Squire, Sanders & Dempsey
L.L.P.
Counsellors at Law
1201 Pennsylvania Avenue, N.W.
P.O. Box 407
Washington, D.C. 20044-0407

Telephone (202) 626-6600
Cable Squire DC
Telecopier (202) 626-6780

Direct Dial Number
(202) 626-6884
RStup@ssd.com

~~TA036~~
TA 048

May 15, 1999

VIA OVERNIGHT DELIVERY

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

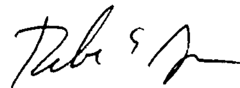
Re: **Teligent Services, Inc.**
Application for *Pro Forma* Assignment of Interexchange Telecommunications Service Certificate from Teligent, Inc. to Teligent Services, Inc.
Certificate 4850

Dear Ms. Bayó:

On behalf of Teligent Services, Inc. ("TSI"), enclosed please find an original and six copies of the above-referenced application for the *pro forma* assignment from Teligent, Inc. ("Teligent") to TSI of Certificate 4850. A check in the amount of $250.00 is also enclosed. TSI is also filing applications for the *pro forma* assignment of Certificates 4804 (ALEC) and 4707 (AAV).

Because Teligent has been found previously to be managerially, technically, and financially qualified in Florida, and because this assignment is *pro forma* in nature, TSI believes that the processing of this Application should be possible on an expedited basis. If you have any questions or require additional information, please call me at (202) 626-6884.

Sincerely,



Robert E. Stup, Jr.
Counsel to Teligent Services, Inc. and Teligent, Inc.

Check received with filing and forwarded to Fiscal for deposit. Fiscal to forward a copy of check to RAR with proof of deposit.
Initials of person who forwarded check:

DOCUMENT NUMBER-DATE
06190 MAY 17 99
FPSC-RECORDS/REPORTING

****FLORIDA PUBLIC SERVICE COMMISSION****

DIVISION OF TELECOMMUNICATIONS
BUREAU OF CERTIFICATION AND SERVICE EVALUATION

Application Form for Authority to Provide
Interexchange Telecommunications Service
Between Points Within the State of Florida

Instructions

- This form is used as an application for an original certificate and for approval of the assignment or transfer of an existing certificate. In the case of an assignment or transfer, the information provided shall be for the assignee or transferee (See Appendix A).

- Print or Type all responses to each item requested in the application and appendices. If an item is not applicable, please explain why.

- Use a separate sheet for each answer which will not fit the allotted space.

- Once completed, submit the original and six (6) copies of this form along with a non-refundable application fee of **$250.00** to:

  Florida Public Service Commission
  Division of Records and Reporting
  2540 Shumard Oak Blvd.
  Tallahassee, Florida 32399-0850
  (850) 413-6770

  Note: **No filing fee is required** for an assignment or transfer of an existing certificate to another certificated company.

- If you have questions about completing the form, contact:

  Florida Public Service Commission
  Division of Telecommunications
  Bureau of Certification and Service Evaluation
  2540 Shumard Oak Blvd.
  Tallahassee, Florida 32399-0850
  (850) 413-6600

FORM PSC/CMU 31 (12/96)
Required by Commission Rule Nos. 25-24.470, 25-24.471, 25-24.473, and 25-24.480(2).

DOCUMENT NUMBER-DATE
06190 MAY 17 8
FPSC-RECORDS/REPORTING

1. This is an application for ✓ (check one):

( ) Original certificate (new company).

( ) Approval of transfer of existing certificate: Example, a non-certificated company purchases an existing company and desires to retain the original certificate of authority.

(✓) **Approval of assignment of existing certificate: Example, a certificated company purchases an existing company and desires to retain the certificate of authority of that company.**

( ) Approval of transfer of control: Example, a company purchases 51 % of a certificated company. The Commission must approve the new controlling entity.

2. Name of company:

Teligent Services, Inc.

3. Name under which the applicant will do business (fictitious name, etc.):

Teligent Services, Inc.

4. Official mailing address (including street name & number, post office box, city, state, zip code):

8065 Leesburg Pike, Suite 400

Vienna, VA 22182

Attn: Carolyn K. Stup, Esq., Regulatory Counsel

5. Florida address (including street name & number, post office box, city, state, zip code):

5401 West Kennedy Boulevard, Suite 880,

Tampa, FL 33609

ATTN: Legal Department

6. Select type of business your company will be conducting ✓ (check all that apply):

(✓) **Facilities based carrier** - company owns and operates or plans to own and operate telecommunications switches and transmission facilities in Florida.

( ) **Operator service Provider** - company provides or plans to provide alternative operator services for IXCs; or toll operator services to call aggregator locations; or clearinghouse services to bill such calls.

(✓) **Reseller** - company has or plans to have one or more switches but primarily leases the transmission facilities of other carriers. Bills its own customer base for services used.

(✓) **Switchless Rebiller** - company has no switch or transmission facilities but may have a billing computer. Aggregates traffic to obtain bulk discounts from underlying carrier. Rebills end users at a rate above its discount but generally below the rate end users would pay for unaggregated traffic.

( ) **Multi-Location Discount Aggregator** - company contracts with unaffiliated entities to obtain bulk/volume discounts under multi-location discount plans from certain underlying carriers. Then offers the resold service by enrolling unaffiliated customers.

( ) **Prepaid Debit Card** Provider - any person or entity that purchases 800 access from an underlying carrier or unaffiliated entity for use with prepaid debit card service and/or encodes the cards with personal identification numbers.

7. Structure of organization:

( ) Individual
( ) Foreign Corporation
( ) General Partnership
( ) Other ______________

(✓) Corporation
( ) Foreign Partnership
( ) Limited Partnership

FORM PSC/CMU 31 (12/96)
Required by Commission Rule Nos. 25-24.470, 25-24.471, 25-24.473, and 25-24.480(2).

8. **If individual**, provide:

Name: N/A

Title: ____

Address: ____

City/State/Zip: ____

Telephone No.: ____ Fax No.: ____

Internet E-Mail Address: ____

Internet Website Address: ____

9. **If incorporated in Florida,** provide proof of authority to operate in Florida:

   (a) **The Florida Secretary of State corporate registration number:** N/A

10. **If foreign corporation,** provide proof of authority to operate in Florida:

    (a) **The Florida Secretary of State corporate registration number:**
    TSI is a Delaware corporation formed April 28, 1999. Attached hereto as Exhibit 1 is a copy of TSI's Certificate of Incorporation. TSI is in the process of applying for authority to transact business in the state of Florida. Immediately upon receipt, TSI will forward to the Commission a copy of its Certificate to Transact Business in the State of Florida.

11. **If using fictitious name-d/b/a,** provide proof of compliance with fictitious name statute (Chapter 865.09, FS) to operate in Florida:

    (a) **The Florida Secretary of State fictitious name registration number:** N/A

12. **If a limited liability partnership**, provide proof of registration to operate in Florida:

    (a)**The Florida Secretary of State registration number:** N/A

13. **If a partnership**, provide name, title and address of all partners and a copy of the partnership agreement.

Name: N/A

Title: ______

Address: ______
City/State/Zip: ______

Telephone No.: ______ **Fax No.:** ______

Internet E-Mail Address: ______

Internet Website Address: ______

14. **If a foreign limited partnership,** provide proof of compliance with the foreign limited partnership statute (Chapter 620.169, FS), if applicable.

    (a) **The Florida registration number:** N/A

15. Provide **F.E.I. Number** (if applicable): Teligent Services, Inc. is in the process of obtaining its Federal Employer Identification Number and will provide it to the Commission immediately upon receipt

16. Provide the following (if applicable):

    (a) Will the name of your company appear on the bill for your services? Yes

    (b) If not, who will bill for your services? N/A

    (c) How is this information provided?

    TSI will bill for its services in exactly the same manner that Teligent currently does. Teligent's billing practices were thoroughly reviewed by the Commission as part of Teligent's application for authority and fully comply with the Commission's rules and regulations. In addition, Teligent offers e·magine[sm], its leading edge customer interface that currently offers all of its customers the ability to view, sort and pay their bill over the Web.

17. Who will receive the bills for your service (Check all that apply)?

( ) Residential customers. (✓) Business customers.
( ) PATS providers. ( ) PATS station end-users.
( ) Hotels & motels. ( ) Hotel & motel guests.
( ) Universities. ( ) Univ. dormitory residents.
( ) Other: (specify)

18. Who will serve as liaison with the Commission in regard to (please give name, title, address and telephone number):

(a) The application;

Robert E. Stup, Jr.
Squire Sander & Dempsey L.L.P.
1201 Pennsylvania Avenue, N.W.
Washington, DC 20004
(202) 626-6884 - Telephone
(202) 626-6780 - Facsimile
RStup@ssd.com

(b) Official Point of Contact for the ongoing operations of the company;

Carolyn Stup, Regulatory Counsel
Teligent Services, Inc.
8065 Leesburg Pike, Suite 400
Vienna, VA 22182
(703) 762-5143 – Telephone
(703) 762-5584 - Facsimile
carolyn.stup@teligent.com – Email

(c) Complaints/Inquiries from customers;

Laura Catuska, Director, Customer Services
Teligent Services, Inc.
460 Herndon Parkway, Suite 100
Herndon, VA 20171
(703) 326-4891- Telephone
(703) 326-4818 - Facsimile
laura.catuska @teligent.com – Email

19. List the states in which the applicant:

(a) Has operated as an interexchange carrier. None, TSI has not yet provided telecommunications services in Florida or any other state. TSI's parent company, Teligent, currently provides interexchange telecommunications services in the following states: Texas, California, Colorado, Delaware, Florida, Georgia, Illinois, Louisiana, Maryland, Massachusetts, New York, Pennsylvania, Virginia, and Wisconsin.

(b) Has applications pending to be certificated as an interexchange carrier. TSI has applied or will apply for authority to provide interexchange telecommunications services in 49 states and the District of Columbia.[1] In some jurisdictions, as in Florida, it is submitting applications to transfer or assign the certificates held by Teligent. In other jurisdictions TSI is seeking authority in order to "step into the shoes" of Teligent as the local service provider and, once TSI is authorized Teligent will turn in its authorizations.

(c) Is certificated to operate as an interexchange carrier. None, TSI's parent company, Teligent, Inc., however, is certificated to operate as an interexchange carrier in 49 states, and TSI's affiliate, Teligent of Virginia, Inc. is certificated to operate as an interexchange in the Commonwealth of Virginia. As part of a broader corporate reorganization to facilitate certain financial, business, and administrative objectives, Teligent recently created a wholly-owned subsidiary, Teligent Services, Inc., which will act as Teligent's operating company to provide telecommunications services to customers and will be the direct parent of Teligent's other current domestic subsidiaries. Teligent will restructure itself similar to the holding company structure used by numerous other certificated carriers in Florida. Upon receipt of the necessary approvals, all of the state authorizations currently held by Teligent will be assigned to TSI and Teligent's current employees will become employees of TSI.

(d) Has been denied authority to operate as an interexchange carrier and the circumstances involved. **None**

(e) Has had regulatory penalties imposed for violations of telecommunications statutes and the circumstances involved. **None**

---

[1] The only state in which TSI will not seek new authority or to assign Teligent's current authority is Virginia. Virginia law requires that the services that Teligent provides be provided by a Virginia Public Service Corporation. As such, Teligent's wholly-owned subsidiary, Teligent of Virginia, Inc., serves as Teligent's operating company to provide telecommunications services to customers in the Commonwealth of Virginia.

(f) Has been involved in civil court proceedings with an interexchange carrier, local exchange company or other telecommunications entity, and the circumstances involved. **None**

20. Indicate if any of the officers, directors, or any of the ten largest stockholders have previously been:

(a) adjudged bankrupt, mentally incompetent, or found guilty of any felony or of any crime, or whether such actions may result from pending proceedings. Provide explanation.

No

(b) an officer, director, partner or stockholder in any other Florida certificated telephone company. If yes, give name of company and relationship. If no longer associated with company, give reason why not.

Teligent Services, Inc., is a wholly-owned subsidiary of Teligent, Inc., which holds Florida Certificates 4804 (ALEC); 4707 (Alternative Access Vendor); and 4850 (Reseller), all of which are subject to pending assignment applications. Officers and Directors of TSI have equity interests in Teligent, TSI's parent company. In addition, individual officers may hold equity interests in other telecommunications services providers as personal investments. No Teligent or TSI officer holds a 5% of greater interest in any telecommunications services provider other than Teligent.

21. The applicant will provide the following interexchange carrier services:

a. ✓ **MTS with distance sensitive per minute rates**
Method of access is FGA
Method of access is FGB
✓ Method of access is FGD
Method of access is 800

b. ✓ **MTS with route specific rates per minute**
Method of access is FGA
Method of access is FGB
✓ Method of access is FGD
Method of access is 800

c. ✓ **MTS with statewide flat rates per minute (i.e. not distance sensitive)**

Method of access is FGA
Method of access is FGB
✓ Method of access is FGD
Method of access is 800

d. **MTS for pay telephone service providers**

e. **Block-of-time calling plan (Reach out Florida, Ring America, etc.).**

f. ✓ **800 service (Toll free)**

g. ✓ **WATS type service (Bulk or volume discount)**

✓ Method of access is via dedicated facilities
✓ Method of access is via switched facilities

h. ✓ **Private Line services (Channel Services)**
(For ex. 1.544 mbs., DS-3, etc.)

i. ✓ **Travel service**

Method of access is 950
✓ Method of access is 800

j.___ **900 service**

k. ✓ **Operator Services**

✓ Available to presubscribed customers
____ Available to non presubscribed customers (for example to patrons of hotels, students in universities, patients in hospitals.
____ Available to inmates

l. **Services** included are:

Station assistance
Person to Person assistance
✓ Directory assistance
Operator verify and interrupt
✓ Conference Calling

FORM PSC/CMU 31 (12/96)
Required by Commission Rule Nos. 25-24.470, 25-24.471, 25-24.473, and 25-24.480(2).

22. Submit the proposed tariff under which the company plans o begin operation.

Upon Commission approval of the assignment to TSI of the Certificate, TSI will issue a tariff that duplicates the services offering, rates, terms, and conditions as filed in Teligent's then-current tariff. Teligent's currently effective (Commission reviewed and approved) tariff is a matter of Commission record. Please note that as an operating carrier Teligent must retain the flexibility to modify its tariff in accordance with the Commission's rules and regulations, therefore, Teligent reserves the right to do so during the pendency of this application. TSI and Teligent will work with Commission staff, as Teligent has done since it was granted its certificate, to coordinate the necessary revisions to reflect the assignment.

23. Submit the following:

A. Financial capability.

The application **should contain** the applicant's audited financial statements for the most recent 3 years. If the applicant does not have audited financial statements, it shall so be stated.

The unaudited financial statements should be signed by the applicant's chief executive officer and chief financial officer affirming that the financial statements are true and correct and should include:

1. the balance sheet;
2. income statement; and
3. statement of retained earnings.

NOTE: *This documentation may include, but is not limited to, financial statements, a projected profit and loss statement, credit references, credit bureau reports, and descriptions of business relationships with financial institutions.*

Further, the following (which includes supporting documentation) should be provided:

1. **written explanation** that the applicant has sufficient financial capability to provide the requested service in the geographic area proposed to be served.

2. **written explanation** that the applicant has sufficient financial capability to maintain the requested service.

3. **written explanation** that the applicant has sufficient financial capability to meet its lease or ownership obligations.

TSI will rely on the financial resources of its parent, Teligent, which the Commission has previously found to be financially qualified. Teligent is a publicly-owned company (NASDAQ symbol: TGNT) with a market capitalization of approximately $3.36 billion, as of April 1999. The financial qualifications of Teligent is a matter of record before the Commission. In addition, attached hereto as Exhibit 2 are a copies of TSI's parent company's 1997 and 1998 annual reports. Accordingly, TSI submits that the Commission has sufficient information to find TSI financially qualified to provide the requested service in the geographic area proposes to be served; to maintain the requested service; and to meet its lease or ownership obligations.

B. Managerial capability: give resumes of employees/officers of the company that would indicate sufficient managerial experiences of each.

TSI possesses the same technical and managerial ability to provide the proposed telecommunications services within the State of Florida that the Commission found Teligent to possess. Teligent's current senior management team, which will be the senior management team of TSI, has extensive competitive telecommunications experience in the provision of competitive telecommunications services, including wireless services. Indeed, this highly-qualified team was assembled because of their unique qualifications to operate, manage, and market Teligent's telecommunications businesses. This experience, coupled with the progress Teligent has made to date in building and operating its local and long distance networks, demonstrates TSI's managerial ability to provide facilities-based service in the State of Florida. Resumes of Teligent's senior management team are attached hereto as Exhibit 3.

C. Technical capability: give resumes of employees/officers of the company that would indicate sufficient technical experiences or indicate what company has been contracted to conduct technical maintenance.

See answer given above.

** APPLICANT ACKNOWLEDGEMENT STATEMENT **

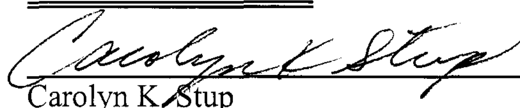
1. **REGULATORY ASSESSMENT FEE:** I understand that all telephone companies must pay a regulatory assessment fee in the amount of .15 of one percent of its gross operating revenue derived from intrastate business. Regardless of the gross operating revenue of a company, a minimum annual assessment fee of $50 is required.

2. **GROSS** RECEIPTS **TAX:** I understand that all telephone companies must pay a gross receipts tax of two and one-half percent on all intra and interstate business.

3. **SALES TAX:** I understand that a seven percent sales tax must be paid on intra and interstate revenues.

4. **APPLICATION FEE:** A non-refundable application fee of $250.00 must be submitted with the application.

UTILITY OFFICIAL:



Carolyn K. Stup

May 15, 1999
Date

Regulatory Counsel and Assistant Secretary
Title

(703) 762-5143
Telephone No.

Address: 8065 Leesburg Pike, Suite 400
Vienna, VA 22182

(703) 762-5584
Fax No.

ATTACHMENTS:

A – CERTIFICATE SALE, TRANSFER, OR ASSIGNMENT STATEMENT
B – CUSTOMER DEPOSITS AND ADVANCE PAYMENTS
C – CURRENT FLORIDA INTRASTATE NETWORK
D- AFFIDAVIT
- FLORIDA TELEPHONE EXCHANGES AND EAS ROUTES
- GLOSSARY

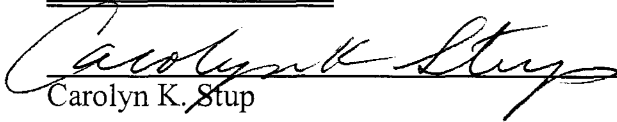
FORM PSC/CMU 31 (12/96)
Required by Commission Rule Nos. 25-24.470, 25-24.471, 25-24.473, and 25-24.480(2).

**** APPENDIX A ****

CERTIFICATE TRANSFER, OR ASSIGNMENT STATEMENT

I, Carolyn K. Stup, Regulatory Counsel and Assistant Secretary of Teligent, Inc., the current holder of Florida Public Service Commission Certificate Number 4850, have reviewed this application and joins in the petitioner's request for an assignment of the above-mentioned certificate.

UTILITY OFFICIAL:



Carolyn K. Stup

May 15, 1999
Date

Regulatory Counsel and Assistant Secretary
Title

(703) 762-5143
Telephone No.

Address: 8065 Leesburg Pike, Suite 400

Vienna, VA 22182

(703) 762-5584
Fax No.

FORM PSC/CMU 31 (12/96)
Required by Commission Rule Nos. 25-24.470, 25-24.471, 25-24.473, and 25-24.480(2).

**** APPENDIX B ****

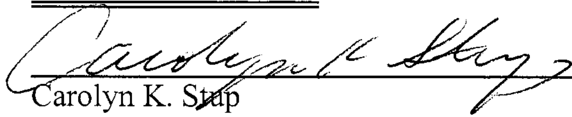
CUSTOMER DEPOSITS AND ADVANCE PAYMENTS

A statement of how the Commission can be assured of the security of the customer's deposits and advance payments may be responded to in one of the following ways (applicant please check one):

(✓) **The applicant will not collect deposits nor will it collect payments for service more than one month in advance.**

( ) **The applicant will file with the Commission and maintain a surety bond in an amount equal to the current balance of deposits and advance payments in excess of one month. (Bond must accompany application.)**

UTILITY OFFICIAL:



Carolyn K. Stup — May 15, 1999 (Date)

Regulatory Counsel and Assistant Secretary (Title) — (703) 762-5143 (Telephone No.)

