1730 Rhode Island Ave NW
Suite 1000
Washington, DC 20036
USA

XO Communications, Inc.

Tel 202.721.0999
Fax 202.721.0995

December 1, 2000

David Waddell
Utility Service Division
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-050519

00-00068

Re: Application of XO Long Distance Services, Inc. for a Certificate to Provide Competing Interexchange and Resold Telecommunications Services

XO Long Distance Services, Inc. Responses to Tennessee Regulatory Authorities Request for Data

Dear Mr. Waddell,

Enclosed please find both XO Long Distance Communications, Inc.'s responses to the Tennessee Regulatory Authorities request for data and XO's Application for a Certificate to Provide Competing Interexchange Services. This is an updated Application requested by the Authority reflecting XO's name change from NEXTLNK Long Distance Services, Inc. and replaces the application currently on file. Please note that the Articles of Incorporation attached as Exhibit A are for NM Acquisition Corporation. This was the entity used to incorporate the combined NEXTLINK/Concentric businesses and which then changed its name to NEXTLINK Communications, Inc. If you have any questions please don't hesitate to contact me directly at 202-721-0982.

Sincerely,

Kevin Palmoski
XO Long Distance Services, Inc.

POSTED 12-15-00

BEFORE THE TENNESSEE REGULATORY AUTHORITY

In the Matter of	)	
	)	
Application of XO Long Distance Services, Inc. for a Certificate to Provide Competing Interexchange and Resold Telecommunications Services	)	**Docket No.** 00-00068

APPLICATION OF XO LONG DISTANCE SERVICES, INC. FOR A CERTIFICATE TO PROVIDE COMPETING INTEREXCHANGE SERVICES

XO Long Distance Services, Inc. ("Applicant"), a Washington corporation wholly owned by XO Communications, Inc. ("XO Communications") hereby submits this Application to the Tennessee Regulatory Authority pursuant to Tenn. Code Ann. §§ 65-4-201 and 65-5-212 and Tenn. Comp. R. & Regs. §§ 1220-4-2-.55 and 1220-4-2-.57 for a Certificate of Public Convenience and Necessity to operate as a Telecommunications Services Provider offering both facilities-based and resold interexchange service throughout Tennessee. In support of this Application, the following information is provided:

1. CONTACTS

Questions or inquiries regarding this Application should be directed to:

Kevin Palmoski
XO Long Distance Services, Inc.
1730 Rhode Island Ave., NW
Suite 1000
Washington, DC 20036
T: (202) 721-0982
F: (202) 721-0995

Copies of any correspondence should also be sent to the following designated representative of the Applicant:

Mr. Doug Kinkoph
XO Long Distance Services, Inc.
Two Easton Oval, Suite 300
Columbus, Ohio 43219
T: (614) 629-3200
F: (614) 629-3201

Ms. Dana Shaffer can also serve as the Tennessee contact person responsible for and knowledgeable about the Applicant's operations.

Dana Shaffer
VP, Legal & Regulatory Affairs
XO Tennessee, Inc.
105 Molloy Street
Suite 300
Nashville, TN 37201
(615) 777-7700

The toll free number to call for customer care nationwide is 1-800-900-6398. Complaints will be processed through this toll free line.

Applicant's full name and mailing address is:

XO Long Distance Services, Inc.
1730 Rhode Island Ave., NW
Suite 1000
Washington, DC 20036

2. ORGANIZATION AND OWNERSHIP OF APPLICANT

XO Communications is a telecommunications company founded in 1994 to provide local, long distance and enhanced communications services.[1] XO Communications maintains its principal place of business at 11111 Sunset Hills Drive, Reston VA. 20193. XO

Communications is controlled by Eagle River Investments, L.L.C., which in turn is majority owned and controlled by Craig O. McCaw, a leader and pioneer in the telecommunications industry.

Applicant is a corporation organized under the laws of the State of Washington,[2] and is headquartered at 11111 Sunset Hills Drive, Reston VA. 20193. Applicant is a wholly owned subsidiary of XO Communications.

The Applicant's registered agent in Tennessee is Corporation Service Company, 500 Tallen Building, Two Union Square, Chattanooga, Tennessee 37402-2571.

3. DESCRIPTION OF SERVICES

Applicant intends to operate as a provider of facilities-based and resold long distance services throughout the state of Tennessee. Initially, all operator assisted calls will be contracted to third parties. Applicant will meet all service requirements of the Authority and will file an initial tariff subsequent to approval.

A grant of a Certificate of Public Convenience and Necessity to the Applicant will benefit the citizens of Tennessee and the public interest generally by giving customers a source from which to obtain competitive, reliable, and efficient telecommunications services.

4. MANAGERIAL AND TECHNICAL QUALIFICATIONS

XO Long Distances Services Inc. and its affiliate, XO Tennessee Inc. possess the technical and managerial qualifications required to provide telecommunications services throughout the State of Tennessee. XO Communications, through its operating subsidiaries, is

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[1] A copy of XO Communication's Articles of Incorporation is attached as **Exhibit A**.
[2] A copy of XO Long Distance's Articles of Incorporation and its Certificate of Authority to

certified to provide local and long distance telecommunications services in numerous states.[3] XO Communications already operates over 30 facilities-based SONET-based fiber optic networks providing local dialtone and long distance services in 53 markets in 22 states. The XO Communications companies are managed by an able team of officers who have many years of combined experience in the telephony field.[4] This successful operational experience is evidence of XO's technical and managerial capability to deliver the services discussed above in a fashion that is satisfactory to consumers.

5. FINANCIAL QUALIFICATIONS

The XO Communications companies also possess adequate financial resources to provide the proposed services. The company is well financed and has sufficient assets.[5] As a wholly owned subsidiary of XO Communications, the Applicant will have the financial resources of its parent company available to it.

6. STATES WHERE CERTIFIED/REGULATORY COMPLAINTS

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transact business in Tennessee are attached as **Exhibit B**.

[3] These states are Arizona, California, Colorado, Delaware, Florida, Georgia, Illinois, Indiana, Kansas, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Nevada, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Tennessee, Texas, Utah, Virginia, Washington, Washington D.C. and Wisconsin. Local certification has been obtained in Indiana. Long distance certification has been obtained in Alaska, Arkansas, Alabama, Iowa, Kentucky, Montana, Nebraska, New Hampshire, New Mexico, North Dakota, Oregon, Rhode Island, South Dakota, Wyoming, and West Virginia. XO Communications has never been denied authority to offer service in any state.

[4] Brief Biographies of the officers of XO Communications are attached as **Exhibit C**. These officers will ultimately be responsible for all Tennessee operations. Officers may be reached through Applicant's headquarters.

[5] XO Communication's Form 10K for the fiscal year ending December 31, 1999 is attached as **Exhibit D**.

The Applicant is certified to provide telecommunications services in Alaska, Arkansas, California, Colorado, Florida, Illinois, Indiana, Iowa, Kansas, Kentucky, Massachusetts, Michigan, Missouri, Montana Nebraska, New Hampshire, New York, North Dakota, Nevada, Oregon Pennsylvania, Rhode Island, South Dakota, Texas, Utah, Virginia, Washington, Washington DC, and Wyoming and has applications pending in several other states. Applicant has not been denied registration or certification in any state. XO Long Distance Services Inc. has not received any registered complaints.

7. SMALL AND MINORITY-OWNED BUSINESS PLAN

Applicant intends to opt into the small and minority-owned business plan of its affiliated company, XO Tennessee Inc. The plan administrator is Dana Shaffer.

8. STATEMENT OF COMPLIANCE

Applicant agrees to abide by all applicable statutes and all applicable Orders, rules and regulations entered and adopted by the Tennessee Regulatory Authority or the Federal Communications Commission.

9. CONCLUSION

In light of the foregoing, Applicant respectfully submits that the public interest, convenience and necessity would be served by a grant of this Application for a Certificate of Public Convenience and Necessity to operate as a Telecommunications Service Provider offering resold and facilities-based interexchange service throughout the State of Tennessee.

DATED this 21 day of November, 2000.

Respectfully submitted,

XO LONG DISTANCE SERVICES, INC.

By: _____

Doug Kinkoph
Vice President, Regional Regulatory Officer

DISTRICT OF COLUMBIA)
)
)

VERIFICATION

R. Gerard Salemme, being first duly sworn under oath, states that he is Senior Vice President, External Affairs and Industry Relations of XO Long Distance Services, Inc., that he has read the foregoing Application and that the matters stated therein are true to the best of his knowledge and belief.

R. Gerard Salemme

SUBSCRIBED and SWORN
to before me this 29th day
of November, 2000.

Notary Public, Marla J. Davis
Washington, DC

My Commission Expires October 31, 2002

Exhibit A

State of Delaware PAGE 1

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 AMENDMENT OF "NEXTLINK COMMUNICATIONS, INC.", CHANGING ITS NAME FROM "NEXTLINK COMMUNICATIONS, INC." TO "XO COMMUNICATIONS, INC.", FILED IN THIS OFFICE ON THE TWENTIETH DAY OF OCTOBER, A.D. 2000, AT 4:30 O'CLOCK P.M.

A FILED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO THE NEW CASTLE COUNTY RECORDER OF DEEDS.

AND I DO HEREBY FURTHER CERTIFY THAT THE EFFECTIVE DATE OF THE AFORESAID CERTIFICATE OF AMENDMENT IS THE TWENTY-FIFTH DAY OF OCTOBER, A.D. 2000.

Edward J. Freel, Secretary of State

3153516 8100

001531015

AUTHENTICATION: 0749582

DATE: 10-23-00

CERTIFICATE OF AMENDMENT
OF
CERTIFICATE OF INCORPORATION

Nextlink Communications, Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware, does hereby certify:

1. A resolution setting forth the following amendment to the corporation's Certificate of Incorporation and declaring the advisability of such amendment was duly adopted by the corporation's Board of Directors in accordance with the applicable provisions of Section 242 of the General Corporation Law of the State of Delaware:

> Article First of the Certificate of Incorporation is amended to read as follows:
>
> > "The name of the corporation is XO Communications, Inc."

2. In lieu of a meeting of the stockholders, written consent has been given for the adoption of said amendment in accordance with the applicable provisions of Section 228 and Section 242 of the General Corporation Law of the State of Delaware.

3. The amendment shall be effective on October 25, 2000.

NEXTLINK COMMUNICATIONS, INC.

By: _____
Richard A. Montfort, Jr.
Assistant Secretary

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 MERGER, WHICH MERGES:

"CONCENTRIC NETWORK CORPORATION", A DELAWARE CORPORATION,

WITH AND INTO "NEXTLINK COMMUNICATIONS, INC." UNDER THE NAME OF "NEXTLINK COMMUNICATIONS, INC.", A CORPORATION ORGANIZED AND EXISTING UNDER THE LAWS OF THE STATE OF DELAWARE, AS RECEIVED AND FILED IN THIS OFFICE THE SIXTEENTH DAY OF JUNE, A.D. 2000, AT 12:01 O'CLOCK P.M.

A FILED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO THE NEW CASTLE COUNTY RECORDER OF DEEDS.

Edward J. Freel, Secretary of State

3153516 8100M

001307640

AUTHENTICATION: 0503508

DATE: 06-16-00

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 "NM ACQUISITION CORP.", FILED IN THIS OFFICE ON THE THIRTIETH DAY OF DECEMBER, A.D. 1999, AT 9 O'CLOCK A.M.

A FILED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO THE NEW CASTLE COUNTY RECORDER OF DEEDS.

Edward J. Freel, Secretary of State

3153516 8100

001002215

AUTHENTICATION: 0177816

DATE: 01-04-00

STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 09:00 AM 12/30/1999
001002215 - 3153516

CERTIFICATE OF INCORPORATION

OF

NM ACQUISITION CORP.

FIRST. The name of this corporation shall be:

NM ACQUISITION CORP.

SECOND. Its registered office in the State of Delaware is to be located at 1013 Centre Road, in the City of Wilmington, County of New Castle and its registered agent at such address is CORPORATION SERVICE COMPANY.

THIRD. The purpose or purposes of the corporation shall be:

To engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

FOURTH. The total number of shares of stock which this corporation is authorized to issue is:
Nine Hundred Twenty Million (920,000,000) shares of Common Stock, of which Eight Hundred Million (800,000,000) shares shall be Class A Common with a par value of $.02 and One Hundred and Twenty Million (120,000,000) shares shall be Class B Common with a par value of $.02. The total number of Preferred Shares shall be Thirty-Five Million (35,000,000) of which, Twenty-Five Million shares shall be Class A Preferred with a par value of $.01 and Ten Million (10,000,000) shares shall be Class B Preferred with a par value of $.001.

The powers, preferences and rights and the qualifications, limitations or restrictions thereof shall be determined by the board of directors.

FIFTH. The name and address of the incorporator is as follows:

Micki Shilling
Corporation Service Company
1013 Centre Road
Wilmington, DE 19805

SIXTH. The Board of Directors shall have the power to adopt, amend or repeal the by-laws.

SEVENTH. No director shall be personally liable to the Corporation or its stockholders for monetary damages for any breach of fiduciary duty by such director as a director. Notwithstanding the foregoing sentence, a director shall be liable to the extent provided by applicable law, (i) for 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 Delaware General Corporation Law or (iv) for any transaction from which the director derived an improper personal benefit. No amendment to or repeal of this Article Seventh shall apply to or have any effect on the liability or alleged liability of any director of the Corporation for or with respect to any acts or omissions of such director occurring prior to such amendment.

IN WITNESS WHEREOF, the undersigned, being the incorporator hereinbefore named, has executed, signed and acknowledged this certificate of incorporation this thirtieth day of December, A.D., 1999.

Micki Shilling
Incorporator

City of Wilmington
County of New Castle
Dated: 12-30-99

ORGANIZATION ACTION IN WRITING OF INCORPORATOR

OF

NM ACQUISITION CORP.

(Organized 12-30-99)

The following action is taken this day through this instrument by the incorporator of the above corporation:

1. The adoption of the initial Bylaws of the corporation.
2. The election of the following person[s] to serve as the director[s] of the corporation until the first annual meeting of stockholders and until their successors are elected and qualified or until their earlier resignation or removal:

GARY BEGEMAN

Micki Shilling

Micki Shilling , Incorporator

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 RESTATED CERTIFICATE OF "NM ACQUISITION CORP.", FILED IN THIS OFFICE ON THE EIGHTH DAY OF JUNE, A.D. 2000, AT 9 O'CLOCK A.M.

A FILED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO THE NEW CASTLE COUNTY RECORDER OF DEEDS.

Edward J. Freel, Secretary of State

3153516 8100

001293840

AUTHENTICATION: 0488734

DATE: 06-09-00

STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 09:00 AM 06/08/2000
001293840 - 3153516

AMENDED AND RESTATED CERTIFICATE OF INCORPORATION OF NM ACQUISITION CORP.

