SWIDLER & BERLIN ORIGINAL ORIGINAL

CHARTERED

May 22, 1998

VIA OVERNIGHT DELIVERY

Blanca S. Bayó, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: Application of NXLD Company, Docket No. 980557-TI

Dear Ms. Bayó:

Enclosed for filing on behalf of NXLD Company ("NXLD") are an original and five (5) copies of a supplement to NXLD's Application Form for Authority to Provide Interexchange Telecommunications Service within the State of Florida. NXLD previously filed its Application on April 22, 1998. The supplement, which is being provided at staff request, includes an expanded response to Question #18(C) on the application as well as a copy of the relevant portions of the 1997 Form 10K for NXLD's parent. Upon advice of staff, no additional verification is provided for the supplement.

In addition, NXLD is providing an original and five copies of a proposed tariff, revised at staff request. Specifically, NXLD has revised the address at which its tariff will be on file; deleted references in Section 1 to CMRS; and revised Sections 2.3.1, 2.3.3, 2.3.4, 2.4.1, 2.5.1(C), and 2.5.3(C).

Please date-stamp the enclosed extra copy of this filing and return it in the self-addressed, postage-paid envelope provided. Should you have any questions concerning this filing, please do not hesitate to contact us.

ACK ✓
AFA 1
APP
CAF
CMU Pruitt
CTR
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SEC 1
WAS
OTH

Very truly yours,

Nancy Killien Spooner

Nancy Killien Spooner
Marcy A. Greene
Counsel for NXLD Company

Enclosures

cc: Ms. Nancy Pruitt
Mr. David Draper

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Regarding the showing of financial capability, the following applies:

The application should contain the applicant's financial statements, including:

1. the balance sheet

2. income statement

3. statement of retained earnings for the most recent 3 years.

If available, the financial statements should be audited financial statements.

If the applicant does not have audited financial statements, it shall be so stated. The unaudited financial statements should then be signed by the applicant's chief executive officer and chief financial officer. The signatures should affirm that the financial statements are true and correct.

NXLD does not have any audited financial statements available at this time. NXLD is financially qualified to provide interexchange telecommunications services, as demonstrated by the SEC Form 10-K for 1997 for Nextel Communications, Inc. ("Nextel"), NXLD's ultimate parent, attached hereto as Exhibit 2. Nextel will provide financial support for NXLD as NXLD establishes its operations and services.

B. Managerial capability.

See Exhibit 3.

C. Technical capability.

NXLD, as a reseller, will rely on the technical expertise of its underlying carrier.

19. Please submit the proposed tariff under which the company plans to begin operation. Use the format required by Commission Rule 25-24.485 (example enclosed).

NXLD's proposed tariff is appended hereto as Exhibit 4.

20. The applicant will provide the following interexchange carrier services (check all that apply):

( ) MTS with distance sensitive per minute rates

( ) Method of access is FGA
( ) Method of access is FGB

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

[X] 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 0-19656

NEXTEL COMMUNICATIONS, INC.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**36-3939651** (I.R.S. Employer Identification No.)
1505 Farm Credit Drive, McLean, VA (Address of principal executive offices)	**22102** (Zip Code)

Registrant's telephone number, including area code: **(703) 394-3000**

Securities registered pursuant to Section 12(b) of the Act: **None**

Securities registered pursuant to Section 12(g) of the Act: **Class A Common Stock, $0.001 Par Value**

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 registrant's knowledge, in definitive proxy or information statements incorporated herein by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Based on the closing sales price on March 2, 1998, the aggregate market value of the voting and non-voting common stock held by nonaffiliates of the registrant was $5,564,044,097.

On March 2, 1998, the number of shares outstanding of the registrant's Class A Common Stock and Class B non-voting Common Stock, $0.001 par value was 252,664,929 and 17,830,000, respectively.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement relating to the Annual Meeting of Stockholders scheduled to be held on or about May 14, 1998 are incorporated in Part III, Items 10, 11, 12 and 13.

NEXTEL COMMUNICATIONS, INC.

PART I

Item 1. Business

Introduction

On July 28, 1995, NEXTEL Communications, Inc., a corporation organized under the laws of the State of Delaware in 1987 ("Old Nextel"), was merged with ESMR, Inc. ("ESMR"), until then a wholly owned subsidiary of Motorola, Inc. ("Motorola"). ESMR was the surviving corporation in the merger (the "Motorola Transaction") and succeeded to Old Nextel's assets and liabilities. ESMR changed its name to Nextel Communications, Inc. ("Nextel" or the "Company"), effective upon the consummation of the Motorola Transaction. References herein to Nextel or the Company for periods prior to July 28, 1995 refer to Old Nextel as the predecessor to the business and operations of Nextel. Unless the context requires otherwise, references to the Company or to Nextel are intended to include Nextel Communications, Inc. and its consolidated subsidiaries.

Information contained herein gives effect to the acquisition of approximately 1,220,000 shares of the Company's Class A Common Stock, par value $0.001 per share (the "Common Stock"), by Digital Radio L.L.C. (the "McCaw Investor") on April 5, 1995, an additional acquisition of 8,163,265 shares of the Company's Class A Convertible Redeemable Preferred Stock, par value $0.01 per share (the "Class A Preferred Stock") and 82 shares of the Company's Class B Convertible Preferred Stock, par value $0.01 per share (the "Class B Preferred Stock") by the McCaw Investor and the consummation of related transactions on July 28, 1995 (the "McCaw Transaction"), the merger of OneComm Corporation ("OneComm") with and into Nextel on July 28, 1995 (the "OneComm Transaction"), the consummation of the Motorola Transaction on July 28, 1995, the merger of a subsidiary of Nextel with American Mobile Systems Incorporated ("AMS") on July 31, 1995 (the "AMS Transaction"), the merger of Dial Page, Inc. ("Dial Page") with and into Nextel on January 30, 1996 (the "Dial Page Transaction") and the merger of a subsidiary of the Company with Pittencrieff Communications, Inc. ("PCI") on November 12, 1997 (the "PCI Transaction").

Overview

Nextel provides a wide array of digital and analog wireless communications services throughout the United States. The Company offers a differentiated, integrated package of digital wireless communications services under the Nextel brand name, primarily to business users, and as of December 31, 1997, provided service to approximately 1,270,700 digital subscriber units in the United States. The Company's digital network constitutes one of the largest integrated wireless communications systems utilizing a single transmission technology in the United States. At December 31, 1997, the Company's digital network was operational in areas in which approximately 65% of the total United States population lives or works, providing coverage in or around 75 of the top 100 metropolitan statistical areas ("MSAs") in the United States. In addition to its digital networks, Nextel also operates analog wireless networks which provide analog specialized mobile radio ("SMR") services throughout the continental United States and in Hawaii to approximately 583,000 analog SMR subscriber units as of December 31, 1997. Nextel has significant SMR spectrum holdings in and around every major business and population center in the country, including all of the top 50 MSAs in the United States.

Nextel's digital network in the United States has been developed to replace its remaining traditional analog SMR systems with advanced mobile communications systems employing digital technology with a multi-site configuration permitting frequency reuse ("Digital Mobile network"). Since 1994, the number of digital subscriber units in service has increased significantly, reflecting the commencement of Digital Mobile network service in certain markets, increased sales in markets in which Digital Mobile network services are provided and, to a limited extent, acquisitions. The following table summarizes the approximate number of digital subscriber units in service in the United States at the dates indicated:

	December 31,			
	1994	1995	1996	1997
Digital subscriber units	13,500	85,000	300,300	1,270,700

A customer using Nextel's Digital Mobile network is able to access mobile telephone services, two-way dispatch (which provides instant conferencing capabilities and is marketed as Nextel's "Direct Connect"SM service), paging and alphanumeric short-messaging service and, in the future, is expected to be able to access data transmission. Nextel is implementing its Digital Mobile network utilizing digital technology developed by Motorola (such technology is referred to as the "integrated Digital Enhanced Network" or "iDEN"TM).

In addition, the Company operates or has investments in international wireless companies through its indirect, wholly owned subsidiary Nextel International, Inc. (formerly known as McCaw International, Ltd.; "Nextel International"). Nextel International's subsidiaries or other entities in which Nextel International holds equity or equivalent interests own and operate wireless communications systems in Latin America, Asia and Canada and (together with Nextel's domestic Digital Mobile network operations) provide service in ten of the world's 25 largest cities. The Company's consolidated financial statements include financial information reflecting the assets, liabilities and results of operations relating to Nextel International and its consolidated subsidiaries as of the dates or for the periods indicated therein. Additional, more detailed and focused information relating to Nextel International may be found in the periodic and other reports filed by Nextel International with the Securities and Exchange Commission (the "Commission") pursuant to rules under the Securities and Exchange Act of 1934, as amended and the rules thereunder (the "Exchange Act"). Except as noted above and as otherwise expressly indicated herein, the description of the Company's business herein refers to the Company's United States operations.

Nextel's principal executive and administrative facility is located at 1505 Farm Credit Drive, McLean, Virginia 22102, and its telephone number is (703) 394-3000.

Business Strategy

Nextel's principal business objective is to offer high-capacity, high quality, advanced communications services on its Digital Mobile network to its customers in metropolitan markets throughout the United States and to become a major participant in the global wireless communications business. The Company's initial efforts to achieve this objective were focused on the consolidation of the fragmented SMR industry through the acquisition of SMR systems and the acquisition of SMR spectrum. More recently, these strategic efforts have been expanded to include the accelerated deployment of the Company's Digital Mobile network and the marketing of digital wireless services. The Company believes that the following elements of its business strategy and characteristics of its business distinguish its wireless service offerings from those of its competitors in the wireless communications marketplace:

Provide a Differentiated, Integrated Package of Wireless Services, Including Unique Direct Connect Feature: Nextel's Digital Mobile network service provides a bundled product offering consisting of: (i) mobile telephone; (ii) two-way dispatch; and (iii) paging and alphanumeric short-messaging services accessible through a single device. Nextel's market research indicates that a significant degree of overlap exists in the customer population for these separate wireless communications service offerings. Accordingly, Nextel believes that, for customers who already subscribe to or who would benefit by access to multiple wireless services, the convenience of combining multiple wireless communications options in a single handset and of consolidating all wireless service charges into a single package price and billing statement are important features that distinguish Nextel from many of its competitors.

Nextel's market research also indicates that a sizeable portion of business users' communications involve contacting others within the same organization. Nextel believes that its Direct Connect service is especially well suited to address such intracompany wireless communications needs. The Direct Connect service, which enables a user to instantly set up a conference on either a private (*i.e.*, one-to-one) or group (*i.e.*, one-to-many) basis, is a service that is not included in any integrated service package currently available from competing cellular and personal communications services ("PCS") operators. To further expand the flexibility and convenience offered by its Direct Connect service to users outside a single organization but within a single industry or interest group in a particular dispatch service area, the Company pioneered the "Business Net Service" concept. Business Net Service extends Direct Connect service beyond a company's employees to suppliers or other parties involved in the same industry. Finally, Nextel expects that its ability to offer a data transmission capability to users of its Digital Mobile network in the future will increase the attractiveness of its integrated service offerings to business users and will supply an additional point of differentiation from its cellular and PCS competitors.

Focus on the Business Customer: Nextel's corporate marketing strategy focuses on targeting business users that Nextel believes will be likely to perceive and appreciate the potential for Nextel's wireless communication service capabilities to increase efficiencies and reduce costs in such users' business activities. Nextel is currently concentrating its sales efforts on a number of distinct occupational groupings of mobile workers, including personnel in the transportation, delivery, real property and facilities management, construction and building trades, landscaping and professional service sectors.

Innovative Pricing Features: The Company has implemented pricing features that it believes differentiate its services from those of its cellular competitors. Such pricing features include: (i) no "roaming" charges assessed for mobile telephone services provided to its customers traveling anywhere on the Digital Mobile network outside the customer's home market in the United States and in certain parts of Canada (through its roaming agreement with Clearnet Communications, Inc. ("Clearnet"), a provider of analog and digital wireless services in Canada); (ii) billing its mobile telephone service customers based on the actual number of seconds of airtime used after the first minute, in contrast to the common cellular industry practice of rounding all calls up to the next minute; (iii) charging one airtime rate and a single nationwide long distance rate, regardless of the time of day a call is made; and (iv) pricing plans that allow the customer to aggregate the total number of account minutes for all of such customer's subscriber units and reallocate the aggregate minutes among subscriber units.

Expanded Marketing Program and Distribution Channels: The Company has significantly expanded the scope and geographic coverage of its marketing program and related advertising campaigns to enhance awareness of its brand name and to stimulate additional interest in and demand for its services by stressing their versatility, value, simplicity and quality. In March 1997, Nextel launched a nationwide radio, television and print advertising campaign, coupled with intensive targeted advertising programs in particular markets coinciding with the launch of commercial service in those markets. The Company uses both direct and indirect sales forces as part of its strategy to increase the number of digital subscriber units placed in service on its Digital Mobile network. Nextel expects to expand and enhance both direct and indirect distribution channels as it further penetrates existing markets and expands its geographic reach.

Strategic Relationships with Craig O. McCaw and Motorola: Through December 31, 1997, Craig O. McCaw ("Mr. McCaw") and members of the McCaw family have invested more than $600.0 million in the Company through purchases of the Company's equity securities from the Company and Motorola. As of December 31, 1997, Mr. McCaw and his affiliates beneficially owned approximately 23.2% of the common equity interest in the Company, giving effect to the exercise of all presently exercisable options issued by Nextel to, and held by, the McCaw Investor or other controlled affiliates of Mr. McCaw. The Company also benefits from Mr. McCaw's more than 20 years experience in the wireless communications business. Mr. McCaw currently serves as a member of the Company's Board of Directors and also as Chairman of the Operations Committee of the Board, which is responsible for formulating key aspects of the Company's business strategy. See "— Agreements with Significant Stockholders — McCaw Interests."

Nextel has a number of important strategic and commercial relationships with Motorola. Motorola provides the iDEN infrastructure and subscriber handset equipment used throughout Nextel's domestic markets and in most of the international markets served by Nextel International's affiliated operating companies. The Company and Motorola also work closely together to improve existing products and develop new technologies such as the modified version of the iDEN ("Reconfigured iDEN") technology that is currently being deployed in Nextel's Digital Mobile network. As of December 31, 1997, Motorola was the beneficial owner of an approximate 19.9% ownership stake in the Company, primarily as a result of the Motorola Transaction. See "— Agreements with Significant Stockholders — Motorola."

1998 Business Plan

In early 1997, Nextel finalized and began implementing a business plan for the period from March 31, 1997 through December 31, 1998 that contemplated an accelerated build-out of its Digital Mobile network in the United States incorporating the Reconfigured iDEN technology (the "1997 Plan"). During 1997, Nextel achieved a significant expansion of its Digital Mobile network and experienced a large increase in the number of digital subscriber units in service and system minutes of use. In particular:

- Digital subscriber units increased from approximately 300,300 to approximately 1,270,700;
- Total net system minutes of use increased from approximately 94 million in January to approximately 403 million in December;
- Approximately 2,100 additional digital cell sites were placed in service; and
- Reconfigured iDEN coverage expanded from 6 to 75 of the top 100 MSAs.

This growth resulted in greater capital expenditures and net cash used in Digital Mobile network operations in the final three quarters of 1997 than estimated for purposes of developing the 1997 Plan. The Company has updated and revised its business plan for its domestic operations, as it relates to 1998, in light of its results and experience in building out and commercializing its Digital Mobile network in 1997 (the "1998 Plan"). Nextel's 1998 Plan contemplates further expansion of the Company's Digital Mobile network in a manner that is directed at achieving additional penetration in its business customer target base in markets where the Digital Mobile network is currently operating, at selecting and prioritizing additional markets for expansion of Digital Mobile network coverage by Nextel during 1998, and at enhancing the quality and performance of its Digital Mobile wireless services offerings to maintain and strengthen Nextel's competitive position relative to other existing and emerging providers of digital wireless services in the United States. The increased funding requirements reflected in the 1998 Plan include (i) a $1,050.0 million increase in total system infrastructure and capital costs over the $1,450.0 million in such costs that were contemplated by the 1997 Plan for the period from March 31, 1997 through December 31, 1998 (the "Plan Period") and (ii) a $500.0 million increase in non-system capital expenditures and operating losses over the $1,050.0 million of such expenditures and losses that were contemplated by the 1997 Plan for the Plan Period. The 1998 Plan contemplates that the Company's funding requirements for system and non-system capital expenditures for 1998 will be approximately $1,496.0 million as compared to the approximately $1,452.5 million in funding used for such purposes during 1997. Such actual and contemplated capital expenditures exclude capital expenditures relating to international operations and capitalized interest relating to the Company's domestic and international operations for the respective periods.

By implementing the 1998 Plan, Nextel expects to further increase the capacity of its Digital Mobile network to accommodate higher future growth in subscribers and higher future system usage levels than previously anticipated, to improve system performance and to continue to expand geographic coverage. Approximately one-half of the increase in system capital expenditures reflected in the 1998 Plan for the Plan Period relates to adding capacity to the Digital Mobile network to accommodate increases in the number of subscribers and higher levels of system usage. Approximately one-quarter of the increase in system capital expenditures is associated with enhancements to produce improvements in system performance, *e.g.* the construction of additional cell sites and the deployment of additional base radios to produce greater "in building" coverage. The balance of the increase in system capital expenditures arises from various sources, particularly spending for additional switching and dispatch processing capacity associated with higher anticipated system loads as well as systems operations and management software upgrades and enhancements to improve network performance.