Address: 8065 Leesburg Pike, Suite 400 — (703) 762-5584 (Fax No.)

Vienna, VA 22182

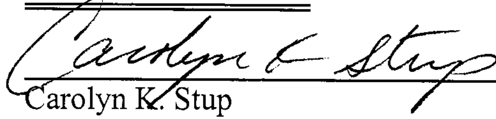
FORM PSC/CMU 31 (12/96)
Required by Commission Rule Nos. 25-24.470, 25-24.471, 25-24.473, and 25-24.480(2).

**** APPENDIX C ****

CURRENT FLORIDA INTRASTATE SERVICES

Applicant has NOT previously provided intrastate telecommunications in Florida.

UTILITY OFFICIAL:



Carolyn K. Stup

May 15, 1999
Date

Regulatory Counsel and Assistant Secretary
Title

(703) 762-5143
Telephone No.

Address: 8065 Leesburg Pike, Suite 400

(703) 762-5584
Fax No.

Vienna, VA 22182

FORM PSC/CMU 31 (12/96)
Required by Commission Rule Nos. 25-24.470, 25-24.471, 25-24.473, and 25-24.480(2).

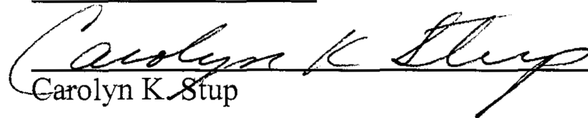
**** APPENDIX D ****

AFFIDAVIT

By my signature below, I, the undersigned officer, attest to the accuracy of the information contained in this application and attached documents and that the applicant has the technical expertise, managerial ability, and financial capability to provide interexchange telecommunications services in the State of Florida. I have read the foregoing and declare that, to the best of my knowledge and belief, the information is true and correct. I attest that I have authority to sign on behalf of my company and agree to comply, now and in the future, with all applicable Commission rules and orders.

Further, I am aware that, pursuant to Chapter 837.06, Florida Statutes, "whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his official duty shall be guilty of a misdemeanor of the second degree, punishable as provided in s. 775.082 and s. 775.083."

UTILITY OFFICIAL:



Carolyn K. Stup

May 15, 1999
Date

Regulatory Counsel and Assistant Secretary
Title

(703) 762-5143
Telephone No.

Address: 8065 Leesburg Pike, Suite 400
Vienna, VA 22182

(703) 762-5584
Fax No.

FORM PSC/CMU 31 (12/96)
Required by Commission Rule Nos. 25-24.470, 25-24.471, 25-24.473, and 25-24.480(2).

Exhibit 1
TSI's Certificate of Incorporation from the State of Delaware

State of Delaware

Office of the Secretary of State

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF INCORPORATION OF "TELIGENT SERVICES, INC.", FILED IN THIS OFFICE ON THE TWENTY-EIGHTH DAY OF APRIL, A.D. 1999, AT 3:30 O'CLOCK P.M.

Edward J. Freel, Secretary of State

3030243 8100

991180929

AUTHENTICATION: 9729951

DATE: 05-06-99

STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 03:30 PM 04/28/1999
991167819 - 3030243

CERTIFICATE OF INCORPORATION

OF

TELIGENT SERVICES, INC.

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

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

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

FOURTH: The total number of shares of stock which the Corporation shall have authority to issue is One Thousand (1,000) shares of Common Stock, each having a par value of one cent ($0.01).

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

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

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

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

(2) The directors shall have concurrent power with the stockholders to make, alter, amend, change, add to or repeal the By-Laws of the Corporation.

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

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

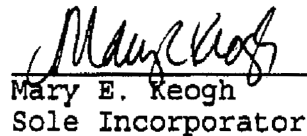
(5) In addition to the powers and authority hereinbefore or by statute expressly conferred upon them, the directors are hereby empowered to exercise all such powers and do all such acts and things as may be exercised or done by the Corporation, subject, nevertheless, to the provisions of the GCL, this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

SEVENTH: Meetings of stockholders may be held within or without the State of Delaware, as the By-Laws

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

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

I, THE UNDERSIGNED, being the Sole Incorporator hereinbefore named, for the purpose of forming a corporation pursuant to the GCL, do make this Certificate, hereby declaring and certifying that this is my act and deed and the facts herein stated are true, and accordingly have hereunto set my hand this 28th day of April, 1999.



Mary E. Keogh
Sole Incorporator

Exhibit 2
Teligent's 1998 and 1987 Annual Reports

UNITED STATES
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, 1998.

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to .

Commission File Number 000-23387

TELIGENT, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	**54-1866562**
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NO.)

8065 LEESBURG PIKE **SUITE 400** **VIENNA, VIRGINIA**	**22182**
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	(ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: **(703) 762-5100**

Securities registered pursuant to Section 12(b) of the Act:

None

Securities registered pursuant to Section 12 (g) of the Act:

11½ % Senior Notes due 2007
11½ % Senior Discount Notes due 2008
Common Stock, Class A, par value $.01 per share

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

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

The aggregate market value of the registrant's voting stock held by non-affiliates of the registrant was approximately $270 million on March 19, 1999, based on the closing sales price of the registrant's Class A Common Stock as reported on The Nasdaq Stock Market as of such date.

The number of shares outstanding of each of the registrant's classes of common stock as of March 19, 1999 was as follows:

Common Stock, Class A	8,268,796
Common Stock, Class B	44,426,299

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive proxy statement to be filed with the Securities and Exchange Commission in connection with the Registrant's 1999 Annual Meeting of Stockholders, are incorporated by reference into Part III.

TABLE OF CONTENTS

PART I

Item 1. Business
Item 2. Properties
Item 3. Legal Proceedings
Item 4. Submission of Matters to a Vote of Security Holders

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters
Item 6. Selected Financial Data
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations
Item 7A. Quantitative and Qualitative Disclosures about Market Risk
Item 8. Financial Statements and Supplementary Data
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

PART III

Item 10. Directors and Executive Officers of the Registrant
Item 11. Executive Compensation
Item 12. Security Ownership of Certain Beneficial Owners and Management
Item 13. Certain Relationships and Related Transactions

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

Signatures

Index to Financial Statements

Except for any historical information contained herein, the matters discussed in this Annual Report on Form 10-K contain certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 with respect to the Company's financial condition, results of operation and business. The words "anticipate," "believe," "estimate," "expect," "plan," "intend" and similar expressions, as they relate to the Company, are intended to identify forward-looking statements. Such statements reflect our current views with respect to future events and involve known and unknown risks, uncertainties and other factors including, but not limited to, economic, key employee, competitive, regulatory, governmental and technological factors affecting the Company's growth, operations, markets, products, services, licenses and other factors discussed in the Company's other filings with the Securities and Exchange Commission. The Company cannot be sure that any of its expectations will be realized. Factors that may cause actual results, performance or achievements of the Company, or industry results, to differ materially from those contemplated by such forward-looking statements, include, without limitation: (1) the Company's ability to meet its existing debt service obligations and the availability of additional funds to pursue the Company's business plan; (2) the Company's pace of entry into new markets and ability to secure building access; (3) the time and expense required to build the Company's planned network; (4) the Company's ability to integrate and maintain internal management, technical information and accounting systems; (5) the impact of changes in telecommunication laws and regulations; (6) the Company's success in gaining regulatory approval for its products and services, when required; (7) the Company's ability to successfully interconnect with the incumbent carriers; (8) the timely supply of necessary equipment; (9) the intensity of competition; and (10) general economic conditions.

Given these uncertainties, prospective investors are cautioned not to place undue reliance on such forward-looking statements.

PART I

In this Annual Report on Form 10-K, we will refer to Teligent, Inc., a Delaware Corporation, as "Teligent," the "Company," "we," "us," and "our." Where applicable, such references refer to Teligent's limited liability company predecessor.

ITEM 1. BUSINESS

Teligent

Teligent is a full-service, facilities-based communications company. We offer small and medium-sized business customers local, long distance, high-speed data and dedicated Internet services over our digital SmartWave™ local networks. Our SmartWave™ local networks integrate point-to-point and point-to-multipoint wireless technologies with traditional broadband wireline technology. By integrating these technologies, we believe we are able to increase local network efficiency and significantly lower network costs. We are currently offering commercial service using our SmartWave™ local networks in 24 markets that comprise more than 405 cities and towns with a combined population of more than 75 million. We offer service over our SmartWave™ networks in New York, Los Angeles, Chicago, Baltimore, Richmond, Houston, Philadelphia, Dallas-Fort Worth, San Francisco-Oakland, Miami-Fort Lauderdale, Denver, Washington DC, Boston, Atlanta, San Jose, San Antonio, Orlando, Jacksonville, Tampa, Austin, West Palm Beach, Milwaukee, New Orleans and Wilmington, Delaware.

Teligent serves its customers primarily by placing a small digital microwave antenna on the roof of customer's building. When the customer picks up the telephone, accesses the Internet or activates a videoconference, the signal travels over the building's inside wiring to Teligent's equipment and the rooftop antenna. The antenna sends voice, data and video signals to a nearby Teligent base station, where the signals are communicated to a Teligent broadband switching center and then onto their final destination.

Our digital wireless technology provides fiber-like quality and can transmit information at speeds more than 350 times faster than conventional copper wire-based networks. We believe that the speed and reliability of our services responds to the growing marketplace demand from small to medium-sized businesses for fast and reliable telecommunications services. We believe this demand results in part from the increased acceptance and reliance on the Internet by business users as well as the emergence of bandwidth intensive applications such as videoconferencing and large data file transfers.

We believe we are well positioned to capture revenues in the estimated $128 billion business communications market. Our focus is on the estimated $51 billion local exchange market, which is currently one of the most profitable segments in the communications industry. Local exchange services have historically been provided by regional monopolies known as incumbent local exchange carriers or "ILECs." ILECs have typically used older, existing copper wire-based networks. The ILECs' networks, faced with increasing demand from businesses for new services, such as Internet access, at reasonable costs, have created a "last mile bottleneck" between the customer location and the ILEC network switch. Our market research indicates that the ILECs have been unable to satisfy customer demands for cost-effective, flexible and responsive service and that a significant portion of Teligent's target customer base – small and medium-sized businesses – is currently dissatisfied with its ILEC service. The potential revenue opportunity in this market, coupled with changes in the regulatory environment designed to enhance competition, have created opportunities for competitive local exchange carriers, or "CLECs," such as Teligent. We intend to reduce or eliminate this last mile local bottleneck and gain market share primarily through the use of our SmartWave™ local networks while providing quality customer service and competitive pricing.

We believe we can provide service throughout major market areas with lower capital requirements than either fiber-based or exclusively point-to-point wireless competitive local exchange carriers, enabling us to offer our services to a broader customer base faster and at a lower cost. Our networks allow both transmissions between multiple customer antennas and a single base station antenna (point-to-multipoint) and transmissions between a single customer antenna and a single base station (point-to-point), thereby allowing us to share the same radio frequency spectrum among our customers and reducing our capital expenditures. We also provide communications services to our customers using traditional broadband wireline technology which also has been integrated into our SmartWave™ local networks.

Teligent's Corporate History

Teligent, Inc. was formed in September 1997 as a wholly owned subsidiary of Teligent, L.L.C., a limited liability company formed in March 1996. Teligent, L.L.C. was formed by Microwave Services, Inc. ("MSI"), a subsidiary of The Associated Group, Inc., and Digital Services Corporation ("DSC"), an affiliate of Telcom Ventures, L.L.C., both of which have extensive experience in pioneering wireless communications businesses. In September 1996, Alex J. Mandl, formerly President and Chief Operating Officer of AT&T, was named Chairman of the Board and Chief Executive Officer of Teligent. In October 1997, Teligent, L.L.C. acquired all of the stock of FirstMark Communications, Inc. for cash and a 5% member interest in Teligent, L.L.C. FirstMark Communications, Inc. held various fixed wireless licenses. On November 21, 1997, in connection with the initial public offering of Teligent Class A common stock, Teligent, L.L.C. merged into Teligent ("the Merger"). Prior to the Merger, a wholly owned subsidiary of Nippon Telegraph and Telephone Corporation ("NTT") acquired a 5% interest in Teligent, L.L.C., and immediately after the Merger acquired an additional 7.5% equity interest in Teligent, Inc. Pursuant to the Merger, all of the ownership interests of Teligent, L.L.C. were exchanged for shares of Teligent, Inc. Class B common stock, except for the ownership interest held by FirstMark Communications, Inc. which was exchanged for shares of Class A common stock.

Teligent's FCC Licenses

We hold 24 GHz fixed wireless digital message service (DEMS) licenses granted by the Federal Communications Commission, the FCC. Our DEMS licenses cover 74 market areas, comprising more than 750 municipalities in the United States, including 320-400 MHz of spectrum in 27 of the 35 most populous market areas in the United States, and at least 80 MHz of spectrum in 47 other major market areas. These licenses which were previously granted for operations only in the 18 GHz band, were not subject to grant by auction. See "Business - Government Regulation - Federal Regulation - Relocation of Licenses to 24 GHz." The majority of the 24 GHz licenses were either transferred or assigned to Teligent pursuant to FCC authority. Teligent also holds certain common carrier microwave licenses at other frequencies for use in its business.

Teligent's Service Offerings

We offer an integrated package of services, including local and long distance services (domestic and international) as well as Internet services, voice mail, conferencing, videoconferencing, advanced fax management, integrated single number service, call screening, call forwarding and other advanced communications services.

Local Phone Services. We provide our customers a complete range of local phone services. These services include basic local services, access to long distance and intra-LATA (local access and transport area) switched and dedicated lines, direct inward dialing, Digital PBX, Centrex and custom calling services.

Long Distance. As a complement to our local phone services, we also offer long distance services as part of a product bundle to customers through agreements with national long distance companies. These long distance services include domestic intrastate, interstate and international calling, toll-free services (800, 888, 877), calling card, and conferencing and other enhanced services. When our coverage area spans multiple LATAs, we use our own facilities to provide inter-LATA long distance service.

Internet and Data Services. Using the high bandwidth capacity of our SmartWave™ local networks that allows high volumes of information to be transmitted at high speeds, we offer transport for Internet services from our customer's premise to an Internet access point in each city in which we offer services.

Dedicated Private Line. We provide local dedicated data access circuits as well as the long distance portion of those circuits. These links are used to connect offices for file sharing, e-mail and workgroup applications.

Teligent's Network Architecture

We deploy our SmartWave™ local networks, which are made up of fixed wireless point-to-multipoint and point-to-point broadband local networks, as well as traditional broadband wireline networks, to provide last mile customer connection in our licensed market areas. We believe that having these types of integrated networks allows us to accommodate new customers quickly, as well as expand our customer base.

We use a combination of wired and wireless facilities to connect the voice switching and data routing center to the base stations distributed throughout the market area. Our base stations transmit to and receive signals from wireless equipment at a customer premise allowing transmissions between multiple customer antennas and a single base station antenna. In the case of our wireless customers, the customer premise equipment includes two components: (i) a small digital microwave antenna installed generally on the roof of the customer's building and (ii) indoor equipment installed within the building which is connected to the internal building wiring. The antenna communicates with a Teligent base station by a microwave signal. Our base stations have an average coverage area of up to 30 square miles, depending on a number of factors such as power levels used, customer density, local weather environment and network design. We provide services to our wireline customers by using T-1 lines that we have installed at our customer's premises.

Our broadband switching centers house traditional circuit-based systems as well as more advanced packet and cell-based switching systems. These switching systems are engineered to interconnect customer traffic with other local exchange networks, long distance networks and the Internet, as well as with other locations the customer may have within the Teligent network. Our customer premise equipment is shared among all customers in the building. Similarly, equipment at each node site is shared among all customer premise equipment served by that node.

In June 1998, we opened a state-of-the-art customer service and network operations center near our headquarters just outside of Washington, DC. Our network operations center monitors our networks 24 hours-a-day, seven days-a-week and provides real-time alarm, status and performance information. Our network operations center also allows us to provide customers remote circuit provisioning to ensure service availability, monitor various network elements to ensure consistent and reliable performance, and plan for and conduct preventative maintenance activities in order to avoid network outages and to respond promptly to any network disruption that might occur.

Key Vendors

The majority of our network equipment, including switches, base stations and antennas is currently provided by Northern Telecom, Inc. ("Nortel"), pursuant to a Network Products Purchase Agreement signed in December 1997. Although Nortel is our primary vendor and systems integrator, our strategy is to identify and use additional suppliers to ensure a high level of quality and reduce the cost of our equipment over time. In this regard, we evaluate different suppliers and have begun testing equipment manufactured by suppliers other than Nortel.

Teligent's Business Strategy

Our goal is to be a premier facilities-based communications provider to small and medium-sized businesses. The steps we are taking to achieve this objective are as follows:

Target Small and Medium-Sized Businesses. Our primary marketing efforts are focused on small and medium-sized businesses with 5 to 500 telephone lines. These types of customers are located in more than 750,000 commercial buildings throughout the United States. We target these customers through direct sales efforts, telesales and indirect sales channels. We offer new and innovative products like the industry's first flat rate service and our on-line "e•magine^{sm}" billing system. We may also, from time to time, selectively pursue sales opportunities with larger businesses in certain situations.

End User Focus. We currently offer our services directly to end users, as opposed to acting as a "carrier's carrier" by offering services on the wholesale level to others for resale to the end user. By earning the majority of our revenues from providing services directly to end user customers, we believe that we (i) are establishing and will be able to maintain a broad base of our own customers, thereby minimizing the risk of having to rely on a limited number of customers for the majority of our revenues, (ii) maximize revenues and profitability by doing business in the higher priced retail market, and (iii) distinguish ourselves through high quality service that is responsive to the customer.

Develop Brand Awareness. We are positioning Teligent as a high quality service operator that provides reliable communications services and quality customer support at competitive prices. In the fall of 1998, we launched a nationwide mass media marketing campaign to reflect these objectives.

Achieve Market Share Via Competitive Pricing. As a new market entrant, our strategy is to price Teligent's services competitively to gain market share early. We believe that we price our services at a significant discount to existing competing offers. Generally, we average several representative bills from our customer's current service providers and deduct up to 30% from such average to arrive at the customer's

new flat rate. Under this pricing plan, local and Internet services are unlimited. If customers wish to increase their long distance and international usage over current levels, they can purchase more Teligent services at attractive prices. We anticipate that some ILECs may reduce their prices as increased competition begins to erode their market share. We expect to remain competitive if market prices decline. We believe that we will be able to compete economically because of our lower network costs compared to those of the ILECs.

Rapid Deployment. We intend to take advantage of our ability to quickly establish service in our market areas because of our lower capital requirements. Our ability to enter our market areas quickly and establish service allows us to establish an initial presence in a market, which further enhances Teligent's relative cost advantage, attracts additional customers and develops our brand reputation. In the fall of 1998, we announced a plan to accelerate our 1999 deployment schedule and we currently expect to be in 40 markets by the end of the year.

Exploit Future Growth Opportunities. We intend to continue building on the capabilities of our networks to expand our target market and service offerings. This expansion may include targeting international opportunities.

Sales and Marketing

Overview. To develop the market potential of our network, we have organized our operations into five geographic regions. Each region has its own Regional Vice President in charge of operations, field service, site acquisition, proactive customer service and sales and marketing. The extent of sales activity in each market depends upon a number of factors including (i) number of license areas, (ii) geographic size of license areas, (iii) customer density within licensed areas, and (iv) the competitive landscape.

Sales Force/Customer Care. We seek to recruit salespeople with successful experience in competitive communications businesses, including individuals with backgrounds in competitive local exchange, competitive long distance, telecommunications equipment and data services. Teligent's salespeople have performance incentives that ties a significant portion of their compensation to the actual revenue they produce. In addition, salespeople receive performance incentives that encourage them to maximize penetration in buildings in which we have installed customer premise equipment. Our sales force is trained to sell Teligent's full product line of local, long distance, Internet and data services.