Pursuant to Section 241
of the
Delaware General Corporation Law

****

NM ACQUISITION CORP., a Delaware corporation, hereby certifies as follows:

The Certificate of Incorporation (the "Original Certificate") of NM Acquisition Corp. (the "Corporation") was filed in the office of the Secretary of State of the State of Delaware on December 301999. The Corporation has not received any payment for any of its stock and the Original Certificate is hereby amended and restated pursuant to Section 241 and Section 245 of the Delaware General Corporation Law and has been duly proposed and adopted by the Board of Directors of the Corporation in accordance with Section 241.

This Amended and Restated Certificate of Incorporation restates and integrates and further amends the Original Certificate. The text of the Original Certificate is amended to read as herein set forth in full:

1. Name. The name of the corporation is:

NM ACQUISITION CORP.

NM Acquisition Corp. is referred to as the "Corporation" hereafter in this Certificate of Incorporation.

2. Purpose. The nature of the business or purpose to be conducted or promoted by the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

3. Shares. The Corporation shall have authority to issue One Billion One Hundred Twenty Million (1,120,000,000) shares of common stock (the "Common Stock"), which shall be divided into two classes, One Billion (1,000,000,000) shares of Class A Common Stock, par value $0.02 per share (the "Class A Common Stock"), and One Hundred Twenty Million (120,000,000) shares of Class B Common Stock, par value $0.02 per share (the "Class B Common Stock"). The Corporation shall have authority to issue Twenty-Five Million (25,000,000) shares of preferred stock, par value $.01 per share (the "Preferred Stock").

The Class A and Class B Common Stock are entitled to vote on all matters which come before the stockholders. Subject to the differential voting power hereafter described in this paragraph 3, all Common Stock shall vote together as a single class. Each share of Class A Common Stock shall have one (1) vote and each share of Class B Common Stock shall have ten

(10) votes on all matters on which holders of Common Stock are entitled to vote. Each share of Class B Common Stock may be converted, at any time and at the option of the holder, into one share of Class A Common Stock. Each share of Class B Common Stock may also be converted, at the option of the Corporation as determined in the sole discretion of the Board of Directors of the Corporation (the "Board of Directors"), into one share of Class A Common Stock at any time such Class B Common Stock is transferred, or is presented to the Corporation for transfer on the Corporation's records by the holder of such Class B Common Stock, whether such transfer results from a contractual obligation of the holder, by operation of law, by a change in control of the holder, by testamentary disposition or gift, or for any other reason.

The number of authorized shares of either class of Common Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the Common Stock, without a separate class vote of the holders of such class, irrespective of Section 242(b) of the Delaware General Corporation Law.

Except with regard to the differential voting power hereinbefore described in this paragraph 3, the Class A Common Stock and the Class B Common Stock shall carry identical characteristics, rights, preferences, and limitations, including but not limited to participating equally in any dividends when and as declared by the Directors out of funds lawfully available therefor and in any distribution resulting from a liquidation or distribution of assets, whether voluntary or involuntary, in each case subject to any preferential rights granted to any series of Preferred Stock that may be then outstanding.

Shares of Preferred Stock of the Corporation may be issued from time to time in one or more classes or series, each of which class or series shall have such distinctive designation or title as shall be fixed by the Board of Directors and recorded in a Certificate of Designations adopted and filed as required by Section 151 of the General Corporation Law of Delaware prior to the issuance of any shares thereof. Each such class or series of Preferred Stock shall have such voting powers, full or limited, or no voting powers, and such preferences and relative participating, option or other special rights and such qualifications, limitations or restrictions thereof, as shall be stated in such resolution or resolutions providing for the issue of such class or series of Preferred Stock as may be adopted from time to time by the Board of Directors prior to the issuance of any shares thereof pursuant to the authority hereby expressly vested in it, all in accordance with the laws of the State of Delaware.

4. Bylaws. In furtherance and not in limitation of the powers conferred by statute, the bylaws of the Corporation may be made, altered, amended or repealed by the stockholders or by a majority of the entire Board of Directors.

5. Registered Agent and Office. The name of the initial registered agent of this corporation and the address of its initial registered office are as follows:

Name	Address
Corporation Service Company	1013 Centre Road Wilmington, DE 19805

8. Directors. The number of directors of this corporation shall be determined in the manner specified by the Bylaws and may be increased or decreased from time to time in the manner provided therein.

9. Indemnification.

(a) The Corporation shall indemnify to the fullest extent permitted under and in accordance with the laws of the State of Delaware any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative by reason of the fact that he or she is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, trustee, employee or agent of or in any other capacity with another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees and costs), judgments, fines and amounts paid in settlement actually and reasonably incurred by him or her in connection with such action, suit or proceeding if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful.

(b) Expenses incurred in defending a civil or criminal action, suit or proceeding shall (in the case of any action, suit or proceeding against a director of the Corporation) or may (in the case of any action, suit or proceeding against an officer, trustee, employee or agent) be paid by the Corporation in advance of the final disposition of such action, suit or proceeding as authorized by the Board of Directors upon receipt of an undertaking by or on behalf of the indemnified person to repay such amount if it shall ultimately be determined that he or she is not entitled to be indemnified by the Corporation as authorized in this paragraph 10.

(c) The indemnification and other rights set forth in this paragraph 10 shall not be exclusive of any provisions with respect thereto in the bylaws or any other contract or agreement between the Corporation and any officer, director, employee or agent of the Corporation.

(d) Neither the amendment nor repeal of this paragraph 10, subparagraph (a), (b) or (c), nor the adoption of any provision of this Certificate of Incorporation inconsistent with this paragraph 10, subparagraph (a), (b) or (c), shall eliminate or reduce the effect of this paragraph 10, subparagraphs (a), (b) and (c), in respect of any matter occurring before such amendment, repeal or adoption of an inconsistent provision or in respect of any cause of action, suit or claim relating to any such matter which would have given rise to a right of indemnification or right to

receive expenses pursuant to this paragraph 10, subparagraph (a), (b) or (c), if such provision had not been so amended or repealed or if a provision inconsistent therewith had not been so adopted.

10. Limitation of Director Liability. A director shall have no liability to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for any breach of the director's duty of loyalty to the corporation or its stockholders, acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law by the director, conduct violating Section 174 of the General Corporation Law of Delaware, or for any transaction from which the director will personally receive a benefit in money, property or services to which the director is not legally entitled. If the General Corporation Law of Delaware is hereafter amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director shall be eliminated or limited to the full extent permitted by the General Corporation Law of Delaware, as so amended. Any repeal or modification of this Article shall not adversely affect any right or protection of a director of the corporation existing at the time of such repeal or modification for or with respect to an act or omission of such director occurring prior to such repeal or modification.

IN WITNESS WHEREOF, said Corporation has caused this certificate to be signed by its Vice President and Secretary this 8th day of June, 2000.

/s/ Gary D. Begeman
Gary D. Begeman
Vice President and Secretary

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 AMENDMENT OF "NEXTLINK COMMUNICATIONS, INC.", CHANGING ITS NAME FROM "NEXTLINK COMMUNICATIONS, INC." TO "XO COMMUNICATIONS, INC.", FILED IN THIS OFFICE ON THE TWENTIETH DAY OF OCTOBER, A.D. 2000, AT 4:30 O'CLOCK P.M.

A FILED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO THE NEW CASTLE COUNTY RECORDER OF DEEDS.

AND I DO HEREBY FURTHER CERTIFY THAT THE EFFECTIVE DATE OF THE AFORESAID CERTIFICATE OF AMENDMENT IS THE TWENTY-FIFTH DAY OF OCTOBER, A.D. 2000.

Edward J. Freel, Secretary of State

3153516 8100

001531015

AUTHENTICATION: 0749582

DATE: 10-23-00

CERTIFICATE OF AMENDMENT
OF
CERTIFICATE OF INCORPORATION

Nextlink Communications, Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware, does hereby certify:

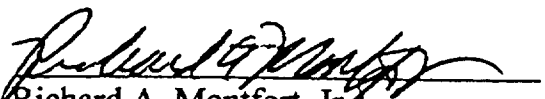
1. A resolution setting forth the following amendment to the corporation's Certificate of Incorporation and declaring the advisability of such amendment was duly adopted by the corporation's Board of Directors in accordance with the applicable provisions of Section 242 of the General Corporation Law of the State of Delaware:

> Article First of the Certificate of Incorporation is amended to read as follows:
>
> > "The name of the corporation is XO Communications, Inc."

2. In lieu of a meeting of the stockholders, written consent has been given for the adoption of said amendment in accordance with the applicable provisions of Section 228 and Section 242 of the General Corporation Law of the State of Delaware.

3. The amendment shall be effective on October 25, 2000.

NEXTLINK COMMUNICATIONS, INC.

By: 
Richard A. Montfort, Jr.
Assistant Secretary

BYLAWS
OF
NM ACQUISITION CORP.

These Bylaws are intended to conform to the mandatory requirements of the General Corporation Law of Delaware (the "Act"). Any ambiguity arising between these Bylaws and the discretionary provisions of the Act shall be resolved in favor of the application of the Act.

ARTICLE I.

STOCKHOLDERS

Section 1. Place.

Stockholders meetings shall be held at the registered office of the Corporation unless a different place shall be designated by the Board of Directors.

Section 2. Annual Meeting.

The annual meeting of the Stockholders shall be held on the date and time designated by the Board of Directors. The meeting shall be held for the purpose of electing Directors and for the transaction of such other business as may come before the meeting, whether stated in the notice of meeting or not, except as otherwise expressly stated in the Certificate of Incorporation. If the election of Directors shall not be held on the day designated herein, the Board of Directors shall cause the election to be held at a special meeting of the Stockholders on the next convenient day.

Section 3. Special Meetings.

Special meetings of the Stockholders may be called by the President or the Board of Directors for any purpose at any time, and shall be called by the President at the request of the holders of shares entitled to cast at least 25% of votes eligible to be cast. Special meetings shall be held at such place or places within or without the state of Delaware as shall be designated by the Board of Directors and stated in the notice of such meeting. At a special meeting no business shall be transacted and no corporate action shall be taken other than that stated in the notice of the meeting.

Section 4. Notice.

Written or printed notice stating the place, hour and day of the meeting and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered

not less than ten (10) days nor more than sixty (60) days before the date of the meeting, either personally or by mail, by or at the direction of the President, the Secretary, or the officer or persons calling the meeting to each Stockholder of record entitled to vote at such meeting, or for such other notice period as may be required by the Act. Such notice and the effective date thereof shall be determined as provided in the Act.

Section 5. Quorum.

A majority of votes entitled to be cast by the shares issued, outstanding and entitled to vote upon the subject matter at the time of the meeting, represented in person or by proxy, shall constitute a quorum for the transaction of business at any meeting of the Stockholders.

Section 6. Adjourned Meetings.

If there is no quorum present at any annual or special meeting the Stockholders present may adjourn to such time and place as may be decided upon by the holders of the majority of the shares present, in person or by proxy, and notice of such adjournment shall be given in accordance with Section 4 of this Article, but if a quorum is present, adjournment may be taken from day to day or to such time and place as may be decided and announced by a majority of the Stockholders present, and subject to the requirements of the Act, no notice of such adjournment need be given. At any such adjourned meeting at which a quorum is present, any business may be transacted which could have been transacted at the meeting originally called.

Section 7. Voting.

Each Stockholder entitled to vote on the subject matter shall be entitled to that number of votes provided in the Certificate of Incorporation for each share of stock standing in the name of the Stockholder on the books of the Corporation at the time of the closing of the Transfer Books for said meeting, whether represented and present in person or by proxy. The affirmative vote of the holders of a majority of the shares of each class represented at the meeting and entitled to vote on the subject matter shall be the act of the Stockholders. The Stockholders present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough Stockholders to leave less than a quorum.

The secretary shall prepare and make, at least ten days before every election of directors, a complete list of the Stockholders entitled to vote, arranged in alphabetical order and showing the address of each Stockholder and the number of shares

of each Stockholder. Such list shall be open at the offices of the Corporation for said ten days, to the examination of any Stockholder, and shall be produced and kept at the time and place of election during the whole time thereof, and subject to the inspection of any Stockholder who may be present.

Section 8. Proxies.

At all meetings of Stockholders, a Stockholder may vote in person or by proxy executed in writing by the Stockholder or by his duly authorized attorney in fact. No proxy shall be valid after eleven (11) months from the date of its execution, unless otherwise provided in the proxy.

Section 9. Record Date.

The Board of Directors is authorized to fix in advance a date not exceeding sixty days nor less than ten days preceding the date of any meeting of the Stockholders, or the date for the payment of any dividend, or the date for the allotment of rights, or the date when any change or conversion or exchange of capital stock shall go into effect, or a date in connection with obtaining the consent Stockholders for any purposes, as a record date for the determination of the Stockholders entitled to notice of, and to vote at, any such meeting, and any adjournment thereof, or entitled to receive payment of any such dividend, or to any such allotment of rights, or to exercise the rights in respect of any such change, conversion or exchange of capital stock, or to give such consent, and, in such case, such Stockholders and only such Stockholders as shall be Stockholders of record on the date so fixed shall be entitled to such notice of, and to vote at, such meeting, and any adjournment thereof, or to receive payment of such dividend, or to receive such allotment of rights, or to exercise such rights, or to give such consent, as the case may be, notwithstanding any transfer of any stock on the books of the Corporation, after such record date fixed pursuant to this Section.

Section 10. Conduct of Meetings.

The Chairman of the Board of Directors or, in his absence the Chief Executive Officer, President, or the Vice-President designated by the Chairman of the Board, shall preside at all regular or special meetings of Stockholders. To the maximum extent permitted by law, such presiding person shall have the power to set procedural rules, including but not limited to rules respecting the time allotted to Stockholders to speak, governing all aspects of the conduct of such meetings.

ARTICLE II.

DIRECTORS

Section 1. In General.

The business and affairs of the Corporation shall be managed by a Board of Directors initially consisting of one (1) director, and thereafter shall consist of such number as may be fixed from time to time by resolution of the Board of Directors. The member of the first Board of Directors shall hold office until the first annual meeting of the Stockholders and until his successor(s) shall have been elected and qualified. Thereafter, the term of the Directors shall begin upon each Director's election by the Stockholders as provided in Article I, Section 7 above, and shall continue until his successor shall have been elected and qualified.

Section 2. Powers.

The corporate powers, business, property and interests of the Corporation shall be exercised, conducted and controlled by the Board of Directors, which shall have all power necessary to conduct, manage and control its affairs, and to make such rules and regulations as it may deem necessary as provided by the Act; to appoint and remove all officers, agents and employees; to prescribe their duties and fix their compensation; to call special meetings of Stockholders whenever it is deemed necessary by the Board, to incur indebtedness and to give securities, notes and mortgages for same. It shall be the duty of the Board to cause a complete record to be kept of all the minutes, acts, and proceedings of its meetings.