The increase in non-system capital expenditures is largely associated with the acquisition, construction or improvement of business information and back-office systems required to meet billing, customer care and other business management and tracking activities associated with the growth of the customer base and increased system usage. In addition to such system and non-system capital expenditures, a significant amount of the incremental funding requirements under the 1998 Plan is tied to increased working capital needs and opportunistic uses of funds, such as discretionary acquisitions of additional spectrum in privately negotiated transactions or Federal Communications Commission ("FCC") auctions, which in certain instances may be deferred or eliminated if sufficient cash is not available to pursue such uses. The 1998 Plan does not include amounts required to acquire Local Multipoint Distribution Service ("LMDS") licenses in the recently concluded FCC auction, amounts required in 1998 to pursue LMDS or other new business opportunities or other potential transactions or investments that are not part of Nextel's domestic digital and analog SMR wireless communications businesses and assets and related corporate support services, personnel and overhead. See "— Post-Fiscal Year 1997 Transactions and Developments—LMDS Auction." The incremental funding requirements reflected in the 1998 Plan also result in part from the more accurate cost data and estimates derived from the Company's actual experience during 1997.

The 1998 Plan focuses on Nextel capturing an increased share of its targeted customer population in markets where its Digital Mobile network is currently operating (or is expected to be placed in operation during 1998). Nextel believes that, assuming the Company successfully develops a sufficient customer base in those markets, it will be positioned to compete effectively against other wireless communications service providers. Although Nextel will continue to focus on the deployment of its Digital Mobile network in additional markets throughout the United States, Nextel will do so selectively and will prioritize its new build opportunities in comparison to the potential commercial returns from enhancing or expanding coverage and increasing capacity.

Fiscal Year 1997 Transactions and Developments

800 MHz SMR Auction: The Company submitted bids totaling approximately $88.8 million representing the highest bids for 475 of the 525 Economic Area ("EA") licenses being awarded by the FCC in the 800 MHz "upper 200 SMR" channel auction, which concluded on December 8, 1997. Although Nextel successfully bid for rights to almost 10 MHz of spectrum in areas covering all 50 states and approximately 98% of the United States' population, the FCC has not yet granted these licenses to Nextel and petitions to deny the grant have been filed. See "— Regulation." Assuming Nextel is granted the licenses, it can gain full use of them only if the Company relocates certain incumbent licensees to other portions of the 800 MHz band pursuant to established FCC rules or otherwise obtains the agreement of such incumbent licensees to Nextel's use of the relevant frequencies.

PCI Merger: Nextel entered into an Agreement of Merger and Plan of Reorganization dated as of October 2, 1996, as amended, with PCI providing for the merger of PCI with a wholly-owned indirect subsidiary of Nextel. PCI had approximately 6,000 800 MHz SMR channels covering a total population of over 27 million people predominantly in the states of Texas, Oklahoma, New Mexico and Arizona. The PCI Transaction closed on November 12, 1997, resulting in the issuance (or reservation for issuance) of a total of approximately 6.2 million shares of Common Stock valued at $169.6 million.

October Notes Issuance: On October 22, 1997, Nextel completed the sale in a private placement transaction of $1,129.1 million principal amount at maturity of its 9.75% Senior Serial Redeemable Discount Notes due 2007 (such securities issued originally and any securities issued in exchange therefor in the related exchange offer completed January 22, 1998 collectively, the "October Notes"). Nextel received approximately $682.0 million in net cash proceeds from the sale of the October Notes (the "October Notes Proceeds"). Cash interest will not accrue on the October Notes prior to October 31, 2002. The October Notes are senior unsecured indebtedness of Nextel and rank *pari passu* in right of payment with all unsubordinated, unsecured indebtedness of Nextel.

September Notes Issuance: On September 17, 1997, Nextel completed the sale in a private placement transaction of $840.0 million in principal amount at maturity of its 10.65% Senior Redeemable Discount Notes due 2007 (such securities issued originally and any securities issued in exchange therefor in the related exchange offer completed January 14, 1998, collectively, the "September Notes" and together with the October Notes, the "1997 Notes"). Nextel received approximately $486.0 million in net cash proceeds from the sale of the September Notes (the "September Notes Proceeds"). Cash interest will not accrue on the

September Notes prior to September 15, 2002. The September Notes are senior unsecured indebtedness of Nextel and rank *pari passu* in right of payment with all unsubordinated, unsecured indebtedness of Nextel

Additional Credit Facilities: On September 4, 1997, the Company entered into definitive agreements which increased the Company's total secured financing capacity under its bank and vendor financing agreements from approximately $2.0 billion to $2.5 billion. These financing agreements were effectively replaced or terminated on March 13, 1998 in connection with the funding of the Bank Credit Facility (as defined herein). See "Post-Fiscal Year 1997 Transactions and Developments — New Bank Financing."

McCaw Investor Option Exercise: On July 28, 1997 (the "Option Closing"), the McCaw Investor exercised in full its option (the "First Option") to purchase 15.0 million shares of Common Stock for an aggregate cash purchase price of $232.5 million (the "McCaw Option Proceeds").

Series D Preferred Stock Issuance: On July 21, 1997, Nextel completed the sale in a private placement transaction of 500,000 shares of its 13% Series D Exchangeable Preferred Stock mandatorily redeemable 2009 (the shares of such stock so issued originally, any shares of such stock issued in exchange therefor in the related exchange offer completed December 18, 1997 and any shares of such stock issued as payment in kind dividends thereon, collectively, the "Series D Preferred Stock") with a liquidation preference of $1,000 per share. Nextel received approximately $482.0 million in net cash proceeds from the sale of the Series D Preferred Stock (the "Series D Preferred Stock Proceeds"). Dividends on the Series D Preferred Stock accrue at an annual rate of 13% of the liquidation preference, are cumulative from the date of issuance and are payable quarterly in cash or, on or prior to July 15, 2002, at the sole option of Nextel, in additional shares of Series D Preferred Stock.

Consent Solicitation: In June 1997, Nextel obtained the consent from the holders of its five issues of Senior Redeemable Discount Notes outstanding prior to 1997 (the "Old Senior Notes"), to certain amendments to and waivers of certain provisions of the respective related indentures (as amended, the "Old Indentures") pursuant to a consent solicitation (the "Consent Solicitation") at a cost of approximately $67.2 million in cash payments to validly consenting holders. Also, in connection with the Consent Solicitation, Nextel offered shares of Common Stock to validly consenting holders of the Old Senior Notes. Approximately 3.9 million of such shares were subscribed for an aggregate purchase price of approximately $63.7 million (the "Subscription Proceeds").

Issuance of New Option: On March 20, 1997, the Company completed the purchase of an option to acquire 25.0 million shares of Common Stock (the "Comcast Option") from an affiliate of Comcast Corporation, for an aggregate purchase price of $25.0 million. In connection with the agreements relating to the exercise of the First Option, an affiliate of Mr. McCaw purchased, for an aggregate purchase price of $25.0 million, an option, in replacement of the Comcast Option, to purchase 25.0 million shares of Common Stock (the "New Option") of which 15.0 million shares are purchaseable at $16.00 per share and 10.0 million shares are purchaseable at $18.00 per share, in either case at any time through July 28, 1998.

Nextel International 1997 Financing: In March 1997, Nextel International completed a private placement (the "1997 NI Private Placement") of 951,463 units yielding approximately $500.0 million in gross proceeds. Each unit is comprised of a 10-year senior discount note (the "1997 NI Notes") and a warrant to purchase 0.38748 shares of Nextel International common stock exercisable at a price of $9.99 per share. The 1997 NI Notes have a 13.0% yield to maturity, are noncallable for five years, and require no interest payments for the first five years. The warrants are exercisable any time after March 6, 1998, and expire in March 2007. In connection with the issuance of the 1997 NI Notes, Nextel International agreed to use its best efforts to complete a registered offering, pursuant to the Securities Act of 1933, as amended (the "Securities Act"), to exchange such 1997 NI Notes for substantially identical notes of equivalent value. Such exchange offer was completed on September 6, 1997.

Nextel Mexico: During 1997, through a series of transactions, the Company, through Nextel International, increased its equity interest in Comunicaciones Nextel de Mexico S.A. de C.V. ("Nextel Mexico," formerly Corporación Mobilcom S.A. de C.V.) from 30.1% to 100% for consideration equal to approximately $132.2 million.

NEXTEL COMMUNICATIONS, INC. AND SUBSIDIARIES

Index to Consolidated Financial Statements and Financial Statement Schedules

INDEPENDENT AUDITORS' REPORT

To the Stockholders and Board of Directors of
Nextel Communications, Inc.

We have audited the accompanying consolidated balance sheets of Nextel Communications, Inc. and subsidiaries (the "Company") as of December 31, 1997 and 1996, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1997. Our audits also included the financial statement schedules listed in the Index at Item 14(a)(2). These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedules 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, such consolidated financial statements present fairly, in all material respects, the financial position of Nextel Communications, Inc. and subsidiaries at December 31, 1997 and 1996, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1997, in conformity with generally accepted accounting principles. Also, in our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

DELOITTE & TOUCHE LLP

McLean, Virginia
March 13, 1998

NEXTEL COMMUNICATIONS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
As of December 31, 1997 and 1996
(dollars in thousands)

	1997	1996
ASSETS		
Current assets		
Cash and cash equivalents (of which $159,790 is restricted as of December 31, 1997)	$ 301,601	$ 139,681
Marketable securities (of which $12[illegible],560 is restricted as of December 31, 1997)	131,404	5,012
Accounts and notes receivable, net	240,637	90,392
Subscriber equipment inventory	101,338	45,168
Other	64,617	28,844
Total current assets	839,597	309,097
Property, plant and equipment, net	3,225,603	1,803,739
Intangible assets, net	4,699,746	4,076,300
Other assets	462,855	283,303
	$ 9,227,801	$ 6,472,439
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 529,191	$ 225,309
Accrued expenses and other	232,123	148,911
Current portion of long-term debt	7,577	1,524
Total current liabilities	768,891	375,744
Long-term debt	5,038,250	2,783,041
Deferred income taxes	951,192	505,516
Other	27,929	—
Total liabilities	6,786,262	3,664,301
Commitments and contingencies (Notes 6, 9, 12)		
Series D exchangeable preferred stock mandatorily redeemable 2009 13% cumulative annual dividend; 515,166 shares issued and outstanding, stated at liquidation value	529,119	—
Stockholders' equity		
Preferred stock, Class A convertible redeemable, 7,905,981 and 8,163,265 shares issued and outstanding	290,545	300,000
Preferred stock, Class B convertible, 82 shares issued and outstanding	—	—
Common stock, Class A, 253,246,237 and 211,374,665 shares issued, 252,028,617 and 209,753,097 outstanding	253	211
Common stock, Class B, non-voting convertible, 17,830,000 shares issued and outstanding	18	18
Paid-in capital	4,379,810	3,672,908
Accumulated deficit	(2,749,105)	(1,135,251)
Treasury shares, at cost, 1,217,620 and 1,621,568 shares	(23,435)	(31,400)
Unrealized gain on investments, net of taxes	22,798	14,993
Notes receivable from stockholders	—	(1,100)
Deferred compensation, net	(8,464)	(12,241)
Total stockholders' equity	1,912,420	2,808,138
	$ 9,227,801	$ 6,472,439

The accompanying notes are an integral part of these consolidated financial statements.

NEXTEL COMMUNICATIONS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
For the Years Ended December 31, 1997, 1996 and 1995
(dollars in thousands, except per share amounts)

	1997	1996	1995
Revenues			
Service revenue	$ 712,237	$ 297,512	$ 135,753
Analog equipment sales and maintenance	26,660	35,426	35,950
	738,897	332,938	171,703
Operating expenses			
Cost of service revenue	269,685	221,382	123,496
Cost of analog equipment sales and maintenance	14,864	26,335	28,222
Selling, general and administrative	865,791	330,256	193,321
Expenses related to corporate reorganization	—	—	17,372
Depreciation and amortization	526,377	400,831	236,178
	1,676,717	978,804	598,589
Operating loss	(937,820)	(645,866)	(426,886)
Other income (expense)			
Interest expense	(407,805)	(227,495)	(115,034)
Interest income	29,773	21,015	25,525
Other	6,511	(10,866)	(15,372)
	(371,521)	(217,346)	(104,881)
Loss before income tax provision (benefit) and extraordinary item	(1,309,341)	(863,212)	(531,767)
Income tax provision (benefit)	258,726	(307,192)	(200,602)
Loss before extraordinary item	(1,568,067)	(556,020)	(331,165)
Extraordinary item — Loss on early retirement of debt, net of income tax of $0	(45,787)	—	—
Net loss	(1,613,854)	(556,020)	(331,165)
Redeemable preferred stock dividends	(29,119)	—	—
Loss attributable to common stockholders	$(1,642,973)	$ (556,020)	$ (331,165)
Basic and diluted loss per share attributable to common stockholders:			
Loss before extraordinary item attributable to common stockholders	$ (6.41)	$ (2.50)	$ (2.31)
Extraordinary item	(0.18)	—	—
	$ (6.59)	$ (2.50)	$ (2.31)
Weighted-average number of common shares outstanding	249,320,000	222,779,000	143,283,000

The accompanying notes are an integral part of these consolidated financial statements.

NEXTEL COMMUNICATIONS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
For the Years Ended December 31, 1997, 1996 and 1995
(dollars in thousands, except per share amounts)

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Extraordinary item	(0.18)	—	—
	$ (6.59)	$ (2.50)	$ (2.31)
Weighted-average number of common shares outstanding	249,320,000	222,779,000	143,283,000

The accompanying notes are an integral part of these consolidated financial statements.

NEXTEL COMMUNICATIONS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For the Years Ended December 31, 1997, 1996 and 1995
(dollars in thousands)

	Class A Preferred Stock		Class B Preferred Stock		Class A Common Stock		Class B Common Stock		Paid-in Capital	Accumulated Deficit	Treasury Shares	Unrealized Gain (Loss) on Investments	Notes Receivable from Stockholders	Deferred Compensation
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount						
Balance December 31, 1994	—	$ —	—	$—	105,595,628	$106	—	$	$1,520,322	$ (248,066)	$ (786)	$ (1,214)	$(1,245)	$ (542)
Issuance of common stock:														
Exercise of options and warrants					1,622,778	2			5,722		18			
Digital Radio purchase	8,163,265	300,000	82		1,220,000	1			12,644					
Acquisitions					67,310,953	67	17,830,000	18	1,654,440					
Deferred compensation									4,400					(3,076)
Collection of notes receivable, net of accrued interest													227	
Unrealized gain on investments												33,268		
Net loss										(331,165)				
Balance December 31, 1995	8,163,265	300,000	82	—	175,749,359	176	17,830,000	18	3,197,528	(579,231)	(768)	32,054	(1,018)	(3,618)
Issuance of common stock:														
Exercise of options and warrants					1,580,981	1			16,836		(1,242)			
Employee stock purchase plan									(112)		227			
Acquisitions					25,888,819	26			341,984		(37,009)			
Comcast purchase					8,155,506	8			99,897					
Exercise of anti-dilutive rights									(842)		7,392			
Deferred compensation									17,617					(8,623)
Interest on notes receivable													(82)	
Unrealized loss on investments												(17,061)		
Net loss										(556,020)				
Balance December 31, 1996	8,163,265	300,000	82	—	211,374,665	211	17,830,000	18	3,672,908	(1,135,251)	(31,400)	14,993	(1,100)	(12,241)
Issuance of common stock:														
Exercise of options and warrants					2,598,649	3			23,621		1,569			
Employee stock purchase plan									(1,848)		5,424			
Acquisitions					19,556,399	19			388,062		972			
Digital Radio option					15,000,000	15			232,471					
Consent solicitation					3,944,672	4			63,452					
Conversion of preferred stock	(257,284)	(9,455)			771,852	1			9,454					
Issuance of warrants of subsidiary									14,800					
Repurchase of Comcast option									(25,000)					
Issuance of McCaw option to purchase common stock									24,743					
Deferred compensation									6,266					3,777
Collection of notes receivable													1,100	
Unrealized gain on investments												7,805		
Preferred dividends									(29,119)					
Net loss										(1,613,854)				
Balance December 31, 1997	7,905,981	$290,545	82	$—	253,246,237	$253	17,830,000	$18	$4,379,810	$(2,749,105)	$(23,435)	$ 22,798	$ —	$ (8,464)

The accompanying notes are an integral part of these consolidated financial statements

NEXTEL COMMUNICATIONS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 1997, 1996 and 1995
(dollars in thousands)

	1997	1996	1995
Cash flows from operating activities:			
Net loss	$(1,613,854)	$(556,020)	$(331,165)
Adjustments to reconcile net loss to net cash used in operating activities—			
Amortization of deferred financing costs and accretion of senior redeemable discount notes	346,289	188,687	94,430
Depreciation and amortization	526,377	400,831	236,178
Provision for losses on accounts receivable	55,623	6,968	1,936
Deferred income tax provision (benefit)	258,726	(308,262)	(201,427)
Extraordinary loss on retirement of debt	45,787	—	—
Other, net	28,520	5,393	18,339
Change in current assets and liabilities, net of effects from acquisitions:			
Accounts and notes receivable	(204,048)	(28,954)	(22,420)
Subscriber equipment inventory	(68,840)	(19,939)	(1,179)
Other assets	(37,398)	11,985	(15,914)
Accounts payable, accrued expenses and other	300,294	94,602	86,483
Net cash used in operating activities	(362,524)	(204,709)	(134,739)
Cash flows from investing activities:			
Payments for acquisitions and purchase of licenses, net of cash acquired	(207,225)	37,705	(85,917)
Other investments and advances to affiliates	(59,480)	(38,380)	(51,605)
Capital expenditures (Note 1)	(1,597,420)	(434,641)	(270,943)
Purchases of marketable securities	(234,071)	(132,333)	—
Proceeds from maturities and sales of marketable securities	107,667	196,771	112,095
Other	(57,860)	11,769	6,140
Net cash used in investing activities	(2,048,389)	(359,109)	(290,230)
Cash flows from financing activities:			
Issuance of debt securities	1,700,279	—	—
Issuance of preferred stock	500,000	—	300,000
Long-term borrowings	250,000	581,408	—
Revolving line of credit borrowings (repayments), net	231,250	(296,704)	154,134
Retirement of debt securities	(283,288)	—	—
Other long-term (repayments) borrowings, net	(8,023)	1,009	(6,357)
Consent solicitation proceeds	63,456	—	—
Deferred financing costs	(138,845)	(37,676)	—
Issuance of common stock and options	281,904	114,636	16,112
Option repurchase	(25,000)	—	—
Notes receivable from stockholders	1,100	—	227
Net cash provided by financing activities	2,572,833	362,673	464,116
Net increase (decrease) in cash and cash equivalents	161,920	(201,145)	39,147
Cash and cash equivalents, beginning of period	139,681	340,826	301,679
Cash and cash equivalents, end of period	$ 301,601	$ 139,681	$ 340,826

The accompanying notes are an integral part of these consolidated financial statements.