Marketing. We supplement our direct sales force through various marketing plans, including direct mail, partnership marketing (in specific buildings or associated properties), targeted advertising and promotional efforts in our coverage areas. In addition, we use alternate or indirect channels of distribution, including a sales agent program.

Competition in the Telecommunications Industry

Local Telecommunications Market

Competition from ILECs. The local telecommunications market is intensely competitive for newer entrants and currently is dominated by the Regional Bell Operating Companies, known as RBOCs, and other ILECs. In each market area in which we are authorized to provide services, we compete or will compete with several other service providers and technologies. We expect to compete on the basis of local service features, quality, price, reliability, customer service and rapid response to customer needs. The ILECs have long standing relationships with their customers, have significant name recognition and financial resources, have the potential to subsidize competitive services with revenues from a variety of business services, and benefit from existing state and federal regulations that favor the ILECs over us in certain respects.

The Telecommunications Act of 1996 (the "Telecommunications Act") reduced barriers to entry into new segments of the industry. We believe that the requirements of the Telecommunications Act promote greater competition and have helped provide opportunities for broader entrance into the local exchange markets. However, as ILECs face increased competition, regulatory decisions are likely to provide

them with increased pricing flexibility, which in turn may result in increased price competition. Increased price competition may negatively impact Teligent.

A number of companies, including the ILECs themselves, are developing enhancements to increase the performance of ILECs' copper wire-based legacy networks. These generally consist of digital subscriber line products, such as ADSL, HDSL and VDSL. We may not be able to compete effectively with these enhancements.

Competition from New 24 GHz and Other Fixed Wireless Companies. We face potential competition from new entrants to the fixed wireless market, such as Winstar Communications, Inc. and NextLink Communications, Inc., as well as IXC's and other CLECs and other leading telecommunications companies. In addition, the FCC has announced that it will devise rules for the issuance of 24 GHz licenses for up to five 80 MHz channels in each market except for those licenses already issued to Teligent. See "Business – Government Regulation." We believe that additional 24 GHz licenses will be made available through an auction, and that other entities having greater resources than we do could acquire authorizations, when made available by the FCC. See "Business – Government Regulation."

We also face competition from entities that offer or are licensed to offer other terrestrial fixed wireless services, including Multichannel Multipoint Distribution Service, 28 GHz Local Multipoint Distribution Service and 38 GHz wireless communications systems, 2.8 GHz Wireless Communications Service, FCC Part 15 unlicensed wireless radio devices, and other services that use existing point-to-point wireless channels on other frequencies. One such competitor, NextLink Communications, Inc., recently agreed to acquire WNP Communications, Inc.'s Local Multipoint Distribution System wireless licenses and announced plans to use the fixed wireless licenses to build extensions to the local fiber optic networks that it plans to build in most major U.S. cities. Additionally, other companies have filed applications for global broadband satellite systems proposed to be used for broadband voice and data services. If developed, these systems could also present us with significant competition.

Other Competitors. We also face local and long distance competition from AT&T, MCI WorldCom, Sprint, and other IXCs. We may face competition from electric utilities (several have secured the necessary authorizations to provide local telephone service and are in various stages of implementing their business plans), ILECs operating outside their current local service areas, and other providers. These entities provide transmission services using technologies that may enjoy a greater degree of market acceptance than our wireless broadband technology in the provision of last mile broadband services. Moreover, the consolidation of telecommunications companies and the formation of business alliances within the telecommunications industry, which are expected to accelerate as a result of the passage of the Telecommunications Act, could give rise to significant new or stronger competitors. We may not be able to compete effectively in any of our markets.

Internet Services

Our Internet services face significant competition from other Internet Service Providers ("ISPs") as well as from other ILECs, CLECs and IXCs. There is a great deal of competition in this industry, in the delivery of Internet service to small and medium-sized businesses, our target market. Teligent believes its local networks provide a low-cost advantage in delivering Internet service. However, there can be no assurance that we can successfully compete with larger and more established companies that already provide Internet service or have resources to enter the market.

Long Distance Telecommunications Market

The long distance market has relatively insignificant barriers to entry, numerous entities competing for the same customers and a high average churn rate as customers frequently change long distance providers in response to the offering of lower rates or promotional incentives by competitors. We compete with major carriers such as AT&T, Sprint and MCI WorldCom, as well as other national and regional long distance carriers and resellers. We believe that one or more of the RBOCs may compete in the long distance telecommunications industry in some states by year-end 1999. See "Business – Government Regulation." ISPs also will compete in this market. We believe that the principal competitive factors affecting our market share will be pricing, customer service, accurate billing, clear pricing policies and, to a lesser extent, variety of services. Our ability to compete effectively will depend on maintaining high quality, market-driven services at prices generally perceived to be equal to or below those charged by our competitors. To maintain a competitive posture, we believe that we must be in a position to reduce prices in order to meet reductions in rates, if any, by others. Any such reductions could adversely affect us. In addition, ILECs have been obtaining additional pricing flexibility. This may enable ILECs to gain volume discounts from larger long distance companies, which also would put our long distance business at a disadvantage in competing with these providers.

Intellectual Property

We use the name "Teligent" as our primary business name and servicemark in the United States. We own U.S. Reg. No. 1,893,005 - TELIGENT, which was originally issued on May 9, 1995 to Creative Integrated Systems, Inc. for various items of communication equipment, based on use in commerce since January 6, 1994. We have licensed Creative Integrated Systems, Inc. to continue using the mark in connection with communications equipment.

On April 7, 1997, we filed applications to register our name and logo design in the United States Patent and Trademark Office for "land based and satellite communications services." Those applications are currently pending. In addition, we applied for and obtained registration of THE SMART WAY TO COMMUNICATE, U.S. Reg. No. 2,220,244, issued January 26, 1999. We have also acquired rights in connection with one other mark that we are using and have filed several applications with the U.S. Trademark Office to register marks that we are using or which we intend to use. We reasonably believe that the applications will mature to registration, but there is no assurance until the registrations actually issue. We are also pursuing the registration of service marks and trademarks in various countries outside the United States, but we have not yet secured those registrations. If we decide to conduct business in a country in which we are unable to obtain rights to some of the marks we use in the U.S., including "TELIGENT," we may determine to license rights to use those marks or conduct business under a different name or mark.

We rely upon a combination of licenses, confidentiality agreements and other contractual covenants, to establish and protect our technology and other intellectual property rights. We currently have no patents and one patent application pending addressing the online billing system known as "e•magine^sm^." We cannot be sure the steps we take will be adequate to prevent misappropriation of our technology or other intellectual property or that our competitors will not independently develop technologies that are substantially equivalent or superior to Teligent's technology. Moreover, although we believe that our business as currently conducted does not infringe upon the valid proprietary rights of others, we cannot be sure that third parties will not assert infringement claims against Teligent or that, in the event of an unfavorable ruling on any such claim, a license or similar agreement to utilize technology that we rely upon in the conduct of our business will be available on reasonable terms.

Government Regulation

Overview

Our fixed wireless broadband services are subject to regulation by federal, state and local governmental agencies. We have received authority to offer competitive local telephone services in 39 states and the District of Columbia, comprising all of our 74 markets. That compares to 27 markets in which authority had been granted at the end of 1997. We have also successfully negotiated interconnection agreements covering 72 markets with all of the major local exchange carriers, including Ameritech, Bell Atlantic, GTE, Pacific Bell, Southwestern Bell, Sprint, Bell South and US WEST. At the end of 1997, we had interconnection agreements covering 25 markets.

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

Federal Legislation

The Telecommunications Act. The Telecommunications Act, enacted on February 8, 1996, established local exchange competition as a national policy by removing state regulatory barriers to competition and the preemption of laws restricting competition in the local exchange market. The Telecommunications Act mandated that ILECs comply with various requirements designed to foster competition. In addition, the Telecommunications Act allows RBOCs to provide in-region inter-LATA services on a state-by-state basis once certain market-opening requirements are implemented and entry is determined to be in the public interest. The provisions of the Telecommunications Act are designed to ensure that RBOCs take affirmative steps to level the playing field for their competitors so that others can compete effectively before the RBOC secures in-region long-distance entry. To date, no RBOCs have gained authority to provide in-region inter-LATA service.

Federal Regulation

The Telecommunications Act Regulations. The Telecommunications Act in some sections is self-executing, but in most cases the FCC must issue regulations that identify specific requirements before we and our competitors can proceed to implement the changes prescribed by the Telecommunications Act. The outcome of these various ongoing FCC rulemaking proceedings or judicial appeals of such proceedings could materially affect our business, financial condition and results of operations.

Pursuant to the Telecommunications Act, the FCC adopted, in August 1996, new rules implementing the interconnection and resale provisions of the Telecommunications Act (the "Interconnection Order"). In July 1997, the United States Court of Appeals for the Eighth Circuit set aside significant portions of the FCC's Interconnection Order. On January 25, 1999, however, the Supreme Court reinstated key provisions of the FCC's Interconnection Order including provisions governing the pricing of local services and elements as well as its "pick and choose" provision. The Supreme Court vacated the FCC's unbundled element rule, however, pursuant to which ILECs are required to make divisible elements of their networks and services (for example local loops available for lease by CLECs). The Supreme Court decision creates the greatest uncertainties for competitors who largely depend on such elements to compete. We believe that this decision may comparatively advantage Teligent which does not rely heavily on ILEC unbundled elements. The FCC is expected to issue a rulemaking proceeding in the future to address this issue.

FCC Licensing. The Communications Act of 1934 (the "Communications Act") imposes certain requirements relating to licensing, common carrier obligations, reporting and treatment of competition. We believe that we are in compliance with all FCC requirements relating to our licenses and common carrier obligations. Teligent has also obtained a "Section 214" authorization from the FCC. This authorizes us to provide international facilities-based telecommunications services between the U.S. and virtually any other country. We must maintain—and currently do have—tariffs on file with the FCC governing our provision of domestic interstate and international common carrier telecommunications services.

Relocation of Licenses to 24 GHz. The FCC issued an Order (the "Relocation Order") on March 14, 1997, essentially relocating certain DEMS licensees in the 18 GHz band to a reallocated portion of the 24 GHz band, pursuant to a request of the National Telecommunications and Information Administration ("NTIA") acting on behalf of the Department of Defense. The Relocation Order provided for the relocation of these licenses from 100 MHz over 5 channels in the 18 GHz band to 400 MHz over 5 corresponding channels in the 24 GHz band. On June 24, 1997, the FCC issued a subsequent order (the "Modification Order") that implemented the Relocation Order by modifying the affected 18 GHz licenses, including ours, to authorize operations at 24 GHz. Pursuant to the Relocation Order, those 18 GHz fixed wireless operators in the Washington, DC and Denver, CO areas (including our Washington, DC, Baltimore, MD and Denver, CO facilities) were required to relocate to corresponding channels in the 24 GHz band no later than June 5, 1997. Although we are permitted to continue operations in the 18 GHz band outside of the Washington, DC and Denver, CO areas until January 1, 2001, we have converted most of our facilities to 24 GHz band operations.

The FCC implemented the relocation to 24 GHz without notice and comment procedures in order to give effect to NTIA's request to protect national security satellite operations from harmful interference from 18 GHz licensed stations. A number of parties filed petitions for reconsideration. The FCC issued its Reconsideration Order (the "Reconsideration Order") on July 17, 1998 affirming its original Relocation Order in all respects. One party, Webcel Communication appealed the FCC's Order to the United States Court of Appeals for the District of Columbia. We filed a motion to intervene and a motion to dismiss for lack of standing on December 7, 1998. On February 16, 1999, the court granted our motion to intervene but the motion to dismiss is still pending. There can be no assurance that the FCC will be able to defend any such litigation successfully. The court has many options. For example, the court may affirm the Reconsideration Order, vacate and remand the matter to the FCC for initiation of a rulemaking proceeding, or make any other ruling. If the matter is remanded, the FCC could fully affirm its DEMs relocation or it could make a different decision, which may be adverse to Teligent. Failure by the court to affirm the terms of the Reconsideration Order could have a negative effect on Teligent.

Alien Ownership. On October 30, 1998, the FCC granted Teligent's petition for a public interest determination that its licensed subsidiaries could increase indirect foreign ownership up to a 49.9% non-controlling level through fluctuations in publicly traded shares without obtaining prior FCC approval. Our foreign ownership is currently below 49.9%.

State Regulation

Many of our services are classified as intrastate services subject to state regulation. All of the states where we operate, or will operate, require some degree of state regulatory commission approval to provide certain intrastate services. In most states, intrastate tariffs are also required for various intrastate services, although we are not typically subject to price or rate of return regulation for tariffed intrastate services. We have received state authorizations to provide facilities-based local and long distance services in 39 states and the District of Columbia, covering all 74 of our licensed markets. Of the remaining eleven states, we have obtained long distance only authorization in six states and we have applications pending for long distance authority in the other five.

Local Regulation

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

While the Telecommunications Act permits local governments to manage rights of way, the scope of that authority, including the circumstances when fees can be charged and the amount of such charges, has already been the subject of numerous disputes between telecommunications carriers and local governments. In addition, some local governments have been requiring substantial filings and review before telecommunications carriers can operate in their licensed areas and have also required the payment of significant franchise fees or taxes. Some of these disputes involving licensing of telecommunications carriers, antenna siting, and rights of way are in litigation and more litigation is likely. On December 12, 1997, we accepted under protest a franchise with the City of Dallas, which is similar to other Dallas franchises agreed to by other CLECs. On the same date, we filed a Complaint for Declaratory Judgment against the City of Dallas in the United States District Court for the Northern District of Texas alleging that Teligent does not own, construct, install or maintain facilities located in public rights of way, and that the City of Dallas is therefore prohibited both by federal and state law from barring Teligent's competitive entry into the Dallas market unless Teligent first accepts a franchise. Teligent secured a preliminary injunction providing that it does not need to comply with the Dallas ordinance. We cannot make assurances as to the outcome of the litigation. The FCC has recently prevented enforcement of certain state and local regulations that had the effect of inhibiting local competition. Any inability or unwillingness by the FCC or the courts to preempt additional state and local regulations in a timely fashion could adversely impact Teligent.

Employees

As of March 19, 1999, Teligent had a total of 1,821 employees.

ITEM 2. PROPERTIES

Our main executive offices are located at Vienna, Virginia, where we lease approximately 75,000 square feet. We also lease approximately 50,000 square feet of space for our network operating center, located in Herndon, Virginia. We have been leasing space in and around each of our licensed areas to house personnel, switching and other communications equipment.

ITEM 3. LEGAL PROCEEDINGS

Other than the license and regulatory proceedings described under "Government Regulation," we are not currently a party to any legal proceedings which we believe will have a material adverse effect on our financial condition or results of operations.

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

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

PART II

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

We have two classes of common stock authorized and outstanding, Class A common stock and Class B common stock. Our Class A common stock, par value $.01 per share was first offered to the public on November 21, 1997 and is listed on The Nasdaq National Market under the symbol "TGNT." Our Class B common stock, par value $.01 per share, is not traded on any exchange. As of March 19, 1999, there were three stockholders of record of the Class B common stock. The following table shows the high and low sales price information of the Class A common stock as reported on The Nasdaq National Market. These transactions reflect inter-dealer quotations, without retail markup, markdown or commission and may not necessarily represent actual transactions.

	CLASS A COMMON STOCK	
	HIGH	LOW
November 21, 1997 to December 31, 1997	$27	$23 1/2
Quarter Ended:		
March 31, 1998	$34 15/16	$24 1/4
June 30, 1998	$31 5/8	$26 1/4
September 30, 1998	$33 1/4	$19 1/2
December 31, 1998	$33	$21 15/16

As of March 19, 1999, the last sale price of the Class A common stock as reported on The Nasdaq National Market was $38 15/16 per share. As of March 19, 1999 there were 183 record holders of Teligent's Class A common stock. This number does not include stockholders who beneficially own shares held in street name by brokers.

We have not paid any cash dividends on our common stock in the past and do not plan to in the foreseeable future. The terms of the Existing Credit Facility (see "Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources"), the indentures relating to our 11 ½% Senior Notes due 2007, and our 11 ½% Senior Discount Notes due 2008, restrict our ability to pay dividends on common stock.

ITEM 6. SELECTED FINANCIAL DATA

The selected financial data presented below as of December 31, 1998, 1997 and 1996, and for the years ended December 31, 1998, 1997, and the period from March 5, 1996 (date of inception) to December 31, 1996, were derived from our audited financial statements. You should read this data together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our audited financial statements and related notes, included elsewhere in this Annual Report on Form 10-K.

	Years Ended December 31, 1998	Years Ended December 31, 1997	March 5, 1996 (date of inception) to December 31, 1996
	(in thousands, except share and per share data)		
Statement of Operations Data: (1)			
Revenues	$ 960	$ 3,311	$ 1,386
Cost and expenses:			
Cost of services	81,044	4,785	1,625
Sales, general and administrative	122,256	38,398	8,290
Stock-based and other noncash compensation	32,164	89,111	4,071
Depreciation and amortization	14,193	6,454	164
Total costs and expenses	249,657	138,748	14,150
Loss from operations	(248,697)	(135,437)	(12,764)
Interest and other income	34,106	3,242	10
Interest expense	(66,880)	(5,859)	(879)
Net loss	$ (281,471)	$ (138,054)	$ (13,633)
Other Data:			
Basic and diluted net loss per share	$ (5.35)	$ (2.94)	$ (0.29)
Weighted average common shares outstanding	52,596,573	46,950,860	46,257,709
EBITDA [2]	$ (202,340)	$ (39,872)	$ (8,529)
Cash used in operating activities	(162,077)	(33,260)	(6,046)
Cash used in investing activities	(68,172)	(115,755)	(3,709)
Cash provided by financing activities	221,595	572,613	11,058

	December 31, 1998	December 31, 1997	December 31, 1996
		(in thousands)	
Balance Sheet Data:			
Cash and cash equivalents	$ 416,247	$ 424,901	$ 1,303
Working capital	302,408	441,316	(6,978)
Property and equipment, net	180,726	8,186	3,545
Total assets	763,434	607,380	19,145
Long-term debt, less current portion	576,058	300,000	-
Stockholders' equity	31,053	285,146	10,425

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

(2) EBITDA consists of earnings before interest, taxes, depreciation, amortization, and charges for stock-based and other non-cash compensation. While not a measure under generally accepted accounting principles ("GAAP"), EBITDA is a measure commonly used in the telecommunications industry, and we include it to help you understand the Company's operating results. Although you should not assume that EBITDA is a substitute for operating income determined in accordance with GAAP, we present it to provide additional information about our ability to meet future debt service, capital expenditures and working capital requirements. See the Financial Statements and the related notes. Since all companies and analysts do not calculate these non-GAAP measurements the same way, the amount may not be comparable to other calculations.

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

Certain statements set forth below under this caption constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Please refer to page 3 of this Annual Report on Form 10-K for additional factors relating to such statements.

General

The following discussion and analysis is based on Teligent's financial statements from its inception on March 5, 1996 to December 31, 1998 and should be read together with the Financial Statements and related notes contained elsewhere in this Annual Report on Form 10-K.

Overview

From our inception, on March 5, 1996, through our launch date in October 1998, our main activities were the acquisition of licenses and authorizations, the acquisition of building access rights, the hiring of management and other key personnel, the raising of cash, the development of operating systems, the negotiation of interconnection agreements and the acquisition and deployment of our network.

On October 27, 1998, we introduced our integrated package of communication services, and launched commercial services in our first ten markets. Since then, we have initiated communications services in fourteen additional markets. We offer local, long distance, high-speed data and dedicated Internet services for one flat monthly rate, offering up to 30 percent savings compared to the customer's existing provider. We expect that the creation of our own digital networks will give us a lower cost structure than the traditional local telephone companies, or other competitors that use the existing local networks, allowing us to pass these savings on to our customers.

Our losses, as well as our negative operating cash flow have been significant to date, and we expect both to continue until we develop a customer base that will generate sufficient revenues to fund operating expenses. After we initiate service in most of our of markets, we expect to have positive operating margins over time by increasing the number of customers and selling them additional capacity without significantly increasing related capital expenditures, costs of building access rights and other operating costs. We expect that operating and net losses and negative operating cash flow in 1999 will increase over 1998 as we begin our first full year providing commercial service. See "Liquidity and Capital Resources."