Section 3. Vacancies.

Vacancies in the Board of Directors may be temporarily filled by the affirmative vote of a majority of the remaining Directors even though less than a quorum of the Board of Directors. Such temporary Director or Directors shall hold office until the first meeting of the Stockholders held thereafter, at which time such vacancy or vacancies shall be permanently filled by election according to the procedure specified in Section 1 of this Article II.

Section 4. Annual Meeting.

There shall be an annual meeting of the Board of Directors which shall be held immediately after the annual meeting of the Stockholders and at the same place.

Section 5. Special Meeting.

Special meetings may be called from time to time by the President or any one of the Directors. Any business may be transacted at any special meeting.

Section 6. Quorum.

A majority of the Directors shall constitute a quorum, The act of a majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board of Directors. If less than a quorum is present at a meeting, a majority of the Directors present may adjourn the meeting from time to time without further notice, other than announcement at the meeting, until a quorum shall be present. Interested Directors may be counted for quorum purposes.

Section 7. Notice and Place of Meetings.

Notice of all Directors' meetings shall be given in accordance with the Act. No notice need be given of any annual meeting of the Board of Directors. One day prior notice shall be given for all special meetings of the Board, but the purpose of special meetings need not be stated in the notice.

Meetings of the Board of Directors may be held at the principal office of the corporation, or at such other place as shall be stated in the notice of such meeting. Members of the Board of Directors, or any committee designated by the board of directors, shall, except as otherwise provided by law, the Certificate of Incorporation or these Bylaws, have the power to participate in a meeting of the board of Director, or any committee, by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation shall constitute presence in person at this meeting.

Section 8. Compensation.

By resolution of the Board of Directors, each Director may either be reimbursed for his expenses, if any, for attending each meeting of the Board of Directors or may be paid a fixed fee for attending each meeting of the Board of Directors, or both. No such payment shall preclude any Director from serving the Corporation in any other capacity and receiving compensation therefor.

Section 9. Removal or Resignation of Directors.

Any Director may resign by delivering written notice of the resignation to the Board of Directors or an officer of the Corporation. All or any number of the Directors may be removed, with or without cause, at a meeting expressly called for that purpose by a vote of the holders of the majority of the shares then entitled to vote at an election of Directors.

Section 10. Presumption of Assent.

A Director of the Corporation who is present at a meeting of the Board of Directors at which action on any corporate matter is taken shall be presumed to have assented to the action taken, unless his dissent shall be manifested in the manner required by the Act. Such right to dissent shall not apply to a Director who voted in favor of such action.

Section 11. Committees.

The Board of Directors may, by resolution passed by a majority of the whole Board, designate two or more of their number to constitute an Executive Committee to hold office at the pleasure of the board, which committee shall, during the intervals between meetings of the Board of Directors, have and exercise all of the powers of the Board of Directors in the management of the business and affairs of the Corporation, subject only to such restrictions or limitations as the Board of Directors may from time to time specify, or as limited by the Act. Any member of the Executive Committee may be removed at any time, with or without cause, by a resolution of a majority of the whole Board of Directors. Any vacancy in the Executive Committee may be filled from among the directors by a resolution of a majority of the whole Board of Directors. Other committees of two or more Directors, may be appointed by the Board of Directors or the Executive Committee, which committees shall hold office for such time and have such powers and perform such duties as may from time to time be assigned to them by the Board of Directors or the Executive Committee.

ARTICLE III.

OFFICERS AND AGENTS - GENERAL PROVISIONS

Section 1. Number, Election and Term.

Officers of the Corporation shall be a President, Secretary, and Treasurer. Officers shall be elected by the Board of Directors at its first meeting, and at each regular annual meeting of the Board of Directors thereafter. Each officer shall

hold office until the next succeeding annual meeting of the Directors and until his successor shall be elected and qualified. Any one person may hold more than one office if it is deemed advisable by the Board of Directors.

Section 2. Additional Officers and Agents.

The Board of Directors may appoint and create such other officers and agents as may be deemed advisable and prescribe their duties.

Section 3. Resignation or Removal.

Any officer or agent of the Corporation may resign from such position by delivering written notice of the resignation to the Board of Directors, but such resignation shall be without prejudice to the contract rights, if any, of the Corporation. Any officer or agent elected or appointed by the Board of Directors may be removed by the Board of Directors whenever in its judgment the best interests of the Corporation would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Election or appointment of an officer or agent shall not of itself create contract rights.

Section 4. Vacancies.

Vacancies in any office caused by any reason shall be filled by the Board of Directors at any meeting by selecting a suitable and qualified person to act during the unexpired term.

Section 5. Salaries.

The salaries of all the officers, agents and other employees of the Corporation shall be fixed by the Board of Directors and may be changed from time to time by the Board, and no officer shall be prevented from receiving such salary by reason of the fact that he or she is also a Director of the Corporation. All Directors, including interested Directors, are specifically authorized to participate in the voting of such compensation irrespective of their interest.

ARTICLE IV.

DUTIES OF THE OFFICERS

Section 1. Chairman of the Board.

The Chairman of the Board, if any, shall be a member of the Board of Directors and, subject to Sections 2 and 3 of this Article IV, shall preside at all meetings of the Stockholders and

Directors; perform all duties required by the Bylaws of the Corporation, and as may be assigned from time to time by the Board of Directors; and shall make such reports to the Board of Directors and Stockholders as may be required.

Section 2. Chief Executive Officer.

The Chief Executive Officer, if any, shall have general charge and control of the affairs of the Corporation subject to the direction of the Board of Directors; sign as President all Certificates of Stock of the Corporation; perform all duties required by the Bylaws of the Corporation, and as may be assigned from time to time by the Board of Directors; and shall make such reports to the Board of Directors and Stockholders as may be required. In addition, if no Chairman of the Board is elected by the Board or if the Chairman is unavailable, the Chief Executive Officer shall perform all the duties required of such officer by these Bylaws.

Section 3. President.

The President shall, if no Chief Executive Officer shall have been appointed or if the Chief Executive Officer is unavailable, perform all of the duties of the Chief Executive Officer. If a Chief Executive Officer shall have been appointed, the President shall perform such duties as shall be assigned by the Board of Directors, and in the case of absence, death or disability of the Chief Executive Officer, shall perform and be vested with all of the duties and powers of the Chief Executive Officer, until the Chief Executive Officer shall have resumed such duties or the Chief Executive Officer's successor shall have been appointed.

Section 4. Vice President.

The Vice President, or any of them, shall perform such duties as shall be assigned by the Board of Directors, and in the case of absence, disability or death of the President, the Vice President shall perform and be vested with all the duties and powers of the President, until the President shall have resumed such duties or the President's successor is elected. In the event there is more than one Vice President, the Board of Directors may designate one or more of the Vice Presidents as Executive Vice Presidents, who, in the event of the absence, disability or death of the President shall perform such duties as shall be assigned by the Board of Directors.

Section 5. Secretary.

The Secretary shall keep a record of the proceedings at the meetings of the Stockholders and the Board of Directors and shall give notice as required in these Bylaws of all such meetings; have custody of all the books, records and papers of the Corporation, except such as shall be in charge of the Treasurer or some other person authorized to have custody or possession thereof by the Board of Directors; sign all Certificates of Stock of the Corporation; from time to time make such reports to the officers, Board of Directors and Stockholders as may be required and shall perform such other duties as the Board of Directors may from time to time delegate. In addition, if no Treasurer is elected by the Board, the Secretary shall perform all the duties required of the office of Treasurer by the Act and these Bylaws.

Section 6. Treasurer.

The Treasurer shall keep accounts of all monies of the Corporation received or disbursed; from time to time make such reports to the officers, Board of Directors and Stockholders as may be required, perform such other duties as the Board of Directors may from time to time delegate.

Section 7. Assistant Secretary.

The Assistant Secretary, if any, shall assist the Secretary in all duties of the office of Secretary. In the case of absence, disability or death of the Secretary, the Assistant Secretary shall perform and be vested with all the duties and powers of the Secretary, until the Secretary shall have resumed such duties or the Secretary's successor is elected.

ARTICLE V.

STOCK

Section 1. Certificates.

The shares of stock of the Corporation shall be evidenced by an entry in stock transfer records of the Corporation, and may be represented by stock certificates in a form adopted by the Board of Directors and every person who shall become a Stockholder shall be entitled, upon request, to a certificate of stock. All certificates shall be consecutively numbered by class. Certificates, if any, shall be signed by the Chairman of the Board of Directors, the President or one of the Vice Presidents, and the Secretary or an Assistant Secretary or the Treasurer or an Assistant Treasurer, provided, however, that

where such certificates are signed by a transfer agent or an assistant transfer agent or by a transfer clerk acting on behalf of the corporation and a registrar, the signature of any such officer may be facsimile.

Section 2. Transfer of Certificates.

Any certificates of stock transferred by endorsement shall be surrendered, canceled and new certificates issued to the purchaser or assignee.

Section 3. Transfer of Shares.

Shares of stock shall be transferred only on the books of the Corporation by the holder thereof, in person or by his attorney, and no transfers of certificates of stock shall be binding upon the Corporation until this Section and, with respect to certificated shares, Section 2 of this Article are met to the satisfaction of the Secretary of the Corporation.

The Board of Directors may make other and further rules and regulations concerning the transfer and registration of shares of the Corporation, and may appoint a transfer agent or registrar or both and may require all certificates of stock to bear the signature of either or both.

The stock ledgers of the Corporation, containing the names and addresses of the stockholders and the number of shares held by them respectively, shall be kept at the principal offices of the Corporation or at the offices of the transfer agent of the Corporation.

Section 4. Lost Certificates.

In the case of loss, mutilation or destruction of a certificate of stock, a duplicate certificate may be issued upon such terms as the Board of Directors shall prescribe.

Section 5. Dividends.

The Board of Directors may from time to time declare, and the Corporation may then pay, dividends on its outstanding shares in the manner and upon the terms and conditions provided by the Act and in its Certificate of Incorporation.

Section 6. Working Capital.

Before the payment of any dividends or the making of any distributions of the net profits, the Board of Directors may set aside out of the net profits of the Corporation such sum or sums as in their discretion they think proper, as a working

capital or as a reserve fund to meet contingencies. The Board of Directors may increase, diminish or vary the capital of such reserve fund in their discretion.

ARTICLE VI.

SEAL

There shall be no corporate seal.

ARTICLE VII.

WAIVER OF NOTICE

Whenever any notice is required to be given to any Stockholder or Director of the Corporation, a waiver signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be equivalent to the giving of such notice.

ARTICLE VIII.

ACTION BY STOCKHOLDERS OR DIRECTORS WITHOUT A MEETING

Any action required to be taken at a meeting of the Stockholders of the Corporation, or any other action which may be taken at a meeting of the Stockholders, may be taken without a meeting, if a consent in writing setting forth the actions so taken shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted with respect to the subject matter thereof. Such consent shall have the same effect and force as a vote of said Stockholders.

Any action required to be taken at a meeting of the Board of Directors of the Corporation, or any other action which may be taken at a meeting of the Board of Directors, or any committee thereof, may be taken without a meeting if a consent in writing setting forth the actions so taken shall be signed by all of the members of the Board of Directors or committee, as the case may be. Such consent shall have the same effect and force as a unanimous vote of said Directors or committee.

ARTICLE IX.

BORROWING

Notwithstanding any other provision in these Bylaws, no officer of the Corporation shall have authority to obligate the

Corporation to borrow any funds or to hypothecate any assets thereof, for corporate purposes or otherwise, except as expressly stated in a resolution approved by a majority of Directors. Such resolution may be general or specific.

ARTICLE X.

MISCELLANEOUS

Section 1. Fiscal Year.

The fiscal year of the Corporation shall be fixed, and may be changed, by resolution of the Board of Directors.

Section 2. Notices.

Except as otherwise expressly provided, any notice required by these Bylaws to be given shall be sufficient if given as provided in the General Corporation Law of Delaware.

Section 3. Waiver of Notice.

Any Stockholder or director may at any time, by writing or by fax, waive any notice required to be given under these Bylaws, and if any Stockholder or director shall be present at any meeting his presence shall constitute a waiver of such notice.

Section 4. Voting Stock of Other Corporations.

Except as otherwise ordered by the Board of Directors, the Chairman of the Board, Chief Executive Officer, President or Treasurer shall have full power and authority on behalf of the Corporation to attend and to act and to vote at any meeting of the stockholders of any corporation of which the Corporation is a stockholder and to execute a proxy to any other person to represent the Corporation at any such meeting, and at any such meeting such person shall possess and may exercise any and all rights and powers incident to ownership of such stock and which, as owner thereof, the Corporation might have possessed and exercised if present.

ARTICLE XI.

AMENDMENTS

Any and all of these Bylaws may be altered, amended, repealed or suspended by the affirmative vote of a majority of the Directors at any meeting of the Directors. New Bylaws may be adopted in like manner.

IDENTIFICATION

I hereby certify that I was the Secretary of the first Directors' meeting of New NM Acquisition Corp. and that the foregoing Bylaws in twelve typewritten pages numbered consecutively from 1 to 12, were and are the Bylaws adopted by the Directors of the Corporation at that meeting.

_____

Gary Begeman
Secretary

RESTATED
BYLAWS
OF
NM ACQUISITION CORP.

These Bylaws are intended to conform to the mandatory requirements of the General Corporation Law of Delaware (the "Act"). Any ambiguity arising between these Bylaws and the discretionary provisions of the Act shall be resolved in favor of the application of the Act.

ARTICLE I.

STOCKHOLDERS

Section 1. Place.

Stockholders meetings shall be held at the registered office of the Corporation unless a different place shall be designated by the Board of Directors.

Section 2. Annual Meeting.

The annual meeting of the Stockholders shall be held on the date and time designated by the Board of Directors. The meeting shall be held for the purpose of electing Directors and for the transaction of such other business as may come before the meeting, whether stated in the notice of meeting or not, except as otherwise expressly stated in the Certificate of Incorporation. If the election of Directors shall not be held on the day designated herein, the Board of Directors shall cause the election to be held at a special meeting of the Stockholders on the next convenient day.

Section 3. Special Meetings.

Special meetings of the Stockholders may be called by the President or the Board of Directors for any purpose at any time, and shall be called by the President at the request of the holders of shares entitled to cast at least 25% of votes eligible to be cast. Special meetings shall be held at such place or places within or without the state of Delaware as shall be designated by the Board of Directors and stated in the notice of such meeting. At a special meeting no business shall be transacted and no corporate action shall be taken other than that stated in the notice of the meeting.

Section 4. Notice.