1. Summary of Operations and Significant Accounting Policies

Operations — Nextel Communications, Inc., and its subsidiaries ("Nextel" or the "Company") provide a wide array of digital wireless communications services throughout the United States, primarily to business users, utilizing frequencies licensed by the Federal Communications Commission ("FCC"). In addition to its digital operations, Nextel also operates analog wireless networks which provide analog specialized mobile radio ("SMR") services. Nextel's digital network has been developed to replace its remaining traditional analog SMR systems with advanced mobile communication systems employing digital technology with a multi-site configuration permitting frequency reuse ("Digital Mobile network") utilizing digital technology developed by Motorola Inc. ("Motorola") (such technology is referred to as the "integrated Digital Enhanced Network" or "iDEN™"). Nextel's principal business objective is to offer high-capacity, high quality, advanced communications services on its Digital Mobile network to its customers in metropolitan markets throughout the United States and to become a major participant in the global wireless communications business. Through its subsidiary Nextel International, Inc. ("Nextel International", formerly known as McCaw International, Ltd.), and other subsidiaries that are involved in the international wireless investments and business activities managed and/or coordinated through Nextel International, Nextel has interests in wireless operations in Latin America, Asia and Canada.

Concentrations of Risk — The Company believes that the geographic and industry diversity of its customer base minimizes the risk of incurring material losses due to concentrations of credit risk.

The Company is party to certain equipment purchase agreements with Motorola, a significant stockholder (see Notes 6 and 12). For the foreseeable future the Company expects that it will need to rely on Motorola for the manufacture of a substantial portion of the equipment necessary to construct and make operational its Digital Mobile network.

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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Principles of Consolidation — The consolidated financial statements include the accounts of Nextel and its majority-owned subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation. To facilitate the timely reporting of consolidated results, the accounts of Nextel International's foreign subsidiaries are consolidated on a one-month lag based on a fiscal year ending November 30.

The equity method is used to account for unconsolidated investments in companies in which the Company exercises significant influence over operating and financial policies but does not have a controlling interest.

Cash and Cash Equivalents; Supplemental Cash Flow Information — Cash equivalents consist of time deposits and highly liquid investments with remaining maturities of three months or less at the time of purchase. At December 31, 1997, approximately $159.8 million in cash and cash equivalents held by Nextel International and its subsidiaries were not available to fund any of the cash needs of Nextel's domestic Digital Mobile network and SMR businesses due to restrictions contained in the indenture related to the 10-year discount notes issued by Nextel International in March 1997 (the "1997 NI Notes Indenture") (see Note 6).

Supplemental disclosures of cash flow information are as follows:

	Year Ended December 31,		
	1997	1996	1995
	(in thousands)		
Cash paid:			
Interest paid	$105,464	$32,660	$8,454
Income taxes paid	$ —	$ 1,290	$ 389

Total cash and non-cash capital expenditures were $1,641.5 million, $570.0 million and $419.7 million, for the years ended December 31, 1997, 1996 and 1995, respectively. Total capital expenditures include interest capitalized in connection with the construction and development of the Digital Mobile network of approximately $43.0 million, $32.9 million and $31.0 million during the years ended December 31, 1997, 1996 and 1995, respectively. Prior to September 30, 1996, the Company financed certain of its equipment purchases directly with vendors. During the years ended December 31, 1996 and 1995, the total equipment acquired under these vendor financing agreements was $102.5 million and $117.8 million, respectively.

Investments — Marketable debt securities and certificates of deposit with original maturities greater than three months are classified as marketable securities. Marketable equity securities intended to be held more than one year are classified as other long-term assets. At December 31, 1997, approximately $128.6 million of marketable securities held by Nextel International and its subsidiaries were not available to fund any of the cash needs of Nextel's domestic Digital Mobile network and SMR businesses due to restrictions contained in the 1997 NI Notes Indenture (see Note 6).

The Company accounts for investments in accordance with Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities." All of the Company's marketable securities are classified as available-for-sale as of the balance sheet date and are reported at fair value, with unrealized gains and losses, net of tax, recorded as a component of stockholders' equity. Realized gains or losses, as determined on a specific identification basis, and declines in value, if any, judged to be other than temporary on available-for-sale securities are reported in other income or expense. Investments that are not considered marketable securities are recorded at the lower of cost or market and included in other assets. Management of the Company believes its investment policy limits exposure to concentrations of credit risk.

Subscriber Equipment Inventory — Subscriber equipment is valued at the lower of cost or market. Cost is determined by the first-in, first-out method.

Property, Plant and Equipment — Property, plant and equipment, including improvements that extend useful lives, are recorded at cost, while maintenance and repairs are charged to operations as incurred. Depreciation and amortization are computed using the straight-line method based on estimated useful lives of up to 31 years for buildings, 3 to 10 years for equipment, and 3 to 7 years for furniture and fixtures. Leasehold improvements are amortized over the shorter of the respective lives of the leases or the useful lives of the improvements.

Construction in progress includes labor, material, transmission and related equipment, engineering, site development, interest and other costs relating to the construction and development of the Digital Mobile network.

Intangible Assets — Intangible assets are recorded at cost and are amortized using the straight-line method based on estimated useful lives of 40 years for FCC licenses and the excess of purchase price over fair value of domestic net assets acquired, 3 to 10 years for customer lists, and up to 20 years for other intangibles. Licenses for the Company's international operations and the excess of purchase price over the fair value of net assets acquired related to international acquisitions are amortized on a straight-line basis over 20 years.

Effective October 1, 1997, the Company changed the estimated useful lives of FCC licenses and the excess of purchase price over fair value of net assets acquired related to domestic acquisitions from 20 to 40 years to better reflect the period over which economic benefits of such assets are expected to be realized. The change in the estimated useful lives of these intangible assets had the effect of decreasing amortization expense by approximately $27.7 million for the quarter and year ended December 31, 1997.

Interest Rate Risk Management — The Company uses derivative financial instruments consisting of interest rate swap and interest rate protection agreements in the management of its interest rate exposures. These interest rate swap agreements have the effect of converting certain of the Company's variable rate obligations to fixed or other variable rate obligations. Amounts to be paid or received under interest rate swap agreements are accrued as interest rates change and are recognized over the life of the swap agreements as an adjustment to interest expense. The fair value of the swap agreements is not recognized in the consolidated financial statements, since the swap agreements meet the criteria for matched swap accounting.

The Company enters into interest rate protection agreements to lock in current interest rates on 10-year U.S. Treasury notes in anticipation of future debt issuances that are probable of occurring and whose significant terms and characteristics have been identified. Such agreements are designated to specific debt issuances and any resulting net receivable or payable on the agreement is capitalized as part of the deferred financing costs and amortized as an adjustment to interest expense over the life of the related debt. In the event that an agreement is no longer specifically designated to an anticipated transaction, the agreement would be marked to market with any gain or loss recognized within the Company's statement of operations.

The Company does not use financial instruments for trading or other speculative purposes, nor is it a party to any leveraged derivative instrument. The use of derivative financial instruments is monitored through regular communication with senior management. The Company is exposed to credit loss in the event of nonperformance by the counterparties. This credit risk is minimized by dealing with a group of major financial institutions with which the Company has other financial relationships. The Company does not anticipate nonperformance by these counterparties.

Revenue Recognition — Revenue is recognized for airtime and other services over the period earned and for sales of equipment when delivered. Accruals for customer discounts and rebates are recorded when revenues are recognized.

Certain of the Company's digital equipment sales are made through independent distributors under agreements allowing rights of return on merchandise unsold by the distributors. The Company defers recognition of such sales until the merchandise is sold by the distributors.

Digital Mobile Network Equipment Sales and Related Costs — The loss generated from the sale of subscriber units used in the Digital Mobile network primarily results from the Company's subsidy of digital subscriber units and represents marketing costs for the Digital Mobile network. Equipment sales revenue and related cost of sales of digital subscriber units and related digital accessories, including current period order fulfillment and installation related expenses are classified within selling, general and administrative expenses as follows:

	Year Ended December 31,		
	1997	1996	1995
		(in thousands)	
Equipment Sales	$ 246,074	$129,252	$ 53,515
Cost of Equipment Sales	396,948	154,678	67,274
	$(150,874)	$(25,426)	$(13,759)

Income Taxes — Deferred tax assets and liabilities are determined based on the temporary difference between the financial reporting and tax bases of assets and liabilities applying enacted statutory tax rates in effect for the year in which the differences are expected to reverse. Future tax benefits, such as net operating loss carryforwards, are recognized to the extent that realization of such benefits is considered to be more likely than not.

Foreign Currency Translation — Results of operations for foreign investments are translated from the designated functional currency to the U.S. dollar using average exchange rates during the period, while assets and liabilities are translated at the exchange rate in effect at the reporting date. Resulting gains or losses from translating foreign currency financial statements are accumulated in a separate component of stockholders' equity. There were no translation gains or losses for the periods presented. All gains or losses resulting from foreign currency transactions are included in other income (expense) in the accompanying consolidated statements of operations. During the year ended December 31, 1997, the Company recognized approximately $6.0 million in transaction gains; no significant transaction gains or losses were recorded during the years ended December 31, 1996 or 1995.

During 1997, Comunicaciones Nextel de Mexico S.A. de C.V. ("Nextel Mexico"), formerly known as Corporacion Mobilcom S.A. de C.V., and McCaw International (Brazil), Ltd. ("Nextel Brazil"), formerly known as Wireless Ventures of Brazil, Inc., were considered to be operating in highly inflationary economies as defined by Statement of Financial Accounting Standards No. 52, "Foreign Currency Translation." Accordingly, Nextel Mexico and Nextel Brazil used the U.S. dollar as their functional currency. Effective January 1, 1998, Nextel Brazil will no longer be considered to be operating in a highly inflationary economy and will begin using the Brazilian Real as its functional currency.

Basic and Diluted Loss per Share Attributable to Common Stockholders — In March 1997, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 128, "Earnings per Share" ("SFAS 128"), which supersedes Accounting Principles Board Opinion No. 15. SFAS 128 is effective for 1997 and simplifies the computation of earnings per share by replacing the presentation of primary and fully diluted earnings per share with a presentation of basic and diluted earnings per share. SFAS 128 requires dual presentation of basic and diluted earnings per share by entities with complex capital structures. Basic earnings per share includes no dilution and is computed by dividing income available to common stockholders by the weighted-average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution of securities that could share in the earnings of an entity, similar to fully diluted earnings per share. As presented, the Company's basic and diluted net loss per share attributable to common stockholders is based on the weighted-average number of common shares outstanding during the period and does not include other potential common shares (including shares issuable upon exercise of options, warrants or conversion rights) since their effect would be antidilutive.

New Accounting Pronouncements — In June 1997, the FASB issued Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income," ("SFAS 130") that establishes standards for reporting and display of comprehensive income and is effective for fiscal years beginning after December 15, 1997. Components of comprehensive income include items such as net income, changes in fair market value of available-for-sale securities and foreign currency translation adjustments.

In June 1997, the FASB issued Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information," ("SFAS 131") that changes the standards for reporting information about operating segments in annual financial statements and requires reporting of selected information in interim financial reports. SFAS 131 is effective for fiscal years beginning after December 15, 1997.

Both SFAS 130 and SFAS 131 require additional disclosure, but will not result in a material effect on the Company's financial position or results of operations.

Reclassifications — Certain prior year amounts have been reclassified to conform to the current year presentation.

2. Significant Business Combinations and Investments

Domestic Transactions — On November 12, 1997, the merger with Pittencrieff Communications, Inc. ("Pittencrieff"), an operator of analog SMR systems in Texas, Oklahoma, New Mexico and Arizona, was consummated (the "Pittencrieff Transaction"), whereby the stockholders of Pittencrieff received approximately 6.2 million shares of Nextel Class A Common Stock (or rights to receive such stock), par value $0.001 per share ("Common Stock"), having an aggregate value of approximately $169.6 million at closing. The Company does not believe that the final purchase price allocation will differ significantly from the preliminary purchase price allocation recorded at December 31, 1997.

In January 1996, the merger with Dial Page, Inc. ("Dial Page"), an operator of analog SMR systems in the southeastern United States, was consummated (the "Dial Page Transaction"), whereby the stockholders of Dial Page received approximately 26.8 million shares of Common Stock (or rights to receive such stock), having an aggregate value of approximately $277.9 million on the contract date.

In July 1995, the Company acquired from Motorola substantially all of its owned or managed 800 MHz SMR licenses and related assets located throughout the continental United States in exchange for approximately 41.7 million shares of Common Stock and 17.8 million shares of Nextel Class B Non-Voting Common Stock, par value $0.001 per share (the "Non-Voting Common Stock") (the "Motorola Transaction"), having an aggregate market value of approximately $1,160.0 million at closing.

In July 1995, the merger with OneComm Corporation ("OneComm"), an operator of SMR systems in the Rocky Mountain, Pacific Northwest, Midwest, North Central and Ohio Valley areas, was consummated (the "OneComm Transaction") whereby the stockholders of OneComm received approximately 22.5 million shares of Common Stock (or rights to receive such stock), having an aggregate market value of approximately $402.0 million at closing.

In July 1995, the merger with American Mobile Systems Incorporated ("AMS"), an operator of SMR systems in Florida, was consummated, whereby the stockholders of AMS received approximately 4.2 million shares of Common Stock (or rights to receive such stock), having an aggregate market value of approximately $81.3 million at closing.

In October 1995, the Company acquired certain SMR properties from Comcast Corporation in exchange for approximately 463,000 shares of Common Stock, having an aggregate market value of approximately $7.2 million at closing.

International Transactions — Through a series of investments in 1995 and 1996, Nextel International acquired approximately 30.1% of the outstanding shares of Nextel Mexico, a Mexican SMR operator. Upon acquiring a 30.1% ownership interest, Nextel International commenced accounting for Nextel Mexico using the equity method of accounting.

Through a series of transactions during 1997, the Company acquired substantially all of the remaining shares of Nextel Mexico in exchange for 1.3 million shares of Common Stock valued at $16.5 million at closing and $115.6 million in cash, thereby increasing Nextel International's equity interest to approximately 100% (the "Mexico Transaction"). Nextel International commenced consolidating the accounts of Nextel Mexico on September 1, 1997, as a result of its having obtained greater than 50% of the outstanding common stock and control of Nextel Mexico.

In August 1996, the Company, through a wholly-owned subsidiary, loaned Grupo Comunicaciones San Luis S.A. de C.V ("Grupo") $12.0 million of which $3.4 million in principal and accrued interest was outstanding as of December 31, 1996. The note was subsequently transferred to Unrestricted Subsidiary Funding Company, a wholly-owned subsidiary of Nextel ("USFC"). The principal and accrued interest of $5.7 million outstanding as of December 12, 1997 was forgiven in connection with the acquisition of the minority interest in Nextel Mexico held by Grupo.

During the year ended December 31, 1996, Nextel International recorded a $10.8 million charge as a result of changing from the cost method to the equity method of accounting. During the year ended December 31, 1995, Nextel International recorded a $15.0 million charge to operations representing an other than temporary decline in this cost method investment as a result of the decline in the Mexican Peso during 1995.