Factors Affecting Future Operations

The successful execution of our business plan is expected to result in rapid expansion of our operations. Rapid expansion of our operations may place a significant strain on our management, financial and other resources. Our ability to manage this expansion effectively will depend upon, among other things, monitoring operations, controlling costs, maintaining regulatory compliance, interconnecting successfully with the incumbent carriers, maintaining effective quality controls, securing building access, and significantly expanding our internal management, technical, information and accounting systems and to attract, assimilate and retain qualified management and professional and technical personnel. If we are unable to hire and retain staff, expand our facilities, purchase adequate supplies of equipment, increase the capacity of our information systems and/or successfully manage and integrate such additional resources, customers could experience delays in connection of service and/or lower levels of customer service. Failure to meet the demands of customers and to manage the expansion of our business and operations could have a material adverse effect on our business, financial condition and results of operations.

Although fixed wireless technology has been in use for a significant period of time, our point-to-multipoint technology has only been commercially used on a limited basis. We selected point-to-multipoint technology because we believe it compliments existing wireless and wireline technologies that we employ in our networks. If our point-to-multipoint technology does not perform as expected or provide the advantages that we expect, our business, financial condition and results of operations may be materially adversely affected.

Revenues

We offer an integrated package of local and long distance telephone services, value-added services, high-speed data connectivity, Internet access and videoconferencing. As a new market entrant, our strategy is to price our services competitively to gain market share early. We believe that we price our services at a significant discount to existing competing offers. Generally, we average several representative bills from our customer's current service providers and deduct up to 30% from that average to arrive at the customer's new flat rate. Local and Internet services are unlimited. We anticipate that some ILECs may reduce their prices as increased competition begins to reduce their market share. We expect to remain competitive if market prices decline because of our lower network costs compared to those of the ILECs.

Cost of Services

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

Sales, General and Administrative Costs

We incur costs related to the selling, marketing and promotion of our products and services. These costs primarily include headcount costs for our sales and other personnel, as well as advertising costs to develop brand awareness of the Teligent name.

We also incur operating costs that are common to all telecommunications providers including customer service and technical support, information systems, billing and collections, general management and overhead expense, office leases, bad debt expense and administrative functions. Those areas that will require more personnel as our customer base grows, such as customer service, will increase gradually as customer demand increases. Other areas, particularly information and billing systems, have required significant up-front capital expenditures and operating costs.

Capital Expenditures

Our main capital expenditure requirements include the purchase and installation of customer premise equipment, base stations, network switches, switch electronics and network operations center expenditures.

Customer Premise Equipment ("CPE"). The purchase and installation of CPE is the largest single capital expense component in our business plan. Our CPE costs include an integrated radio/antenna unit, modem(s), power supply, multiplexer and router equipment, line interface cards, and cables and installation materials. Portions of the CPE costs can be shared by customers in the same building, which reduces the capital expenditures required per customer. In the event a customer leaves us, our CPE can be used at other

customer premises, which reduces stranded assets. While a certain amount of equipment must initially be installed at each base station, the majority of the equipment (and cost) will depend on the number of customers acquired. As more customers are loaded onto a given base station area, we will add additional sectors, radio antennas and modems to the initial base station equipment to meet customer demand.

Base Station Site. A base station can serve customers within a 360-degree coverage area, subject to lines of sight. Teligent's average coverage area is approximately 30 square miles, depending on local conditions. A base station typically comprises four to eight sectors, each of which cover a section of the service area depending on coverage and capacity requirements. Each sector requires one or more radio/antenna units and modems, depending on the system deployed. Construction costs per base station are typically higher than are construction costs per customer site. We expect that our sites will typically be built on top of buildings as opposed to towers constructed by us.

Base Station to Switch Transport. We transport traffic between our base stations and switching sites. To the extent we use wireless transport rather than leased fiber, we would incur capital expenditures as opposed to operating costs.

Switching. Switching costs include traditional circuit-based switches, line cards for interfacing with the backhaul networks and with the networks of other carriers, packet- and cell-based switching systems, such as ATM and Frame Relay switches, power systems, and environmental maintenance equipment.

Year 2000

The Year 2000 Challenge. An issue affecting Teligent and other companies is whether computer systems and applications will recognize and process date data for the Year 2000 and beyond. The "Year 2000 issue" arises primarily because many computer programs were written using two, rather than four digits to identify the applicable year. As a result, date-sensitive computer programs may recognize a two-digit code for a year in the next century as one related to this century.

Teligent's Response. Our first priority in our Year 2000 effort is to protect mission-critical operations from material service interruptions that could occur as a result of the Year 2000 transition. We define mission-critical operations as those systems and applications that are vital to the provision of voice, video and data switching, processing and transport services to our customers. To that end, in September 1998 the Audit Committee of the Teligent Board of Directors considered a Year 2000 plan. Around that same time, the Company appointed a Year 2000 committee to lead the Company-wide effort to assess the extent of our risks and ensure our applications will function properly. Our Year 2000 committee consists of senior executives and other key personnel given the responsibility of directing the Company's Year 2000 activities and helping to resolve issues, overcome obstacles and make decisions relating to the Year 2000 effort.

Teligent's Status of Readiness. Our approach to addressing the Year 2000 challenge is consistent with industry practice and is organized into four key phases:

(1) Inventory -- identify related data for any element within the Teligent enterprise that may be impacted by the Year 2000 date change;

(2) Assessment -- analyze Teligent's Year 2000 exposure based on available information and determine risks to our business continuity. Risk is a factor of the likelihood of Year 2000 problems occurring and the impact of such occurrences on us;

(3) Test & Remediate -- validate the assessment, determine remediation approach, and take remediation action if we deem it necessary and appropriate. Remediation may entail repair, replacement, manual work-arounds, or, in some cases, no action. In this phase we will develop mitigation and contingency plans for mission critical aspects of our business; and

(4) Implement -- place mitigation and contingency plans into effect in order of priority based on mission criticality, and, where necessary, validate remediation action.

For purposes of its Year 2000 efforts, we have divided our operations into five categories or functions: Information Technology ("IT") infrastructure; end user computing; suppliers; facilities and equipment; and products and services. We have substantially completed a Year 2000 inventory for all five business functions, and have made substantial progress in assessing these functions. Our remediation and implementation progress for the IT infrastructure, end user, computing, suppliers, and products and services functions is in the initial stages. Remediation and the implementation of the facilities and equipment category will follow further assessment in that category.

Generally, we require our key vendors and suppliers to warrant in writing that they are Year 2000 ready. We purchased most of our mission-critical systems from third party vendors. We have identified certain key vendors and contacted them to discuss the readiness of their products. These discussions are ongoing. If a vendor or supplier is not able to provide satisfactory Year 2000 assurances, we will monitor their progress in this area and, if appropriate, may arrange to have available an alternate vendor or supplier who can give such assurances. Like other telecommunications providers, our products and services are also dependent upon other service and telecommunications providers. For those providers with which our systems interface and exchange data, we are initiating or continuing discussions regarding their Year 2000 readiness.

Costs to Address Year 2000 Issues. We have not determined the exact cost we expect to incur to prepare our systems for the Year 2000. So far, our main cost has been the retention of outside consultants together with the cost of internal resources, both dedicated to Year 2000 program management, inventory, and assessment efforts. We estimate these costs to be less than $5 million. Based on current assessments and compliance plans in process, we do not expect that the Year 2000 issue, including the cost of making our mission critical systems and applications Year 2000 ready, will materially effect our business, consolidated financial condition, cash flows and results of operations.

Risk Associated with the Company's Year 2000 Issues. Despite our efforts to address the Year 2000 impact on operations, we may not be able to fully identify the impact or resolve it without disruption to our business and without incurring significant expense. If appropriate modifications are not made on time by our vendors or by other providers on which we depend, or if our actual costs or timing for our Year 2000 readiness differ materially from our present estimates, our business, financial condition and results of operations and financial results could be significantly adversely affected. In particular, we cannot make assurances that the systems of other parties that we rely on will be ready on time.

The Company's Contingency Plans. Our contingency plans, which will be developed as the inventory and assessment phases progress, will be designed to minimize the disruptions or other adverse effects resulting from Year 2000 incompatibilities with mission-critical systems.

Our contingency plans will consider an assessment of all our critical internal information technology systems and our internal operational systems that use computer-based controls. In addition, we will assess any critical disruptions due to Year 2000-related failures that are external to the Company. These processes will begin January 1, 2000, and will continue as long as circumstances require.

Our contingency plans will include the creation of teams that will be prepared to respond immediately to critical Year 2000 problems as soon as they become known. The make up of teams that are assigned to deal with such problems will vary according to the nature, significance, and location of the problem.

Results of Operations

Year Ended December 31, 1998 Compared to 1997

For the year ended December 31, 1998 ("1998"), we generated revenues of approximately $1.0 million from communication services, compared to approximately $33,000 for the year ended December 31, 1997 ("1997"). In 1997, we generated approximately $3.3 million of revenues related to management services and equipment leases primarily provided to MSI and DSC.

Cost of services, consisting primarily of personnel-related costs and site rent and acquisition expenses related to network operations, was approximately $81.0 million for 1998, compared with approximately $4.8 million in 1997. This increase reflects the establishment of our initial fifteen markets and development of network operations.

Sales, general and administrative expenses, consisting primarily of headcount-related costs, were approximately $122.3 million for 1998, compared with approximately $38.4 million in 1997. This increase relates primarily to costs incurred to develop our infrastructure and sales force as we prepared for commencement of operations in 1998.

Stock-based and other noncash compensation expense was approximately $32.2 million in 1998, compared to approximately $89.1 million in 1997. The decrease is due to the charge related to company appreciation rights granted prior to our initial public offering in 1997.

Depreciation and amortization for 1998 was approximately $14.2 million, compared with approximately $6.5 million in 1997, due primarily to higher capital expenditures in 1998, and amortization expense of intangibles which were principally acquired in the fourth quarter of 1997.

Interest and other income for 1998 was approximately $34.1 million, compared to approximately $3.2 million in 1997. This increase was primarily the result of interest earned on increased levels of cash and investments resulting from our initial public equity offering and our two debt offerings in 1997 and 1998.

Interest expense was approximately $66.9 million for 1998, compared to approximately $5.9 million in 1997. This increase was due to the 11½ % Senior Notes issued in November 1997 and the 11½ % Senior Discount Notes issued in February 1998.

Year Ended December 31, 1997 Compared to the Period March 5, 1996 (date of inception) to December 31, 1996

For the year ended December 31, 1997, we generated revenues of approximately $3.3 million, including approximately $2.7 million of management and other services primarily provided to MSI and DSC, and approximately $0.6 million from equipment leases. For the period March 5, 1996 (date of inception) to December 31, 1996 ("1996"), we generated revenues of approximately $1.4 million, including approximately $1.2 million of management and other services primarily provided to MSI and DSC, and approximately $0.2 million from equipment leases.

In 1997, our cost of services was approximately $4.8 million, compared to approximately $1.6 million in 1996. In 1997, sales, general and administrative expenses were approximately $38.4 million, compared to approximately $8.3 million in 1996. Increases in these categories were primarily related to increased payroll and consulting costs relating to the start-up activities of the Company.

Stock-based and other noncash compensation expense was approximately $89.1 million in 1997, compared to approximately $4.1 million in 1996. The increase is due to the nature of the charge related to company appreciation rights granted prior to our initial public offering in 1997.

Depreciation and amortization was approximately $6.5 million in 1997, compared to approximately $0.2 million in 1996, due to an impairment loss included in depreciation expense of $5.0 million, as well as higher capital expenditures and amortization of intangibles acquired in 1997.

Interest expense for 1997 increased to approximately $5.9 million, from approximately $0.9 million in 1996, due to borrowings under a Revolving Credit Agreement (terminated in November 1997), and the 11½ % Senior Notes offering which occurred in November 1997. Interest and other income for 1997 was approximately $3.2 million, compared to approximately $10,000 in 1996.

Liquidity and Capital Resources

In order to develop our business, we will need a significant amount of money to pay for equipment, meet our debt obligations and operate the business on a day-to-day basis. Our principal equipment-related needs include the purchase and installation of CPE, base stations, network switches and switch electronics, network operations center expenditures and information systems, platforms and interfaces. Based on our current business plan, we anticipate our existing cash and cash equivalents on hand together with the Existing Credit Facility (defined below) will provide enough money to carry out our current business plan through the year 2000. Actual requirements may vary based upon the timing and success of our roll-out. If demand for our services is lower than anticipated, we may to be able to cut back on purchases of equipment such as CPE and switch electronics, which are not needed until a customer signs up with us. If we accelerate implementation of our network roll-out, we may need to obtain additional financing earlier than anticipated.

We expect that we will need additional financing after December 2000, which may include commercial bank borrowings, additional credit facilities or the sale or issuance of equity or debt securities either through one or more offerings or to one or more strategic investors. There can be no assurance that we will be able to obtain additional financing at all, or on terms acceptable to us.

Because the cost of rolling-out our networks and operating our business will depend on a variety of factors (including our ability to meet our roll-out schedules, our ability to negotiate favorable prices for purchases of network equipment, the number of customers and the services for which they subscribe, the nature and success of new services that we may offer, regulatory changes and changes in technology), actual costs and revenues may vary from expected amounts, possibly to a material degree, and such variations are likely to affect how much additional financing we will need. Further, the exact amount of our financial needs will depend upon other factors, including the cost to develop our networks in each of our markets, the extent of competition and pricing of telecommunications services in ours markets, the acceptance of our services and the development of new products. Accordingly, there can be no assurance that our actual financial needs will not exceed the anticipated amounts described above.

Existing Credit Facility

On July 2, 1998, we entered into a credit agreement (the "Bank Credit Agreement") with The Chase Manhattan Bank, Goldman Sachs, and Toronto Dominion Bank, and other lenders, providing for credit facilities up to an aggregate of $800 million (the "Existing Credit Facility"). The Existing Credit Facility

will be used primarily for the purchase of telecommunications equipment, software and services and is also available for working capital and general corporate purposes. Availability of funds under the Existing Credit Facility is subject to certain conditions as defined in the Bank Credit Agreement. Our obligations under the Bank Credit Agreement are secured by substantially all of our assets and certain of our subsidiaries' assets.

The Existing Credit Facility is structured into three separate tranches consisting of a term loan facility, a delayed draw term loan facility and a revolving credit facility. We have the ability to borrow funds over the next four years (other than with respect to the delayed draw facility which is scheduled to expire on July 1, 1999, subject to extension), with a final maturity of eight years. Interest accrues on outstanding borrowings based on a floating rate tied to the prevailing LIBOR rate or an alternate base rate, and adjusts based on our attainment of certain key revenue and leverage benchmarks. We incurred commitment and other fees in connection with obtaining the Existing Credit Facility totaling $19.9 million, which is being amortized on a straight line basis over eight years. As of December 31, 1998, we had no outstanding loan balance under the Existing Credit Facility. The Existing Credit Facility contains certain financial and other covenants that restrict, among other things, our ability to (a) incur or create additional debt, (b) enter into mergers or consolidations, (c) dispose a significant amount of assets, (d) pay dividends, or (e) change the nature of our business. The amounts outstanding under the Existing Credit Facility are subject to mandatory prepayments in certain circumstances.

Senior Discount Notes Offering

On February 20, 1998, we completed an offering (the "Discount Notes Offering") of $440 million 11½ % Senior Discount Notes due 2008 (the "Senior Discount Notes"). We received approximately $243.1 million in net proceeds from the Discount Notes Offering, after deductions for offering expenses of approximately $7.6 million. Under an exchange offer which was completed on August 13, 1998, all outstanding Senior Discount Notes were exchanged for 11½ % Series B Discount Notes due 2008 (the "New Discount Notes"), which have been registered under the Securities Act of 1933, as amended. The New Discount Notes are identical in all material respects to the Senior Discount Notes.

Senior Notes Offering

In November 1997, we issued $300 million of 11 ½% Senior Notes due 2007 (the "Senior Notes"). We received approximately $289 million in net proceeds from the Senior Notes offering, after deductions for offering expenses of approximately $11 million. We used approximately $93.9 million of the net proceeds of this offering to purchase a portfolio of U.S. Treasury securities, which are classified as restricted cash and investments on the balance sheet, and have been pledged as collateral for the payment of interest on the Senior Notes through December 1, 2000. Interest on the Senior Notes accrues at a rate of 11 ½ % per annum and is payable semi-annually on June 1 and December 1, commencing June 1, 1998.

Initial Public Common Stock Offering

In November 1997, we completed an initial public offering of 6,325,000 shares of Class A common stock at $21.50 per share, raising approximately $125.7 million of net proceeds, after deducting approximately $10.3 million of offering expenses.

Former Credit Facility

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

Historical Cash Flows

To develop our networks, we have relied upon several sources for cash flow. We received cumulative cash contributions of approximately $70.4 million from MSI and DSC. In November 1997, we received net proceeds of cash contributions totaling $99.0 million (net of transaction expenses) from NTT's investment, and we received an additional $414.3 million of net proceeds from our initial public debt and equity offerings. We used $42.5 million of these contributions to repay the outstanding balance of the Former Credit Facility. We also used $93.9 million of the net proceeds from the debt offering to purchase a portfolio of U.S. Treasury Securities, pledged as collateral for the payment of interest on the Senior Notes through December 1, 2000.

From inception through December 31, 1998, we used approximately $201.4 million of cash for operating activities and approximately $187.6 million of cash in our investing activities. At December 31, 1998, we had working capital of approximately $302.4 million and unrestricted cash (including cash equivalents) of approximately $416.2 million, compared to working capital of approximately $441.3 million and cash of approximately $424.9 million at December 31, 1997. The decrease in working capital from December 31, 1997 to December 31, 1998 is primarily a result of an increase in accounts payable to vendors as the Company implements its growth strategy. We will need a significant amount of cash to build our networks, market our services and cover operating expenditures.

Our total assets increased from approximately $607.4 million as of December 31, 1997 to approximately $763.4 million at December 31, 1998, due primarily to receiving proceeds from the Discount Notes Offering, and the acquisition of property and equipment which was accrued and will be paid in 1999.

For the year ended December 31, 1998 we used cash in operations of approximately $162.1 million, due primarily to the operating loss for the period reduced by non-cash stock-based compensation and current liabilities at December 31, 1998. We used cash in operations of approximately $33.3 million for the year ended December 31, 1997, due primarily to the operating loss for the period reduced by non-cash stock-based compensation and current liabilities at December 31, 1997.

We used approximately $68.2 million cash in investing activities in 1998, consisting of $97.2 million for the purchase of property and equipment, offset by $29.0 million of interest received on the U.S. Treasury securities. In 1997, we used cash in investing activities of approximately $115.8 million, consisting primarily of $10.0 million for the purchase of property and equipment, $10.7 million of payments for the acquisition of FirstMark Communications, Inc. and $93.9 million for the purchase of U.S. Treasury securities which are pledged as collateral for the payment of interest on the Senior Notes through December 1, 2000.

Cash flows provided by financing activities amounted to approximately $221.6 million in 1998, consisting primarily of net proceeds from the Company's Senior Discount Notes Offering, after costs of $29.5 million. For 1997, cash flows provided by financing activities amounted to approximately $572.6 million, consisting primarily of $160.3 million of cash contributions from MSI, DSC and NTT, and $414.3 million of net proceeds from our initial public offering and the offering of the Senior Notes, after costs of $21.7 million.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Although all of our long-term debt bears interest at a fixed rate, the fair market value of the fixed-rate long-term debt is sensitive to changes in interest rates. We run a risk that market rates will decline and that required payments will exceed those based on the current market rate. We currently do not use interest rate derivative instruments to manage our exposure to interest rate changes, but may do so when we draw on our Existing Credit Facility.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our financial statements and supplementary data, together with the report of the independent auditor, are included or incorporated by reference elsewhere in this report. Refer to the "Index to Financial Statements and Financial Statement Schedule" following the signature pages.

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

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this Item is incorporated here by reference to our definitive proxy statement for our 1999 Annual Meeting of Stockholders.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated here by reference to our definitive proxy statement for our 1999 Annual Meeting of Stockholders.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this Item is incorporated here by reference to our definitive proxy statement for our 1999 Annual Meeting of Stockholders.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this Item is incorporated here by reference to our definitive proxy statement for our 1999 Annual Meeting of Stockholders.