Written or printed notice stating the place, hour and day of the meeting and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than ten (10) days nor more than sixty (60) days before the date of the meeting, either personally or by mail, by or at the direction of the President, the Secretary, or the officer or persons calling the meeting to each Stockholder of record entitled to vote at such meeting, or for such other notice period as may be required by the Act. Such notice and the effective date thereof shall be determined as provided in the Act.

Section 5. Quorum.

A majority of votes entitled to be cast by the shares issued, outstanding and entitled to vote upon the subject matter at the time of the meeting, represented in person or by proxy, shall constitute a quorum for the transaction of business at any meeting of the Stockholders.

Section 6. Adjourned Meetings.

If there is no quorum present at any annual or special meeting the Stockholders present may adjourn to such time and place as may be decided upon by the holders of the majority of the shares present, in person or by proxy, and notice of such adjournment shall be given in accordance with Section 4 of this Article, but if a quorum is present, adjournment may be taken from day to day or to such time and place as may be decided and announced by a majority of the Stockholders present, and subject to the requirements of the Act, no notice of such adjournment need be given. At any such adjourned meeting at which a quorum is present, any business may be transacted which could have been transacted at the meeting originally called.

Section 7. Voting.

Each Stockholder entitled to vote on the subject matter shall be entitled to that number of votes provided in the Certificate of Incorporation for each share of stock standing in the name of the Stockholder on the books of the Corporation at the time of the closing of the Transfer Books for said meeting, whether represented and present in person or by proxy. The affirmative vote of the holders of a majority of the shares of each class represented at the meeting and entitled to vote on the subject matter shall be the act of the Stockholders. The Stockholders present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough Stockholders to leave less than a quorum.

The secretary shall prepare and make, at least ten days before every election of directors, a complete list of the Stockholders entitled to vote, arranged in alphabetical order and showing the address of each Stockholder and the number of shares of each Stockholder. Such list shall be open at the offices of the Corporation for said ten days, to the examination of any Stockholder, and shall be produced and kept at the time and place of election during the whole time thereof, and subject to the inspection of any Stockholder who may be present.

Section 8. Proxies.

At all meetings of Stockholders, a Stockholder may vote in person or by proxy executed in writing by the Stockholder or by his duly authorized attorney in fact. No proxy shall be valid after eleven (11) months from the date of its execution, unless otherwise provided in the proxy.

Section 9. Record Date.

The Board of Directors is authorized to fix in advance a date not exceeding sixty days nor less than ten days preceding the date of any meeting of the Stockholders, or the date for the payment of any dividend, or the date for the allotment of rights, or the date when any change or conversion or exchange of capital stock shall go into effect, or a date in connection with obtaining the consent Stockholders for any purposes, as a record date for the determination of the Stockholders entitled to notice of, and to vote at, any such meeting, and any adjournment thereof, or entitled to receive payment of any such dividend, or to any such allotment of rights, or to exercise the rights in respect of any such change, conversion or exchange of capital stock, or to give such consent, and, in such case, such Stockholders and only such Stockholders as shall be Stockholders of record on the date so fixed shall be entitled to such notice of, and to vote at, such meeting, and any adjournment thereof, or to receive payment of such dividend, or to receive such allotment of rights, or to exercise such rights, or to give such consent, as the case may be, notwithstanding any transfer of any stock on the books of the Corporation, after such record date fixed pursuant to this Section.

Section 10. Conduct of Meetings.

The Chairman of the Board of Directors or, in his absence the Chief Executive Officer, President, or the Vice-President designated by the Chairman of the Board, shall preside at all regular or special meetings of Stockholders. To the maximum extent permitted by law, such presiding person shall have the power to set procedural rules, including but not limited to rules respecting the time allotted to Stockholders to speak, governing all aspects of the conduct of such meetings.

ARTICLE II.

DIRECTORS

Section 1. In General.

The business and affairs of the Corporation shall be managed by a Board of Directors initially consisting of one (1) director, and thereafter shall consist of such number as may be fixed from time to time by resolution of the Board of Directors. The member of the first Board of Directors shall hold office until the first annual meeting of the Stockholders and until his successor(s) shall have been elected and qualified. Thereafter, the term of the Directors shall begin upon each Director's election by the Stockholders as provided in Article I, Section 7 above, and shall continue until his successor shall have been elected and qualified.

Section 2. Powers.

The corporate powers, business, property and interests of the Corporation shall be exercised, conducted and controlled by the Board of Directors, which shall have all power necessary to conduct, manage and control its affairs, and to make such rules and regulations as it may deem necessary as provided by the Act; to appoint and remove all officers, agents and employees; to prescribe their duties and fix their compensation; to call special meetings of Stockholders whenever it is deemed necessary by the Board, to incur indebtedness and to give

securities, notes and mortgages for same. It shall be the duty of the Board to cause a complete record to be kept of all the minutes, acts, and proceedings of its meetings.

Section 3. Vacancies.

Vacancies in the Board of Directors may be temporarily filled by the affirmative vote of a majority of the remaining Directors even though less than a quorum of the Board of Directors. Such temporary Director or Directors shall hold office until the first meeting of the Stockholders held thereafter, at which time such vacancy or vacancies shall be permanently filled by election according to the procedure specified in Section 1 of this Article II.

Section 4. Annual Meeting.

There shall be an annual meeting of the Board of Directors which shall be held immediately after the annual meeting of the Stockholders and at the same place.

Section 5. Special Meeting.

Special meetings may be called from time to time by the President or any one of the Directors. Any business may be transacted at any special meeting.

Section 6. Quorum.

A majority of the Directors shall constitute a quorum. The act of a majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board of Directors. If less than a quorum is present at a meeting, a majority of the Directors present may adjourn the meeting from time to time without further notice, other than announcement at the meeting, until a quorum shall be present. Interested Directors may be counted for quorum purposes.

Section 7. Notice and Place of Meetings.

Notice of all Directors' meetings shall be given in accordance with the Act. No notice need be given of any annual meeting of the Board of Directors. One day prior notice shall be given for all special meetings of the Board, but the purpose of special meetings need not be stated in the notice.

Meetings of the Board of Directors may be held at the principal office of the corporation, or at such other place as shall be stated in the notice of such meeting. Members of the Board of Directors, or any committee designated by the board of directors, shall, except as otherwise provided by law, the Certificate of Incorporation or these Bylaws, have the power to participate in a meeting of the board of Director, or any committee, by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation shall constitute presence in person at this meeting.

Section 8. Compensation.

By resolution of the Board of Directors, each Director may either be reimbursed for his expenses, if any, for attending each meeting of the Board of Directors or may be paid a fixed fee for attending each meeting of the Board of Directors, or both. No such payment shall preclude any Director from serving the Corporation in any other capacity and receiving compensation therefor.

Section 9. Removal or Resignation of Directors.

Any Director may resign by delivering written notice of the resignation to the Board of Directors or an officer of the Corporation. All or any number of the Directors may be removed, with or without cause, at a meeting expressly called for that purpose by a vote of the holders of the majority of the shares then entitled to vote at an election of Directors.

Section 10. Presumption of Assent.

A Director of the Corporation who is present at a meeting of the Board of Directors at which action on any corporate matter is taken shall be presumed to have assented to the action taken, unless his dissent shall be manifested in the manner required by the Act. Such right to dissent shall not apply to a Director who voted in favor of such action.

Section 11. Committees.

The Board of Directors may, by resolution passed by a majority of the whole Board, designate two or more of their number to constitute an Executive Committee to hold office at the pleasure of the board, which committee shall, during the intervals between meetings of the Board of Directors, have and exercise all of the powers of the Board of Directors in the management of the business and affairs of the Corporation, subject only to such restrictions or limitations as the Board of Directors may from time to time specify, or as limited by the Act. Any member of the Executive Committee may be removed at any time, with or without cause, by a resolution of a majority of the whole Board of Directors. Any vacancy in the Executive Committee may be filled from among the directors by a resolution of a majority of the whole Board of Directors. Other committees of two or more Directors, may be appointed by the Board of Directors or the Executive Committee, which committees shall hold office for such time and have such powers and perform such duties as may from time to time be assigned to them by the Board of Directors or the Executive Committee.

ARTICLE III.

OFFICERS AND AGENTS - GENERAL PROVISIONS

Section 1. Number, Election and Term.

Officers of the Corporation shall be a President, Secretary, and Treasurer. Officers shall be elected by the Board of Directors at its first meeting, and at each regular annual meeting of the Board of Directors thereafter. Each officer shall hold office until the next succeeding

annual meeting of the Directors and until his successor shall be elected and qualified. Any one person may hold more than one office if it is deemed advisable by the Board of Directors.

Section 2. Additional Officers and Agents.

The Board of Directors may appoint and create such other officers and agents as may be deemed advisable and prescribe their duties.

Section 3. Resignation or Removal.

Any officer or agent of the Corporation may resign from such position by delivering written notice of the resignation to the Board of Directors, but such resignation shall be without prejudice to the contract rights, if any, of the Corporation. Any officer or agent elected or appointed by the Board of Directors may be removed by the Board of Directors whenever in its judgment the best interests of the Corporation would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Election or appointment of an officer or agent shall not of itself create contract rights.

Section 4. Vacancies.

Vacancies in any office caused by any reason shall be filled by the Board of Directors at any meeting by selecting a suitable and qualified person to act during the unexpired term.

Section 5. Salaries.

The salaries of all the officers, agents and other employees of the Corporation shall be fixed by the Board of Directors and may be changed from time to time by the Board, and no officer shall be prevented from receiving such salary by reason of the fact that he or she is also a Director of the Corporation. All Directors, including interested Directors, are specifically authorized to participate in the voting of such compensation irrespective of their interest.

ARTICLE IV.

DUTIES OF THE OFFICERS

Section 1. Chairman of the Board.

The Chairman of the Board, if any, shall be a member of the Board of Directors and, subject to Sections 2 and 3 of this Article IV, shall preside at all meetings of the Stockholders and Directors; perform all duties required by the Bylaws of the Corporation, and as may be assigned from time to time by the Board of Directors; and shall make such reports to the Board of Directors and Stockholders as may be required.

Section 2. Chief Executive Officer.

The Chief Executive Officer, if any, shall have general charge and control of the affairs of the Corporation subject to the direction of the Board of Directors; sign as President all

Certificates of Stock of the Corporation; perform all duties required by the Bylaws of the Corporation, and as may be assigned from time to time by the Board of Directors; and shall make such reports to the Board of Directors and Stockholders as may be required. In addition, if no Chairman of the Board is elected by the Board or if the Chairman is unavailable, the Chief Executive Officer shall perform all the duties required of such officer by these Bylaws.

Section 3. President.

The President shall, if no Chief Executive Officer shall have been appointed or if the Chief Executive Officer is unavailable, perform all of the duties of the Chief Executive Officer. If a Chief Executive Officer shall have been appointed, the President shall perform such duties as shall be assigned by the Board of Directors, and in the case of absence, death or disability of the Chief Executive Officer, shall perform and be vested with all of the duties and powers of the Chief Executive Officer, until the Chief Executive Officer shall have resumed such duties or the Chief Executive Officer's successor shall have been appointed.

Section 4. Vice President.

The Vice President, or any of them, shall perform such duties as shall be assigned by the Board of Directors, and in the case of absence, disability or death of the President, the Vice President shall perform and be vested with all the duties and powers of the President, until the President shall have resumed such duties or the President's successor is elected. In the event there is more than one Vice President, the Board of Directors may designate one or more of the Vice Presidents as Executive Vice Presidents, who, in the event of the absence, disability or death of the President shall perform such duties as shall be assigned by the Board of Directors.

Section 5. Secretary.

The Secretary shall keep a record of the proceedings at the meetings of the Stockholders and the Board of Directors and shall give notice as required in these Bylaws of all such meetings; have custody of all the books, records and papers of the Corporation, except such as shall be in charge of the Treasurer or some other person authorized to have custody or possession thereof by the Board of Directors; sign all Certificates of Stock of the Corporation; from time to time make such reports to the officers, Board of Directors and Stockholders as may be required and shall perform such other duties as the Board of Directors may from time to time delegate. In addition, if no Treasurer is elected by the Board, the Secretary shall perform all the duties required of the office of Treasurer by the Act and these Bylaws.

Section 6. Treasurer.

The Treasurer shall keep accounts of all monies of the Corporation received or disbursed; from time to time make such reports to the officers, Board of Directors and Stockholders as may be required, perform such other duties as the Board of Directors may from time to time delegate.

Section 7. Assistant Secretary.

The Assistant Secretary, if any, shall assist the Secretary in all duties of the office of Secretary. In the case of absence, disability or death of the Secretary, the Assistant Secretary shall perform and be vested with all the duties and powers of the Secretary, until the Secretary shall have resumed such duties or the Secretary's successor is elected.

Section 8. Assistant Treasurer.

The Assistant Treasurer, if any, shall assist the Treasurer in all duties of the office of Treasurer. In the case of absence, disability or death of the Treasurer, the Assistant Treasurer shall perform and be vested with all the duties and powers of the Secretary, until the Treasurer shall have resumed such duties or the Treasurer's successor is elected.

ARTICLE V.

STOCK

Section 1. Certificates.

The shares of stock of the Corporation shall be evidenced by an entry in stock transfer records of the Corporation, and may be represented by stock certificates in a form adopted by the Board of Directors and every person who shall become a Stockholder shall be entitled, upon request, to a certificate of stock. All certificates shall be consecutively numbered by class. Certificates, if any, shall be signed by the Chairman of the Board of Directors, the President or one of the Vice Presidents, and the Secretary or an Assistant Secretary or the Treasurer or an Assistant Treasurer, provided, however, that where such certificates are signed by a transfer agent or an assistant transfer agent or by a transfer clerk acting on behalf of the corporation and a registrar, the signature of any such officer may be facsimile.

Section 2. Transfer of Certificates.

Any certificates of stock transferred by endorsement shall be surrendered, canceled and new certificates issued to the purchaser or assignee.

Section 3. Transfer of Shares.

Shares of stock shall be transferred only on the books of the Corporation by the holder thereof, in person or by his attorney, and no transfers of certificates of stock shall be binding upon the Corporation until this Section and, with respect to certificated shares, Section 2 of this Article are met to the satisfaction of the Secretary of the Corporation.

The Board of Directors may make other and further rules and regulations concerning the transfer and registration of shares of the Corporation, and may appoint a transfer agent or registrar or both and may require all certificates of stock to bear the signature of either or both.

The stock ledgers of the Corporation, containing the names and addresses of the stockholders and the number of shares held by them respectively, shall be kept at the principal offices of the Corporation or at the offices of the transfer agent of the Corporation.

Section 4. Lost Certificates.

In the case of loss, mutilation or destruction of a certificate of stock, a duplicate certificate may be issued upon such terms as the Board of Directors shall prescribe.

Section 5. Dividends.

The Board of Directors may from time to time declare, and the Corporation may then pay, dividends on its outstanding shares in the manner and upon the terms and conditions provided by the Act and in its Certificate of Incorporation.