On January 30, 1997, Nextel acquired 81% of the outstanding shares of Nextel Brazil, an operator of SMR systems in Brazil, from Telcom Ventures, Inc. ("Telcom Ventures") for a purchase price of $186.3 million, which was paid with approximately 12.0 million shares of Common Stock (the "Brazil Transaction"). Nextel simultaneously contributed its interest in Nextel Brazil to Nextel International. Telcom Ventures has the right between October 31, 2001 and November 1, 2003, to require Nextel International to redeem its 19% interest in Nextel Brazil at fair market value as determined pursuant to an appraisal procedure. Nextel International is currently required to fund 100% of Nextel Brazil's capital requirements until April 30, 1999 when Telcom Ventures must either (i) contribute its pro rata share plus accrued interest or (ii) dilute its ownership interest. Dividends may be declared at the discretion of Nextel Brazil's board of directors and are allocated based on the ownership percentages in effect at the date of declaration. No dividends have been declared to date. In September 1997, a subsidiary of Nextel Brazil acquired 49% of the capital stock and certain assets of a Brazilian indirect wholly-owned subsidiary of Motorola for total consideration of approximately $19.3 million. In connection with this transaction Nextel International's ownership in its Brazilian operations was effectively reduced to 77%.

In August 1996, Nextel International acquired all of the outstanding shares of Com Control Comunicacion Controlada S.A., (renamed McCaw Argentina S.A.L., "Nextel Argentina") an Argentine SMR operator. On May 6, 1997, Nextel International contributed its 100% ownership interest in Nextel Argentina into a joint venture (the "Argentina Joint Venture") between the Company and Wireless Ventures of Argentina, L.L.C. ("WVA"). As of December 31, 1997, Nextel International had a 50% voting interest and shared equally in the profits and losses of the joint venture. Capital contributions are to be made equally unless otherwise agreed to by both Nextel International and WVA. Commencing on May 6, 1997, Nextel International accounted for its investment in the joint venture under the equity method of accounting.

On January 30, 1998, Nextel International acquired the remaining 50% interest in the Argentina Joint Venture from WVA for a purchase price of $46.0 million. As a result of the purchase, Nextel International commenced consolidating the accounts of Nextel Argentina effective February 1, 1998.

Pro Forma Results — The following presents the unaudited pro forma consolidated results of operations for the year ended December 31, 1995, as if the acquisitions consummated in 1995 and the Dial Page Transaction described above had occurred on January 1, 1995. Results of operations for the years ended December 31, 1997 and 1996 were not materially affected by the acquisitions consummated in 1997 and 1996; accordingly, pro forma results are not presented. The pro forma results are not necessarily indicative of the actual results of operations that would have occurred had the transactions been consummated as indicated nor are they intended to indicate results that may occur in the future.

	Year Ended December 31, 1995 (in thousands, except per share data)
Revenues	$ 261,393
Net loss	$(526,699)
Loss per share attributable to common stockholders	$ (2.34)

All of the acquisitions described above were accounted for by the purchase method. Accordingly, assets and liabilities have been reflected at fair value at the date of acquisition. The operating results of the acquired companies are included in the consolidated statements of operations from their respective acquisition dates.

The total purchase price and net assets acquired for domestic and international acquisitions completed are as follows:

	Year Ended December 31,		
	1997	1996	1995
		(in thousands)	
Direct cost of acquisitions:			
Cash and accrued transaction costs	$ 154,462	$ 30,487	$ 89,626
Common stock, warrants and options	382,910	296,881	1,654,525
Expenses related to corporate reorganization	—	—	9,915
	$ 537,372	$ 327,368	$1,754,066
Net assets acquired:			
Working capital — net	$ (29,218)	$ 53,641	$ (44,992)
Property, plant and equipment	51,661	202,420	207,070
Intangible assets	700,582	556,250	2,278,310
Other assets	7,377	4,290	37,790
Long-term debt	(15,280)	(379,017)	(215,835)
Deferred income taxes	(177,750)	(110,216)	(508,277)
	$ 537,372	$ 327,368	$1,754,066

Corporate Reorganization — As a result of the business combinations consummated in 1995, the Company began to implement a plan to consolidate, resize and relocate the corporate headquarters and certain other functions of the various combining entities (the "Corporate Reorganization"). Accordingly, in 1995 the Company recorded a charge to operations of approximately $17.4 million for certain estimated expenses directly related to such Corporate Reorganization activities, including employee severance and closure of duplicate facilities. As of December 31, 1997, all such costs relating to the Corporate Reorganization have been paid.

3. Accounts and Notes Receivable

	December 31,	
	1997	1996
	(in thousands)	
Trade	$284,053	$ 80,644
Notes receivable	2,964	12,295
Other	10,210	8,227
Allowance for doubtful accounts	(56,590)	(10,774)
	$240,637	$ 90,392

4. Property, Plant and Equipment

	December 31, 1997	December 31, 1996
	(in thousands)	
Land	$ 3,047	$ 1,995
Buildings and improvements	37,901	20,279
Equipment	3,054,607	1,427,159
Furniture and fixtures	28,779	18,182
Less accumulated depreciation and amortization	(594,473)	(314,808)
	2,529,861	1,152,807
Construction in progress	695,742	650,932
	$3,225,603	$1,803,739

5. Intangible Assets

	December 31, 1997	December 31, 1996
	(in thousands)	
FCC licenses	$3,945,838	$3,300,176
Excess of purchase price over fair value of net assets acquired	1,258,400	1,083,963
Customer lists	173,673	134,320
Noncompetition covenants	55,109	85,385
Other	31,280	38,783
	5,464,300	4,642,627
Less accumulated amortization	764,554	566,327
	$4,699,746	$4,076,300

6. Long-Term Debt

	December 31, 1997	December 31, 1996
	(in thousands)	
11.5% Senior Redeemable Discount Notes due 2003, net of unamortized discount of $24,564 and $89,024	$ 318,801	$ 436,831
9.75% Senior Redeemable Discount Notes due 2004, net of unamortized discount of $113,926 and $205,773	1,012,509	920,662
10.125% Senior Redeemable Discount Notes due 2004 (originally issued by OneComm), net of unamortized discount of $111,870 and $151,810	298,006	258,066
12.25% Senior Redeemable Discount Notes due 2004 (originally issued by Dial Call Communications, Inc.), net of unamortized discount of $104,504 and $186,584	326,966	355,246
10.25% Senior Redeemable Discount Notes due 2005 (originally issued by Dial Call Communications, Inc.), net of unamortized discount of $34,320 and $45,192	80,845	69,973
13.0% Senior Redeemable Discount Notes due 2007, net of unamortized discount of $411,571	539,892	—
10.65% Senior Redeemable Discount Notes due 2007, net of unamortized discount of $324,329	515,671	—
9.75% Senior Serial Redeemable Discount Notes due 2007, net of unamortized discount of $416,021	713,079	—
Bank credit facility, interest payable quarterly at an adjusted rate calculated either on the prime rate or LIBOR (8.25% to 9.0% — 1997 and 8.0% to 9.75% — 1996)	1,021,000	590,000
Vendor credit facility, interest payable quarterly at 2.0% over the prime rate (10.5% — 1997 and 10.25% — 1996)	152,021	150,000
Nextel International vendor credit facility, interest payable semiannually at 2.5% over the prime rate (11.0% — 1997)	50,250	—
Other	16,787	3,787
	5,045,827	2,784,565
Less current portion	7,577	1,524
	$5,038,250	$2,783,041

Senior Redeemable Discount Notes

Old Senior Notes — In 1993, the Company completed the issuance of $525.9 million principal amount at maturity of 11.5% Senior Redeemable Discount Notes due 2003 (the "Nextel 2003 Notes"). The Nextel 2003 Notes, which are unsecured obligations and noncallable until September 1, 1998, generated $300.0 million of gross proceeds. Cash interest on the Nextel 2003 Notes accrues beginning on September 1, 1998 and is payable semi-annually beginning March 1, 1999 at a rate of 11.5% per annum.

In 1994, the Company completed the issuance of $1,126.4 million principal amount at maturity of 9.75% Senior Redeemable Discount Notes due 2004 (the "Nextel 2004 Notes"). The Nextel 2004 Notes, which are unsecured obligations and noncallable until February 15, 1999, generated $700.0 million of gross proceeds. Cash interest on the Nextel 2004 Notes accrues beginning on February 15, 1999 and is payable semi-annually beginning August 15, 1999 at a rate of 9.75% per annum.

The $409.9 million principal amount at maturity of 10.125% Senior Redeemable Discount Notes due 2004 originally issued by OneComm (the "OneComm 2004 Notes") are unsecured obligations, noncallable until January 15, 1999, and were assumed in connection with the OneComm Transaction and adjusted to fair value at the date of acquisition at an annual yield to stated maturity of approximately 14.2%. Cash interest on the OneComm 2004 Notes accrues beginning on January 15, 1999 and is payable semi-annually beginning July 15, 1999 at a rate of 10.125% per annum.

The $541.8 million principal amount at maturity of 12.25% Senior Redeemable Discount Notes due 2004 originally issued by Dial Call Communications, Inc. (the "Dial Page 2004 Notes") are unsecured obligations, noncallable until April 15, 1999, and were assumed in connection with the Dial Page Transaction and adjusted to fair value at the date of acquisition at an annual yield to stated maturity of approximately 14.3%. Cash interest on the Dial Page 2004 Notes accrues beginning on April 15, 1999 and is payable semi-annually beginning October 15, 1999 at a rate of interest of 12.25% per annum.

The $115.2 million principal amount at maturity of 10.25% Senior Redeemable Discount Notes due 2005 originally issued by Dial Call Communication, Inc. (the "Dial Page 2005 Notes") are unsecured obligations, noncallable until December 15, 1998, and were assumed in connection with the Dial Page Transaction and adjusted to fair value at the date of acquisition at the annual yield to stated maturity of approximately 14.3%. Cash interest on the Dial Page 2005 Notes accrues beginning on December 15, 1998 and is payable semi-annually beginning June 15, 1999 at a rate of 10.25% per annum.

Extraordinary Item — During the fourth quarter of 1997, the Company utilized $283.3 million of the proceeds from the issuance of $1,129.1 million in principal amount at maturity of 9.75% Senior Serial Redeemable Discount Notes due 2007 (the "October 2007 Notes") to repurchase $182.5 million in principal amount at maturity of Nextel 2003 Notes and $110.4 million in principal amount at maturity of Dial Page 2004 Notes (collectively, the "Targeted Notes") at a cost in excess of related carrying amounts. Accordingly, the Company recognized an extraordinary loss of approximately $45.8 million related to the early retirement of debt representing the excess of the purchase price over carrying value as well as unamortized deferred financing costs. In March 1998 the Company commenced a cash tender offer and consent solicitation related to the remaining outstanding Targeted Notes.

Indenture Amendments — On June 13, 1997, Nextel obtained the consent of the requisite number of holders of the Nextel 2003 Notes, Nextel 2004 Notes, OneComm 2004 Notes, Dial Page 2004 Notes and Dial Page 2005 Notes (collectively the "Old Senior Notes") to certain amendments and waivers to specific provisions of the indentures governing the Old Senior Notes (as amended and modified, the "Old Indentures"). The amendments included certain modifications to the debt incurrence limitations to allow Nextel to incur additional indebtedness and modifications to make the terms and covenants uniform among the Old Indentures. The covenants of the Old Indentures restrict the ability of the Company and certain of its subsidiaries to: incur additional indebtedness; pay dividends or make distributions in respect of its capital stock or make certain other restricted payments; enter into transactions with affiliates or related persons; sell certain assets; engage in any business other than the telecommunications business; or consolidate, merge or sell all or substantially all of its assets. The maximum permitted indebtedness pursuant to the Old Indentures was limited to approximately $3.0 billion as of December 31, 1997. At December 31, 1997, the Company has incurred approximately $2.1 billion constituting permitted debt which had the effect of limiting the amount available under the Old Facilities (as defined below) as of that date by approximately $390.0 million.

Nextel International 2007 Notes — On March 3, 1997, Nextel International completed the sale of 951,463 units generating approximately $500.0 million in gross proceeds. Each unit is comprised of a 10-year senior discount note (the "1997 NI Notes") (with a principal amount due at maturity of $1,000) and one warrant to purchase 0.38748 shares of Nextel International's common stock at an exercise price of $9.99 per share any time after March 6, 1998 and prior to March 6, 2007. The warrants entitle the holders to purchase, in the aggregate, approximately 1% of the current outstanding shares of Nextel International on a fully diluted basis. The 1997 NI Notes have a 13% yield to maturity, are noncallable until April 15, 2002, and require no interest payments for the first five years. Interest on the 1997 NI Notes is payable in cash on each April 15 and October 15, commencing October 15, 2002. Nextel International is restricted from paying dividends under the terms of the 1997 NI Notes Indenture, and such indenture contains covenants restricting certain transactions. The 1997 NI Notes are senior unsecured indebtedness of Nextel International and rank pari passu in right of payment with all unsubordinated, unsecured indebtedness of Nextel International.

September 2007 Notes — On September 17, 1997, Nextel completed the sale of $840.0 million in principal amount at maturity of 10.65% Senior Redeemable Discount Notes due 2007 (the "September 2007 Notes"). The sale of the September 2007 Notes generated approximately $500.3 million in aggregate gross proceeds. Nextel received approximately $486.0 million in net cash proceeds from the sale of the September 2007 Notes. Cash interest will not accrue on the September 2007 Notes prior to September 15, 2002 and will be payable on March 15 and September 15 of each year, commencing March 15, 2003, at a rate of 10.65% per annum. The September 2007 Notes are redeemable, at the option of Nextel at any time, in whole or in part, on or after September 15, 2002, at specified redemption prices plus accrued and unpaid interest. The September 2007 Notes are senior unsecured indebtedness of Nextel and rank pari passu in right of payment with all unsubordinated, unsecured indebtedness of Nextel.

October 2007 Notes — On October 22, 1997, Nextel completed the sale of $1,129.1 million in principal amount at maturity of 9.75% Senior Redeemable Discount Notes due 2007 (the "October 2007 Notes"). The sale of the October 2007 generated approximately $700.0 million in aggregate gross proceeds. Nextel received approximately $682.0 million in net cash proceeds from the sale of the October 2007 Notes. Cash interest will not accrue on the October 2007 Notes prior to October 31, 2002 and will be payable on April 30 and October 31 of each year, commencing April 30, 2003, at a rate of 9.75% per annum. The October 2007 Notes are redeemable, at the option of Nextel at any time, in whole or in part, on or after October 31, 2002, at specified redemption prices plus accrued and unpaid interest. The October 2007 Notes are senior unsecured indebtedness of Nextel and rank pari passu in right of payment with all unsubordinated, unsecured indebtedness of Nextel.

February 2008 Notes — On February 11, 1998, Nextel completed the sale of $1,627.0 million in principal amount at maturity of 9.95% Senior Serial Redeemable Discount Notes due 2008 (the "February 2008 Notes"). The sale of the February 2008 Notes generated approximately $1,000.1 million in gross proceeds. Nextel received approximately $975.9 million in net cash proceeds from the sale of the February 2008 Notes. Cash interest will not accrue on the February 2008 Notes prior to February 15, 2003, and will be payable on February 15 and August 15 commencing August 15, 2003 at a rate of 9.95%. The February 2008 Notes are redeemable, at the option of Nextel at any time, in whole or in part, on or after February 15, 2003, at specified redemption prices plus accrued and unpaid interest. The February 2008 Notes are senior unsecured indebtedness of Nextel and rank pari passu in right of payment with all unsubordinated, unsecured indebtedness of Nextel.

Nextel International 2008 Notes — On March 12, 1998, Nextel International completed the sale of $730.0 million in principal amount at maturity of 12.125% Senior Discount Notes due 2008 (the "1998 NI Notes"). The sale of the 1998 NI Notes generated approximately $400.9 million in gross proceeds and become redeemable at Nextel International's option at any time, in whole or in part, on or after April 15, 2003. Nextel International received approximately $387.0 million in net cash proceeds from the sale of the 1998 NI Notes to be used for system and related capital expenditures and other general corporate purposes of Nextel International and its subsidiaries and restricted affiliates. Cash interest will not accrue on the 1998 NI Notes prior to April 15, 2003, and will be payable on April 15 and October 15 commencing October 15, 2003 at a rate of 12.125%. The 1998 NI Notes are senior unsecured indebtedness of Nextel International and rank pari passu in right of payment with all unsubordinated, unsecured indebtedness of Nextel International.

Bank and Vendor Credit Facilities

Domestic Facilities — On September 30, 1996, Nextel, Nextel Finance Company ("NFC"), a wholly-owned subsidiary of Nextel, and certain other domestic subsidiaries of Nextel entered into definitive agreements with respect to a secured credit facility arranged by a group of banks (the "Old Bank Credit Facility"). The Old Bank Credit Facility provided for up to $1,905.0 million of secured financing, consisting of $1,085.0 million in revolving loans and $820.0 million in term loans. The commitments to make revolving loans were to be reduced beginning March 31, 2001 with final maturities of the revolving loans occurring on March 31, 2003. Quarterly principal payments on the term loans were to commence March 31, 2001 with final maturities on June 30, 2003. Concurrently therewith, Nextel, NFC and certain other subsidiaries of Nextel entered into definitive agreements, which also became effective on September 30, 1996, with respect to the amendment, restatement and consolidation of the previously existing financing arrangements with Motorola and NTFC Capital Corporation (the "Vendor Credit Facility"). The Vendor Credit Facility superseded the previous financing agreements and provided for up to $395.0 million of secured financing, consisting of a $195.0 million revolving loan and $200.0 million in term loans, with revolving credit commitment reductions and term loan payments parallel to those of the Old Bank Credit Facility. In addition, in July 1997 the Company entered into a credit facility providing for up to $200.0 million in additional secured term loans that were to be second in ranking to the borrowings made pursuant to the Old Bank Facility and Vendor Credit Facility, and were to be made available to the Company by Motorola through March 31, 1999 (the "Second Secured Facility").

