 Non-Regulated Promotions Involving Tariffed Services

From time-to-time, Teligent may conduct contests or other promotions such as described in this Section 4 which offers customers of certain Teligent tariffed services certain non-regulated, non-tariffed or non-communications related goods or services in connection with the particular contest or promotion. Under no circumstances will such an offering constitute a change in the rates charged to, or received from, the customer of the Teligent tariffed service offering involved. Such services will continue to be provided to the end-user pursuant to applicable tariffed rates for such service specified herein. Should any offering of this nature involve a temporary change in the rate charged for a tariffed offering, e.g., a monetary rebate, a cash prize, a credit on a subsequent month's bill or any other type of direct monetary consideration tied to usage of the Teligent tariffed offering, Teligent will file the offering with the South Dakota Public Utilities Commission, for approval, prior to implementation of the offering.

Issued: November 24, 1998

Issued By:
David S. Turetsky
Vice President - Law and Regulatory
Teligent, Inc.
8065 Leesburg Pike, Suite 400
Vienna, Virginia 22182

Effective: _____



RECEIVED

MAR 22 1999

SOUTH DAKOTA PUBLIC
UTILITY COMMISSION

Teligent, Inc.
8063 Leeburg Pkwy. Suite 400
Sioux Falls, SD 57105
Phone: 605.336.2250
Fax: 605.336.5700
Web: 605.336.5200
http://www.teligent.com

March 22, 1999

Ms. Karen E. Cremer
Staff Attorney
South Dakota Public Service Commission
500 East Capitol
Pierre, South Dakota 57501-5070

Re: Teligent, Inc.
South Dakota P.U.C. Tariff No. 1
SDPUC Docket 1C98-207

Dear Ms. Cremer:

In response to your letter, dated March 12, 1999, highlighting the Commission's two (2) concerns with regard to the liabilities section of Teligent's proposed South Dakota P.U.C. Tariff No. 1, enclosed is an amended original sheet no. 17, to be included with Teligent's previous filing.

Pursuant to your voice mail earlier today, the Commission's receipt of this amended sheet should put Teligent in position to have the proposed tariff discussed and/or approved at the Commission's Thursday hearing. Should the Commission have additional questions or concerns, please do not hesitate to call me directly at (605) 288-5631.

Very truly yours,

Scott P. Anderson
Senior Tariff Coordinator
Law and Regulatory

Enclosure

Business Customer Interexchange Communications Services Tariff

- 2.4.3. Teligent will not be liable for claims or damages resulting from or caused by the Business Customer's fault, negligence or failure to perform Business Customer's responsibilities.
- 2.4.4. Teligent will not be liable with respect to any equipment where such equipment is installed and used in locations containing an atmosphere that is explosive, prone to fire, dangerous or otherwise unsuitable for such equipment.
- 2.4.5. Teligent is not liable for any defacement of, or damage to, the premises of a Business Customer resulting from the furnishing of services or the attachment of equipment, instruments, apparatus, and associated wiring furnished by Teligent on such Business Customer's premises or by the installation or removal thereof, when such defacement or damage is not the result of Teligent negligence. No agents or employees of other participating carriers shall be deemed to be agents or employees of Teligent without written authorization. The Business Customer will indemnify and save harmless Teligent from any claims of the owner of the Business Customer's premises or other third party claims for such damages.
- 2.4.6. Teligent and Business Customer shall be excused from performance under this Tariff and under the application for service for any period, and to the extent that the party is prevented from performing any service pursuant hereto, in whole or in part, as a result of delays caused by the other party or an Act of God, governmental agency, war, civil disturbance, court order, labor dispute, third party non-performance (including the failure of performance for reasons beyond the control of common carriers, interexchange carriers, local exchange carriers, suppliers and subcontractors), or other cause beyond its reasonable control, including failures or fluctuations in electrical equipment. Both parties retain all rights of recourse against any third parties for any failures that may create a force majeure condition for the other party. With respect to the services, materials and equipment provided hereunder, Teligent hereby expressly disclaims all warranties, expressed or implied, not stated in this Tariff, and in particular disclaims all warranties of merchantability and fitness for a particular purpose.

Issued: November 24, 1998

Issued By
David S. Turetsky
Vice President - Law and Regulatory
Teligent, Inc.
8065 Leesburg Pike, Suite 400
Vienna, Virginia 22182

Effective: _____

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE APPLICATION OF)
TELIGENT, INC. FOR A CERTIFICATE OF)
AUTHORITY TO PROVIDE)
TELECOMMUNICATIONS SERVICES IN)
SOUTH DAKOTA)

ORDER GRANTING
CERTIFICATE OF
AUTHORITY
TC98-207

On November 30, 1998, the Public Utilities Commission (Commission), in accordance with SDCL 49-31-3 and ARSD 20 10 24 02, received an application for a certificate of authority from Teligent, Inc. (Teligent).

Teligent will offer its services to small-to-medium sized business customers and other carriers. In the future, should a market demand exist, Teligent may also offer residential services. Teligent will be a reseller of long distance services and will not be building, servicing or maintaining any facilities or equipment of its own. A proposed tariff was filed by Teligent. The Commission has classified long distance service as fully competitive.

On December 3, 1998, the Commission electronically transmitted notice of the filing and the intervention deadline of December 18, 1998, to interested individuals and entities. No petitions to intervene or comments were filed and at its regularly scheduled March 25, 1999, meeting, the Commission considered Teligent's request for a certificate of authority. Commission Staff recommended granting a certificate of authority.

The Commission finds that it has jurisdiction over this matter pursuant to Chapter 49-31, specifically 49-31-3 and ARSD 20 10 24 02 and 20 10 24 03. The Commission finds that Teligent has met the legal requirements established for the granting of a certificate of authority. Teligent has, in accordance with SDCL 49-31-3, demonstrated sufficient technical, financial and managerial capabilities to offer telecommunications services in South Dakota. The Commission approves Teligent's application for a certificate of authority. As the Commission's final decision in this matter, it is therefore:

ORDERED, that Teligent's application for a certificate of authority is hereby granted. It is

FURTHER ORDERED, that Teligent shall file informational copies of tariff changes with the Commission as the changes occur.

Dated at Pierre, South Dakota, this 24th day of March, 1999.

CERTIFICATE OF SERVICE The undersigned hereby certifies that this document has been served today upon all parties of record in this docket, as listed on the docket service list, by first class mail, in properly addressed envelopes, with charges prepaid thereon. By: <u>[Signature]</u> Date: <u>3/31/99</u> OFFICIAL SEAL
--

BY ORDER OF THE COMMISSION

[Signature]
JAMES A. BURG, Chairman

[Signature]
PAM NELSON, Commissioner

[Signature]
LASKA SCHOENFELDER, Commissioner

015050601125

SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

CERTIFICATE OF AUTHORITY

To Conduct Business As A Telecommunications Company
Within The State Of South Dakota

Authority was Granted March 25, 1999
Docket No. TC98-207

This is to certify that

TELIGENT, INC.

is authorized to provide telecommunications services in South Dakota.

This certificate is issued in accordance with SDCL 49-31-3 and ARSD 20 10 24 02, and is subject to all of the conditions and limitations contained in the rules and statutes governing its conduct of offering telecommunications services

Dated at Pierre, South Dakota, this 26th day of March, 1999

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION:



James A. Burg
JAMES A. BURG Chairman

Pam Nelson
PAM NELSON Commissioner

Laska Schoenfelder
LASKA SCHOENFELDER Commissioner