Section 6. Working Capital.

Before the payment of any dividends or the making of any distributions of the net profits, the Board of Directors may set aside out of the net profits of the Corporation such sum or sums as in their discretion they think proper, as a working capital or as a reserve fund to meet contingencies. The Board of Directors may increase, diminish or vary the capital of such reserve fund in their discretion.

ARTICLE VI.

SEAL

There shall be no corporate seal.

ARTICLE VII.

WAIVER OF NOTICE

Whenever any notice is required to be given to any Stockholder or Director of the Corporation, a waiver signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be equivalent to the giving of such notice.

ARTICLE VIII.

ACTION BY STOCKHOLDERS OR DIRECTORS WITHOUT A MEETING

Any action required to be taken at a meeting of the Stockholders of the Corporation, or any other action which may be taken at a meeting of the Stockholders, may be taken without a meeting, if a consent in writing setting forth the actions so taken shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to

vote thereon were present and voted with respect to the subject matter thereof. Such consent shall have the same effect and force as a vote of said Stockholders.

Any action required to be taken at a meeting of the Board of Directors of the Corporation, or any other action which may be taken at a meeting of the Board of Directors, or any committee thereof, may be taken without a meeting if a consent in writing setting forth the actions so taken shall be signed by all of the members of the Board of Directors or committee, as the case may be. Such consent shall have the same effect and force as a unanimous vote of said Directors or committee.

ARTICLE IX.

MISCELLANEOUS

Section 1. Fiscal Year.

The fiscal year of the Corporation shall be fixed, and may be changed, by resolution of the Board of Directors.

Section 2. Notices.

Except as otherwise expressly provided, any notice required by these Bylaws to be given shall be sufficient if given as provided in the General Corporation Law of Delaware.

Section 3. Waiver of Notice.

Any Stockholder or director may at any time, by writing or by fax, waive any notice required to be given under these Bylaws, and if any Stockholder or director shall be present at any meeting his presence shall constitute a waiver of such notice.

Section 4. Voting Stock of Other Corporations.

Except as otherwise ordered by the Board of Directors, the Chairman of the Board, Chief Executive Officer, President, Secretary or Treasurer, or any Vice President, Assistant Secretary or Assistant Treasurer, shall have full power and authority on behalf of the Corporation to attend and to act and to vote at any meeting of the stockholders of any corporation of which the Corporation is a stockholder and to execute a proxy to any other person to represent the Corporation at any such meeting, and at any such meeting such person shall possess and may exercise any and all rights and powers incident to ownership of such stock and which, as owner thereof, the Corporation might have possessed and exercised if present.

ARTICLE X.

AMENDMENTS

Any and all of these Bylaws may be altered, amended, repealed or suspended by the affirmative vote of a majority of the Directors at any meeting of the Directors. New Bylaws may be adopted in like manner.

IDENTIFICATION

I hereby certify that I was the Secretary of the first Directors' meeting of NM Acquisition Corp. and that the foregoing Bylaws in ten typewritten pages numbered consecutively from 1 to 10, were and are the Bylaws adopted by the Directors of the Corporation at that meeting.

Gary Begeman
Secretary

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 MERGER, WHICH MERGES:

"NEXTLINK COMMUNICATIONS, INC.", A DELAWARE CORPORATION,

WITH AND INTO "NM ACQUISITION CORP." UNDER THE NAME OF "NEXTLINK COMMUNICATIONS, INC.", A CORPORATION ORGANIZED AND EXISTING UNDER THE LAWS OF THE STATE OF DELAWARE, AS RECEIVED AND FILED IN THIS OFFICE THE SIXTEENTH DAY OF JUNE, A.D. 2000, AT 12 O'CLOCK P.M.

A FILED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO THE NEW CASTLE COUNTY RECORDER OF DEEDS.

Edward J. Freel, Secretary of State

3153516 8100M

001307635

AUTHENTICATION: 0503488

DATE: 06-16-00

STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 12:00 PM 06/16/2000
001307635 - 3153516

CERTIFICATE OF MERGER

OF

NEXTLINK COMMUNICATIONS, INC.

WITH AND INTO

NM ACQUISITION CORP.

The undersigned corporation, organized and existing under and by virtue of the General Corporation Law of Delaware, DOES HEREBY CERTIFY:

FIRST: That the name and state of incorporation of each of the constituent corporations of the merger is as follows:

NAME	STATE OF INCORPORATION
NM Acquisition Corp.	Delaware
NEXTLINK Communications, Inc.	Delaware

(each a "Constituent Corporation" and collectively the "Constituent Corporations").

SECOND: That an Amended and Restated Agreement and Plan of Merger and Share Exchange, dated as of May 10, 2000, by and among Concentric Network Corporation, a Delaware corporation, NEXTLINK Communications, Inc., a Delaware corporation, Eagle River Investments, L.L.C., Craig O. McCaw and NM Acquisition Corp. (the "Agreement of Merger") has been approved, adopted, certified, executed and acknowledged by each of the Constituent Corporations in accordance with the requirements of Section 251 of the General Corporation Law of Delaware.

THIRD: That NM Acquisition Corp. shall be the surviving corporation of the merger (the "Surviving Corporation"), and pursuant to the merger the amendments to the Amended and Restated Certificate Incorporation of the Surviving Corporation will be as set forth in Exhibit A hereto.

FOURTH: That the Amended and Restated Certificate of Incorporation of NM Acquisition Corp. as it exists on the effective date of this merger shall remain and be the certificate of incorporation of the Surviving Corporation and shall be amended as set forth in Exhibit A hereto.

FIFTH: That the executed Agreement of Merger is on file at the principal place of business of the Surviving Corporation, the address of which is 1505 Farm Credit Drive, McLean, Virginia 22102.

SIXTH: That a copy of the Agreement of Merger will be furnished by the Surviving Corporation, on request and without cost, to any stockholder of any Constituent Corporation.

IN WITNESS WHEREOF, the undersigned has caused this Certificate of Merger to be duly executed as of this 16th day of June, 2000.

NM ACQUISITION CORP.

By: s/Gary D. Begeman
Name: Gary D. Begeman
Title: Vice President

EXHIBIT A TO CERTIFICATE OF MERGER
OF NEXTLINK COMMUNICATIONS, INC.
WITH AND INTO NM ACQUISITION CORP.

NM ACQUISITION CORP., a corporation organized and existing under the laws of the State of Delaware (the "Corporation"), does hereby certify:

FIRST: The name of the Corporation is NM Acquisition Corp., and the original Certificate of Incorporation of the Corporation was filed with the Secretary of State of the State of Delaware on December 30, 1999.

SECOND: The original Certificate of Incorporation was amended and restated pursuant to an Amended and Restated Certificate of Incorporation which was filed with the Secretary of State of the State of Delaware on June 8, 2000.

THIRD: Pursuant to Section 251(c) of the General Corporation Law of the State of Delaware, this Amendment to the Amended and Restated Certificate of Incorporation is being filed with the Certificate of Merger of NEXTLINK Communications, Inc. With and Into NM Acquisition Corp. and further amends, restates and integrates the provisions of the Amended and Restated Certificate of Incorporation of this Corporation.

FOURTH: As a result of the merger of NEXTLINK Communications, Inc. with and into the Corporation, Articles FIRST and THIRD of the Amended and Restated Certificate of Incorporation shall be amended as follows:

A. Article FIRST shall be amended by changing the name of the corporation from "NM Acquisition Corp." to "NEXTLINK Communications, Inc."

B. Article THIRD shall be amended by adding the following paragraphs at the end of such Article:

"A series of Preferred Stock of the Corporation shall be designated as "14% Series A Senior Exchangeable Redeemable Preferred Shares" and shall have the special rights, qualifications, limitations and restrictions set forth in the Certificate of Designation attached to this Certificate of Incorporation as Exhibit A.

A series of Preferred Stock of the Corporation shall be designated as "6½% Series B Cumulative Convertible Preferred Stock" and shall have the special rights, qualifications, limitations and restrictions set forth in the Certificate of Designation attached to this Certificate of Incorporation as Exhibit B.

A series of Preferred Stock of the Corporation shall be designated as "Series C Cumulative Convertible Participating Preferred Stock" and shall have the special rights, qualifications, limitations and restrictions set forth in the Certificate of Designation attached to this Certificate of Incorporation as Exhibit C.

A series of Preferred Stock of the Corporation shall be designated as "Series D Cumulative Convertible Participating Preferred Stock" and shall have the special rights, qualifications, limitations and restrictions set forth in the Certificate of Designation attached to this Certificate of Incorporation as Exhibit D."

C. The following Exhibits which are referenced in Article THIRD as amended hereby are attached to this Amendment:

Exhibit A: Certificate of Designation of the Powers, Preferences, and Relative, Participating, Optional and Other Special Rights of 14% Series A Senior Exchange Redeemable Preferred Shares and Qualifications, Limitations and Restrictions Thereof.

Exhibit B: Certificate of Designation of the Powers, Preferences, and Relative, Participating, Optional and Other Special Rights of 6½% Series B Cumulative Convertible Preferred Stock and Qualifications, Limitations and Restrictions Thereof.

Exhibit C: Certificate of Designation of the Powers, Preferences, and Relative, Participating, Optional and Other Special Rights of Series C Cumulative Convertible Participating Preferred Stock and Qualifications, Limitations and Restrictions Thereof.

Exhibit D: Certificate of Designation of the Powers, Preferences, and Relative, Participating, Optional and Other Special Rights of Series D Cumulative Convertible Participating Preferred Stock and Qualifications, Limitations and Restrictions Thereof.

Exhibit A to Certificate of Incorporation of NM Acquisition Corp.

[Certificate of Designation of the Powers, Preferences, and Relative, Participating, Optional and Other Special Rights of 14% Series A Senior Exchange Redeemable Preferred Shares and Qualifications, Limitations and Restrictions Thereof]

CERTIFICATE OF DESIGNATION OF THE POWERS, PREFERENCES AND RELATIVE, PARTICIPATING, OPTIONAL AND OTHER SPECIAL RIGHTS OF 14% SERIES A SENIOR EXCHANGEABLE REDEEMABLE PREFERRED SHARES AND QUALIFICATIONS, LIMITATIONS AND RESTRICTIONS THEREOF

Pursuant to Section 151 of the
Delaware General Corporation Law

NM Acquisition Corp., the successor by merger to NEXTLINK Communications, Inc. and to be known as NEXTLINK Communications, Inc. immediately after the filing of this Certificate of Designation (the "Corporation"), a corporation organized and existing under the Delaware General Corporation Law, does hereby certify that, pursuant to authority conferred upon the board of directors of the Corporation (the "Board of Directors") by its Section 3 of its Amended and Restated Certificate of Incorporation, as amended from time to time (the "Certificate of Incorporation) and pursuant to the provisions of Section 151 of the Delaware General Corporation Law (the "DGCL"), said Board of Directors, on June 13, 2000, duly approved and adopted a resolution to read as follows (the "Resolution"):

RESOLVED, that, pursuant to the authority vested in the Board of Directors by Section 3 of the Corporation's Certificate of Incorporation, and Section 151 of the DGCL, the Board of Directors does hereby create, authorize and provide for the issuance of 14% Series A Senior Exchangeable Redeemable Preferred Shares, par value $.01 per share, with a stated value of $50 per share, in an amount not to exceed 11,700,000 shares, having the designations, preferences, relative, participating, optional and other special rights and the qualifications, limitations and restrictions thereof that are set forth in the Certificate of Incorporation and in this Resolution as follows:

(a) Designation.

There is hereby created out of the authorized and unissued Preferred Shares of the Corporation a class of Preferred Shares designated as the "14% Series A Senior Exchangeable Redeemable Preferred Shares." The number of shares constituting such class shall not exceed and are referred to as the "Senior Exchangeable Redeemable Preferred Shares." The liquidation preference of the Senior Exchangeable Redeemable Preferred Shares shall be $50 per share. The Senior Exchangeable Redeemable Preferred Shares shall consist of the Original Shares and the Exchange Shares.

(b) Ranking.

The Senior Exchangeable Redeemable Preferred Shares shall, with respect to dividends and distributions upon liquidation, winding-up and dissolution of the Corporation, rank (i) senior to the Corporation's 7% Series F Convertible Redeemable Preferred Stock due 2010, the Corporation's Series C Cumulative Convertible Participating Preferred Stock, the Corporation's Series D Convertible Participating Preferred Stock, the Corporation's 6½% Series B Cumulative Convertible Preferred Stock and all classes of common stock of the Corporation,

and to each other class of capital stock or series of preferred stock established after June 3, 1998 by the Board of Directors the terms of which do not expressly provide that it ranks senior to or on a parity with the Senior Exchangeable Preferred Shares as to dividend distributions and distributions upon the liquidation, winding-up and dissolution of the Company (collectively referred to as "Junior Shares"); (ii) on a parity with the Corporation's 13% Series E Senior Redeemable Exchangeable Preferred Stock due 2010 and any class of Capital Stock of the Corporation or series of Preferred Shares of the Corporation hereafter created the terms of which expressly provide that such class or series will rank on a parity with the Senior Exchangeable Redeemable Preferred Shares as to dividends and distributions upon liquidation, winding-up and dissolution (collectively referred to as "Parity Shares"); provided that any such Parity Shares that were not issued in compliance with paragraph (ii)(A) hereof shall be deemed to be Junior Shares and not Parity Shares; and (iii) junior to each class of Capital Stock of the Corporation or series of Preferred Shares of the Corporation hereafter created that has been issued in compliance with paragraph (f)(ii)(B) hereof and the terms of which expressly provide that such class or series will rank senior to the Senior Exchangeable Redeemable Preferred Shares as to dividends and distributions upon liquidation, winding-up and dissolution of the Corporation (collectively referred to as "Senior Shares").

(c) Dividends.

(i) (A) Beginning on the Issue Date, the Holders of the outstanding Senior Exchangeable Redeemable Preferred Shares shall be entitled to receive, when, as and if declared by the Board of Directors, out of funds legally available therefor, distributions in the form of dividends on each Senior Exchangeable Redeemable Preferred Share, at a rate per annum equal to 14% of the liquidation preference per share of the Senior Exchangeable Redeemable Preferred Shares, payable quarterly. No interest shall be payable in respect to any dividends that may be in arrears. All dividends shall be cumulative, whether or not earned or declared, on a daily basis from their date of issuance and shall be payable quarterly in arrears on each Dividend Payment Date, commencing on the first Dividend Payment Date after the Merger Date. Dividends may be paid at the Corporation's option on any Dividend Payment Date occurring on or before February 1, 2002, either in cash or by issuing additional fully paid and nonassessable Senior Exchangeable Redeemable Preferred Shares with an aggregate liquidation preference equal to the amount of such dividends. After February 1, 2002, dividends shall be paid only in cash. Each dividend shall be payable to the Senior Exchangeable Redeemable Preferred Shares held by Holders of record as they appear on the share books of the Corporation on the Dividend Record Date immediately preceding the related Dividend Payment Date. Dividends shall cease to accumulate in respect of the Senior Exchangeable Redeemable Preferred Shares on the Exchange Date or on the date of their earlier redemption unless the Corporation shall have failed to issue the appropriate aggregate principal amount of Exchange Notes in respect of the Senior Exchangeable Redeemable Preferred Shares on such Exchange Date or shall have failed to pay the relevant redemption price on the date fixed for redemption.