Borrowings under the Old Bank Credit Facility, the Vendor Credit Facility and the Second Secured Facility (collectively, the "Old Facilities") were ratably secured by liens on certain assets and capital stock of Nextel's subsidiaries that are "restricted" subsidiaries under the terms of Nextel's public indentures (the "Nextel Indentures") relating to the Company's various outstanding issues of senior discount notes (the "Nextel Notes"). At December 31, 1997, substantially all of the Company's assets were pledged in connection with the Old Facilities. As of December 31, 1997, Nextel had drawn $1,021.0 million of its available financing under the Old Bank Credit Facility, leaving an aggregate of $884.0 million available for borrowing under such facility. Additionally, Nextel had drawn $150.0 million of its available financing under the Vendor Credit Facility, leaving an aggregate of $245.0 million available for borrowing under such facility. None of the amounts available under the Second Secured Facility had been drawn at December 31, 1997. As a result of the debt incurrence restrictions under the Old Indentures, at December 31, 1997 the amount available for borrowing under the Old Facilities (in addition to the outstanding borrowings on such date) was limited to approximately $940.0 million.

On March 13, 1998, the Old Facilities were repaid and terminated in connection with the transactions relating to the new Bank Credit Facility described below. The agreements relating to the Old Facilities contained covenants similar to those in effect under the Bank Credit Facility.

New Bank Financing — Nextel, NFC and certain other subsidiaries of Nextel entered into definitive agreements, which became effective on March 13, 1998, with respect to a secured credit facility arranged by a group of banks (the "Bank Credit Facility"). The Bank Credit Facility replaces the Old Facilities. The credit agreement relating to the Bank Credit Facility (the "Bank Credit Agreement") provides for up to $3.0 billion of secured financing, consisting of a $1.5 billion revolving loan and $1.5 billion in term loans. Concurrently with the effectiveness of the Bank Credit Facility, the Company made and applied borrowings pursuant to certain of the term loans thereunder to repay the indebtedness outstanding under the Old Bank and Vendor Credit Facilities and terminated the Old Facilities. Borrowings under the Bank Credit Facility are secured by liens on assets of Nextel's subsidiaries that are "restricted" subsidiaries under the terms of the Nextel Indentures and bear interest payable quarterly at an adjustable rate calculated based either on the prime rate or LIBOR. The Nextel Indentures contain provisions that may operate to limit the amount of borrowings available under the Bank Credit Facility in certain circumstances. With the limitations on permitted debt incurrence under the Nextel Indentures, the amount of borrowings available to be drawn under the Bank Credit Facility on its March 13, 1998 effective date was limited by approximately $250.0 million.

The agreements relating to the Bank Credit Facility contain covenants which limit the ability of the Company and certain of its subsidiaries to incur additional indebtedness; create liens; pay dividends or make distributions in respect of its capital stock or make certain other restricted payments; consolidate, merge or sell all or substantially all of its assets; guarantee obligations of other entities; enter into hedging agreements; enter into transactions with affiliates or related persons; or engage in any business other than the telecommunications business. Except for distributions for certain limited purposes, these covenants and the 1997 NI Notes Indenture impose limitations which restrict the distribution of substantially all of the net assets of the Company's subsidiaries to Nextel Communications, Inc. Additionally, the agreement requires Nextel and its relevant subsidiaries at specified times is required to maintain compliance with certain operating and financial covenants or ratios including certain covenants and ratios specifically related to leverage which may become more stringent over time.

International Facilities — In October 1997, Nextel Brazil and Motorola Credit Corp., a subsidiary of Motorola ("Motorola Credit"), entered into an equipment financing agreement whereby Motorola Credit agreed to provide up to $125.0 million in multi-draw term loans (the "Brazil Motorola Financing") to Nextel Brazil to be used to acquire infrastructure equipment and related services from Motorola. The Brazil Motorola Financing is repayable in U.S. dollars in semi-annual installments over 42 months commencing June 30, 2000 and bears interest at an adjustable rate calculated based either on the prime rate or LIBOR. Pursuant to the Brazil Motorola Financing, the revolving loans are secured by a first priority lien on substantially all of Nextel Brazil's assets totaling approximately $420.2 million at December 31, 1997, a pledge of all of the stock of Nextel Brazil and its subsidiaries, including Nextel S.A., and guarantees by Nextel International and Motorola International Development Corporation (which indirectly holds a 5% equity interest in Nextel S.A.) of 93.9% and 6.1%, respectively, of Nextel Brazil's obligations under such financing. The Brazil Motorola Financing prohibits the payment of dividends by Nextel S.A. until the existing loan balance is paid in full and contains covenants restricting certain transactions and requiring the maintenance of certain financial ratios.

As of February 27, 1998, Nextel Argentina entered into an $83.0 million senior secured credit facility (the "Argentina Credit Facility"). In addition, Nextel Argentina and The Chase Manhattan Bank entered into an agreement, dated February 27, 1998, pursuant to which the parties agreed that the aggregate commitments under the Argentina Credit Facility shall automatically be increased by $17 million to the extent that additional lenders agree to provide such commitments. Borrowings under the Argentina Credit Facility are subject to finalizing certain security arrangements as well as the satisfaction or waiver of certain other conditions. Loans under the Argentina Credit Facility will bear interest at a rate equal to either (i) the ABR plus 2.75% (ABR is the highest of the prime rate, the base CD rate plus 1% and the federal funds rate plus 0.5%) or (ii) the Eurodollar rate plus 3.75% (the Eurodollar rate is the LIBOR rate multiplied by the statutory reserve rate). The loans under the Argentina Credit Facility will be repaid in U.S. dollars in quarterly installments beginning September 30, 2000 and ending March 31, 2003.

Deferred Financing Costs

During 1997, the Company paid $138.8 million in deferred financing costs primarily related to the issuances of the 1997 NI Notes, the September 2007 Notes, the October 2007 Notes, the consent solicitation and the Series D Preferred Stock (Note 10). Costs incurred in connection with the consent solicitation of $67.2 million were partially reduced by approximately $63.7 million in proceeds that were received from the sale of approximately 3.9 million shares of Common Stock offered exclusively to validly consenting holders of the Old Senior Notes at a price of $16.14 per share.

Future Maturities of Long-Term Debt

For the years subsequent to December 31, 1997, scheduled annual maturities of long-term debt outstanding as of December 31, 1997 under the then existing long-term debt agreements are as follows (in thousands):

1998	$ 7,577
1999	19,886
2000	44,516
2001	171,115
2002	213,397
Thereafter	6,130,441
	6,586,932
Less unamortized discount	1,541,105
	$5,045,827

7. Fair Value of Financial Instruments

The following disclosure of the estimated fair value of financial instruments as of December 31, 1997 and 1996 is made in accordance with the requirements of Statement of Financial Accounting Standards No. 107, "Disclosures about Fair Value of Financial Instruments." The estimated fair value amounts have been determined by the Company, using available market information and appropriate valuation methodologies. However, considerable judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Company could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

	December 31,			
	1997		1996	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
	(in thousands)			
Marketable securities (including equity securities classified within other long-term assets)	$ 226,656	$ 226,656	$ 97,356	$ 97,344
Other assets	$ 68,623	$ 68,623	$ 10,082	$ 10,082
Long-term debt	$5,045,827	$5,243,627	$2,784,612	$2,660,572
Interest rate risk management agreements	$ —	$ (7,919)	$ —	$ (730)
Series D preferred stock	$ 529,119	$ 587,289	$ —	$ —

Cash and Cash Equivalents, Accounts and Notes Receivable, Accounts Payable and Accrued Expenses — The carrying amounts of these items are a reasonable estimate of their fair value.

Marketable Securities — The fair value of these securities are estimated based on quoted market prices. At December 31, 1997 and 1996, marketable securities consist of the following:

	Cost	Fair Value	Unrealized Gain (Loss)
		(in thousands)	
1997			
Available for sale:			
Debt securities due in one year or less	$129,978	$131,404	$ 1,426
Equity securities, included in other long-term assets	$ 69,159	$ 95,252	$26,093
1996			
Available for sale:			
Debt securities due in one year or less	$ 4,991	$ 5,000	$ 9
Equity securities, included in other long-term assets	$ 69,159	$ 92,344	$23,185

Other Assets — The fair value of other assets, consisting primarily of investments in promissory notes and escrow deposits, are estimated by discounting future cash flows using current rates at which similar notes would be issued to similar borrowers and quoted market prices, as applicable. At December 31, 1997 and 1996, it was not practicable to value investments in nonmarketable equity securities of foreign entities with a carrying value of approximately $19.7 million. Accordingly, these investments are excluded from the above table.

Long-Term Debt — The fair value of these securities are estimated based on quoted market prices of the Nextel 2003 Notes, Nextel 2004 Notes, OneComm 2004 Notes, Dial Page 2004 Notes, Dial Page 2005 Notes, 1997 NI Notes, September 2007 Notes, and October 2007 Notes. Carrying value approximates fair value for the Old Facilities and the Brazil Motorola Financing, as interest rates are reset periodically.

Interest Rate Risk Management Agreements — The Company uses derivative financial instruments consisting of interest rate swap and interest rate protection agreements to manage its exposure to adverse movements in interest rates. While these instruments are subject to fluctuations in value, such fluctuations are generally offset by fluctuations in the value of the underlying instrument or anticipated transaction.

The Company attempts to achieve a desired proportion of fixed versus floating rate debt by using interest rate swaps to change the interest rate characteristics of certain of its debt obligations. In an interest rate swap, the Company agrees to exchange, at specified intervals, the difference between a variable interest rate and either a fixed or another variable interest rate calculated by reference to an agreed-upon notional principal amount. The resulting interest rate differential is reflected as an adjustment to interest expense over the life of the swap. The incremental effect on interest expense for the years ended December 31, 1997 and 1996 was not material. The notional amounts of interest rate swaps were $450.0 million and $420.0 million at December 31, 1997 and 1996, respectively. At December 31, 1997, based on estimates obtained from dealers, the Company would be obligated to pay an aggregate of $1.9 million to settle these contracts.

The following table summarizes the Company's off-balance sheet interest rate swap agreements at December 31, 1997:

	Notional Amount	Fair Value	Weighted Average Maturity	Weighted Average Pay Rate	Weighted Average Receive Rate
	(in thousands)				
Pay fixed rate, receive floating rate	$300,000	$ 151	2.8 years	5.434%	5.824%
Pay floating rate, receive floating rate	150,000	(2,002)	3.2 years	5.718%	5.915%

At December 31, 1997, the Company had one interest rate protection agreement with a notional amount of $570.0 million and a 10-year U.S. Treasury note reference rate of 5.9545%, with an expiration date of November 2, 1998. The agreement can be settled at expiration, or earlier, through a single payment by either party determined by comparison of the actual 10-year U.S. Treasury note rate to the contract reference rate. This agreement requires the Company to make cash payments in the event that the actual interest rate on 10-year U.S. Treasury notes during the term of the agreement is below the reference rate and requires the counterparty to make payments to the Company if such actual rate exceeds the reference rate. This agreement was entered into in order to protect the Company against increases in the 10-year U.S. Treasury note rate which was expected to serve as a reference in determining the interest rate that would be applicable to the February 2008 Notes which have a comparable term (see Note 6). At December 31, 1997, the Company would be obligated to pay approximately $6.1 million to settle the interest rate protection agreement.

Series D Preferred Stock — The fair value is estimated based on quoted market prices.

8. Income Taxes

The components of the income tax provision (benefit) were as follows:

	Year Ended December 31, 1997	1996	1995
		(in thousands)	
Current:			
State	$ —	$ 1,070	$ 825
Deferred:			
Federal	266,753	(272,279)	(161,700)
State	—	(35,983)	(39,727)
Foreign	(8,027)	—	—
	258,726	(308,262)	(201,427)
Income tax provision (benefit)	$258,726	$(307,192)	$(200,602)

The reconciliation of taxes computed at the statutory rate to the income tax provision (benefit) is as follows:

	Year Ended December 31,		
	1997	1996	1995
		(in thousands)	
Income tax benefit at statutory rate	$(458,269)	$(302,124)	$(186,118)
State tax benefit — net	(62,487)	(22,701)	(25,286)
Amortization of goodwill	17,483	14,104	8,400
Increase in valuation allowance	767,467	—	—
Other	(5,468)	3,529	2,402
	$ 258,726	$(307,192)	$(200,602)

Deferred tax assets and liabilities consist of the following:

	December 31,	
	1997	1996
	(in thousands)	
Deferred tax assets:		
Operating loss carryforwards	$1,213,250	$ 725,452
Deferred interest	85,537	61,773
Foreign affiliates	11,958	6,143
Other	46,629	22,316
	1,357,374	815,684
Valuation allowance — net operating losses	(832,069)	(41,065)
	525,305	774,619
Deferred tax liabilities:		
Property, plant and equipment	138,763	112,012
Intangibles	1,269,759	1,103,047
Unrealized gain	23,276	22,724
Other	44,699	42,352
	1,476,497	1,280,135
Net deferred tax liability	$ 951,192	$ 505,516

At December 31, 1997, the Company had approximately $2.7 billion of consolidated net operating loss carryforwards for federal income tax purposes which expire through 2012, and approximately $319.8 million of separate return net operating loss carryforwards which expire through 2012. The utilization of tax net operating losses may be subject to certain limitations.

At December 31, 1997, the Company's foreign subsidiaries had approximately $67.8 million of net operating loss carryforwards for Mexican income tax purposes which expire through 2007. Additionally, the Company's foreign subsidiaries had approximately $13.7 million of net operating loss carryforwards for Brazilian income tax purposes which have no expiration date and can only be utilized up to the limit of 30% of taxable income for the year. The Company's foreign subsidiaries may be limited in their ability to use foreign tax net operating losses in any single year depending on their ability to generate sufficient taxable income.

A significant portion of the Company's deferred tax liabilities will reverse after current net operating losses expire. After considering this and other factors, including the change in useful lives of certain intangible assets and recent operating results, the Company has increased its valuation allowance in 1997 by

$767.5 million. Of this amount, approximately $384.1 million was recorded as a charge in the fourth quarter of 1997.

9. Commitments and Contingencies

Operating Lease Commitments — The Company leases various equipment and office facilities under capital and operating leases. Leases for antenna sites are generally month-to-month or cancelable after a short notice period. Office facilities and equipment other than antenna sites are leased under agreements with terms ranging from 1 to 10 years. The leases normally provide for the payment of minimum annual rentals and certain leases include provisions for renewal options of up to ten years.

For years subsequent to December 31, 1997, future minimum payments for all operating lease obligations that have initial noncancellable lease terms exceeding one year are as follows (in thousands):

1998	$131,257
1999	104,126
2000	70,665
2001	60,613
2002	43,047
Thereafter	71,580
	$481,288

Total rental expense was approximately $119.4 million, $84.5 million and $58.9 million for the years ended December 31, 1997, 1996 and 1995, respectively.

Legal Contingencies — In July 1995, a lawsuit titled *In Re Nextel Communications Securities Litigation* was filed in the United States District Court in the District of New Jersey. This litigation, which is being pursued as a class action suit, amends and consolidates three previously filed class action complaints and seeks damages allegedly incurred by certain stockholders and claimed to result from defendants' alleged violations of Section 10(b) of the Securities Exchange Act of 1934, as amended, and Rule 10b-5 promulgated thereunder. The litigation also makes claims of fraud and deceit. Specifically, the plaintiffs claim that such damages resulted from certain alleged false and misleading statements made by defendants regarding the digital communications technology developed by Motorola and deployed by Nextel in its Digital Mobile network. While Nextel cannot predict the outcome of this litigation, Nextel believes that the claims against it are without merit and intends to vigorously defend against them. On July 23, 1997, the United States District Court in the District of New Jersey declined to grant Nextel's motions to dismiss, pursuant to Federal Rule of Civil Procedure Rules 12(b)(6) and (9)(b), substantially all of the causes of action alleged in the plaintiff's complaint filed in this lawsuit. Most recently, Nextel filed a motion to deny class certification. A ruling on the motion has not yet been made.