PART IV

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

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

(1) **Financial Statements**

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

(2) **Financial Statement Schedules**

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

(b) **Reports on Form 8-K.**

Current Report on Form 8-K was filed with the Securities and Exchange Commission on October 30, 1998 to announce the launch of Teligent's integrated communications services in its first ten markets.

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

3.1 Form of Certificate of Incorporation of Registrant, filed as Exhibit 3.1 to the Company's Registration Statement on Form S-1 (Registration No. 333-37381), dated November 26, 1997, and incorporated herein by reference.

3.2 Form of By-laws of Registrant, filed as Exhibit 3.2 to the Company's Registration Statement on Form S-1 (Registration No. 333-37381), dated November 26, 1997, and incorporated herein by reference.

4.1 Form of Stockholders Agreement, filed as Exhibit 4.1 to the Company's Registration Statement on Form S-1 (Registration No. 333-37381), dated November 26, 1997, and incorporated herein by reference.

4.2 Form of Indenture between the Registrant, as issuer, and First Union National Bank, as Trustee, relating to Registrant's Senior Notes due 2007, including form of Note, filed as Exhibit 4.2 to the Company's Registration Statement on Form S-1 (Registration No. 333-37381), dated November 26, 1997, and incorporated herein by reference.

4.3 Form of Pledge Agreement between Registrant, as issuer, and First Union National Bank, as Escrow Agent, relating to Registrant's Senior Notes due 2007, filed as Exhibit 4.3 to the Company's Registration Statement on Form S-1 (Registration No. 333-37381), dated November 26, 1997, and incorporated herein by reference.

4.4 Form of Indenture between the Registrant, as issuer, and First Union National Bank, as Trustee, relating to Registrant's Senior Discount Notes due 2008, including form of Note, filed as Exhibit 4.4 to the Company's Annual Report on Form 10-K filed with the Commission on March 31, 1998, and incorporated herein by reference.

4.5 Form of Certificate for the Class A common stock, filed as Exhibit 4.4 to the Company's Registration Statement on Form S-1 (Registration No. 333-37381), dated November 26, 1997, and incorporated herein by reference.

10.1 Employment Agreement, dated August 19, 1996, between Associated Communications, L.L.C. and Alex J. Mandl, filed as Exhibit 10.1 to the Company's Registration Statement on Form S-1 (Registration No. 333-37381), dated November 26, 1997, and incorporated herein by reference.

10.2 Stock Contribution Agreement, dated as of March 10, 1997, among Associated Communications, L.L.C., FirstMark Communications, Inc. and Lynn Forester, filed as Exhibit 10.2 to the Company's Registration Statement on Form S-1 (Registration No. 333-37381), dated November 26, 1997, and incorporated herein by reference.

10.3 Securities Purchase Agreement, dated as of September 30, 1997, by and among Teligent, L.L.C., Microwave Services, Inc., Digital Services Corporation, and Nippon Telegraph and Telephone Corporation, filed as Exhibit 10.3 to the Company's Registration Statement on Form S-1 (Registration No. 333-37381), dated November 26, 1997, and incorporated herein by reference.

10.4 Form of Registration Rights Agreement, by and among Teligent, L.L.C. and Nippon Telegraph and Telephone Corporation, filed as Exhibit 10.4 to the Company's Registration Statement on Form S-1 (Registration No. 333-37381), dated November 26, 1997, and incorporated herein by reference.

10.5 Form of Technical Services Agreement, by and among Teligent, L.L.C. and NTT America, Inc. , filed as Exhibit 10.5 to the Company's Registration Statement on Form S-1 (Registration No. 333-37381), dated November 26, 1997, and incorporated herein by reference.

10.6 Agreement, dated September 29, 1997, among Teligent, L.L.C., Digital Services Corporation, Telcom-DTS Investors, L.L.C., Microwave Services, Inc., The Associated Group, Inc. and certain other parties, filed as Exhibit 10.6 to the Company's Registration Statement on Form S-1 (Registration No. 333-37381), dated November 26, 1997, and incorporated herein by reference.

10.7 Agreement and Plan of Merger, dated as of October 6, 1997, by and between Teligent, Inc. and Teligent, L.L.C., filed as Exhibit 10.7 to the Company's Registration Statement on Form S-1 (Registration No. 333-37381), dated November 26, 1997, and incorporated herein by reference.

10.8 Form of Lease Agreement, dated as of July 22, 1997, for the 8065 Leesburg Pike, Vienna, Virginia office space lease between NHP Incorporated and Teligent, L.L.C., filed as Exhibit 10.8 to the Company's Registration Statement on Form S-1 (Registration No. 333-37381), dated November 26, 1997, and incorporated herein by reference.

10.9 Form of Teligent, Inc. 1997 Stock Incentive Plan, filed as Exhibit 10.9 to the Company's Registration Statement on Form S-1 (Registration No. 333-37381), dated November 26, 1997, and incorporated herein by reference.

10.10 Network Products Purchase Agreement, dated December 11, 1997, by and between Northern Telcom Inc. and Teligent, Inc., filed as Exhibit 10.10 to the Company's Annual Report on Form 10-K filed with the Commission on March 31, 1997, and incorporated herein by reference [Confidential treatment has been granted for portions of this document].

10.11 Credit Agreement, dated July 2, 1998 among Teligent, Inc., several banks and other financial institutions or entities, Chase Securities, Inc., Goldman Sachs Credit Partners L.P. and TD Securities (USA) Inc., as advisers and arrangers, Goldman Sachs Credit Partners L.P., as syndication agent, The Chase Manhattan Bank, as administrative agent and Toronto Dominion (Texas), Inc. as documentation agent. Filed as exhibit 10 to the Company's Form 8-K, filed on August 13, 1998, and incorporated herein by reference.

10.12 Promissory Note, dated February 1, 1997, by Kirby G. Pickle, Jr. to Associated Communications, L.L.C., filed as Exhibit 10.10 to the Company's Registration Statement (Registration No. 333-37381), dated November 26, 1997, and incorporated herein by reference.

10.13 Promissory Notes, each dated October 29, 1997, by Abraham L. Morris to Teligent, L.L.C., filed as Exhibit 10.11 to the Company's Registration Statement on Form S-1 (Registration No. 333-37381), dated November 26, 1997, and incorporated herein by reference.

10.14 Promissory Note, dated August 5, 1997, by Laurence E. Harris to Associated Communications, L.L.C., filed as Exhibit 10.12 to the Company's Registration Statement on Form S-1 (Registration No. 333-37381), dated November 26, 1997, and incorporated herein by reference.

10.15 Promissory Note, dated April 7, 1997, by Steven F. Bell to Associated Communications, L.L.C., filed as Exhibit 10.14 to the Company's Registration Statement on Form S-1 (Registration No. 333-37381), dated November 26, 1997, and incorporated herein by reference.

10.16 Registration rights agreement dated as of March 6, 1998, by and between Teligent, Inc., and Microwave Services, Inc., filed as exhibit 10.16 to the Company's Annual Report on Form 10-K, filed with the Commission on March 31, 1998, and incorporated herein by reference.

10.17 Registration rights agreement dated as of February 20, 1998 by and between Teligent, Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch"), Goldman Sachs & Co., Salomon Brothers Inc., and TD Securities (USA) Inc., filed as Exhibit 10.17 to the Company's Annual Report on Form 10-K, filed with the Commission on March 31, 1998, and incorporated herein by reference.

21.1 Significant Subsidiaries of the Registrant.

23.1 Consent of Ernst & Young LLP, Independent Auditors.

27.1 Financial Data Schedule (filed only electronically with the Securities and Exchange Commission).

99.1 Press release of Teligent, Inc. dated March 1, 1999 (filed herein).

SIGNATURES

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

TELIGENT, INC.
(Registrant)

Date: March 26, 1999

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

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

Date: March 26, 1999

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

Date: March 26, 1999

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

Date: March 26, 1999

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

Date: March 26, 1999

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

Date: March 26, 1999

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

Date: March 26, 1999

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

Date: March 26, 1999

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

Date: March 26, 1999

By: /s/ Tetsuro Mikami
Tetsuro Mikami
Director

Date: March 26, 1999

By: /s/ Rajendra Singh
Rajendra Singh
Director

TELIGENT, INC.
INDEX TO FINANCIAL STATEMENTS

	Page Number
Report of Ernst & Young LLP, Independent Auditors	F-2
Consolidated Balance Sheets as of December 31, 1998 and 1997	F-3
Consolidated Statements of Operations for the years ended December 31, 1998 and 1997 and the period from March 5, 1996 (date of inception) to December 31, 1996	F-4
Consolidated Statements of Stockholders' Equity for the period from March 5, 1996 (date of inception) to December 31, 1998	F-5
Consolidated Statements of Cash Flows for the years ended December 31, 1998 and 1997 and the period from March 5, 1996 (date of inception) to December 31, 1996	F-6
Notes to Consolidated Financial Statements	F-7

REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Teligent, Inc.

We have audited the accompanying consolidated balance sheets of Teligent, Inc., as of December 31, 1998 and 1997, and the related consolidated statements of operations, stockholders' equity and cash flows for the years ended December 31, 1998 and 1997 and for the period from March 5, 1996 (date of inception) to December 31, 1996. The consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Teligent, Inc., at December 31, 1998 and 1997, and the consolidated results of its operations and its cash flows for the years ended December 31, 1998 and 1997 and for the period from March 5, 1996 (date of inception) to December 31, 1996, in conformity with generally accepted accounting principles.

/s/ ERNST & YOUNG LLP

Vienna, Virginia
February 12, 1999

TELIGENT, INC.

CONSOLIDATED BALANCE SHEETS

(In thousands)

	December 31, 1998	December 31, 1997
Assets		
Current assets:		
Cash and cash equivalents	$ 416,247	$ 424,901
Prepaid expenses and other current assets	8,155	7,087
Restricted cash and investments	32,184	30,373
Total current assets	456,586	462,361
Property and equipment, net	180,726	8,186
Restricted cash and investments	33,117	64,702
Intangible assets, net	83,857	60,354
Other assets	9,148	11,777
Total assets	$ 763,434	$ 607,380
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 135,158	$ 16,578
Accrued interest and other	19,020	4,467
Total current liabilities	154,178	21,045
11 1/2% Senior Notes, due 2007	300,000	300,000
11 1/2% Series B Discount Notes, due 2008	276,058	-
Other non-current liabilities	2,145	1,189
Commitments and contingencies		
Stockholders' equity:		
Preferred stock	-	-
Common stock	526	526
Additional paid-in capital	463,685	436,307
Accumulated deficit	(433,158)	(151,687)
Total stockholders' equity	31,053	285,146
Total liabilities and stockholders' equity	$ 763,434	$ 607,380

See notes to financial statements.

TELIGENT, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except share and per share amounts)

	Year ended December 31, 1998	Year ended December 31, 1997	Period from March 5, 1996 (date of inception) to December 31, 1996
Revenues:			
Communication services	$ 960	$ 33	$ -
Management fees and other services	-	3,278	1,386
Total revenues	960	3,311	1,386
Costs and expenses:			
Cost of services	81,044	4,785	1,625
Sales, general and administrative expenses	122,256	38,398	8,290
Stock-based and other noncash compensation	32,164	89,111	4,071
Depreciation and amortization	14,193	6,454	164
Total costs and expenses	249,657	138,748	14,150
Loss from operations	(248,697)	(135,437)	(12,764)
Interest and other income	34,106	3,242	10
Interest expense	(66,880)	(5,859)	(879)
Net loss before provision for income taxes	(281,471)	(138,054)	(13,633)
Provision for income taxes	-	-	-
Net loss	$ (281,471)	$ (138,054)	$ (13,633)
Basic and diluted net loss per share	$ (5.35)	$ (2.94)	$ (0.29)
Weighted average common shares outstanding	52,596,573	46,950,860	46,257,709

See notes to financial statements.

TELIGENT, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
Period from March 5, 1996 (date of inception) to December 31, 1998

(In thousands)

	Capital Contributions	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Total
Balance at March 5, 1996 (date of inception)	$ -	$ -	$ -	$ -	$ -
Member capital contributions	24,058				24,058
Net loss				(13,633)	(13,633)
Balance at December 31, 1996	24,058	-	-	(13,633)	10,425
Contribution of licenses from members	8,497				8,497
Acquisition	31,500				31,500
Cash contributions	100,301				100,301
Contribution of equity prior to public offering		35	59,965		60,000
Conversion of member interests to capital stock	(164,356)	428	163,928		-
Conversion of CARs and Appreciation Units to stock options			86,821		86,821
Public stock offering		63	125,593		125,656
Net loss				(138,054)	(138,054)
Balance at December 31, 1997	-	526	436,307	(151,687)	285,146
Exercise of stock options			372		372
Stock-based compensation			27,006		27,006
Net loss				(281,471)	(281,471)
Balance at December 31, 1998	$ -	$ 526	$ 463,685	$ (433,158)	$ 31,053

See notes to financial statements.

TELIGENT, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year ended December 31,		Period from March 5, 1996 (date of inception to December 31,
	1998	1997	1996
Cash flows from operating activities:			
Net loss	$ (281,471)	$ (138,054)	$ (13,633)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	14,193	6,454	164
Amortization of discount on long-term debt	25,355	-	-
Amortization of debt issue costs	2,525	59	-
Other noncurrent liabilities	956	897	293
Stock-based and other noncash compensation	32,164	89,111	4,071
Other	(495)	(626)	(151)
Changes in current assets and current liabilities:			
Prepaid expenses and other current assets	(2,527)	(8,496)	(439)
Accounts payable	32,671	13,575	3,002
Accrued interest and other	14,552	3,820	647
Net cash used in operating activities	(162,077)	(33,260)	(6,046)
Cash flows from investing activities:			
Restricted cash and investments	29,016	(95,075)	-
Purchase of property and equipment	(97,188)	(9,960)	(3,709)
Acquisition and other investments	-	(10,720)	-
Net cash used in investing activities	(68,172)	(115,755)	(3,709)
Cash flows from financing activities:			
Proceeds from bank borrowing	-	40,500	2,000
Repayment of bank borrowing	-	(42,500)	-
Equity contribution prior to public offering	-	60,000	-
Net proceeds from issuance of common stock	372	125,656	-
Proceeds from long-term debt	250,703	300,000	-
Debt financing costs	(29,480)	(11,344)	-
Member contributions	-	100,301	9,058
Net cash provided by financing activities	221,595	572,613	11,058
Net (decrease) increase in cash and equivalents	(8,654)	423,598	1,303
Cash and cash equivalents, beginning of period	424,901	1,303	-
Cash and cash equivalents, end of period	$ 416,247	$ 424,901	$ 1,303
SUPPLEMENTAL CASH FLOW INFORMATION:			
Cash paid for interest	$ 39,279	$ 2,450	$ 875

See notes to financial statements.

TELIGENT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. THE COMPANY

Teligent, Inc. ("Teligent" or the "Company"), is a full-service, integrated communications company that offers small and medium-sized business customers local, long-distance, high-speed data and dedicated Internet services over its Digital SmartWave™ local networks.

The Company was formed in September 1997, as a wholly owned subsidiary of Teligent, L.L.C. On November 21, 1997, concurrent with an initial public offering of the Company's Class A Common Stock, Teligent, L.L.C. merged with and into the Company (the "Merger") with the Company as the surviving entity. Teligent, L.L.C. was originally formed in March 1996, by Microwave Services, Inc. ("MSI") and Digital Services Corporation ("DSC"), both of which, through affiliates, have extensive experience in pioneering wireless telecommunications businesses. Prior to the Merger, Nippon Telegraph and Telephone Corporation ("NTT"), through its wholly owned subsidiary NTTA&T, acquired a 5% interest in Teligent L.L.C., and immediately after the Merger acquired an additional 7.5% equity interest in the Company. All of Teligent, L.L.C.'s member interests were converted into shares of common stock upon the Merger in a manner proportionate to each member's percentage interest in Teligent, L.L.C. immediately prior to the Merger.

The Company has previously been classified as a development stage company. On October 27, 1998, the Company officially launched its communication service offerings and began providing commercial services. As such, the Company is no longer in the development stage.

2. SIGNIFICANT ACCOUNTING POLICIES

Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries after elimination of all significant intercompany transactions.

Use of Estimates

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

Cash and Cash Equivalents

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

Property and Equipment

Property and equipment is recorded at cost. Depreciation and amortization are computed on the straight-line method over the estimated useful lives of the assets: 3-10 years for operating equipment, computer equipment, and furniture, and the lesser of the life of the asset or the lease term for leasehold improvements. Maintenance and repairs are charged to expense when incurred.

The amounts included in property and equipment are as follows as of December 31 (in thousands):

	December 31, 1998	December 31, 1997
Operating systems	$ 99,153	$ 4,816
Computer systems	38,057	2,105
Furniture and leasehold improvements	11,849	2,072
Undeployed equipment	48,211	5,178
	197,270	14,171
Accumulated depreciation	(16,544)	(5,985)
	$ 180,726	$ 8,186

During the year ended December 31, 1998, the Company incurred capital expenditures of $183.1 million, of which approximately $85.9 million was accrued, and is not reflected in the accompanying consolidated statement of cash flows.

Long-Lived Assets

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

Intangible Assets

Intangible assets and their respective amortization lives are as follows as of December 31 (in thousands):

	1998	1997	Years
Fixed wireless licenses	$ 51,813	$ 49,809	15
Debt financing costs	38,820	11,344	8-10
	90,633	61,153	
Accumulated amortization	(6,776)	(799)	
	$ 83,857	$ 60,354	

Fixed wireless licenses represent the direct costs of obtaining such licenses, including $41.6 million acquired from FirstMark Communications, Inc. ("FirstMark", see Note 8). Debt financing costs represent fees and other costs incurred in connection with the Existing Credit Facility (see note 4), and the issuance of long-term debt. Debt financing costs are amortized to interest expense over the term of the related debt. Amortization of fixed wireless licenses was approximately $3.5 million and $0.8 million for the years ended December 31, 1998 and 1997, respectively, and is included in depreciation and amortization expense in the accompanying consolidated statements of operations.

Income Taxes

The Company uses the liability method of accounting for income taxes. Deferred income taxes result from temporary differences between the tax basis of assets and liabilities and the basis reported in the financial statements.

Revenue Recognition

Revenue from providing communications services is recognized when services are rendered based on usage of the Company's exchange networks and facilities.

Advertising Costs

Costs related to advertising are expensed when the advertising occurs. Advertising expense was approximately $14.1 million in 1998, and $0 in 1997 and for the period March 5, 1996 (date of inception) to December 31, 1996.

Net Loss Per Share

During 1997, the Company adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings Per Share", which requires the Company to present basic and fully diluted earnings per share for all years presented. For the periods prior to 1998, the Company's net loss per share calculation (basic and fully diluted), is based upon the number of common shares outstanding immediately prior to the initial public offering, as if outstanding for all periods presented similar to a stock split, plus the weighted average common shares issued subsequent to the initial public offering. The Company's 1998 net loss per share calculation (basic and fully diluted) is based on the weighted average common shares outstanding. There are no reconciling items in the numerator or denominator of the Company's net loss per share calculation. Employee stock options have been excluded from the net loss per share calculation because their effect would be anti-dilutive.

Stock-Based Compensation

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

Comprehensive Income

Effective January 1, 1998, the Company adopted SFAS No. 130, "Reporting of Comprehensive Income" ("SFAS No. 130"). SFAS No. 130 establishes standards for the display of comprehensive income and its components in a full set of financial statements. Comprehensive income includes all changes in equity during a period except those resulting from the issuance of shares of stock and distributions to shareholders. There were no differences between net loss and comprehensive loss.

Business Segments

In June 1997, the Financial Accounting Standards Board issued SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information" ("SFAS No. 131"). SFAS No. 131 changes the way public companies report segment information in annual financial statements and also requires those companies to report selected segment information in interim financial reports to stockholders. It also establishes standards for related disclosures about products and services, geographic areas, and major customers. Management believes the Company's operations comprise only one segment and as such, adoption of SFAS No. 131 does not impact the disclosures made in the Company's financial statements.

Recent Pronouncements

In March 1998, the American Institute of Certified Public Accountants ("AICPA") issued Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use" ("SOP 98-1"). SOP 98-1 requires internal and external costs incurred to develop internal-use computer software during the application development stage, as well as costs to develop or obtain software that allows for access or conversion of old data by new systems, to be capitalized. SOP 98-1 is effective for fiscal years beginning after December 15, 1998. The Company does not believe that its effect will be material to the Company's reported financial position or results of operations.