(B) In the event that (1) the Corporation or its successor has not filed the registration statement relating to the Exchange Offer (or, if applicable, the registration statement relating to the shelf registration of the Senior Exchangeable Redeemable Preferred Shares for resale by holders contemplated by the Registration Rights Agreement (the "Resale Registration")) on or before the 45th day after the Issue Date, (2) such registration statement (or, if applicable, the Resale Registration) has not become effective on or before the 120th day after the Issue Date, (3) the Exchange Offer has not been consummated within 30 Business Days following the initial effective date of the registration statement relating to the Exchange Offer or (4) any registration statement required by the Registration Rights Agreement is filed and declared effective but shall thereafter cease to be effective (except as specifically permitted therein) without being succeeded immediately by an additional registration statement filed and declared effective (any such event referred to in clauses (1) through (4), a "Registration Default"), then additional dividends will accrue (in addition to the stated dividends on the Senior Exchangeable Redeemable Preferred Shares) at the rate of 0.25% per annum on the liquidation preference of the Senior Exchangeable Redeemable Preferred Shares for the period from and including the occurrence of the Registration Default until such time as no Registration Default is in effect. Such additional dividends (the "Special Dividends") will be payable quarterly in arrears on each regular Dividend Payment Date in accordance with the provisions of this paragraph (c). For each 90-day period that the Registration Default continues, the per annum rate of such Special Dividends will increase by an additional 0.25%; provided that such rate shall in no event exceed 1.0% per annum in the aggregate. At such time as the Registration Default is no longer in effect, the dividend rate on the Senior Exchangeable Redeemable Preferred Shares shall be the rate stated in paragraph (c)(i)(A) hereof and no further Special Dividends will accrue unless and until another Registration Default shall occur

(ii) All dividends paid with respect to the Senior Exchangeable Redeemable Preferred Shares pursuant to paragraph (c)(i) shall be paid pro rata to the Holders entitled thereto.

(iii) Nothing herein contained shall in any way or under any circumstances be construed or deemed to require the Board of Directors to declare, or the Corporation to pay or set apart for payment, any dividends on the Senior Exchangeable Redeemable Preferred Shares at any time.

(iv) Dividends on account of arrears for any past Dividend Period and dividends in connection with any mandatory redemption pursuant to paragraph (e)(ii) may be declared and paid at any time, without reference to any regular Dividend Payment Date, to Holders of record on such date, not more than forty-

five (45) days prior to the payment thereof, as may be fixed by the Board of Directors of the Corporation.

(v) No full dividends shall be declared by the Board of Directors or paid or set apart for payment by the Corporation on any Parity Shares for any period unless full cumulative dividends have been or contemporaneously are declared and paid in full, or declared and, if payable in cash, a sum in cash set apart sufficient for such payment, on the Senior Exchangeable Redeemable Preferred Shares for all Dividend Periods terminating on or prior to the date of payment of such full dividends on such Parity Shares. If full dividends are not so paid, all dividends declared upon the Senior Exchangeable Redeemable Preferred Shares and any other Parity Shares shall be declared pro rata so that the amount of dividends declared per share on the Senior Exchangeable Redeemable Preferred Shares and such Parity Shares shall in all cases bear to each other the same ratio that accrued dividends per share on the Senior Exchangeable Redeemable Preferred Shares and such Parity Shares bear to each other.

(vi) (A) Holders of the Senior Exchangeable Redeemable Preferred Shares shall be entitled to receive the dividends provided for in paragraph (c)(i) hereof in preference to and in priority over any dividends upon any of the Junior Shares.

(B) No dividends may be paid or set apart for such payment on Junior Shares (except dividends on Junior Shares payable in additional Junior Shares) if full cumulative dividends have not been paid in full on the Senior Exchangeable Redeemable Preferred Shares. So long as any Senior Exchangeable Redeemable Preferred Shares are outstanding, the Corporation shall not make any payment on account of, or set apart for payment money for a sinking or other similar fund for, the purchase, redemption or other retirement of, any Parity Shares or Junior Shares, or any warrants, rights, calls or options to purchase any Parity Shares or Junior Shares, whether in cash, obligations or shares of the Corporation or other property, and shall not permit any corporation or other entity directly or indirectly controlled by the Corporation to purchase or redeem any Parity Shares or Junior Shares or any such warrants, rights, calls or options unless full cumulative dividends determined in accordance herewith on the Senior Exchangeable Redeemable Preferred Shares have been paid in full.

(vii) Dividends payable on the Senior Exchangeable Redeemable Preferred Shares for any period shorter than a quarterly dividend period shall be computed on the basis of a 360-day year of twelve 30-day months and the actual number of days elapsed in the period for which payable.

(d) Liquidation Preference.

(i) In the event of any voluntary or involuntary liquidation, dissolution or winding-up of affairs of the Corporation, the Holders of Senior Exchangeable

Redeemable Preferred Shares then outstanding shall be entitled to be paid, out of the assets of the Corporation available for distribution to its shareholders, an amount in cash equal to the liquidation preference of $50 per Senior Exchangeable Redeemable Preferred Share, plus, without duplication, an amount in cash equal to accumulated and unpaid dividends thereon to the date fixed for liquidation, dissolution or winding-up (including an amount equal to a prorated dividend for the period from the last Dividend Payment Date to the date fixed for liquidation, dissolution or winding-up) before any payment shall be made or any assets distributed to the holders of any of the Junior Shares including, without limitation, common stock of the Corporation. Except as provided in the preceding sentence, Holders of Senior Exchangeable Redeemable Preferred Shares shall not be entitled to any distribution in the event of any liquidation, dissolution or winding-up of the affairs of the Corporation. If the assets of the Corporation are not sufficient to pay in full the liquidation payments payable to the Holders of outstanding Senior Exchangeable Redeemable Preferred Shares and all Parity Shares, then the holders of all such shares shall share equally and ratably in such distribution of assets in proportion to the full liquidation preference, including, without duplication, all accrued and unpaid dividends, to which each is entitled.

(ii) For the purposes of this paragraph (d), neither the sale, conveyance, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all of the property or assets of the Corporation nor the consolidation or merger of the Corporation with or into one or more entities shall be deemed to be a liquidation, dissolution or winding-up of the affairs of the Corporation.

(e) Redemption.

(i) [Intentionally omitted.]

(ii) Mandatory Redemption. On February 1, 2009, the Corporation shall redeem, to the extent of funds legally available therefor, in the manner provided for in paragraph (e)(iii) hereof, all of the Senior Exchangeable Redeemable Preferred Shares then outstanding at a redemption price equal to 100% of the liquidation preference per share, plus, without duplication, an amount in cash equal to all accumulated and unpaid dividends per share (including an amount equal to a prorated dividend for the period from the Dividend Payment Date immediately prior to the Redemption Date to the Redemption Date) (the "Mandatory Redemption Price").

(iii) Procedures for Redemption.

(A) At least thirty (30) days and not more than sixty (60) days prior to the date fixed for any redemption of the Senior Exchangeable Redeemable Preferred Shares pursuant to paragraph (e)(ii) hereof, written notice (each, a "Redemption Notice") shall be given by first class mail, postage prepaid, to each Holder of record on the record date fixed for such

redemption of the Senior Exchangeable Redeemable Preferred Shares at such Holder's address as it appears on the stock books of the Corporation, provided that no failure to give such notice nor any deficiency therein shall affect the validity of the procedure for the redemption of any Senior Exchangeable Redeemable Preferred Shares to be redeemed except as to the Holder or Holders to whom the Corporation has failed to give said notice or except as to the Holder or Holders whose notice was defective. The Redemption Notice shall state:

(1) [Intentionally omitted.];

(2) The Mandatory Redemption Price;

(3) The Redemption Date;

(4) That the Holder is to surrender to the Corporation, in the manner, at the place or places and at the price designated, his certificate or certificates representing the Senior Exchangeable Redeemable Preferred Shares to be redeemed; and

(5) That dividends on the Senior Exchangeable Redeemable Preferred Shares to be redeemed shall cease to accumulate on such Redemption Date unless the Corporation defaults in the payment of Mandatory Redemption Price.

(B) Each Holder of Senior Exchangeable Redeemable Preferred Shares shall surrender the certificate or certificates representing such Senior Exchangeable Redeemable Preferred Shares to the Corporation, duly endorsed (or otherwise in proper form for transfer, as determined by the Corporation), in the manner and at the place designated in the Redemption Notice, and on the Redemption Date the full Mandatory Redemption Price for such shares shall be payable in cash to the Person whose name appears on such certificate or certificates as the owner thereof, and each surrendered certificate shall be canceled and retired.

(C) On and after the Redemption Date, unless the Corporation defaults in the payment in full of the applicable redemption price, dividends on the Senior Exchangeable Redeemable Preferred Shares called for redemption shall cease to accumulate on the Redemption Date, and all rights of the Holders of redeemed shares shall terminate with respect thereto on the Redemption Date, other than the right to receive the Mandatory Redemption Price, without interest; provided, however, that if a notice of redemption shall have been given as provided in paragraph (iii)(A) above and the funds necessary for redemption (including an amount in respect of all dividends that will accrue to the Redemption Date) shall have been irrevocably deposited in trust for the equal and ratable benefit for the Holders of the shares called for redemption, then, at

the close of business on the day on which such funds are segregated and set apart, the Holders of the shares to be redeemed shall cease to be shareholders of the Corporation and shall be entitled only to receive the Mandatory Redemption Price, without interest.

(f) Voting Rights.

(i) The Holders of Senior Exchangeable Redeemable Preferred Shares, except as otherwise required under Delaware law or as set forth in paragraphs (ii), (iii) and (iv) below, shall not be entitled or permitted to vote on any matter required or permitted to be voted upon by the shareholders of the Corporation.

(ii) (A) So long as any Senior Exchangeable Redeemable Preferred Shares are outstanding, the Corporation shall not authorize or issue any Parity Shares (other than additional Senior Exchangeable Redeemable Preferred Shares issued as dividends on the Senior Exchangeable Redeemable Preferred Shares in accordance with the terms hereof and Exchange Shares) without the affirmative vote or consent of Holders of at least a majority of the then outstanding Senior Exchangeable Redeemable Preferred Shares, voting or consenting, as the case may be, as a separate class, given in person or by proxy, either in writing or by resolution adopted at an annual or special meeting, if after giving effect to the issuance of such Parity Shares, the aggregate liquidation preference of the outstanding Parity Shares (other than (i) the Senior Exchangeable Redeemable Preferred Shares originally issued on the Issue Date, (ii) additional Senior Exchangeable Redeemable Preferred Shares issued as dividends in accordance with the terms hereof on the Senior Exchangeable Redeemable Preferred Shares originally issued on the Issue Date and additional Senior Exchangeable Redeemable Preferred Shares issued as dividends on the Senior Exchangeable Redeemable Preferred Shares in accordance with the terms hereof and (iii) any Exchange Shares) would exceed the sum of (x) $50 million and (y) the aggregate amount of gross proceeds received after the Issue Date and on or prior to the date of issuance of such Parity Shares from the issuance of Qualified Junior Shares.

(B) So long as any Senior Exchangeable Redeemable Preferred Shares are outstanding, the Corporation shall not authorize any class of Senior Shares without the affirmative vote or consent of Holders of at least two-thirds of the outstanding Senior Exchangeable Redeemable Preferred Shares, voting or consenting, as the case may be, as a separate class, given in person or by proxy, either in writing or by resolution adopted at an annual or special meeting.

(C) So long as any Senior Exchangeable Redeemable Preferred Shares are outstanding, the Corporation shall not amend, alter or repeal any of the provisions of the Corporation's Certificate of Incorporation (including this Certificate of Designations) or the by-laws of the Corporation so as to affect adversely the specified rights, powers,

preferences, privileges or voting rights of the holders of Senior Exchangeable Redeemable Preferred Shares or reduce the time for any notice which the holders of the Senior Exchangeable Redeemable Preferred Shares may be entitled without the affirmative vote or consent of Holders of at least two-thirds of the issued and outstanding Senior Exchangeable Redeemable Preferred Shares, voting or consenting, as the case may be, as one class, given in person or by proxy, either in writing or by resolution adopted at an annual or special meeting.

(D) Notwithstanding the foregoing, modifications and amendments of the terms of this Certificate of Designations contained in paragraphs (h) and (l) below may be made by the Corporation with the consent of the Holders of a majority of the outstanding Senior Exchangeable Redeemable Preferred Shares; provided, however, that no such modification or amendment may, without the consent of the Holder of each outstanding Senior Exchangeable Redeemable Preferred Share affected thereby following the mailing of any Offer to Purchase and until the Expiration Date of that Offer to Purchase, modify any Offer to Purchase for the Senior Exchangeable Redeemable Preferred Shares required by paragraph (h) hereof in a manner materially adverse to the holders of outstanding Senior Exchangeable Redeemable Preferred Shares. In addition, the holders of a majority of the outstanding Senior Exchangeable Redeemable Preferred Shares, on behalf of all holders of Senior Exchangeable Redeemable Preferred Shares, may waive compliance by the Corporation with the covenants described below in paragraphs (h) and (l) and may waive any past default under the Certificate of Designations, except a default arising from failure to purchase any Senior Exchangeable Redeemable Preferred Shares tendered pursuant to an Offer to Purchase.

(E) Prior to the exchange of Senior Exchangeable Redeemable Preferred Shares for Exchange Notes, the Corporation shall not amend or modify the form of the Indenture for the Exchange Notes as it exists on the Issue Date (the "Indenture") (except as expressly provided therein in respect of amendments that may be made without the consent of Holders of Exchange Notes) without the affirmative vote or consent of Holders of at least a majority of the Senior Exchangeable Redeemable Preferred Shares then outstanding, voting or consenting, as the case may be, as one class, given in person or by proxy, either in writing or by resolution adopted at an annual or special meeting.

(F) Except as set forth in paragraphs (f)(ii)(A), (f)(ii)(B) and (f)(ii)(C) above, (x) the creation, authorization or issuance of any shares of any Junior Shares, Parity Shares or Senior Shares or (y) the increase or decrease in the amount of authorized Capital Stock of any class, including Senior Shares or Parity Shares, shall not require the consent of Holders of Senior Exchangeable Redeemable Preferred Shares and shall not be

deemed to affect adversely the rights, preferences, privileges or voting rights of Holders of Senior Exchangeable Redeemable Preferred Shares.