In September 1994, a lawsuit titled *Charles Dascal v. Morgan O'Brien, Becker, Gurman, Lukas, Meyers, O'Brien and McGowan, P.C. and Nextel Communications, Inc.*, was filed in the Circuit Court of Dade County, Florida. The lawsuit, which has been transferred to the United States District Court for the Southern District of Florida, seeks compensatory damages, lost profits and special damages based on the defendants' alleged breach of fiduciary duty, misappropriation of trade secrets, negligent misrepresentation, fraud, conversion, civil theft, breach of good faith and fair dealing and unjust enrichment. The claims, which primarily concern alleged conduct by Nextel's current Vice Chairman and former Chairman of the Board, Morgan O'Brien, in the 1970s and early 1980s prior to the formation of Nextel, assert that business plans allegedly formulated by the plaintiff relating to the development of a wireless communications system were disclosed to, and have been improperly used by, the defendants. Directors determined that Morgan O'Brien in his capacities as an officer, director, and authorized representative of Nextel, was entitled to indemnification in respect of this matter.

Nextel has filed counterclaims against Mr. Dascal and has also filed third-party claims against Tel Air Network, Inc. (Tel Air), and Knight-Ridder, Inc. (Knight Ridder). The counterclaim against Mr. Dascal has been dismissed and the Company is currently not aware of any other ruling with respect to the third-party claims against Tel Air and Knight-Ridder. Nextel also has moved for summary judgment for dismissal of Mr. Dascal's claims against Nextel and Mr. O'Brien. To date there has been no ruling on that motion. While Nextel cannot predict the outcome of this litigation, Nextel believes that the claim against it are without merit and intends to vigorously defend against them. A trial date has been set for mid-1998.

Unless otherwise indicated, the relevant plaintiffs have not specified amounts of damages being sought. Given the Company's assessment of the claims asserted against it in each such lawsuit, and in other pending or threatened litigation (including litigation incidental to the conduct of its business), the Company does not believe that such lawsuits, individually or in the aggregate, will have a material adverse effect on the Company's financial condition, results of operations or liquidity.

Regulatory Matters — The FCC issues SMR licenses on both a site-specific and wide-area basis. Each license enables SMR carriers to provide service either on a site-specific basis, in specific 800 MHz Economic Areas ("EA") or 900 MHz Metropolitan Trading Areas ("MTA") in the U.S. Currently, SMR licenses are issued for a period of ten years, and are subject to certain construction and operational requirements. The FCC has routinely granted license renewals providing the licensees have complied with applicable rules, policies, and the Communications Act of 1934, as amended. The Company believes that it has met and will continue to meet all requirements necessary to secure the retention and renewal of its SMR licenses.

In December 1997, the FCC auctioned geographic-area based SMR licenses in the upper 200 SMR channels on an EA basis in blocks of 120 channels, 60 channels and 20 channels. Nextel submitted bids totaling approximately $88.8 million, representing the highest bids, to obtain 475 of the 525 available EA licenses covering all 50 states. As of December 31, 1997, a deposit of $17.8 million had been paid and is included in other long-term assets in the accompanying balance sheet.

10. Capital Stock and Stock Rights

Pursuant to the Certificate of Incorporation, the Company has the authority to issue 613,883,948 shares of capital stock, divided into six classes as follows: (i) 515,000,000 shares of Common Stock, (ii) 35,000,000 shares of Non-Voting Common Stock, (iii) 26,941,933 shares of Class A Convertible Redeemable Preferred Stock, stated value $36.75 per share, ("Class A Preferred Stock,") (iv) 82 shares of Class B Convertible Preferred Stock, stated value $1.00 per share, ("Class B Preferred Stock,") (v) 26,941,933 shares of Class C Convertible Redeemable Preferred Stock, stated value $36.75 per share, (vi) 1,600,000 shares of Series D Exchangeable Preferred Stock, liquidation preference $1,000 per share, ("Series D Preferred Stock,") and (vii) 8,400,000 shares of undesignated preferred stock.

Series D Preferred Stock — On July 21, 1997, Nextel completed the sale of 500,000 shares of Series D Preferred Stock with a liquidation preference of $1,000 per share. Nextel received approximately $482.0 million in net cash proceeds from the sale of the Series D Preferred Stock. Dividends on the Series D Preferred Stock accrue at an annual rate of 13% of the liquidation preference, are cumulative from the date of issuance and are payable quarterly in cash or, on or prior to July 15, 2002, at the sole option of Nextel, in additional shares of Series D Preferred Stock. Nextel elected to pay the first quarterly dividend on the Series D Preferred Stock in kind, resulting in the issuance of an additional 15,166 shares of Series D Preferred Stock on October 15, 1997. At December 31, 1997, accrued but unpaid dividends were approximately $14.0 million. The Series D Preferred Stock is mandatorily redeemable on July 15, 2009 at the liquidation preference plus accrued and unpaid dividends, and is redeemable in whole or in part, at the option of Nextel, at any time after December 15, 2005, at a price equal to the liquidation preference plus accrued and unpaid dividends, and, in certain circumstances, after July 15, 2002 at specified redemption prices. Up to 35% of the Series D Preferred Stock may be redeemed on or prior to July 15, 2000, in whole or in part, at the option of Nextel, in certain circumstances, at 113% of the liquidation preference plus accrued and unpaid dividends from the proceeds of one or more sales of Common Stock. The Series D Preferred Stock is also exchangeable, in whole but not in part, at the option of Nextel, at any time after December 15, 2005 and in certain circumstances sooner, into Nextel subordinated debentures.

Series E Preferred Stock — On February 11, 1998, Nextel completed the sale of 750,000 shares of 11.125% Series E Exchangeable Preferred Stock ("Series E Preferred Stock") with a liquidation preference of $1,000 per share. Nextel received approximately $727.9 million in net cash proceeds from the sale of the Series E Preferred Stock. Dividends on the Series E Preferred Stock accrue at an annual rate of 11.125% of the liquidation preference, are cumulative from the date of issuance and are payable quarterly in cash or, on or prior to February 15, 2003 at the sole option of Nextel, in additional shares of Series E Preferred Stock. The Series E Preferred Stock is mandatorily redeemable on February 15, 2010 at the liquidation preference plus accrued and unpaid dividends, and is redeemable in whole or in part, at the option of Nextel, at any time after December 15, 2005, at a price equal to the liquidation preference plus accrued and unpaid dividends, and, in certain circumstances, after February 15, 2003 at specified redemption prices. Up to 35% of the Series E Preferred Stock may be redeemed on or prior to February 15, 2001, in whole or in part, at the option of Nextel in certain circumstances, at 111.125% of the liquidation preference plus accrued and unpaid dividends from the proceeds of one or more sales of Common Stock. The Series E Preferred Stock is also exchangeable, in whole but not in part, at the option of Nextel at any time after December 15, 2005 and in certain circumstances sooner, into Nextel subordinated debentures.

Common Stock Reserved for Issuance — As of December 31, 1997, the Company had reserved Common Stock for future issuance as detailed below.

Class A Preferred Stock conversion rights	23,718,000
Warrants and non-employee options outstanding	55,818,700
Employee options outstanding	15,204,500
Employee options available for grant	4,170,500
Deferred and restricted shares	1,077,300
Employee Stock Purchase Plan	4,713,600
Acquisitions	9,943,100
Total	114,645,700

Issuances of Common Stock and Options — In July 1995, the Company consummated a securities purchase agreement with Digital Radio LLC, an affiliate of Craig O. McCaw ("the McCaw Investor") (the "McCaw Securities Purchase Agreement" or the "McCaw Transaction") pursuant to which the McCaw Investor purchased for an aggregate price of $300.0 million, units consisting of approximately 8.2 million shares of Class A Preferred Stock and 82 shares of Class B Preferred Stock. The shares of Class A Preferred Stock are convertible into approximately 24.5 million shares of Common Stock and are redeemable under certain circumstances solely at the Company's option. The Class A Preferred Stock only pays dividends under certain limited circumstances. In addition, pursuant to three separate option agreements, the McCaw Investor obtained the right to purchase for cash up to 35.0 million shares of Common Stock at exercise prices ranging from $15.50 to $21.50 per share for periods of two to six years. In April 1995, the McCaw Investor purchased approximately 1.2 million shares of Common Stock for an aggregate purchase price of approximately $14.9 million ($12.6 million net of applicable expenses attributable to both such initial investment and the additional investments described above).

Pursuant to the McCaw Securities Purchase Agreement, the McCaw Investor was granted antidilutive rights with respect to certain Nextel public or private share issuances. Upon the issuance of shares in connection with an acquisition, in November 1996 the McCaw Investor exercised its antidilutive rights, which resulted in the sale of 373,846 treasury shares of Common Stock to the McCaw Investor for $6.5 million.

On July 28, 1997, the McCaw Investor exercised in full the outstanding option that was scheduled to expire on that date (the "First Option") to purchase 15.0 million shares of Common Stock for an aggregate purchase price of $232.5 million (the "McCaw Option Proceeds"). In connection with the exercise of the First Option, the McCaw Investor also agreed to provide up to $50.0 million in debt financing (subject to certain conditions) to Nextel (the "McCaw Investor Borrowings"). At the present time, however, Nextel is not taking steps to meet the conditions to access the McCaw Investor Borrowings.

On November 4, 1997, the McCaw Investor exercised its right to convert 257,284 shares of Class A Preferred Stock into 771,852 shares of Common Stock.

In connection with the McCaw Transaction, the Company also entered into a management support agreement with Eagle River, Inc. ("Eagle River"), an affiliate of the McCaw Investor, to provide management and consulting services from time to time as requested. In consideration for these services, the Company entered into an incentive option agreement granting Eagle River an option to purchase an aggregate of up to 1.0 million shares of Common Stock at an exercise price of $12.25 per share, exercisable over five years. For the years ended December 31, 1997, 1996 and 1995 approximately $4.6 million, $1.8 million and $0.9 million of compensation expense was charged to operations in connection with these agreements. During the years ended December 31, 1997, 1996, and 1995 the Company paid Eagle River approximately $504,000, $348,000 and $247,000 under the terms of this agreement for reimbursement of expenses.

In connection with the agreements relating to the commitment to exercise the First Option, Nextel reached an agreement with an affiliate of Mr. McCaw (such affiliate, the "Purchaser"), pursuant to which the Purchaser acquired, for an aggregate purchase price of $25.0 million, an option, in replacement of the Comcast Option (as defined below), to purchase 25.0 million shares of Common Stock (the "New Option"), 15.0 million of which are purchasable at an exercise price of $16.00 per share and the remaining 10.0 million of which are purchasable at an exercise price of $18.00 per share, at any time through July 28, 1998. The New Option, and any shares of Common Stock issued upon exercise thereof, are transferable, subject to certain limitations.

In 1992, the Company entered into a Stock Purchase Agreement (the "Comcast Agreement") and related Option Agreement as amended and restated as of September 11,1995, (the "Comcast Option"), with Comcast Corporation and/or its wholly-owned subsidiary, Comcast FCI, Inc. ("CFCI") (collectively, "Comcast"). Under the terms of the Comcast Option, Comcast was granted a five-year option to acquire 25.0 million shares of Common Stock at an exercise price of $16.00 per share. The purchase price for the Comcast Option was paid in the form of a $20.0 million five-year promissory note which accrued interest at 5% per annum. On July 18, 1995, Comcast repaid the $20.0 million note, plus accrued interest.

Pursuant to the Comcast Agreement, Comcast was granted certain rights to purchase additional shares of Common Stock upon any public or private issuances of such shares by the Company as specified in the Comcast Agreement (the "Comcast Purchase Right"). On May 1, 1995, Comcast exercised its right to purchase shares in connection with the Dial Page Transaction (see Note 2). On February 9, 1996, Comcast purchased approximately 8.2 million shares of Common Stock for approximately $99.9 million, pursuant to Comcast's exercise of its antidilutive rights with respect to the Dial Page Transaction.

On March 20, 1997, USFC purchased from CFCI, CFCI's rights pursuant to the Comcast Option for an aggregate purchase price of $25.0 million in cash.

Warrants and Non-employee Options — The following is a summary of issued and outstanding warrants and non-employee options for the purchase of Common Stock:

	Shares	Price
Issued and outstanding, December 31, 1994	32,614,485	$ 0.001 - $16.00
Issued	36,000,000	12.25 - 21.50
Acquired	497,139	17.64
Exercised	(580,000)	0.001 - 2.00
Issued and outstanding, December 31, 1995	68,531,624	2.00 - 21.50
Acquired	2,160,067	12.14 - 43.16
Issued and outstanding, December 31, 1996	70,691,691	2.00 - 43.16
Granted	25,068,276	15.13 - 18.00
Acquired	151,539	20.09 - 56.95
Repurchased	(25,000,000)	16.00
Exercised	(15,092,816)	2.00 - 15.50
Issued and outstanding, December 31, 1997	55,818,690	$ 2.00 - $56.95
Exercisable, December 31, 1997	55,218,690	$ 2.00 - $56.95

11. Stock and Employee Benefit Plans

Employee Stock Option Plans — The Company's Incentive Equity Plan (the "Plan") provides for the issuance of up to 24.0 million shares of Common Stock to officers and key employees. Generally, options outstanding under the Company's stock option plan: (1) are granted at prices equal to or exceeding the market value of the stock on the grant date; (2) vest ratably over either a four or five year service period; and (3) expire ten years subsequent to award.

A summary of the Plan activity is as follows:

	Shares	Option Price Range	Weighted Average Exercise Price
Outstanding, December 31, 1994	5,457,621	$ 1.25 – $40.75	$17.47
Granted	3,246,050	13.50 – 36.75	23.52
Acquired	1,382,835	2.82 – 19.09	11.34
Canceled	(141,417)	3.50 – 40.25	21.59
Exercised	(728,766)	1.25 – 15.00	2.79
Outstanding, December 31, 1995	9,216,323	1.25 – 40.75	18.60
Granted	5,332,995	13.50 – 19.75	15.64
Acquired	2,198,192	10.28 – 42.97	12.77
Canceled	(2,969,568)	1.75 – 40.25	17.11
Exercised	(1,522,873)	1.25 – 15.00	7.39
Outstanding, December 31, 1996	12,255,069	1.75 – 42.97	16.50
Granted	6,087,340	13.88 – 26.94	15.78
Acquired	200,240	17.88 – 64.82	23.83
Canceled	(787,617)	2.82 – 40.25	16.95
Exercised	(2,550,543)	1.75 – 20.12	9.51
Outstanding, December 31, 1997	15,204,489	$ 1.75 – $64.82	$17.32
Exercisable, December 31, 1997	4,500,801	$ 1.75 – $64.82	$17.41

Following is a summary of the status of employee stock options outstanding at December 31, 1997:

Exercise Price Range	Outstanding Number of Shares	Outstanding Weighted Life Remaining	Outstanding Average Exercise Price	Exercisable Number of Shares	Exercisable Weighted Average Exercise Price
$1.75 – $7.00	929,915	2.8	$ 5.17	895,379	$ 5.23
10.28 – 13.93	1,554,202	6.3	12.96	849,986	12.40
14.01 – 16.58	9,589,538	8.6	15.12	1,495,031	14.89
17.00 – 20.12	1,084,140	8.3	18.44	310,919	18.51
23.47 – 26.94	600,114	8.5	25.26	200,381	24.29
30.75 – 64.82	1,446,580	5.9	40.28	749,105	40.37
	15,204,489	7.7	$17.32	4,500,801	$17.41

The Plan also provides for the grant of deferred shares at no cost to the participants in consideration of services performed. Generally, these deferred shares vest over a three-year period. An accelerated vesting schedule may be triggered in the event of a change in control of the Company. During the years ended December 31, 1996 and 1995, the Company granted 1,100,000, and 77,000 deferred shares having a weighted-average fair value at grant date of $16.28 and $13.37 per share, respectively. Compensation expense of $5.6 million, $4.2 million and $1.7 million has been recognized in relation to the deferred share grants for the years ended December 31, 1997, 1996 and 1995, respectively.

Employee Stock Purchase Plan — Under the 1996 Employee Stock Purchase Plan ("ESPP"), eligible employees may subscribe to purchase shares of Common Stock through payroll deductions of up to 10% of eligible compensation. The purchase price is the lower of 85% of market value at the beginning or the end of each quarter. The aggregate number of shares purchased by an employee may not exceed $25,000 of fair market value annually (subject to limitations imposed by Section 423 of the Internal Revenue Code). A total of 5.0 million shares are available for purchase under the plan. The ESPP will terminate on the tenth anniversary of its adoption. During 1997 and 1996, 279,045 and 7,360 treasury shares were issued pursuant to the ESPP at a weighted average price per share of $12.813 and $15.725, respectively.

Fair Value of Employee Option and ESPP Grants — In October 1995, the FASB issued Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"). SFAS 123 encourages but does not require companies to account for employee stock compensation awards based on their estimated fair value at the grant date with the resulting cost charged to operations. The Company has elected to continue to account for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. If the Company had elected to recognize compensation expense based on the fair value of the awards granted in 1997, 1996 and 1995, consistent with the provisions of SFAS 123, the Company's loss and loss per common share attributable to common stockholders would have been increased to the pro forma amounts indicated below:

	Years Ended December 31,		
	1997	1996	1995
Loss attributable to common stockholders (in thousands):			
As reported	$(1,642,973)	$(556,020)	$(331,165)
Pro forma	$(1,685,065)	$(570,467)	$(337,271)
Basic and diluted loss per common share attributable to common stockholders:			
As reported	$ (6.59)	$ (2.50)	$ (2.31)
Pro forma	$ (6.76)	$ (2.56)	$ (2.35)
Weighted average fair value of options granted	$ 10.91	$ 10.56	$ 14.79

The effects of applying SFAS 123 in this pro forma disclosure are not necessarily indicative of the effect on future amounts. SFAS 123 does not apply to awards granted prior to 1995.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

	1997	1996	1995
Expected stock price volatility	53%	55%	55%
Risk-free interest rate	6.0% – 7.1%	5.7% – 7.1%	5.7% – 7.1%
Expected life of options	8 years	8 years	8 years
Expected dividend yield	0.00%	0.00%	0.00%

The Company's stock options are non-transferable, and the actual value of the stock options that an employee may realize, if any, will depend on the excess of the market price on the date of exercise over the exercise price. The Company has based its assumption for stock price volatility on the variance of weekly closing prices of the Company's stock from its initial offering date to the present. The risk-free rate of return used equals the yield on 10-year zero-coupon U.S. Treasury issues on the grant date. No discount was applied to the value of the grants for non-transferability or risk of forfeiture.