In April, 1998, the AICPA issued Statement of Position 98-5, "Reporting on the Costs of Start-Up Activities" ("SOP 98-5"). This statement requires that the costs of start-up activities be expensed as incurred, including presenting the cumulative effect of a change in accounting principle upon adoption of SOP 98-5. Due to the nature of the Company's operations since inception on March 5, 1996, the Company has historically expensed all start-up costs. The Company does not believe that the adoption of SOP 98-5 will affect the Company's reported financial position or results of operations.

Reclassifications

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

3. CAPITAL STOCK

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

The number of shares authorized, issued and outstanding at December 31, 1998 and 1997, for each class of stock is summarized below:

Class	Par Value	Shares Authorized	Shares Issued and Outstanding 1998	Shares Issued and Outstanding 1997
A	$ .01	200,000,000	8,206,392	8,156,410
Series B-1	.01	30,000,000	21,436,689	21,436,689
Series B-2	.01	25,000,000	17,206,210	17,206,210
Series B-3	.01	10,000,000	5,783,400	5,783,400

The Company has authorized 10,000,000 shares of Preferred Stock, par value $.01 per share, of which none are issued and outstanding.

Initial Public Common Stock Offering

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

Company Appreciation Rights and Appreciation Units

On September 1, 1996, Teligent, L.L.C. granted six separate Company Appreciation Rights ("CARs") to an executive officer of the Company (the "Executive") pursuant to an employment agreement dated September 1, 1996 (the "Employment Agreement"). For each CAR, the Executive was entitled to receive a percentage of the excess of the Company's fair market value, as defined, over the target value for the CAR, as adjusted. The CARs vested over a period of six years. Also during 1996, an aggregate of 1,600,000 appreciation units (the "Appreciation Units") were granted to certain employees and directors of the Company.

Conversion of CARs and Appreciation Units into Stock Options

Upon consummation of the Equity Offering, all outstanding CARs and Appreciation Units were converted (the "Conversion") into options (the "Conversion Options") to purchase 12,480,779 shares of Class A Common Stock at exercise prices ranging from $3.35 to $46.00 per share, representing the intrinsic value of the original CARs and Appreciation Units. In connection with the issuance of these options, the Company will recognize up to $185.2 million of compensation expense over the vesting period of the options. The Company has recognized $112.2 million of stock-based compensation expense related to the Conversion Options for the period from March 5, 1996 (date of inception) to December 31, 1998, and will recognize additional expense not to exceed $73.1 million through September 1, 2002, as follows: $25.2 million per year through 2000, $20.7 million in 2001 and $2.0 million in 2002.

Executive Employment Agreement

The Executive's Employment Agreement provides for, among other things, a forgivable loan of $15,000,000 with a five-year term, at an interest rate of 6.53% per year, which was advanced to the Executive from certain stockholders of the Company. Those stockholders assigned their rights to the loans to the Company and, as such, the loans are recorded as a component of other assets in the accompanying balance sheets. The Employment Agreement also provides in certain circumstances for a payment of $5,000,000 on the fifth anniversary of the Executive's employment, or earlier in certain circumstances. The Company accrues the present value of the payment due over the expected service period of five years.

Other Noncash Compensation

Certain of the Company's executive officers have received loans that, in the aggregate, totaled approximately $3.3 million. The loans bear interest at rates ranging from 0% to 6.54%, with principal and accrued interest due generally within three years from the date of the loan. Each of the loans provides for the forgiveness of the principal balance and accrued interest, subject to the executive's continued employment with the Company. The loans are being amortized on a straight line basis over the life of the loans, and are included in stock-based and other noncash compensation expense in the accompanying financial statements.

1997 Stock Incentive Plan

The Company maintains the Teligent, Inc. 1997 Stock Incentive Plan (the "1997 Plan"). The 1997 Plan authorizes options to purchase an aggregate maximum of 14,729,125 shares of the Company's Class A Common Stock, including the options converted from the CARs and Appreciation Units. The exercise price of options granted, as determined by the Company's Compensation Committee, approximates fair value. Generally, all options granted under the 1997 Plan vest over a period of five years and expire ten years from the date of grant.

The Company applies the provisions of APB No. 25 in accounting for its stock-based compensation. Had compensation expense been determined in accordance with SFAS No. 123, the Company's net loss for the years ended December 31, 1998 and 1997, and the period from March 5, 1996 (date of inception) to December 31, 1996 would have been $324.4 million, $161.2 million, and $12.5 million, or $6.16, $3.43 and $0.27 per share, respectively. Options arising from the conversion of CARs and Appreciation Units have been valued based on the number and exercise price of the options issued upon conversion. The weighted average fair value of options granted was $21.66, $18.57 and $14.04 in 1998, 1997 and 1996, respectively, using the Black-Scholes option pricing model with the following assumptions: dividend yield 0%, risk free rate interest rate of 5.0% in 1998, 6.6% in 1997 and 7.0% for the period from March 5, 1996 (date of inception) to December 31, 1996, an expected life of 10 years, and an expected volatility of .648 in 1998, .50 in 1997 and .34 for the period from March 5, 1996 (date of inception) to December 31, 1996.

Option activity for 1998 and 1997 is set forth below:

Year Ended December 31,	1998	Weighted-Average Exercise Price	1997	Weighted-Average Exercise Price
Outstanding, beginning of period	12,810,685	$ 10.00	-	$ -
Converted from Appreciation Units	-	-	6,471,047	7.07
Converted from CARs	-	-	6,009,732	12.41
Granted	2,084,714	28.43	380,450	22.18
Canceled	(194,631)	20.52	(50,544)	12.94
Exercised	(49,982)	7.44	-	-
Outstanding, end of period	14,650,786	$ 12.32	12,810,685	$ 10.00

Options outstanding and exercisable by price range are as follows:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Outstanding as of 12/31/98	Weighted-Average Remaining Life (in years)	Weighted-Average Exercise Price	Exercisable as of 12/31/98	Weighted-Average Exercise Price
$ 3.35 - 5.00	2,003,244	7.7	$ 3.77	2,003,244	$ 3.77
5.01 - 10.00	8,905,015	8.0	6.69	1,599,216	6.54
10.01 - 15.00	402,649	8.5	13.38	82,329	13.38
15.01 - 20.00	0	0.0	0.00	0	0.00
20.01 - 25.00	809,390	9.0	21.98	138,710	21.81
25.01 - 30.00	1,031,660	9.5	27.48	820	25.51
30.01 - 35.00	497,206	9.4	31.72	0	0.00
35.01 - 45.00	0	0.0	0.00	0	0.00
45.01 - 50.00	1,001,622	7.7	46.00	0	0.00
	14,650,786	8.1	$ 12.32	3,824,319	$ 5.79

4. LONG-TERM DEBT

Senior Notes Offering

In November 1997, the Company issued $300 million of 11 ½% Senior Notes due 2007 (the "Senior Notes"). The Company used approximately $93.9 million of the net proceeds of this offering to purchase a portfolio of U.S. Treasury securities which are classified as restricted cash and investments on the balance sheet, and have been pledged as collateral for the payment of interest on the Senior Notes through December 1, 2000. Interest on the Senior Notes accrues at a rate of 11 ½% per annum and is payable semi-annually on June 1 and December 1, commencing June 1, 1998.

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

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

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

Senior Discount Notes Offering

On February 20, 1998, the Company completed an offering (the "Discount Notes Offering") of $440 million 11 ½% Senior Discount Notes due 2008 (the "Senior Discount Notes"). The Company received approximately $243.1 in million net proceeds from the Discount Notes Offering, after deductions for offering expenses of approximately $7.6 million. Under an exchange offer which commenced on July 10, 1998 and expired on August 13, 1998 (the "Exchange Offer"), all outstanding Senior Discount Notes were exchanged for 11 ½% Series B Discount Notes due 2008 (the "New Discount Notes") which have been registered under the Securities Act of 1933, as amended. The New Discount Notes are identical in all material respects to the Senior Discount Notes.

On or after March 1, 2003, the New Discount Notes will be redeemable at the option of the Company, in whole at any time or in part from time to time, at the following prices (expressed in percentages of the principal amount thereof).

Year	Percentage
2003	105.750%
2004	103.833
2005	101.917
2006 and thereafter	100.000

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

Existing Credit Facility

On July 2, 1998, the Company entered into a credit agreement (the "Bank Credit Agreement") with certain lenders, providing for facilities up to an aggregate of $800 million (the "Existing Credit Facility"). The Existing Credit Facility will be used primarily for the purchase of telecommunications equipment, software and services, and is also available for working capital and general corporate purposes. Availability of funds under the Existing Credit Facility is subject to certain conditions as defined in the Bank Credit Agreement. The Company's obligations under the Bank Credit Agreement are secured by substantially all of its assets and certain of its subsidiaries' assets.

The Existing Credit Facility is structured into three separate tranches consisting of a term loan facility, a delayed draw term loan facility and a revolving credit facility. The Company has the ability to borrow funds over the next four years (other than with respect to the delayed draw facility which is scheduled to expire on July 1, 1999, subject to extension), with a final maturity of eight years. Interest accrues on outstanding borrowings based on a floating rate tied to the prevailing LIBOR rate or an alternate base rate, and adjusts based on the attainment of certain key revenue and leverage benchmarks. The Company incurred commitment and other fees in connection with obtaining the Existing Credit Facility totaling $19.9 million, which is being amortized to interest expense on a straight line basis over eight years. As of December 31, 1998 the Company had no outstanding loan balance under the Existing Credit Facility. The Existing Credit Facility contains certain financial and other covenants that restrict, among other things, the Company's ability to (a) incur or create additional debt, (b) enter into mergers or consolidations, (c) dispose a significant amount of assets, (d) pay dividends, or (e) change the nature of its business. The amounts outstanding under the Existing Credit Facility are subject to mandatory prepayments in certain circumstances.

5. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of the Company's financial instruments classified as current assets or liabilities, including cash and cash equivalents, restricted cash and investments and other assets, accounts payable and accrued expenses, approximate carrying value, principally because of the short maturity of these items. The fair value of the Company's non-current restricted cash and investments approximate carrying value based on their effective interest rates compared with market interest rates. As of December 31, 1998, the estimated fair values and carrying amounts of the Company's Senior Notes and Senior Discount Notes are as follows (in thousands):

	Fair Value	Carrying Amount
11 ½% Senior Notes due 2007	$282,000	$300,000
11 ½% Senior Discount Notes due 2008	$215,256	$276,058

6. INCOME TAXES

The Company has recorded income taxes in accordance with SFAS No. 109 for the years ended December 31, 1998 and 1997, subsequent to the Merger. The tax effects of temporary differences are as follows, as of December 31 (in thousands):

	1998	1997
Deferred tax assets:		
Net operating loss carryforward	$ 90,171	$ 2,357
Stock based compensation	38,905	29,519
Original issue discount	8,651	-
Other	4,381	3,672
Total deferred tax assets	142,108	35,548
Deferred tax liability:		
Intangible assets	(14,305)	(13,107)
Net deferred tax assets	127,803	22,441
Valuation allowance	(127,803)	(22,441)
Total	$ -	$ -

During the years ended December 31, 1998 and 1997, the Company did not record an income tax benefit. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. At December 31, 1998, the Company had federal net operating loss carryforwards of $232.0 million and $8.4 million, which expire in 2018 and 2017, respectively.

A reconciliation between income taxes computed using the statutory federal income tax rate (34% for 1998 and 1997) and the effective rate, for the years ended December 31, 1998 and 1997, is as follows:

	1998	1997
Federal income tax benefit at statutory rate	(34.0) %	(34.0) %
Net change in valuation allowance	37.9	14.7
Purchase accounting adjustment	-	9.5
State income taxes net of federal	(4.0)	-
Operating losses recognized by Teligent L.L.C. for which no tax benefit is available	-	9.7
Other	0.1	0.1
	-	-

7. RELATED PARTY TRANSACTIONS

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

Employees of the parent company of MSI performed administrative and management services on behalf of the Company. These services were billed to the Company for the years ended December 31, 1998 and 1997, and for the period March 5, 1996 (date of inception) through December 31, 1996, and totaled approximately $1.1 million, $1.7 million and $1.5 million, respectively. In addition, employees of the Company are covered under certain health and benefit plans of the parent company of MSI. The Company is billed for their pro rata cost of these benefits.

Certain technical services are performed by an affiliate of DSC. The cost of these services totaled approximately $0.6 million in 1998.

8. FIRSTMARK ACQUISITION - 1997

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

9. COMMITMENTS AND CONTINGENCIES

The Company leases various operating sites, rooftops, storage, and administrative offices under operating leases. Rent expense was approximately $10.9 million, $2.3 million and $0.9 million for the years ended December 31, 1998 and 1997 and the period March 5, 1996 (date of inception) to December 31, 1996, respectively. Future minimum lease payments by year and in the aggregate, are as follows at December 31, 1998 (in thousands):

1999	$	19,290
2000		18,050
2001		16,944
2002		15,499
2003		13,969
Thereafter		51,025
	$	134,777

10. EMPLOYEE BENEFIT PLAN

Employees of the Company participate in the 401(k) retirement plan of MSI's parent company. Eligible employees may elect to contribute, on a tax-deferred basis, up to 15% of their compensation, not to exceed annual maximums as defined in the Internal Revenue Code. The Company matches one-half of a participant's contribution up to 6% of the participant's compensation. The Company's contributions to the plan were approximately $0.9 million, $0.1 million, and $0 for 1998, 1997 and for the period March 5, 1996 (date of inception) to December 31, 1996.

11. QUARTERLY FINANCIAL DATA (UNAUDITED)

The following table has been prepared from the financial records of the Company, without audit, and reflects all adjustments that are, in the opinion of management, necessary for a fair presentation of the results of operations for the interim periods presented (in thousands, except per share amounts).

1998:	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
Revenues	$ 98	$ 143	$ 240	$ 479	$ 960
Loss from operations	(34,724)	(53,032)	(68,202)	(92,739)	(248,697)
Net loss	(38,558)	(59,136)	(78,545)	(105,232)	(281,471)
Net loss per share	(0.73)	(1.12)	(1.49)	(2.00)	(5.35)
1997:	**1st Qtr**	**2nd Qtr**	**3rd Qtr**	**4th Qtr**	**Total**
Revenues	$ 635	$ 1,079	$ 1,200	$ 397	$ 3,311
Loss from operations	(6,639)	(43,504)	(27,611)	(57,683)	(135,437)
Net loss	(6,763)	(43,863)	(28,200)	(59,228)	(138,054)
Net loss per share	(0.15)	(0.99)	(0.63)	(1.21)	(2.94)

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

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 1997.

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number 000-23387

TELIGENT, INC.

(Exact Name of Registrant as Specified in Its Charter)

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

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

Securities registered pursuant to Section 12(b) of the Act:

11½ % Senior Notes due 2007

Securities registered pursuant to Section 12 (g) of the Act:

Common Stock, Class A, par value $.01 per share

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

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

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

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

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

DOCUMENTS INCORPORATED BY REFERENCE

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

TABLE OF CONTENTS

PART I

Item 1. Business
Item 2. Properties
Item 3. Legal Proceedings
Item 4. Submission of Matters to a Vote of Security Holders

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters
Item 6. Selected Financial Data
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations
Item 8. Financial Statements and Supplementary Data
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

PART III

Item 10. Directors and Executive Officers of the Registrant
Item 11. Executive Compensation
Item 12. Security Ownership of Certain Beneficial Owners and Management
Item 13. Certain Relationships and Related Transactions

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

Signatures

Index to Financial Statements

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

PART I

ITEM 1. BUSINESS

The Company

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

The predecessor to the Company, Associated Communications, L.L.C., was founded in 1996 as limited liability company joint venture between a subsidiary of The Associated Group, Inc. ("Associated") and an affiliate of Telcom Ventures, L.L.C. ("Telcom Ventures"), both of which have extensive experience in pioneering wireless telecommunications businesses. Associated Communications, L.L.C. was subsequently renamed Teligent, L.L.C. In September 1996, Alex J. Mandl, formerly President and Chief Operating Officer of AT&T, joined Associated Communications, L.L.C. as Chairman of the Board and Chief Executive Officer. On November 26, 1997, the Company issued 6,325,000 shares of Class A Common Stock at $21.50 per share in its initial public offering (the "Equity Offering") and $300 million aggregate principal amount of 11 ½% Senior Notes due 2007 (the "Senior Notes Offering"). Prior to and as a condition to the Senior Notes Offering and the Equity Offering (together with the Senior Notes Offering, the "Offerings"), Teligent, L.L.C. merged with and into the Company (the "Merger") with the Company surviving the Merger. See "Business – Certain Transactions – The Reorganization."

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

In November 1997, Nippon Telegraph and Telephone Corporation ("NTT"), the world's largest telecommunications carrier, through its indirect wholly owned subsidiary NTTA&T Investment, Inc. ("NTTA&T") made a strategic equity investment totaling $100 million in the Company. In connection with NTT's equity investment, the original members of Teligent, L.L.C. made additional cash contributions to Teligent, L.L.C. in the aggregate amount of $60.0 million. See "Business – Certain Transactions."

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

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

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

Business Strategy

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

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

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

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

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

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

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

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

Teligent's Network Architecture

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

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

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

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

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

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

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

Deployment Strategy

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

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

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

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

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

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

Sales and Marketing

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

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

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

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

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

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

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

Service Offerings

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

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

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

End User Services

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

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

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

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

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

Wholesale Services

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

24 GHz Wireless Licenses

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

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

SMSA Rank	Market Areas	Bandwidth (MHz)	Population	Business Employees In Market Area
3	Chicago, IL	400	7,538,000	3,113,000
4	Philadelphia, PA	320	4,913,000	1,701,000
5	Detroit, MI	400	4,322,000	1,517,000
6	Dallas, TX	400	4,302,000	1,729,000
7	Houston, TX	400	3,925,000	1,471,000
8	Washington, DC	400	3,850,000	1,693,000
9	San Francisco, CA	320	3,814,000	1,629,000
10	Boston, MA	400	3,194,000	1,436,000
12	Atlanta, GA	400	3,015,000	1,236,000
13	San Diego, CA	320	2,674,000	908,000
15	Minneapolis, MN	400	2,586,000	1,271,000
17	St. Louis, MO	400	2,473,000	893,000
18	Baltimore, MD	320	2,435,000	762,000
19	Phoenix, AZ	400	2,309,000	894,000
20	Seattle, WA	400	2,135,000	894,000
21	Pittsburgh, PA	400	2,100,000	665,000
22	Denver, CO	80	2,069,000	890,000
23	Miami, FL	400	2,058,000	768,000
24	Tampa, FL	400	2,016,000	698,000
26	Cleveland, OH	320	1,848,000	803,000
27	Portland, OR	320	1,573,000	618,000
28	San Jose, CA	240	1,541,000	643,000
29	Cincinnati, OH	240	1,510,000	578,000
30	Kansas City, MO	320	1,509,000	643,000
31	Sacramento, CA	320	1,482,000	442,000
32	Milwaukee, WI	320	1,469,000	660,000
33	San Antonio, TX	320	1,402,000	435,000
35	Indianapolis, IN	320	1,333,000	551,000
36	Columbus, OH	160	1,302,000	586,000
37	Salt Lake City, UT	80	1,214,000	499,000
38	Orlando, FL	80	1,206,000	573,000
39	Buffalo, NY	80	1,201,000	442,000
40	New Orleans, LA	80	1,178,000	469,000
41	Hartford, CT	80	1,154,000	540,000
43	Nashville, TN	80	1,060,000	508,000
44	Norfolk, VA	80	1,040,000	321,000
45	Rochester, NY	80	1,038,000	444,000
46	Memphis, TN	80	1,034,000	470,000
47	Jacksonville, FL	80	1,009,000	433,000
48	Oklahoma City, OK	80	977,000	434,000
49	Greensboro, NC	80	963,000	486,000
50	Louisville, KY	80	931,000	414,000
51	West Palm Beach, FL	80	931,000	316,000
52	Las Vegas, NV	80	931,000	445,000
53	Birmingham, AL	80	905,000	386,000
54	Austin, TX	80	884,000	396,000
55	Honolulu, HI	80	881,000	344,000

SMSA Rank	Market Areas	Bandwidth (MHz)	Population	Business Employees In Market Area
56	Dayton, OH	80	864,000	389,000
57	Albany, NY	80	851,000	377,000
58	Charlotte, NC	80	840,000	467,000
60	Richmond, VA	80	792,000	369,000
61	Tulsa, OK	80	788,000	321,000
62	Raleigh, NC	80	788,000	385,000
63	Fresno, CA	80	734,000	240,000
65	Tucson, AZ	80	717,000	280,000
66	Allentown, PA	80	713,000	269,000
68	Ventura, CA	80	694,000	223,000
69	Syracuse, NY	80	681,000	298,000
70	Akron, OH	80	680,000	284,000
71	Greenville, SC	80	674,000	301,000
72	El Paso, TX	80	663,000	209,000
75	Omaha, NE	80	631,000	304,000
78	Wilmington, DE	80	609,000	291,000
79	Albuquerque, NM	80	592,000	272,000
80	Springfield, MA	80	581,000	235,000
82	Baton Rouge, LA	80	562,000	218,000
84	Charleston, SC	80	545,000	197,000
86	New Haven, CT	80	528,000	227,000
87	Stockton, CA	80	522,000	165,000
97	Newport News, VA	80	470,000	170,000
120	Santa Barbara, CA	80	378,000	134,000
135	Trenton, NJ	80	330,000	165,000
	TOTAL		130,027,000	51,663,000

Competition in the Telecommunications Industry

Local Telecommunications Market

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

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

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

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

The Company will also face competition from other terrestrial fixed wireless services, including Multichannel Multipoint Distribution Service ("MMDS"), 28 GHz Local Multipoint Distribution Service ("LMDS") and 38 GHz wireless communications systems, 2.8 GHz Wireless Communications Service ("WCS"), FCC Part 15 unlicensed wireless radio devices, and other services that use existing point-to-point wireless channels on other frequencies. Additionally, other companies have filed applications for global broadband satellite systems proposed to be used for broadband voice and data services. If developed, these systems could also present significant competition to the Company.