(G) Notwithstanding the foregoing, at any time following a Covenant Amendment, the Corporation may, at its election and without the consent of any Holder of Senior Exchangeable Redeemable Preferred Shares, amend the Corporation's Certificate of Incorporation (including this Certificate of Designations) to add provisions making the Senior Exchangeable Redeemable Preferred Shares redeemable at the option of the Corporation (subject to contractual and other restrictions with respect thereto and the legal availability of funds therefor) as follows: (x) At any time on or after February 1, 2002, in whole or in part, at the option of the Corporation, at the redemption prices (expressed in percentages of the liquidation preference thereof) set forth below, plus, without duplication, an amount in cash equal to all accumulated and unpaid dividends to the Redemption Date (including an amount in cash equal to a prorated dividend for the period from the Dividend Payment Date immediately prior to the Redemption Date), if redeemed during the 12-month period beginning February 1 of each of the years set forth below:

Year	Percentage
2002	107.00%
2003	105.25
2004	103.50
2005	101.75
2006 and thereafter	100.00

In the event of redemption of only a portion of the then outstanding Senior Exchangeable Redeemable Preferred Shares, the Corporation shall effect such redemption on a pro rata basis.

(y) Prior to February 1, 2000, in part, in an amount not to exceed 35% of the initial aggregate liquidation preference of the Senior Exchangeable Redeemable Preferred Shares originally issued out of the net cash proceeds of one or more Qualifying Events (other than any Qualifying Event that results in a Change of Control) at a redemption price of 114.0% of the liquidation preference thereof plus, without duplication, an amount in cash equal to all accumulated and unpaid dividends to the redemption date (including an amount in cash equal to a prorated dividend for the period from the Dividend Payment Date immediately prior to the Redemption Date); provided, however, that after any such redemption, the aggregate liquidation preference of the Senior Exchangeable Redeemable Preferred Shares outstanding must equal at least 65% of the Senior Exchangeable Redeemable Preferred Shares issued on the Issue Date. Any such redemption shall occur on or prior to 60 days after the receipt by the Corporation of the proceeds of such Qualifying Event.

(iii) Without the affirmative vote or consent of Holders of a majority of the issued and outstanding Senior Exchangeable Redeemable Preferred Shares, voting or consenting, as the case may be, as a separate class, given in person or by

proxy, either in writing or by resolution adopted at an annual or special meeting, the Corporation shall not, in a single transaction or series of related transactions, consolidate with or merge with or into, or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of its assets to, another Person or adopt a plan of liquidation unless: (A) either (1) the Corporation is the surviving or continuing Person or (2) the Person (if other than the Corporation) formed by such consolidation or into which the Corporation is merged or the Person that acquires by conveyance, transfer or lease the properties and assets of the Corporation substantially as an entirety or in the case of a plan of liquidation, the Person to which assets of the Corporation have been transferred, shall be a corporation, limited liability Corporation, partnership or trust organized and existing under the laws of the United States or any State thereof or the District of Columbia; (B) the Senior Exchangeable Redeemable Preferred Shares shall be converted into or exchanged for and shall become shares of Capital Stock of such successor, transferee or resulting Person, having in respect of such successor, transferee or resulting Person, having the same powers, preferences and relative, participating, optional or other special rights and the qualifications, limitations or restrictions thereon, that the Senior Exchangeable Redeemable Preferred Shares had immediately prior to such transaction; (C) immediately after giving pro forma effect to such transaction, no Voting Rights Triggering Event shall have occurred or be continuing; and (D) the Corporation has delivered to the Transfer Agent prior to the consummation of the proposed transaction an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger or transfer complies with the terms hereof and that all conditions precedent herein relating to such transaction have been satisfied.

For purposes of the foregoing, the transfer (by lease, assignment, sale or otherwise, in a single transaction or series of related transactions) of all or substantially all of the properties or assets of one or more Subsidiaries of the Corporation, the Capital Stock of which constitutes all or substantially all of the properties and assets of the Corporation, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Corporation.

(iv) (A) If (1) dividends on the Senior Exchangeable Redeemable Preferred Shares are in arrears and unpaid (and, if after February 1, 2002, such dividends are not paid in cash) for six or more Dividend Periods (whether or not consecutive) (a "Dividend Default"); (2) the Corporation fails to redeem all of the then outstanding Senior Exchangeable Redeemable Preferred Shares on February 1, 2009 or fails otherwise to discharge any redemption obligation with respect to the Senior Exchangeable Redeemable Preferred Shares; (3) the Corporation fails to make an Offer to Purchase (whether pursuant to the terms of paragraph (h)(i) or otherwise) following a Change of Control if such Offer to Purchase is required by paragraph (h) hereof or fails to purchase Senior Exchangeable Redeemable Preferred Shares from Holders who elect to have such shares purchased pursuant to the Offer to Purchase; (4) the Corporation breaches or violates one of the provisions set forth in any paragraphs (f)(iii) or (1) hereof and the breach or violation continues for a period of 30 days or more after the Corporation receives notice thereof specifying the default from the Holders of at least 25% of the

Senior Exchangeable Redeemable Preferred Shares then outstanding, or (5) the Corporation fails to pay at the final stated maturity (giving effect to any extensions thereof) the principal amount of any Debt of the Corporation or any Subsidiary of the Corporation, or the final stated maturity of any such Debt is accelerated, if the aggregate principal amount of such Debt, together with the aggregate principal amount of any other such Debt in default for failure to pay principal at the final stated maturity (giving effect to any extensions thereof) or that has been accelerated, aggregates $15,000,000 or more at any time, in each case, after a 10-day period during which such default shall not have been cured or such acceleration rescinded, then in the case of any of clauses (1)-(5) the number of directors constituting the Board of Directors shall be adjusted by the number, if any, necessary to permit the Holders of the Senior Exchangeable Redeemable Preferred Shares, voting together with any outstanding Party Shares separately as a single class, to elect the lesser of two directors and that number of directors constituting 25% of the members of the Board of Directors. Each such event described in clauses (1), (2), (3), (4) and (5) is a "Voting Rights Triggering Event." Holders of a majority of the issued and outstanding Senior Exchangeable Redeemable Preferred Shares, voting together with any outstanding Parity Shares separately as a single class, shall have the exclusive right to elect the lesser of two directors and that number of directors constituting 25% of the members of the Board of Directors at a meeting therefor called upon occurrence of such Voting Rights Triggering Event, and at every subsequent meeting at which the terms of office of the directors so elected (other than as described in (f)(iv)(B) below). The voting rights provided herein shall be the exclusive remedy at law or in equity of the holders of the Senior Exchangeable Redeemable Preferred Shares for any Voting Rights Triggering Event.

(B) The right of the Holders of Senior Exchangeable Redeemable Preferred Shares to elect members of the Board of Directors as set forth in subparagraph (f)(iv)(A) above shall continue until such time as (x) in the event such right arises due to a Dividend Default, all accumulated dividends that are in arrears on the Senior Exchangeable Redeemable Preferred Shares are paid in full (and, in the case of dividends payable after February 1, 2002, paid in cash) and (y) in all other cases, the failure, breach or default giving rise to such Voting Rights Triggering Event is remedied or waived by the holders of at least a majority of the Senior Exchangeable Redeemable Preferred Shares then outstanding, at which time (1) the special right of the Holders of Senior Exchangeable Redeemable Preferred Shares so to vote for the election of directors and (2) the term of office of the directors elected by the Holders of the Senior Exchangeable Redeemable Preferred Shares shall each terminate and the directors elected by the holders of Voting Stock other than the Senior Exchangeable Redeemable Preferred Shares shall constitute the entire Board of Directors. At any time after voting power to elect directors shall have become vested and be continuing in the Holders of Senior Exchangeable Redeemable Preferred Shares pursuant to paragraph (f)(iv)(A) hereof, or if vacancies shall exist in the offices of directors

elected by the Holders of Senior Exchangeable Redeemable Preferred Shares, a proper officer of the Corporation may, and upon the written request of the Holders of record of at least twenty-five percent (25%) of the Senior Exchangeable Redeemable Preferred Shares then outstanding addressed to the Secretary of the Corporation shall, call a special meeting of the Holders of Senior Exchangeable Redeemable Preferred Shares, for the purpose of electing the directors which such Holders are entitled to elect. If such meeting shall not be called by a proper officer of the Corporation within twenty (20) days after personal service of said written request upon the Secretary of the Corporation, or within twenty (20) days after mailing the same within the United States by certified mail, addressed to the Secretary of the Corporation at its principal executive offices, then the Holders of record of at least twenty-five percent (25%) of the outstanding Senior Exchangeable Redeemable Preferred Shares may designate in writing one of their number to call such meeting at the expense of the Corporation, and such meeting may be called by the Person so designated upon the notice required for the annual meetings of shareholders of the Corporation and shall be held at the place for holding the annual meetings of shareholders. Any Holder of Senior Exchangeable Redeemable Preferred Shares so designated shall have, and the Corporation shall provide, access to the lists of shareholders to be called pursuant to the provisions hereof.

(C) At any meeting held for the purpose of electing directors at which the Holders of Senior Exchangeable Redeemable Preferred Shares voting together with any outstanding shares of Parity Shares as a separate class shall have the right as described herein to elect directors, the presence in person or by proxy of the Holders of at least a majority of the then outstanding Senior Exchangeable Redeemable Preferred Shares and Parity Shares shall be required to constitute a quorum of such Senior Exchangeable Redeemable Preferred Shares and Parity Shares.

(D) Any vacancy occurring in the office of a director elected by the Holders of Senior Exchangeable Redeemable Preferred Shares and Parity Shares may be filled by the remaining directors elected by the Holders of Senior Exchangeable Redeemable Preferred Shares and Parity Shares unless and until such vacancy shall be filled by the Holders of Senior Exchangeable Redeemable Preferred Shares and Parity Shares.

(v) In any case in which the Holders of Senior Exchangeable Redeemable Preferred Shares shall be entitled to vote pursuant to this paragraph (f) or pursuant to Delaware law, each Holder of Senior Exchangeable Redeemable Preferred Shares entitled to vote with respect to such matter shall be entitled to one vote for each share of Senior Exchangeable Redeemable Preferred Shares held.

(g) Exchange.

(i) Requirements. The outstanding Senior Exchangeable Redeemable Preferred Shares are exchangeable as a whole but not in part, at the option of the Corporation at any time on any Dividend Payment Date for the Corporation's 14% Senior Subordinated Notes due 2009 (the "Exchange Notes") to be substantially in the form set forth in the Indenture, a copy of which is on file with the secretary of the Corporation and the Transfer Agent, provided that any such exchange may only be made if on or prior to the date of such exchange (A) the Corporation has paid all accumulated dividends on the Senior Exchangeable Redeemable Preferred Shares (including the dividends payable on the date of exchange) and there shall be no contractual impediment to such exchange and (B) immediately after giving effect to such exchange, no Default or Event of Default (as defined in the Indenture) would exist under the Indenture and no default or event of default would exist under the Existing Indenture. The exchange rate shall be $1.00 principal amount of Exchange Notes for each $1.00 of the aggregate liquidation preference of Senior Exchangeable Redeemable Preferred Shares, including, to the extent necessary, Exchange Notes in principal amounts less than $1,000.

(ii) Procedure for Exchange.

(A) At least thirty (30) days and not more than sixty (60) days prior to the date fixed for exchange, written notice (the "Exchange Notice") shall be given by first class mail, postage prepaid, to each Holder of record on the record date fixed for such exchange of the Senior Exchangeable Redeemable Preferred Shares at such Holder's address as the same appears on the share books of the Corporation, provided that no failure to give such notice nor any deficiency therein shall affect the validity of the procedure for the exchange of any Senior Exchangeable Redeemable Preferred Shares to be exchanged except as to the Holder or Holders to whom the Corporation has failed to give said notice or except as to the Holder or Holders whose notice was defective. The Exchange Notice shall state:

(1) The Exchange Date;

(2) That the Holder is to surrender to the Corporation, in the manner and at the place or places designated, his certificate or certificates representing the Senior Exchangeable Redeemable Preferred Shares to be exchanged;

(3) That dividends on the Senior Exchangeable Redeemable Preferred Shares to be exchanged shall cease to accrue on such Exchange Date whether or not certificates for Senior Exchangeable Redeemable Preferred Shares are surrendered for exchange on such Exchange Date unless the Corporation shall default in the delivery of Exchange Notes; and

(4) That interest on the Exchange Notes shall accrue from the Exchange Date whether or not certificates for Senior Exchangeable Redeemable Preferred Shares are surrendered for exchange on such Exchange Date.(B) On or before the Exchange Date, each Holder of Senior Exchangeable Redeemable Preferred Shares shall surrender the certificate or certificates representing such Senior Exchangeable Redeemable Preferred Shares, in the manner and at the place designated in the Exchange Notice. The Corporation shall cause the Exchange Notes to be executed on the Exchange Date and, upon surrender in accordance with the Exchange Notice of the certificates for any Senior Exchangeable Redeemable Preferred Shares so exchanged, duly endorsed (or otherwise in proper form for transfer, as determined by the Corporation), such shares shall be exchanged by the Corporation into Exchange Notes. The Corporation shall pay interest on the Exchange Notes at the rate and on the dates specified therein from the Exchange Date. (C) If notice has been mailed as aforesaid, and if before the Exchange Date specified in such notice (1) the Indenture shall have been duly executed and delivered by the Corporation and the trustee there under and(2) all Exchange Notes necessary for such exchange shall have been duly executed by the Corporation and delivered to the trustee under the Indenture with irrevocable instructions to authenticate the Exchange Notes necessary for such exchange, then the rights of the Holders of Senior Exchangeable Redeemable Preferred Shares so exchanged as shareholders of the Corporation shall cease(except the right to receive Exchange Notes, an amount in cash equal to the amount of accrued and unpaid dividends to the Exchange Date), and the Person or Persons entitled to receive the Exchange Notes issuable upon exchange shall be treated for all purposes as the registered Holder or Holders of such Exchange Notes as of the Exchange Date.

(iii) No Exchange in Certain Cases. Notwithstanding the foregoing provisions of this paragraph (g), the Corporation shall not be entitled to exchange the Senior Exchangeable Redeemable Preferred Shares for Exchange Notes if such exchange, or any term or provision of the Indenture or the Exchange Notes, or the performance of the Corporation's obligations under the Indenture or the Exchange Notes, shall materially violate or conflict with any applicable law or if, at the time of such exchange, the Corporation is insolvent or if it would be rendered insolvent by such exchange.

(h) Change of Control.