Nextel International Plans — On June 23, 1997, Nextel International's board of directors adopted the 1997 Nextel International Employee Stock Option Plan (the "Nextel International Plan"), under which certain of Nextel International's employees participate. Generally, options outstanding under the Nextel

International Plan (1) are granted at fair value, based on periodic valuations of Nextel International using industry valuation techniques; (2) vest ratably over a four-year service period; and (3) expire ten years subsequent to award.

On November 1, 1996, Nextel International adopted a Stock Appreciation Rights Plan (the "SAR Plan"), which was effective as of November 1, 1995, whereby selected employees and agents of Nextel International were granted rights (not an equity interest) to share in the future appreciation in the value of Nextel International. Nextel International retroactively granted 1,140,000 rights under the SAR plan, at an exercise price of $10.00 per right, on dates ranging from October 1, 1995 to December 31, 1996, with vesting periods of four years.

In connection with adoption of the Nextel International Plan, Nextel International's board of directors approved a plan to terminate the SAR Plan. Each holder of previously granted SARs has been given the option to exchange the rights for stock options to be granted under the Nextel International Plan.

As of December 31, 1997 and 1996, there were 25,000 and 1,240,000 rights outstanding, respectively, none of which were exercisable under the terms of the SAR Plan. Nextel International had no commitment to make payments under the plan at December 31, 1997 and no compensation expense had been recognized for the years ended December 31, 1997, 1996, and 1995.

Employee Benefit Plan — The Company has a defined contribution plan pursuant to Section 401(k) of the Internal Revenue Code covering all eligible officers and employees. The Company provides a matching contribution of $0.50 for every $1.00 contributed by the employee up to 4% of each employee's salary. Such contributions were approximately $3.3 million, $2.0 million and $1.0 million for the years ended December 31, 1997, 1996 and 1995, respectively. At December 31, 1997, the Company had no other pension or postemployment benefit plans.

12. Related Party Transactions

Pursuant to the equipment purchase agreements between Nextel and Motorola, Motorola provides the iDEN infrastructure and subscriber handset equipment to Nextel throughout its markets (such equipment purchase agreements, as amended, being referred to herein as the "Equipment Purchase Agreements"). The Company expects to rely on Motorola for the manufacture of a substantial portion of the equipment necessary to construct its Digital Mobile network and handset equipment for the foreseeable future. The Equipment Purchase Agreements govern Nextel's rights and obligations regarding purchases of system infrastructure equipment manufactured by Motorola. Nextel has, among other things, agreed (subject to certain conditions) to purchase and install iDEN equipment during the four-year and six-year periods beginning on August 4, 1994 sufficient to cover 70% and 85%, respectively, of the United States population. In addition, Nextel has agreed to deploy Reconfigured iDEN technology and, until August 4, 1999 and subject to certain conditions, to purchase from Motorola at least 50% of the base radios Nextel purchases in any calendar year.

During the years ended December 31, 1997, 1996 and 1995, the Company purchased approximately $1,086.1 million, $490.8 million and $217.2 million, respectively, for infrastructure and other equipment, handsets, warranties, rent and services from Motorola. At December 31, 1997 and 1996, amounts payable to Motorola, classified within accounts payable, accrued expense and other, approximated $104.9 million and $61.0 million, respectively.

In June 1996, the Company completed the acquisition of certain 800 MHz trunked SMR systems located in Hawaii from Motorola for approximately $5.4 million in cash.

In January 1998, an affiliate of the McCaw Investor sold an aircraft to an unrestricted subsidiary of the Company for approximately $8.2 million in cash and 50,000 shares of Common Stock.

13. Quarterly Financial Data (Unaudited)

	First	Second	Third	Fourth
	(in thousands, except per share amounts)			
1997				
Revenues	$ 110,676	$ 145,938	$ 207,224	$ 275,059
Operating loss	(190,064)	(215,035)	(256,009)	(276,712)
Income tax (benefit) provision	(39,436)	(46,494)	(39,472)	384,128
Loss before extraordinary item and preferred stock dividends	(220,850)	(261,623)	(306,134)	(779,460)
Loss attributable to common stockholders	(220,850)	(261,623)	(318,956)	(841,544)
Loss per share before extraordinary item attributable to common stockholders	$ (0.93)	$ (1.08)	$ (1.26)	$ (3.01)
Extraordinary item, net of income tax	—	—	—	(0.17)
Basic and diluted loss per share attributable to common stockholders	$ (0.93)	$ (1.08)	$ (1.26)	$ (3.18)
1996				
Revenues	$ 68,318	$ 77,619	$ 91,040	$ 95,961
Operating loss	(146,944)	(160,420)	(159,638)	(178,864)
Income tax (benefit)	(71,022)	(81,128)	(64,794)	(90,248)
Loss attributable to common stockholders	(118,718)	(130,028)	(148,883)	(158,391)
Basic and diluted loss per share attributable to common stockholders	(0.56)	(0.58)	(0.66)	(0.70)

The sum of the per share amounts may not equal the annual amounts because of the changes in the weighted-average number of shares outstanding during the year.

Significant fourth quarter adjustments are described in Notes 1, 6 and 8.

NEXTEL COMMUNICATIONS, INC.
(Parent Only)

SCHEDULE I — CONDENSED FINANCIAL INFORMATION OF REGISTRANT

CONDENSED BALANCE SHEETS
As of December 31, 1997 and 1996
(dollars in thousands)

	1997	1996
ASSETS		
Current assets		
Cash and cash equivalents	$ 3,678	$ 8,837
Other receivables	402	15
Prepaids and other current assets	2,431	4,446
Total current assets	6,511	13,298
Property, plant and equipment, net	42,189	6,028
Intangible assets, net	536	4,541
Deferred income taxes	61,964	71,110
Investments in subsidiaries	5,471,191	3,404,889
Due from subsidiaries	—	1,309,583
Other assets	204,424	123,270
	$5,786,815	$4,932,719
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable, accrued expenses and other	$ 48,941	$ 81,090
Current portion of long-term debt	883	951
Total current liabilities	49,824	82,041
Due to subsidiaries	28,694	—
Long-term debt	3,266,758	2,042,540
Commitments and contingencies		
Series D exchangeable preferred stock mandatorily redeemable 2009	529,119	—
Stockholders' equity	1,912,420	2,808,138
	$5,786,815	$4,932,719

The accompanying notes are an integral part of these condensed financial statements.

NEXTEL COMMUNICATIONS, INC.
(Parent Only)

SCHEDULE I — CONDENSED FINANCIAL INFORMATION OF REGISTRANT — (continued)

CONDENSED STATEMENTS OF OPERATIONS
For the Years Ended December 31, 1997, 1996 and 1995
(dollars in thousands)

	1997	1996	1995
Operating expenses			
Selling, general and administrative	$ 141,962	$ 80,559	$ 28,293
Expenses related to corporate reorganization	—	—	6,379
Depreciation and amortization	3,608	2,122	1,770
	145,570	82,681	36,442
Other income (expense)			
Interest expense	(276,012)	(202,035)	(116,034)
Interest income ($125,293, $131,997 and $96,485 intercompany)	127,651	144,057	113,501
Intercompany management fee	141,962	80,559	23,413
Equity in net losses of subsidiaries	(1,403,107)	(532,483)	(361,805)
Other	501	49	(30)
	(1,409,005)	(509,853)	(340,955)
Loss before income tax provision (benefit) and extraordinary item	(1,554,575)	(592,534)	(377,397)
Income tax provision (benefit)	13,492	(36,514)	(46,232)
Loss before extraordinary item	(1,568,067)	(556,020)	(331,165)
Extraordinary item — Loss on early retirement of debt, net of income tax of $0	(45,787)	—	—
Net loss	(1,613,854)	(556,020)	(331,165)
Redeemable preferred stock dividends	(29,119)	—	—
Loss attributable to common stockholders	$(1,642,973)	$(556,020)	$(331,165)

The accompanying notes are an integral part of these condensed financial statements.

NEXTEL COMMUNICATIONS, INC.
(Parent Only)

SCHEDULE I — CONDENSED FINANCIAL INFORMATION OF REGISTRANT — (continued)

CONDENSED STATEMENT OF CASH FLOWS
For the Years Ended December 31, 1997, 1996 and 1995
(dollars in thousands)

	1997	1996	1995
Cash flows from operating activities:			
Net loss	$(1,613,854)	$(556,020)	$(331,165)
Adjustment to reconcile net loss to net cash provided by used in operating activities	377,609	234,524	329,526
Net cash used in operating activities	(1,236,245)	(321,496)	(1,639)
Cash flows from investing activities:			
Investments in and advances to affiliates	(346,338)	(123,244)	(335,399)
Payments for acquisitions, net of cash acquired	(6,100)	73,183	(48,577)
Capital expenditures	(35,281)	(5,951)	(925)
Decrease in marketable securities	—	65,692	102,616
Net cash (used in) provided by investing activities	(387,719)	9,680	(282,285)
Cash flows from financing activities:			
Issuance of debt securities	1,200,276	—	—
Issuance of preferred stock	500,000	—	300,000
Retirement of debt securities	(283,288)	—	—
Other long-term (repayments) borrowings, net	(949)	1,969	(611)
Consent solicitation proceeds	63,456	—	—
Deferred financing costs	(118,694)	—	—
Issuance of common stock and options	281,904	114,636	16,112
Option repurchase	(25,000)	—	—
Notes receivable from stockholders	1,100	—	227
Net cash provided by financing activities	1,618,805	116,605	315,728
Net (decrease) increase in cash and cash equivalents	(5,159)	(195,211)	31,804
Cash and cash equivalents, beginning of period	8,837	204,048	172,244
Cash and cash equivalents, end of period	$ 3,678	$ 8,837	$ 204,048

The accompanying notes are an integral part of these condensed financial statements.

NEXTEL COMMUNICATIONS, INC.
(Parent Only)

SCHEDULE I — CONDENSED FINANCIAL INFORMATION OF REGISTRANT — (continued)

NOTES TO CONDENSED FINANCIAL STATEMENTS

1. For accounting policies and other information including the meaning of capitalized terms, see the Notes to the Consolidated Financial Statements of Nextel Communications Inc. and Subsidiaries, included elsewhere herein.
2. The parent company accounts for its investments in subsidiaries by the equity method of accounting.
3. The parent company income tax provision (benefit) represents the difference between taxes computed on a consolidated basis and taxes calculated by the subsidiaries on a separate return basis.
4. Effective October 9, 1997, the parent company assigned and transferred to a wholly-owned subsidiary all of the parent company's right, title and interest in and to accounts receivable and intercompany accounts now owing, or in the future owing, to the parent company from each of the subsidiaries designated as restricted under the Nextel Indentures. All assignments and transfers of such intercompany accounts were recorded as a contribution to capital to the extent of the amount of the accounts receivable and intercompany accounts assigned and transferred.
5. The parent company has an agreement with each of its wholly-owned subsidiaries whereby the parent company provides administrative services for each of its subsidiaries and charges the subsidiaries a fee equal to the actual costs incurred in performing these administrative services. The fees charged to the subsidiaries for the performance of administrative services totaled approximately $142.0 million, $80.6 million and $23.4 million for the years ended December 31, 1997, 1996 and 1995, respectively.
6. Subsequent to December 31, 1997, the parent company transferred its 15.7% equity interest in Clearnet Communications Inc. to Nextel International as a condition to the 1998 NI Notes offering. The investment is recorded at fair market value with a balance of $77.1 million at December 31, 1997.
7. Certain prior year amounts have been reclassified to conform with the current presentation.

NEXTEL COMMUNICATIONS, INC. AND SUBSIDIARIES

SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS
(in thousands)

	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts(1)	Deductions	Balance at End of Period
Year Ended December 31, 1997					
Allowance for Doubtful Accounts	$10,774	$55,623	$7,118	$(16,925)	$56,590
Year Ended December 31, 1996					
Allowance for Doubtful Accounts	$ 5,232	$ 6,968	$2,477	$ (3,903)	$10,774
Year Ended December 31, 1995					
Allowance for Doubtful Accounts	$ 1,823	$ 1,936	$2,538	$ (1,065)	$ 5,232

(1) Primarily allowances of acquired companies.

TITLE SHEET

RESALE TELECOMMUNICATIONS SERVICES

This tariff applies to the resold long distance interexchange telecommunications services furnished by NXLD Company, d/b/a Nextel Long Distance between one or more points in the State of Florida. This tariff is on file with the Florida Public Service Commission, and copies may be inspected, during normal business hours, at 1450 G Street, N.W., Suite 425, Washington, D.C. 20005, Telephone Number 1-800-639-6111.

CHECK SHEET

The sheets of this tariff are effective as of the date shown at the bottom of the respective sheet(s). Original and revised sheets as named below comprise all changes from the original tariff and are currently in effect as of the date on the bottom of this page.

SHEET	REVISION	SHEET	REVISION
1	Original	15	Original
2	Original	16	Original
3	Original	17	Original
4	Original	18	Original
5	Original	19	Original
6	Original	20	Original
7	Original	21	Original
8	Original	22	Original
9	Original	23	Original
10	Original	24	Original
11	Original	24	Original
12	Original	25	Original
13	Original	26	Original
14	Original		

* New or revised page.

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SYMBOLS

The following are the only symbols used for the purposes indicated below:

D - Delete or Discontinue
I - Change Resulting In An Increase to A Customer's Bill
M - Moved From Another Tariff Location
N - New
R - Change Resulting In A Reduction to A Customer's Bill
T - Change In Text or Regulation But No Change In Rate or Charge

TARIFF FORMAT

A. Sheet Numbering - Sheet numbers appear in the upper right corner of the page. Sheets are numbered sequentially. However, new sheets are occasionally added to the tariff. When a new sheet is added between sheets already in effect, a decimal is added. For example, a new sheet added between sheets 14 and 15 would be 14.1.

B. Sheet Revision Numbers - Revision numbers also appear in the upper right corner of each page. These numbers are used to determine the most current sheet version on file with the Commission. For example, the 4th revised Sheet 14 cancels the 3rd revised Sheet 14. Because of various suspension periods, deferrals, etc. the Commission follows in their tariff approval process, the most current sheet number on file with the Commission is not always the tariff page in effect.

TARIFF FORMAT (Cont'd)

C. Paragraph Numbering Sequence - There are nine levels of paragraph coding. Each level of coding is subservient to its next higher level:

2.
2.1.
2.1.1.
2.1.1.A.
2.1.1.A.1.
2.1.1.A.1.(a).
2.1.1.A.1.(a).I.
2.1.1.A.1.(a).I.(i).
2.1.1.A.1.(a).I.(i).(1).

D. Check Sheets - When a tariff filing is made with the Commission, an updated check sheet accompanies the tariff filing. The check sheet lists the sheets contained in the tariff, with a cross reference to the current revision number. When new pages are added, the check sheet 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 sheet if these are the only changes made to it (i.e., the format, etc. remains the same, just revised revision levels on some pages). The tariff user should refer to the latest check sheet to find out if a particular sheet is the most current on file with the Commission.

SECTION 1. TECHNICAL TERMS AND ABBREVIATIONS

Access Line - An arrangement from a local exchange telephone company or other common carrier, using either dedicated or switched access, which connects a Subscriber's location to Carrier's location or switching center.

Authorization Code - A numerical code, one or more of which may be assigned to a Subscriber, to enable Carrier to identify the origin of service User so it may rate and bill the call. All authorization codes shall be the sole property of Carrier and no Subscriber shall have any property or other right or interest in the use of any particular authorization code. Automatic numbering identification (ANI) may be used as or in connection with the authorization code.

Automatic Numbering Identification (ANI) - A type of signaling provided by a local exchange telephone company which automatically identifies the local exchange line from which a call originates.

Carrier or Company - Refers to NXLD Company, d/b/a Nextel Long Distance.

Commission - Refers to the Florida Public Service Commission.

Common Carrier - A company or entity providing telecommunications services to the public.

SECTION 1. TECHNICAL TERMS AND ABBREVIATIONS (Cont'd)

Subscriber/Customer - The person or legal entity which enters into arrangements for Carrier's telecommunications services and is responsible for payment of Carrier's services.

Telecommunications - The transmission of voice communications or, subject to the transmission capabilities of the service, the transmission of data, facsimile, signaling, metering, or other similar communications.

User - The person(s) utilizing Carrier's services.