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

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

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

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

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

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

Long Distance Telecommunications Market

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

Vendor Evaluation

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

Intellectual Property

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

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

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

Government Regulation

Overview

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

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

Federal Legislation

The Telecommunications Act. The Telecommunications Act, enacted on February 8, 1996, substantially departs from prior legislation in the telecommunications industry by establishing local exchange competition as a national policy through the removal of state regulatory barriers to competition and the preemption of laws restricting competition in the local exchange market. The Telecommunications Act, among other things, mandates that ILECs (i) permit resale of their services and facilities on reasonable and nondiscriminatory terms and at wholesale rates, (ii) allow customers to retain the same telephone number ("number portability") when they switch local service providers, (iii) permit interconnection by competitors to an ILEC's network at any technically feasible point that is at least equal in quality to that which the local exchange carrier provides to itself and pursuant to reasonable and nondiscriminatory rates and terms, (iv) unbundle their network services and facilities at any technically feasible point and permit competitors and others to use these facilities at cost-based and nondiscriminatory rates and (v) ensure that an end user does not have to dial any more digits to reach customers of local competitors than to reach the ILEC's customers to the extent technically feasible ("dialing parity"). The Telecommunications Act also allows RBOCs to provide in-region inter-LATA services on a state-by-state basis once certain market-opening requirements are implemented and entry is determined to be in the public interest. The provisions of the Telecommunications Act are designed to ensure that RBOCs take affirmative steps to level the playing

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

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

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

Federal Regulation

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

State Regulation

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

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

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

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

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

Local Regulation

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

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

Certain Transactions

The Reorganization

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

The Additional Sponsor Equity Contributions

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

The Strategic Equity Investment

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

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

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

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

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

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

The FirstMark Acqui[illegible]r:

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

Vendor Financing

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

Employees

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

ITEM 2. PROPERTIES

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

ITEM 3. LEGAL PROCEEDINGS

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

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

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

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

Teligent has authorized two classes of Common Stock, Class A Common Stock and Class B Common Stock. The Company's Class A Common Stock was initially offered to the public on November 21, 1997 and is listed on The Nasdaq Stock Market under the symbol "TGNT." Teligent's Class B Common Stock, par value $.01 per share (the "Class B Common Stock"), is not traded on any exchange. As of March 20, 1998, there were three stockholders of record of the Class B Common Stock. The following table sets forth for the periods indicated the high and low sales price information of the Class A Common Stock as reported on The Nasdaq National Market System. Such transactions reflect inter-dealer quotations, without retail markup, markdown or commission and may not necessarily represent actual transactions.

	CLASS A COMMON STOCK	
	HIGH	LOW
November 21, 1997 to December 31, 1997	$27	$21 1/2

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

Teligent has not paid any cash dividends on its Common Stock in the past and does not anticipate paying any cash dividends on its Common Stock in the foreseeable future. The terms of the indentures relating to the Company's 11 ½% Senior Notes due 2007 and the Company's 11 ½% Discount Notes due 2008 restrict the ability of the Company to pay dividends on Common Stock, as further described in Management's Discussion and Analysis of Financial Condition and Results of Operations, as well as in Note 13 to the Company's Financial Statements included in Item 14 elsewhere in this Annual Report on Form 10-K.

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

On February 20, 1998, the Company completed an offering (the "Discounted Notes Offering") pursuant to Rule 144A under the Securities Act, of $440 million 11 ½% Senior Discount Notes due 2008 (the "Discount Notes"). The Discount Notes carry zero-coupon interest until March 1, 2003, after which the Discount Notes pay interest at 11 ½% payable March 1 and September 1 through March 1, 2008. The Discount Notes were sold at an aggregate price of $250.7 million, and the Company received approximately $243.1 million net proceeds, after deductions for offering expenses. The Discount Notes were purchased by Merrill Lynch, Pierce, Fenner & Smith Incorporated; Goldman, Sachs & Co.; Salomon Brothers Inc.; and TD Securities USA Inc.

ITEM 6. SELECTED FINA[illegible]IAL DATA

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

	Year Ended December 31,	March 5, 1996 (date of inception) to December 31,	
	1997	1997	1996
	(in thousands, except share and per share data)		
Statement of Operations Data:			
Revenues	$ 3,311	$ 4,697	$ 1,386
Cost and expenses:			
Cost of services	4,785	6,410	1,625
Sales, general and administrative	43,466	53,048	9,583
Stock-based compensation	84,043	86,821	2,778
Depreciation and amortization	6,454	6,618	164
Total costs and expenses	138,748	152,897	14,150
Operating loss	(135,437)	(148,200)	(12,764)
Interest and other income	3,242	3,252	10
Interest expense	(5,859)	(6,739)	(879)
Net loss	$ (138,054)	$ (151,687)	$ (13,633)
Other Data:			
Net loss per common share outstanding	$ (2.94)	$ (3.25)	$ (0.29)
Weighted average common shares outstanding	46,950,860	46,638,160	46,257,709
Modified EBITDA [1]	$ (41,940)	$ (50,762)	$ (8,822)
Cash used in operating activities	(34,428)	(40,474)	(6,047)
Cash used in investing activities	(114,587)	(118,296)	(3,709)
Cash provided by financing activities	572,613	583,671	11,058

	December 31,	
	1997	1996
	(in thousands)	
Balance Sheet Data:		
Cash and cash equivalents	$ 424,901	$ 1,303
Working capital (deficit)	441,316	(6,978)
Property and equipment, net	8,186	3,545
Total assets	596,380	5,145
Long-term debt, less current portion	300,000	--
Stockholders' equity (deficit)	274,146	(3,575)

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

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

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

General

The following discussion and analysis is based upon the financial statements of the Company from its inception on March 5, 1996 to December 31, 1997 and should be read in conjunction with the Financial Statements and notes thereto contained elsewhere in this Annual Report on Form 10-K.

Overview

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

The Company's business commenced on March 5, 1996, and the Company has generated only nominal revenues from operations to date. Prior to the transfer by MSI and DSC of their fixed wireless licenses to the Company in October 1997, revenues and cash flows associated with customers using the fixed wireless licenses were accounted for by MSI and DSC. Accordingly, Teligent's historic revenues principally reflect certain management and administration services to MSI and DSC in connection with the development, construction and operation of their 18 GHz and subsequently 24 GHz fixed wireless networks. The Company's primary activities have focused on the acquisition of licenses and authorizations, the acquisition of building access rights, the hiring of management and other key personnel, the raising of capital, the acquisition of equipment, the development of operating systems and the negotiation of interconnection agreements.

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

Factors Affecting Future Op●tions

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

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

Revenues

Target Market and Penetration. Teligent's wireless licenses cover approximately 3.7 million U.S. businesses and 26.7 million business lines in 74 of the most populous U.S. metropolitan market areas. The Company intends to focus its marketing efforts on small and medium-sized businesses with 5 to 350 telephone lines. Teligent's market research indicates that a significant portion of its target customer base is currently dissatisfied with its ILEC service. To address this market opportunity, Teligent plans to initially focus its sales efforts on business customers whose needs are not well served by fiber-based services and whose bandwidth needs are not adequately met by copper-based services.

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

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

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

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

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

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

Network Related Costs

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

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

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

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

which require regular mainte[illegible]ce. While certain customer premise main[illegible]nce will be simple enough for customers to perform themselves, Company technicians will still be required to perform customer site maintenance and service changes.

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

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

Cost of Operations

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

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

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

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

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

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

Stock-based Compensation. The Company granted Company Appreciation Rights ("CARs") to Alex Mandl and Appreciation Units to employees and directors (collectively "Equity Awards"). See note 4 to the financial statements, "Stock-based Compensation." These Equity Awards were considered to be variable awards due to certain provisions thereof, and therefore gave rise to compensation expense. In connection with the Offerings, the Equity Awards were converted, effective as of the consummation of the Offerings, into stock options of Teligent, Inc. having the same vesting schedule, vesting rights and term as the applicable Equity Award converted. This conversion created a measurement date whereby the variable Equity Awards were converted to nonvariable stock options. The intrinsic value of the Equity Awards upon conversion to stock options resulted in non-cash compensation expense of $186.3 million, of which $84.0 million and $2.8 million were recorded in 1997 and 1996, respectively, and additional non-cash expense of up to $99.5 million will be expensed over the remaining vesting period of the options as follows: $25.2 million per year through 2000, $21.4 million in 2001, and $2.5 million in 2002.

Depreciation and Amortization

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

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

Capital Expenditures

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

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

The Company's CPE [illegible]sts include an integrated radio/antenna [illegible]t, modem(s), power supply, multiplexer and router equipment, line interface cards, and cables and installation materials. Portions of the CPE costs can also be shared among multiple customers in the same building, thereby reducing the capital expenditures required per customer. In addition, in the event of customer churn, the Company's CPE can be redeployed at other customer premises thereby reducing stranded assets.

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

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

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

Business Development, Capital Expenditures and Acquisitions

From inception through December 31, 1997, expenditures for property and equipment total $13.7 million. In addition, the Company has incurred significant other costs and expenses in the development of its business and has recorded cumulative losses from inception through December 31, 1997 of approximately $151.7 million. This amount includes $86.8 million of non-cash compensation, consisting of expenses associated with the Equity Awards. In October 1997, the Company consummated its acquisition of FirstMark, whereby it acquired all of the capital stock of FirstMark, which holds additional FCC authorizations and licenses, for an aggregate purchase price (before related expenses) of approximately $42 million which consisted of $10.5 million in cash and a 5% member interest in the predecessor to the Company, Teligent, L.L.C (which such member interest was subsequently converted to 1,831,410 shares of Class A Common Stock in the Company as a result of the Merger.) The Company may, when and if the opportunity arises, acquire other spectrum rights or related businesses, incur expenses in the development of new technologies and expand its fixed wireless broadband services into new market areas.

Year 2000

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

Results of Operations

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

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

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

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

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

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

Liquidity and Capital Resources

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

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

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

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

Initial Public Common Stock Offering

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

Public Debt Offering

In November 1997, the Company issued $300 million of 11 ½% Senior Notes due 2007 (the "Senior Notes".) The Company used approximately $93.9 million of the net proceeds of this offering to purchase a portfolio of U.S. Treasury securities which are classified as restricted cash and investments on the balance sheet, and have been pledged as collateral for the payment of interest on the Senior Notes through December 1, 2000. Interest on the Senior Notes accrues at a rate of 11 ½% per annum and is payable semi-annually on June 1 and December 1, commencing June 1, 1998.

Discount Notes Offering

On February 20, 1998, the Company completed an offering (the "Discount Notes Offering") of $440 million 11 ½% Senior Discount Notes due 2008 (the "Discount Notes"). The Discount Notes carry zero-coupon interest until March 1, 2003, after which the Discount Notes pay interest at 11 ½% per annum payable March 1 and September 1, through March 1, 2008. The Company received approximately $243.1 million net proceeds from the Discount Notes Offering, after deductions for offering expenses of approximately $7.6 million.

Vendor Financing

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

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

Historical Cash Flows

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

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

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

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

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

acquisition of FirstMark and [illegible]3.9 million related to the purchase of U[illegible]Treasury securities which are pledged as collateral for the payment of interest on the Senior Notes through December 1, 2000.

The Company's cash flows provided by financing activities for the period March 5, 1996 (date of inception) to December 31, 1996 were $11.1 million, consisting of cash capital contributions from MSI and DSC of $9.1 million, and borrowings under the Revolving Credit Agreement of $2.0 million. Cash flows provided by financing activities for the year ended December 31, 1997 amounted to $572.6 million, consisting primarily of $160.3 million of capital contributions from MSI, DSC and NTT, and $414.3 million of net proceeds from the Equity Offering and the offering of the Senior Notes, after costs of $21.7 million.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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

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

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

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

ITEM 11. EXECUTIVE COMPENSATION

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

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

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

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

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

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

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

(1) **Financial Statements**

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

(2) **Financial Statement Schedules**

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

(b) **Reports on Form 8-K.**

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

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

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

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

10.3 Securities Purchase Agreement, dated as of September 30, 1997, by and among Teligent, L.L.C., Microwave Services, Inc., Digital Services Corporation, and Nippon Telegraph and Telephone Corporation, filed as Exhibit 10.3 to the Company's Registration Statement on Form S-1 (Registration No. 333-37381), dated November 26, 1997, and incorporated herein by reference.

10.4 Form of Registration Rights Agreement, by and among Teligent, L.L.C. and Nippon Telegraph and Telephone Corporation, filed as Exhibit 10.4 to the Company's Registration Statement on Form S-1 (Registration No. 333-37381), dated November 26, 1997, and incorporated herein by reference.

10.5 Form of Technical Services Agreement, by and among Teligent, L.L.C. and NTT America, Inc. , filed as Exhibit 10.5 to the Company's Registration Statement on Form S-1 (Registration No. 333-37381), dated November 26, 1997, and incorporated herein by reference.

10.6 Agreement, dated September 29, 1997, among Teligent, L.L.C., Digital Services Corporation, Telcom-DTS Investors, L.L.C., Microwave Services, Inc., The Associated Group, Inc. and certain other parties, filed as Exhibit 10.6 to the Company's Registration Statement on Form S-1 (Registration No. 333-37381), dated November 26, 1997, and incorporated herein by reference.

10.7 Agreement and Plan of Merger, dated as of October 6, 1997, by and between Teligent, Inc. and Teligent, L.L.C. , filed as Exhibit 10.7 to the Company's Registration Statement on Form S-1 (Registration No. 333-37381), dated November 26, 1997, and incorporated herein by reference.

10.8 Form of Lease Agreement, dated as of July 22, 1997, for the 8065 Leesburg Pike, Vienna, Virginia office space lease between NHP Incorporated and Teligent, L.L.C. , filed as Exhibit 10.8 to the Company's Registration Statement on Form S-1 (Registration No. 333-37381), dated November 26, 1997, and incorporated herein by reference.

10.9 Form of Teligent, Inc. 1997 Stock Incentive Plan, filed as Exhibit 10.9 to the Company's Registration Statement on Form S-1 (Registration No. 333-37381), dated November 26, 1997, and incorporated herein by reference.

10.10 Network Products Purchase Agreement, dated December 11, 1997, by and between Northern Telecom Inc. and Teligent, Inc. *

10.11 Financing Commitment Letter of Intent, dated October 28, 1997, by and between Northern Telecom Inc. and Teligent, Inc, filed as Exhibit 10.9 to the Company's Registration Statement on Form S-1 (Registration No. 333-37381), dated November 26, 1997, and incorporated herein by reference.

10.12 Promissory Note, dated February 1, 1997, by Kirby G. Pickle, Jr. to Associated Communications, L.L.C., filed as Exhibit 10.10 to the Company's Registration Statement on Form S-1 (Registration No. 333-37381), dated November 26, 1997, and incorporated herein by reference.

10.13 Promissory Notes, each dated October 29, 1997, by Abraham L. Morris to Teligent, L.L.C., filed as Exhibit 10.11 to the Company's Registration Statement on Form S-1 (Registration No. 333-37381), dated November 26, 1997, and incorporated herein by reference.

10.14 Promissory Note, dated August 5, 1997, by Laurence E. Harris to Associated Communications, L.L.C., filed as Exhibit 10.12 to the Company's Registration Statement on Form S-1 (Registration No. 333-37381), dated November 26, 1997, and incorporated herein by reference.

10.15 Promissory Note, dated April 7, 1997, by Steven F. Bell to Associated Communications, L.L.C., filed as Exhibit 10.14 to the Company's Registration Statement on Form S-1 (Registration No. 333-37381), dated November 26, 1997, and incorporated herein by reference.

10.16 Registration rights agreement dated as of March 6, 1998, by and between Teligent, Inc., and Microwave Services, Inc.

21.1 Significant Subsidiaries of the Registrant.

23.1 Consent of Ernst & Young LLP, Independent Auditors.

27.1 Financial Data Schedule (filed only electronically with the Securities and Exchange Commission)

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

Conformed

SIGNATURES

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

TELIGENT, INC.
(Registrant)

Date: March 30, 1998

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

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

Date: March 30, 1998

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

Date: March 30, 1998

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

Date: March 30, 1998

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

Date: March 30, 1998

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

Date: March 30, 1998

By: /s/ David J. B[illegible]man
David J. Berkman
Director

Date: March 30, 1998

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

Date: March 30, 1998

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

Date: March 30, 1998

By: /s/ Tetsuro Mikami
Tetsuro Mikami
Director

Date: March 30, 1998

By: /s/ Rajendra Singh
Rajendra Singh
Director

TELIGENT, INC.
INDEX TO FINANCIAL STATEMENTS

	Page Number
Report of Ernst & Young LLP, Independent Auditors	F-2
Balance Sheets, December 31, 1997 and 1996	F-3
Statements of Operations for the year ended December 31, 1997 and the periods from March 5, 1996 (date of inception) to December 31, 1997 and 1996	F-4
Statements of Stockholders' Equity (Deficit) for the period from March 5, 1996 (date of inception) to December 31, 1997	F-5
Statements of Cash Flows for the year ended December 31, 1997 and the periods from March 5, 1996 (date of inception) to December 31, 1997 and 1996	F-6
Notes to Financial Statements	F-7

REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Teligent, Inc.

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

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

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

Ernst & Young LLP

Vienna, Virginia
February 27, 1998

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

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

See notes to financial statements.

TELIGENT, INC.
(a development stage company)

STATEMENTS OF OPERATIONS

	Year Ended	Period from March 5, 1996 (date of inception) to December 31,	
	December 31, 1997	1997	1996
Revenues:			
Management fees and other services provided to members	$ 3,278,254	$ 4,664,596	$ 1,386,342
Wireless communication services	32,745	32,745	-
Total revenues	3,310,999	4,697,341	1,386,342
Costs and expenses:			
Cost of services	4,785,589	6,410,595	1,625,006
Sales, general and administrative expenses	43,465,732	53,048,369	9,582,637
Stock-based compensation	84,042,581	86,820,746	2,778,165
Depreciation and amortization	6,453,632	6,617,683	164,051
Total costs and expenses	138,747,534	152,897,393	14,149,859
Loss from operations	(135,436,535)	(148,200,052)	(12,763,517)
Interest and other income	3,241,837	3,251,932	10,095
Interest expense	(5,859,457)	(6,738,728)	(879,271)
Net loss	$ (138,054,155)	$ (151,686,848)	$ (13,632,693)
Net loss per share	$ (2.94)	$ (3.25)	$ (0.29)
Weighted average common shares outstanding	46,950,860	46,638,160	46,257,709

See notes to financial statements.