SECTION 2. RULES AND REGULATIONS

2.1 Application of Tariff

2.1.1 This tariff contains the regulations and rates applicable to intrastate resale telecommunications services provided by Carrier for telecommunications between points within the State of Florida. Carrier's services are furnished subject to the availability of facilities and subject to the terms and conditions of this tariff.

2.1.2 The rates and regulations contained in this tariff apply only to the services furnished by Carrier and do not apply, unless otherwise specified, to the lines, facilities, or services provided by a local exchange telephone company or other common carrier for use in accessing the services of Carrier.

2.1.3 The Subscriber is entitled to limit the use of Carrier's services by Users at the Subscriber's facilities, and may use other common carriers in addition to or in lieu of Carrier.

SECTION 2. RULES AND REGULATIONS (Cont'd)

2.2 Use of Services

2.2.1 Carrier's services may be used for any lawful purpose consistent with the transmission and switching parameters of the telecommunications facilities utilized in the provision of services.

2.2.2 The use of Carrier's services to make calls which might reasonably be expected to frighten, abuse, torment, or harass another or in such a way as to unreasonably interfere with use by others is prohibited.

2.2.3 The use of Carrier's services without payment for service or attempting to avoid payment for service by fraudulent means or devices, schemes, false or invalid numbers, or false calling or credit cards is prohibited.

2.2.4 Carrier's services are available for use twenty-four hours per day, seven days per week.

2.2.5 Carrier does not transmit messages pursuant to this tariff, but its services may be used for that purpose.

2.2.6 Carrier's services may be denied for nonpayment of charges or for other violations of this tariff upon five (5) working days' written notice.

SECTION 2. RULES AND REGULATIONS (Cont'd)

2.3 Liability of Carrier

2.3.1 Except as otherwise stated in this section, the liability of Carrier arising out of either: (1) the furnishing of its services, including but not limited to mistakes, omissions, interruptions, delays, or errors, or other defects, representations, or use of these services, or (2) the failure to furnish its service, whether caused by acts or omission, shall be limited to the extension of allowances to the Customer for interruptions in service as set forth in Section 2.5.

2.3.2 Except for the extension of allowances to the Customer for interruptions in service as set forth in Section 2.5, Carrier shall not be liable to a Customer or third party for any direct, indirect, special, incidental, reliance, consequential, exemplary or punitive damages, including, but not limited to, loss of revenue or profits, for any reason whatsoever, including, but not limited to, any act or omission, failure to perform, delay, interruption, failure to provide any service or any failure in or breakdown of facilities associated with the service.

2.3.3 The liability of Carrier for errors in billing that result in overpayment by the Customer shall be limited to a credit equal to the dollar amount erroneously billed or, in the event that payment has been made and service has been discontinued, to a refund of the amount erroneously billed, unless ordered by the Commission.

SECTION 2. RULES AND REGULATIONS (Cont'd)

2.3 Liability of Carrier (Cont'd)

2.3.4 The liability of carrier shall not extend to:

A. Any act or omission of: (1) the Customer, (2) any other entity furnishing service, equipment or facilities for use in conjunction with services or facilities provided by Carrier; or (3) common carriers or warehousemen;

B. Any delay or failure of performance or equipment due to causes beyond Carrier's control, including but not limited to, acts of God, fires, floods, earthquakes, hurricanes, or other catastrophes; national emergencies, insurrections, riots, wars or other civil commotions; strikes, lockouts, work stoppages or other labor difficulties; criminal actions taken against Carrier; unavailability, failure or malfunction of equipment or facilities provided by the Customer or third parties; and any law, order, regulation or other action of any governing authority or agency thereof;

C. Any unlawful or unauthorized use of Carrier's facilities and services;

SECTION 2. RULES AND REGULATIONS (Cont'd)

2.3 Liability of Carrier (Cont'd)

2.3.4 D. Libel, slander, invasion of privacy or infringement of patents, trade secrets, or copyrights arising from or in connection with the transmission of communications by means of Carrier-provided facilities or services; or by means of the combination of Carrier-provided facilities or services with Customer-provided facilities or services;

E. Breach in the privacy or security of communications transmitted over Carrier's facilities;

F. Changes in any of the facilities, operations or procedures of Carrier that render any equipment, facilities or services provided by the Customer obsolete, or require modification or alteration of such equipment, facilities or services, or otherwise affect their use or performance, except where reasonable notice is required by Carrier and is not provided to the Customer, in which event Carrier's liability is limited as set forth in subsection 2.3.1 of this Section 2.3.

G. Defacement of or damage to Customer premises resulting from the furnishing of services or equipment on such premises or the installation or removal thereof;

SECTION 2. RULES AND REGULATIONS (Cont'd)

2.3 Liability of Carrier (Cont'd)

2.3.4 H. Injury to property or injury or death to persons, including claims for payments made under Workers' Compensation law or under any plan for employee disability or death benefits, arising out of, or caused by, any act or omission of the Customer, or the construction, installation, maintenance, presence, use or removal of the Customer's facilities or equipment connected, or to be connected to Carrier's facilities;

I. Any intentional, wrongful act of a Carrier employee when such act is not within the scope of the employee's responsibilities for Carrier and/or is not authorized by Carrier;

J. Any representations made by Carrier employees that do not comport, or that are inconsistent, with the provisions of this Tariff;

K. Any act or omission in connection with the provision of 911, E911, or similar services involving emergencies;

L. Any noncompletion of calls due to network busy conditions;

M. Any calls not actually attempted to be completed during any period that service is unavailable.

SECTION 2. RULES AND REGULATIONS (Cont'd)

2.3 Liability of Carrier (Cont'd)

2.3.5 Except as otherwise provided for by applicable law or regulations or determined by a court of competent jurisdiction and unless due to Carrier's negligence, Carrier shall be indemnified, defended and held harmless by the Customer or end user from and against any and all claims, loss, demands, suits, expense, or other action or any liability whatsoever, including attorney fees, whether suffered, made, instituted, or asserted by the Customer or by any other party, for any personal injury to or death of any person or persons, and for any loss, damage or destruction of any property, including environmental contamination, whether owned by the Customer or by any other party, caused or claimed to have been caused directly or indirectly by the installation, operation, failure to operate, maintenance, presence, condition, location, use or removal of any Carrier or Customer equipment or facilities or service provided by Carrier.

SECTION 2. RULES AND REGULATIONS (Cont'd)

2.3 Liability of Carrier (Cont'd)

2.3.6 Carrier assumes no responsibility for the availability or performance of any cable or satellite systems or related facilities under the control of other entities, or for other facilities provided by other entities used for service to the Customer, even if Carrier has acted as the Customer's agent in arranging for such facilities or services. Such facilities are provided subject to such degree of protection or nonpreemptibility as may be provided by the other entities.

2.3.7 Any claim of whatever nature against Carrier shall be deemed conclusively to have been waived unless presented in writing to Carrier within one hundred and eighty (180) days after the date of the occurrence that gave rise to the claim.

2.3.8 CARRIER MAKES NO WARRANTIES OR REPRESENTATIONS, EXPRESS OR IMPLIED EITHER IN FACT OR BY OPERATION OF LAW, STATUTORY OR OTHERWISE, INCLUDING WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR USE, EXCEPT THOSE EXPRESSLY SET FORTH HEREIN.

SECTION 2. RULES AND REGULATIONS (Cont'd)

2.4 Responsibilities of the Subscriber

2.4.1 The Subscriber is responsible for placing any necessary orders; for complying with tariff regulations; and for assuring that Users comply with tariff regulations. The Subscriber shall ensure compliance with any applicable laws, regulations, orders or other requirements (as they exist from time to time) of any governmental entity relating to services provided or made available by the Subscriber to Users. The Subscriber is also responsible for the payment of charges for calls originated at the Subscriber's numbers which are not collect, calling card, or credit card calls.

SECTION 2. RULES AND REGULATIONS (Cont'd)

2.4 Responsibilities of the Subscriber (Cont'd)

2.4.2 The Subscriber must pay Carrier for replacement or repair of damage to the equipment or facilities of Carrier caused by negligence or willful act of the Subscriber, Users, or others, by improper use of the services, or by use of equipment provided by the Subscriber, Users, or others.

2.4.3 The Subscriber must pay for the loss through theft of any Carrier equipment installed at Subscriber's premises.

2.4.4 The Subscriber is responsible for payment of the charges set forth in this tariff.

2.4.5 The Subscriber is responsible for compliance with the applicable regulations set forth in this tariff.

2.4.6 The Subscriber shall indemnify and save Carrier harmless from all liability disclaimed by Carrier as specified in Section 2.3 above, arising in connection with the provision of service by Carrier, and shall protect and defend Carrier from any suits or claims against Carrier and shall pay all expenses and satisfy all judgments rendered against Carrier in connection herewith. Carrier shall notify the Subscriber of any suit or claim against Carrier of which it is aware.

SECTION 2. RULES AND REGULATIONS (Cont'd)

2.5 Cancellation or Interruption of Services

2.5.1 General

A. A service is interrupted when it becomes unusable to the Customer, *e.g.*, the Customer is unable to transmit or receive, because of a failure of a component furnished by Carrier under this tariff.

B. An interruption period begins when the Customer reports a service, facility or circuit to be inoperative and releases it for testing and repair. An interruption period ends when the service, facility or circuit is operative.

C. If the Customer reports a service, facility or circuit to be inoperative but declines to release it for testing and repair, the service, facility or circuit is considered to be impaired but not interrupted. No credit allowances will be made for a service, facility or circuit considered by Carrier to be impaired, unless Carrier is ordered to do so by the Commission.

SECTION 2. RULES AND REGULATIONS (Cont'd)

2.5 Cancellation or Interruption of Services (Cont'd)

2.5.2 Limitations on Allowances

No credit allowance will be made for any interruption of service:

A. due to the negligence of, or noncompliance with the provisions of this Tariff by, any person or entity other than Carrier, including but not limited to the Customer or other common carriers connected to the service of Carrier;

B. due to the failure of power, equipment, systems, or services not provided by Carrier;

C. due to circumstances or causes beyond the control of Carrier;

D. during any period in which the Customer continues to use the service on an impaired basis;

SECTION 2. RULES AND REGULATIONS (Cont'd)

2.5 Cancellation or Interruption of Services (Cont'd)

2.5.2 Limitations on Allowances (Cont'd)

E. during any period when the Customer has released service to Carrier for maintenance purposes or for implementation of a Customer order for a change in service arrangements;

F. that occurs or continues due to the Customer's failure to authorize replacement of any element of special construction; and

G. that was not reported to Carrier within thirty (30) days of the date that service was affected.

2.5.3 Application of Credits for Interruptions of Service

A. It shall be Customer's obligation to notify Carrier immediately of any service interruption for which a credit allowance is desired. Before giving such notice, the Customer shall ascertain that the trouble is not being caused by any action or omission by the Customer or by any equipment furnished by the Customer and connected to the underlying facilities-based carrier's facilities.

B. Credit allowance for the interruption of service which is not due to Carrier's testing or adjusting, to the Customer, or to failure of channels or equipment provided by the Customer, are subject to the general liability provisions set forth in 2.3 herein.

C. Credits for interruptions of service, for which charges are specified on the basis of per minute of use, or on the usage of a fraction of a minute, shall in no event exceed an amount provided for under this tariff.

SECTION 2. RULES AND REGULATIONS (Cont'd)

2.5 Cancellation or Interruption of Services (Cont'd)

2.5.3 Application of Credits for Interruptions of Service (Cont'd)

D. Credits for interruptions of service, for which charges are specified on the basis of monthly usage, that continue for more than twenty-four (24) hours are as follows:

Credit Formula: Credit = A/B x C

"A" - outage time in hours
"B" - total days in month
"C" - total monthly charge for affected facility

E. No credit will be allowed for an interruption of service, for which charges are specified on the basis of monthly usage, which does not endure continuously for at least twenty-four (24) hours after the time the Subscriber notifies Carrier of the interruption.

2.6 Billing Arrangements

2.6.1 The Subscriber will either be billed directly by Carrier or its intermediary, or charges will be included in the Subscriber's regular telephone bill pursuant to billing and collection agreements established by Carrier or its intermediary with the applicable telephone company.

2.6.2 Carrier will render bills monthly. Payment is due within thirty (30) days after the Subscriber's receipt of its bill.

2.7 Validation of Credit

Carrier reserves the right to validate the credit worthiness of Subscribers or Users.

SECTION 2. RULES AND REGULATIONS (Cont'd)

2.8 Contested Charges

All bills are presumed accurate, and shall be absolutely binding on the Subscriber unless written objection is received by Carrier within one hundred and eighty (180) days after such bills are rendered. In the case of a billing dispute between the Subscriber and Carrier for service furnished to the Subscriber, which cannot be settled with mutual satisfaction, the Subscriber can take the following course of action within one hundred and eighty (180) days of the billing date:

2.8.1 First, the Subscriber may request, and Carrier will provide, an in-depth review of the disputed amount. (The undisputed portion and subsequent bills must be paid on a timely basis or the service may be subject to disconnect.)

2.8.2 Second, if there is still a disagreement about the disputed amount after the investigation and review by a manager of Carrier, the Subscriber may file an appropriate complaint with the Florida Public Service Commission. The Commission's address is:

Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, Florida 32399

Or by contacting Carrier at 1-800-639-6111 during normal business hours.

2.9 Commission Ordered Refunds

Carrier will follow Rule 25-24.490 that incorporates Rule 25.4.114 in calculating and paying interest and any refund, except deposit refunds, that may be ordered by the Commission.

SECTION 2. RULES AND REGULATIONS (Cont'd)

2.9 Billing Entity Conditions

When billing functions on behalf of Carrier are performed by local exchange telephone companies, or others, the payment conditions and regulations of such companies apply, including any applicable interest and/or late payment charge conditions.

2.10 Deposits

Carrier will not require deposits from Subscribers.

2.11 Taxes

All federal excise taxes, and State and local sales, use, and similar taxes, are billed as separate items and are not included in the quoted rates. Gross receipts tax will not be billed as a separate line item.

SECTION 3 - DESCRIPTION

3.1 Description

Carrier provides resold direct-dialed interexchange telecommunications services. Calls are rated based on the duration of the call.

3.1.1. Message Telecommunications Service

This service is available to the Commercial Mobile Radio Service customers of Affiliate of Carrier. Service is available twenty-four hours a day, three hundred and sixty-five days a year.

3.2 Calculation of Usage Rates

3.2.1 Billing for calls placed over Carrier's network is based on the duration of the call. Unless otherwise stated herein, calls are billed in one minute initial and one second additional billing increments, with any fractional portion of a call being rounded up to the next highest billing increment. Timing begins when the called station is answered (*i.e.*, when two-way communication, often referred to as "conversation time," is possible), as determined by standard industry methods generally in use for ascertaining answer, including hardware answer supervision in which the local telephone company sends a signal to the switch. A call is terminated when either party (called or calling) hangs up.

3.2.2 Rates are not distance sensitive. As such, mileage bands are not applicable to the services offered.

3.2.3 Unless otherwise indicated, rates do not vary depending upon day of the week or the time of day (Day, Evening, and Night/Weekend).

3.3 Minimum Call Completion Rate

Carrier will ensure an industry standard blocking rate no greater than P.01.

SECTION 4 - RATE SCHEDULE

4.1 Rate Schedules

The regulations set forth in this section govern the application of rates for services as set forth in other sections of this tariff.

4.1.1 Message Telecommunications Service

	Rate Per Minute
24 hours a day, 7 days a week, 365 days a year	$.12

4.2 Late Payment Charge and Returned Check Fee

Carrier may impose a late payment charge not to exceed 1.5% per month (or the maximum rate allowed by law) on any bill not paid within thirty (30) days of the receipt. The Subscriber shall be responsible for all costs incurred in the collection of unpaid charge or in any other action to enforce payments and/or obligations arising under this tariff. A charge of up to twenty-five (25) dollars ($25.00) will be imposed for returned checks.

4.3 Restoration of Service Charges

Carrier does not impose a charge for restoration of service.

4.4 Promotions

Carrier may from time to time offer promotional services. These promotions will not discriminate among similarly situated Customers and will be approved by the Commission with specific starting and ending dates.

SECTION 4 - RATE SCHEDULE

4.5 Special Rates for the Handicapped

In the event that Carrier offers services in addition to Message Telecommunications Service or if Carrier's services become time-of-day sensitive, the following language applies:

4.5.1 Directory Assistance

In the event that Carrier provides Directory Assistance, there shall be no charge for up to fifty (50) calls per billing cycle from lines or trunks serving individuals with disabilities. Carrier shall charge the prevailing tariff rates for every call in excess of fifty (50) calls within a billing cycle.

4.5.2 Hearing and Speech Impaired Persons

In the event Carrier's services become time-of-day sensitive, intrastate toll message rates for TDD users shall be evening rates for daytime calls and night rates for evening and night calls.

4.5.3 Telecommunications Relay Service

The charge for intrastate toll calls received from the relay service will be fifty (50) percent off of the otherwise applicable rate for a voice nonrelay call except that where either the calling or called party indicates that either party is both hearing and visually impaired, the call shall be discounted sixty (60) percent off of the otherwise applicable rate for a voice nonrelay call. The above discounts apply only to time-sensitive elements of a charge for the call and shall not apply to per call charges such as a credit card surcharge.