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

	Capital Contributions	Common Stock A	Common Stock B-1	Common Stock B-2	Common Stock B-3	Common Stock Total	Additional Paid-in Capital	Accumulated Deficit	Notes Receivable From Executive	Total
Balance at March 5, 1996 (date of inception)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Member capital contributions	24,058,158									24,058,158
Notes receivable from Executive									(15,000,000)	(15,000,000)
Amortization of notes receivable from Executive									1,000,000	1,000,000
Net loss								(13,632,693)		(13,632,693)
Balance at December 31, 1996	24,058,158	-	-	-	-	-	-	(13,632,693)	(14,000,000)	(3,574[illegible]
Contribution of licenses from members	8,497,006									8,497,006
Acquisition	31,500,000									31,500,000
Cash contributions	100,300,612									100,300,612
Contribution of equity prior to public offering					34,700	34,700	59,965,300			60,000,000
Conversion of member interests to capital stock	(164,355,776)	18,314	214,367	172,062	23,134	427,877	163,927,899			-
Conversion of CARs and Appreciation Units to stock options							86,820,746			86,820,746
Public stock offering		63,250				63,250	125,593,298			125,656,548
Amortization of notes receivable from Executive									3,000,000	3,000,000
Net loss								(138,054,155)		(138,054,155)
Balance at December 31, 1997	$ -	$ 81,564	$214,367	$172,062	$57,834	$525,827	$ 436,307,243	$ (151,686,848)	$(11,000,000)	$ 274,146,222

See notes to financial statements.

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

	Year Ended December 31, 1997	Period from March 5, 1996 (date of inception) to December 31, 1997	1996
Cash flows from operating activities:			
Net loss	$ (138,054,155)	$ (151,686,848)	$ (13,632,693)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	6,453,632	6,617,683	164,051
Amortization of notes receivable from Executive	3,000,000	4,000,000	1,000,000
Amortization of debt issue costs	59,381	59,381	-
Other noncurrent liabilities	896,748	1,189,296	292,548
Stock-based compensation	84,042,581	86,820,746	2,778,165
Other	(626,390)	(777,085)	(150,695)
Changes in current assets and current liabilities:			
Restricted cash and investments	(1,168,357)	(1,168,357)	-
Prepaid expenses and other current assets	(6,426,665)	(6,573,738)	(147,073)
Accounts payable	13,575,098	16,577,277	3,002,179
Accrued expenses and other current liabilities	3,820,501	4,467,473	646,972
Net cash used in operating activities	(34,427,626)	(40,474,172)	(6,046,546)
Cash flows from investing activities:			
Restricted cash and investments	(93,906,753)	(93,906,753)	-
Purchase of property and equipment	(9,960,652)	(13,669,652)	(3,709,000)
Acquisition and other investments	(10,720,000)	(10,720,000)	-
Net cash used in investing activities	(114,587,405)	(118,296,405)	(3,709,000)
Cash flows from financing activities:			
Proceeds from bank borrowing	40,500,000	42,500,000	2,000,000
Repayment of bank borrowing	(42,500,000)	(42,500,000)	-
Equity contribution prior to public offering	60,000,000	60,000,000	-
Net proceeds from issuance of common stock	125,656,548	125,656,548	-
Proceeds from long-term debt	300,000,000	300,000,000	-
Debt financing costs	(11,344,026)	(11,344,026)	-
Member contributions	100,300,612	109,358,770	9,058,158
Net cash provided by financing activities	572,613,134	583,671,292	11,058,158
Net increase in cash and equivalents	423,598,103	424,900,715	1,302,612
Cash and cash equivalents, beginning of period	1,302,612	-	-
Cash and cash equivalents, end of period	$ 424,900,715	$ 424,900,715	$ 1,302,612
SUPPLEMENTAL CASH FLOW INFORMATION:			
Cash paid for interest	$ 2,450,000	$ 3,325,000	$ 875,000

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

1. THE COMPANY

Teligent, Inc. ("Teligent" or the "Company") (a development stage company) was formed in September 1997, as a wholly owned subsidiary of Teligent, L.L.C. On November 21, 1997 concurrent with an initial public offering of the Company's Class A Common Stock, Teligent, L.L.C. merged with and into the Company (the "Merger") with the Company as the surviving entity. Teligent, L.L.C. was originally formed in March 1996, by Microwave Services, Inc. ("MSI") and Digital Services Corporation ("DSC"), both of which, through affiliates, have extensive experience in pioneering wireless telecommunications businesses. Prior to the Merger, Nippon Telegraph and Telephone Corporation ("NTT"), through its wholly owned subsidiary NTTA&T, acquired a 5% interest in Teligent L.L.C., and immediately after the Merger acquired an additional 7.5% equity interest in the Company. All of Teligent, L.L.C.'s member interests were converted into shares of common stock upon the Merger in a manner proportionate to each member's percentage interest in Teligent, L.L.C. immediately prior to the Merger.

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

2. SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

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

Cash and Cash Equivalents

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

Property and Equipment

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

Long-Lived Assets

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

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

Intangible Assets

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

		Years
Fixed wireless licenses	$ 49,808,769	15
Debt financing costs	11,344,022	10
	61,152,791	
Accumulated amortization	(798,600)	
	$ 60,354,191	

Fixed wireless licenses represent the direct costs of obtaining such licenses, including $41.6 million acquired from FirstMark Communications, Inc. ("FirstMark", see Note 7). Debt financing costs represent fees and other costs incurred in connection with the issuance of long-term debt. Debt financing costs are amortized to interest expense over the term of the related debt.

Income Taxes

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

Revenue Recognition

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

Net Loss Per Share

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

Stock-Based Compensation

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

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

Recent Pronouncements

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

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

Reclassifications

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

3. CAPITAL STOCK

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

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

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

The Company has authorized 10,000,000 shares of Preferred Stock, par value $.01 per share, of which none are issued and outstanding.

Initial Public Common Stock Offering

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

4. STOCK-BASED COMPENSATION

Company Appreciation Rights and Appreciation Units

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

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

Conversion of CARs and Appreciation Units into Stock Options

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

Upon the conversion described above, the Company issued options to purchase an aggregate of 12,480,779 shares of the Company's Class A Common Stock at exercise prices ranging from $3.35 to $46.00 per share. In connection with the issuance of these options, the Company will recognize $186.3 million of compensation expense over the vesting period of the options. The Company recognized $84.0 million of compensation expense during the year ended December 31, 1997 ($86.8 million for the period from March 5, 1996 (date of inception) to December 31, 1997) and will recognize additional expense up to $99.5 million through September 1, 2002, as follows: $25.2 million per year through 2000, $21.4 million in 2001 and $2.5 million in 2002.

1997 Stock Incentive Plan

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

The Company applies the provisions of APB No. 25 in accounting for its stock-based compensation. Had compensation expense been determined in accordance with SFAS No. 123, the Company's net loss for the year ended December 31, 1997, and the periods from March 5, 1996 (date of inception) to December 31, 1996 and 1997 would have been $161.2 million, $12.5 million and $173.7 million, respectively. Options arising from the conversion of CARs and Appreciation Units have been valued based on the number and exercise price of the options issued upon conversion. The weighted average fair value of options granted was $18.57 and $14.04 in 1997 and 1996, respectively, using the Black-Scholes option pricing model with

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

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

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

5. NOTES RECEIVABLE FROM EXECUTIVE AND DEFERRED COMPENSATION

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

6. LONG-TERM DEBT

Public Debt Offering

In November 1997, the Company issued $300 million of 11 ½% Senior Notes due 2007 (the "Senior Notes".) The Company used approximately $93.9 million of the net proceeds of this offering to purchase a portfolio of U.S. Treasury securities which are classified as restricted cash and investments on the balance sheet, and have been pledged as collateral for the payment of interest on the Senior Notes through December 1, 2000. Interest on the Senior Notes accrues at a rate of 11 ½% per annum and is payable semi-annually on June 1 and December 1, commencing June 1, 1998.

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

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

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

Credit Facility

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

7. ACQUISITION

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

8. PROPERTY AND EQUIPMENT

The amounts included in property and equipment are as follows.

	December 31,	
	1997	1996
Operating equipment	$ 4,815,283	$ 1,999,690
Computer equipment	2,105,557	183,605
Furniture and leasehold improvements	2,072,462	366,937
Systems in progress	5,178,080	1,158,768
	14,171,382	3,709,000
Accumulated depreciation	(5,985,483)	(164,051)
	$ 8,185,899	$ 3,544,949

9. INCOME TAXES

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

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

Deferred tax assets:	
Net operating loss carryforward	$ 2,356,383
Stock based compensation	29,519,054
Property and equipment	1,737,829
Deferred compensation	1,230,400
Other	704,100
Total deferred tax assets	35,547,766
Deferred tax liability:	
Intangible assets	(13,106,847)
Net deferred tax assets	22,440,919
Valuation allowance	(22,440,919)
Total	$ -

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

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

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

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

10. COMMITMENTS AND CONTINGENCIES

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

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

11. RELATED PARTY TRANSACTIONS

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

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

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

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

As of December 31, 1997, the estimated fair value and carrying amount of the Company's 11 ½% Senior Notes due 2007 was $301,590,000 and $300,000,000, respectively.

13. SUBSEQUENT EVENT

On February 20, 1998, the Company completed an offering (the "Discount Notes Offering") of $440 million 11 ½% Senior Discount Notes due 2008 (the "Discount Notes"). The Discount Notes carry zero-coupon interest until March 1, 2003, after which the Discount Notes pay interest at 11 ½% payable March 1 and September 1 through March 1, 2008. The Company received approximately $243.1 million net proceeds from the Discount Notes Offering, after deductions for offering expenses of approximately $7.6 million.

Exhibit 3
Resumes of Teligent's Senior Management Team

Alex J. Mandl
Chairman and Chief Executive Officer

Mr. Mandl, 54, joined Teligent in August, 1996, after serving as president and chief operating officer of AT&T. At AT&T, Mr. Mandl had overall responsibility for directing the company's long distance, wireless and local communications services, in addition to its Direct TV, credit card and Internet businesses. He also led the team that planned AT&T's entry into the local service market to compete against the regional Bell operating companies and other local telephone monopolies.

Before becoming AT&T's president, Mr. Mandl was the company's executive vice president and chief executive officer of its Communications Services Group, where he was responsible for the company's core long distance and wireless businesses.

Earlier, he served as chief financial officer and group executive. In that capacity, he directed AT&T's overall financial strategy, policy and operations and oversaw AT&T Capital Corp. (an equipment leasing company), as well as AT&T's corporate purchasing, real estate and information systems functions. During his tenure as CFO, Mr. Mandl orchestrated AT&T's successful, $11.5 billion acquisition of McCaw Cellular, and supervised its integration into the company.

Between 1988 and 1991, Mr. Mandl was chairman and chief executive officer of Sea-Land Services, Inc., the world's leading provider of ocean transport and distribution services. Under his leadership, Sea-Land nearly doubled in size and became a highly profitable company.

Mr. Mandl began his business career in 1969, when he joined Boise Cascade Corp. as a merger and acquisition analyst. He held various financial posts with the company during the next 11 years. In 1980, he joined Seaboard Coast Line Industries, a diversified transportation company, as senior vice president and chief financial officer. After Seaboard merged with Chessie Systems to become CSX Corp., Mr. Mandl was named senior vice president in charge of corporate development and human resources, and chief information officer. In addition, he had operating responsibility for three transportation and information technology subsidiaries.

Mr. Mandl serves on the boards of Dell Computer, Warner-Lambert Company, Forstmann Little & Co., General Instrument Corp., WETA-Public Television and Radio, The Museum of Television and Radio, the Walter A. Haas School of Business at the University of California at Berkeley and Willamette University. He is on the Advisory Board of the Chancellor of Austria and a board member of the American Enterprise Institute for Public Policy Research.

Mr. Mandl holds and M.B.A. from the University of California at Berkeley and a B.A. in economics from Willamette University in Salem, Oregon.

Kirby G. ("Buddy") Pickle, Jr.
President and Chief Operating Officer

Buddy Pickle, President and Chief Operating Officer of Teligent, has the day-to-day responsibility for building the company into a first-choice provider of advanced local telecommunications services.

Mr. Pickle's move to Teligent in February, 1997 caps a long career in telecommunications. Most recently, Mr. Pickle, 40, was executive vice president of MFS Communications Co., an early entrant into the competitive local telecommunications market. Mr. Pickle was directly involved in the MFS acquisition of UUNET Technologies, Inc., a major supplier of Internet services to business customers. Following the acquisition, Mr. Pickle became UUNET's president and chief operating officer.

Mr. Pickle joined MFS in 1991, eventually becoming president and chief operating officer of the MFS Intelenet Companies. In that role, he ran Centex Telemanagement, MFS Intelenet and Realcom Communications, which together generated more than 60 percent of MFS Communications' revenues. The three companies were the first to offer facilities-based, bundled, local, long distance and customer equipment services to small and medium-sized businesses.

Earlier, Mr. Pickle held a series of executive positions at US Sprint, the long distance carrier and local service provider now known simply as Sprint. He left Sprint as vice president of sales operations.

During he tenure at MCI, in 1984 and 1985, Mr. Pickle was a regional sales manager. Before that, worked for Southern Bell and AT&T in a series of management positions.

Mr. Pickle received a B.B.A. in management from the University of Georgia in 1978.

Laurence E. Harris
Senior Vice President and General Counsel

Larry Harris, Senior Vice President and General Counsel of Teligent, oversees the company's legal group and is responsible for the company's political relationships, including those with the White House, Congress, and state and federal regulators.

Before joining Teligent in December 1996, Mr. Harris, 61, was senior vice president for law and public policy at MCI. He directed the company's federal, state and international policy initiatives, and led MCI's efforts to enact balanced telecommunications legislation.

In an earlier stint at MCI that lasted from 1972 until 1982, Mr. Harris served as the fledgling long distance carrier's vice president of telephone company relations and tariffs. He managed corporate relations with AT&T, independent telephone companies, the Federal Communications Commission and the office of Telecommunications Policy at the White House. He also coordinated the company's anti-trust lawsuits.

After leaving MCI, Mr. Harris went to work for the FCC, where he was chief of the commission's mass media bureau. In that capacity, he acted as a principal adviser to the FCC chairman on matters involving policy and programs for radio, television and cable.

In addition to his work in the public policy arena, Mr. Harris has extensive experience in the wireless industry. Before he re-joined MCI in 1993, he was president and chief executive officer of International Telecom Systems, Inc. and CRICO Communications, major paging firms that he founded. Earlier, he served as president and chief operating officer of Metromedia Telecommunications.

Mr. Harris was a Lieutenant in the U.S. Navy, serving in the destroyer fleet. He holds a B.A. in mathematics and history from Columbia University and a J.D. from Georgetown University, where he was editor of the law review. He is a member of the board of directors of the Association for Local Telecommunications Services and the board of visitors of the Georgetown University Law School.

Abraham L. Morris
Senior Vice President and Chief Financial Officer

As Senior Vice President and Chief Financial Officer of Teligent, Abe Morris is responsible for building the economic foundation of an important new communications competitor.

Before joining Teligent, Mr. Morris, 38, served as senior vice president, operations support, at MFS Communications Company, Inc. Recently acquired by WorldCom, MFS was an early entrant into the competitive local telecommunications market for switched and dedicated access service.

At MFS, Mr. Morris was directly involved in raising the company's capital, including MFS' initial public stock offering. He also was involved in the company's business development, revenue assurance, toll fraud management and co-carrier/local service activities. Mr. Morris joined MFS in 1992 as a vice president, and later became the company's treasurer. In 1994, he was named vice president and chief transition officer for MFS Intelenet, Inc. Along with two other companies in the Intelenet group, MFS Intelenet was the first to offer bundled, facilities-based local, long distance and customer equipment services to small and medium sized businesses.

Between 1986 and 1991, Mr. Morris was general manager for mergers and acquisitions for Peter Kiewit Sons', Inc. (PKS), a diversified industrial services company engaged in construction, mining, telecommunications, energy and packaging. Mr. Morris was responsible for identifying, evaluating and executing domestic and international mergers and acquisitions. PKS was the original equity investor in MFS.

Mr. Morris was an associate specializing in corporate securities at the law firm of Akin, Gump, Strauss, Hauer & Feld in Washington, D.C. between 1984 and 1986.

He received a J.D. with high honors from the National Law Center at The George Washington University in 1984, and a B.A. in political science from The George Washington University in 1981.

Steven F. Bell
Senior Vice President for Human Resources

As Teligent's Senior Vice President for Human Resources, Steve Bell is responsible for building the team of professional executives, managers, engineers and staff. Before joining Teligent, Mr. Bell, 47, served as vice president for human resources and organization development at COMSAT Corporation. Mr. Bell was responsible for executive and staff recruitment and development at the 4,000-employee satellite communications company. He is credited with building a highly successful, customer-focused human resources organization during a period of rapid change and intense competitive pressure.

Between 1988 and 1992, Mr. Bell was vice president, human resources for the worldwide technologies division of American Express Corporation. He led a group that was responsible for human resources support of 2,600 employees in locations around the globe.

Earlier, Mr. Bell served as director of human resources of Sprint International/Telenet, where he directed a staffing program that successfully filled 250 vacancies under tight deadline pressure. He also held human resources positions at Martin Marietta Data Systems, Connecticut Bank and Trust Company and the University of Connecticut.

Mr. Bell holds a B.S. degree from the University of Connecticut.

Richard J. Hanna
President of Field Operations Group

As President of the Field Operations Group at Teligent, Rick Hanna oversees all local market operations, sales and marketing.

Before joining Teligent in April, 1997, Mr. Hanna, 44, was president and chief executive officer of MFS Intelenet, based in San Ramon, California. Along with two other companies in the Intelenet group, MFS Intelenet was the first to offer bundled, facilities-based local, long distance and customer equipment services to small and medium-sized businesses. In his three years at MFS Intelenet, Mr. Hanna and his team grew the company from a start-up to a thriving, profitable enterprise with national revenues of $340 million.

Mr. Hanna previously served as vice president of sales for AT&T at the company's headquarters in Basking Ridge, N.J. At AT&T, Mr. Hanna presided over the build-up of a commercial sales force of 5,000 representatives, packaged AT&T's long distance products to recapture market share and built and managed new support systems for order processing, commission accounting and sales reporting.

Earlier, Mr. Hanna held senior sales positions at MCI Communications Corp.; US Sprint (now known as Sprint); Telic Corporation, the largest independent software consulting company for the regional Bell companies; and Telelogic, a manufacturer of auto-dialing equipment for the long distance industry.

Mr. Hanna earned a bachelor's degree from Central Connecticut University in 1977, and did post-graduate work at Stanford University.

Keith W. Kaczmarek
President of the Network Services Group

As President of the Network Services Group, Keith Kaczmarek is responsible for designing, building, maintaining and integrating Teligent's state-of-the-art digital microwave networks and other technical facilities.

Before joining Associated in May of 1997, Mr. Kaczmarek, 41, served as vice president for engineering and operations and chief technology officer for PrimeCo PCS, based in Westlake, Texas. At PrimeCo, he oversaw development and installation of the first and largest PCS deployment of CDMA (code division multiple access) wireless technology.

Between 1993 and 1995, Mr. Kaczmarek was vice president for technology development and product development for Nextel Communications in Lafayette, California. He was responsible for identifying, analyzing and developing new technologies to introduce into Nextel's digital mobile wireless networks. He managed strategic alliances with foreign and domestic companies, and also helped manage relations with the investment community.

Earlier, Mr. Kaczmarek held a number of technology-development positions at Pacific Telesis Group's wireless subsidiary, which was spun off as AirTouch Communications in 1994.

Between 1983 and 1989, Mr. Kaczmarek worked in a variety of engineering and management positions at GTE Corp. and GTE Mobilnet, Inc.

Mr. Kaczmarek holds B.S., M.S., and M.B.A. degrees from the University of Illinois.