(i) Within 30 days following a Change of Control (the date of such occurrence being the "Change of Control Date"), the Corporation shall notify the Holders of the Senior Exchangeable Redeemable Preferred Shares in writing of

such occurrence and shall make an Offer to Purchase all of the then outstanding Senior Exchangeable Redeemable Preferred Shares at a purchase price of 101% of the liquidation preference thereof plus, without duplication, an amount in cash equal to all accumulated and unpaid dividends per share (including an amount in cash equal to a prorated dividend for the period from the Dividend Payment Date immediately prior to the Payment Date to the Payment Date).

(ii) The Corporation will comply with any securities laws and regulations, to the extent such laws and regulations are applicable to the repurchase of the Senior Exchangeable Redeemable Preferred Shares in connection with an Offer to Purchase.

(iii) On the payment Date the Corporation shall (A) accept for payment the Senior Exchangeable Redeemable Preferred Shares validly tendered pursuant to the Offer to Purchase, (B) pay to the Holders of shares so accepted the purchase price therefor in cash and (C) cancel and retire each surrendered certificate. Unless the Corporation defaults in the payment for the Senior Exchangeable Redeemable Preferred Shares tendered pursuant to the Offer to Purchase, dividends will cease to accrue with respect to the Senior Exchangeable Redeemable Preferred Shares tendered and all rights of Holders of such tendered shares will terminate, except for the right to receive payment therefor, on the Payment Date.

(iv) Notwithstanding the foregoing, the Corporation will not repurchase or redeem any Senior Exchangeable Redeemable Preferred Shares pursuant to the provisions of this paragraph prior to the Corporation's repurchase of such Senior Notes as are required to be repurchased pursuant to the Existing Indenture.

(i) Conversion or Exchange.

The Holders of Senior Exchangeable Redeemable Preferred Shares shall not have any rights hereunder to convert such shares into or exchange such shares for shares of any other class or classes or of any other series of any class or classes of Capital Stock of the Corporation.

(j) Reissuance of Senior Exchangeable Redeemable Preferred Shares. Senior Exchangeable Redeemable Preferred Shares that have been issued and reacquired in any manner, including shares purchased or redeemed or exchanged, shall (upon compliance with any applicable provisions of the laws of Delaware) have the status of authorized and unissued shares of Preferred Shares undesignated as to series and may be redesignated and reissued as part of any series of Preferred Shares, including but not limited to reissuance as a stock dividend on the Company's 14% Senior Exchangeable Redeemable Preferred Shares; provided that such reacquired shares shall not otherwise be reissued as Senior Exchangeable Redeemable Preferred Shares.

(k) Business Day.

If any payment, redemption or exchange shall be required by the terms hereof to be made on a day that is not a Business Day, such payment, redemption or exchange shall be made on the immediately succeeding Business Day.

(l) Certain Additional Provisions.

(i) Limitation on Consolidated Debt. The Corporation may not, and may not permit any Restricted Subsidiary of the Corporation to, Incur any Debt unless either (a) the ratio of (i) the aggregate consolidated principal amount of Debt of the Corporation outstanding as of the most recent available quarterly or annual balance sheet, after giving pro forma effect to the Incurrence of such Debt and any other Debt Incurred since such balance sheet date and the receipt and application of the proceeds thereof to (ii) Consolidated Cash Flow Available for Fixed Charges for the four full fiscal quarters next preceding the Incurrence of such Debt for which consolidated financial statements are available, determined on a pro forma basis as if any such Debt had been Incurred and the proceeds thereof had been applied at the beginning of such four fiscal quarters, would be less than 5.5 to 1 for such four-quarter periods ending on or prior to December 31, 1999 and 5.0 to 1 for such periods ending thereafter, or (b) the Corporation's Consolidated Capital Ratio as of the most recent available quarterly or annual balance sheet, after giving pro forma effect to the Incurrence of such Debt and any other Debt Incurred since such balance sheet date and the receipt and application of the proceeds thereof, is less than 2.0 to 1. Notwithstanding the foregoing limitation, the Corporation and any Restricted Subsidiary may Incur the following:

(A) Debt under any one or more Bank Credit Agreements or Vendor Financing Facilities in an aggregate principal amount at any one time not to exceed $125 million, and any renewal, extension, refinancing or refunding thereof in an amount which, together with any principal amount remaining outstanding or available under all Bank Credit Agreements and Vendor Financing Facilities of the Corporation and its Restricted Subsidiaries, plus the amount of any premium required to be paid in connection with such refinancing pursuant to the terms of any Bank Credit Agreement so refinanced plus the amount of expenses incurred in connection with such refinancing, does not exceed the aggregate principal amount outstanding or available under all such Bank Credit Agreements and Vendor Financing Facilities of the Corporation and its Restricted Subsidiaries immediately prior to such renewal, extension, refinancing or refunding;

(B) Purchase Money Debt Incurred to finance the construction, acquisition or improvement of Telecommunications Assets, provided that the net proceeds of such Purchase Money Debt do not exceed 80% of the cost of construction, acquisition or improvement price of the applicable Telecommunications Assets;

(C) Debt owed by the Corporation to any Wholly-Owned Restricted Subsidiary of the Corporation or Debt owed by a Restricted Subsidiary of the Corporation to the Corporation or another Wholly-Owned Subsidiary of the Corporation; provided, however, that upon either (x) the transfer or other disposition by such Wholly-Owned Restricted Subsidiary or the Corporation of any Debt so permitted to a Person other than the Corporation or another Wholly-Owned Restricted Subsidiary of the Corporation or(y) the issuance (other than directors' qualifying shares), sale, lease, transfer or other disposition of shares of Capital Stock(including by consolidation or merger) of such Wholly-Owned Restricted Subsidiary to a Person other than the Corporation or another such Wholly-Owned Restricted Subsidiary, the provisions of this clause (C) shall no longer be applicable to such Debt and such Debt shall be deemed to have been Incurred at the time of such transfer or other disposition;

(D) Debt Incurred to renew, extend, refinance or refund (each, a "refinancing") Debt (1)referred to in clause (F) below or (2)Incurred pursuant to the preceding paragraph or clause (B) of this paragraph in an aggregate principal amount not to exceed the aggregate principal amount of and accrued interest on the Debt so refinanced plus the amount of any premium required to be paid in connection with such refinancing pursuant to the terms of the Debt so refinanced or the amount of any premium reasonably determined by the Corporation as necessary to accomplish such refinancing by means of a tender offer or privately negotiated repurchase, plus the amount of expenses of the Corporation incurred in connection with such refinancing, provided, however, that, the refinancing Debt by its terms, or by the terms of any agreement or instrument pursuant to which such Debt is issued, (x) does not provide for payments of principal of such Debt at the stated maturity thereof or by way of a sinking fund applicable thereto or by way of any mandatory redemption, defeasance, retirement or repurchase thereof by the Corporation (including any redemption, retirement or repurchase which is contingent upon events or circumstances, but excluding any retirement required by virtue of acceleration of such Debt upon any event of default thereunder), in each case prior to the time the same are required by the terms of the Debt being refinanced and (y) does not permit redemption or other retirement(including pursuant to an offer to purchase made by the Corporation) of such Debt at the option of the holder thereof prior to the final stated maturity of the Debt being refinanced, other than a redemption or other retirement at the option of the holder of such Debt (including pursuant to an offer to purchase made by the Corporation) which is conditioned upon a change substantially similar to the provisions of paragraph (h)above or which is pursuant to provisions substantially similar to the provisions of Section 1013 of the Existing Indenture as in effect on the Issue Date (whether or not the Existing Notes are outstanding or the Existing Indenture is in effect);

(E) Debt consisting of Permitted Interest Rate and Currency Protection Agreements;

(F) Debt outstanding at the Issue Date;

(G) Subordinated Debt invested by (a) a group of employees of the Corporation, which includes the Chief Executive Officer of the Corporation, who own, directly or indirectly, through an employee stock ownership plan or arrangement, shares of the Corporation's Capital Stock or (b) any other Person that controls the Corporation (i) on the Issue Date or (ii) after a Change of Control, provided that the Corporation is not in default with respect to its obligations under paragraph (h) above;

(H) Debt consisting of performance and other similar bonds and reimbursement obligations Incurred in the ordinary course of business securing the performance of contractual, franchise or license obligations of the Corporation or a Restricted Subsidiary, or in respect of a letter of credit obtained to secure such performance; and

(I) Debt not otherwise permitted to be incurred pursuant to clauses (A) through (H) above, which, together with any other outstanding Debt Incurred pursuant to this clause (I),has an aggregate principal amount (or, in the case of Debt issued at a discount, an accreted amount (determined in accordance with generally accepted accounting principles) at the time of incurrence) not in excess of $10 million at any time outstanding.

For purposes of determining compliance with this paragraph (l)(i), in the event that an item of Debt meets the criteria of more than one of the types of Debt the Corporation is permitted to Incur pursuant to the foregoing clauses (A) through (I), the Corporation shall have the right, in its sole discretion, to classify such item of Debt and shall only be required to include the amount and type of such Debt under the clause permitting the Debt as so classified. For purposes of determining any particular amount of Debt under this covenant, Guarantees or Liens with respect to letters of credit supporting Debt otherwise included in the determination of a particular amount shall not be included.

(ii) Reports. So long as any Senior Exchangeable Redeemable Preferred Shares are outstanding, the Corporation will provide to the holders of Senior Exchangeable Redeemable Preferred Shares, within 15 days after it files them with the Securities and Exchange Commission (or any successor agency performing similar functions), copies of the annual reports and of the information, documents and other reports (or copies of such portions of any of the foregoing as the Commission may by rules and regulation prescribe) which the Corporation files with the Commission pursuant to Section 13 or 15(d) of the Exchange Act.

In the event that the Corporation is no longer required to furnish such reports to its security holders pursuant to the Exchange Act, the Corporation will cause its consolidated financial statements, comparable to those which would have been required to appear in annual or quarterly reports, to be delivered to the Holders of Senior Exchangeable Redeemable Preferred Shares. (m) Definitions. As used in this Certificate of Designations, the following terms shall have the following meanings (with terms defined in the singular having comparable meanings when used in the plural and vice versa), unless the context otherwise requires. Any reference in any of the following terms to any term in or provision of the Existing Indenture shall refer to such term or provision as in effect on the Issue Date and as may be amended in accordance with the terms of the Existing Indenture (whether or not the Existing Notes are outstanding or the Existing Indenture is in effect):

"Acquired Debt" means, with respect to any specified Person, (i) Debt of any other Person existing at the time such Person merges with or into or consolidates with or becomes a Restricted Subsidiary of such specified Person and (ii) Debt secured by a Lien encumbering any asset acquired by such specified Person, which Debt was not Incurred in anticipation of, and was outstanding prior to, such merger, consolidation or acquisition.

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Asset Disposition" by any Person means any transfer, conveyance, sale, lease or other disposition by such Person or any of its Restricted Subsidiaries (including a consolidation or merger or other sale of any such Restricted Subsidiary with, into or to another Person in a transaction in which such Restricted Subsidiary ceases to be a Restricted Subsidiary of the specified Person, but excluding a disposition by a Restricted Subsidiary of such Person to such Person or a Wholly-Owned Restricted Subsidiary of such Person or by such Person to a Wholly-Owned Restricted Subsidiary of such Person) of (i) shares of Capital Stock or other ownership interests of a Restricted Subsidiary of such Person (other than as permitted by the provisions of Section 1008 of the Existing Indenture or pursuant to a transaction in compliance with Section 801 of the Existing Indenture), (ii) substantially all of the assets of such Person or any of its Restricted Subsidiaries representing a division or line of business (other than as part of a Permitted Investment (as defined in the Existing Indenture)) or (iii) other assets or rights of such Person or any of its Restricted Subsidiaries other than (A) in the ordinary course of business or (B) that constitutes a Restricted Payment (as defined in the Existing Indenture) which is permitted by the provisions of Section 1009 of the Existing Indenture; provided that a transaction described in clause (i), (ii) and (iii) shall constitute an Asset Disposition only if the aggregate consideration for such transfer, conveyance, sale, lease or other disposition is equal to $5 million or more in any 12-month period.

"Bank Credit Agreement" means any one or more credit agreements (which may include or consist of revolving credits) between the Corporation or any Restricted Subsidiary of

the Corporation and one or more banks or other financial institutions providing financing for the business of the Corporation and its Restricted Subsidiaries.

"Board of Directors" shall have the meaning ascribed to it in the first paragraph of this Resolution.

"Business Day" means each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which banking institutions in The Borough of Manhattan, The City of New York, New York are authorized or obligated by law or executive order to close.

"Capital Lease Obligation" of any Person means the obligation to pay rent or other payment amounts under a lease of (or other Debt arrangements conveying the right to use) real or personal property of such Person which is required to be classified and accounted for as a capital lease or a liability on the face of a balance sheet of such Person in accordance with generally accepted accounting principles (a "Capital Lease"). The stated maturity of such obligation shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be terminated by the lessee without payment of a penalty. The principal amount of such obligation shall be the capitalized amount thereof that would appear on the face of a balance sheet of such Person in accordance with generally accepted accounting principles.

"Capital Stock" of any Person means any and all shares, interests, participations or other equivalents (however designated) of corporate stock or other equity participations, including partnership interests, whether general or limited, of such Person.

"Change of Control" will be deemed to have occurred at such time as either (a) any Person or any Persons acting together that would constitute a "group" (a "Group") for purposes of Section 13(d) of the Exchange Act, or any successor provision thereto (other than Eagle River, Mr. Craig O. McCaw and their respective Affiliates or an underwriter engaged in a firm commitment underwriting on behalf of the Corporation), shall beneficially own (within the meaning of Rule 13d-3 under the Exchange Act, or any successor provision thereto) more than 50% of the aggregate voting power of all classes of Voting Stock of the Corporation; (b) neither Mr. Craig O. McCaw nor any person designated by him to the Corporation as acting on his behalf shall be a director of the Corporation; or (c) during any period of two consecutive years, individuals who at the beginning of such period constituted the Board of Directors (together with any new directors whose election by the Board of Directors or whose nomination for election by the shareholders of the Corporation was proposed by a vote of a majority of the directors of the Corporation then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the Board of Directors then in office.

"Change of Control Date" shall have the meaning ascribed to it in paragraph (h)(i) hereof.

"Consolidated Capital Ratio" of any Person as of any date means the ratio of (i) the aggregate consolidated principal amount of Debt of such Person then outstanding to (ii) the

aggregate consolidated Capital Stock (other than Disqualified Stock) and paid-in capital (other than in respect of Disqualified Stock) of such Person as of such date.

"Consolidated Cash Flow Available for Fixed Charges" for any period means the Consolidated Net Income of the Corporation and its Restricted Subsidiaries for such period increased by the sum of (i) Consolidated Interest Expense of the Corporation and its Restricted Subsidiaries for such period, plus (ii) Consolidated Income Tax Expense of the Corporation and its Restricted Subsidiaries for such period, plus (iii) the consolidated depreciation and amortization expense included in the income statement of the Corporation and its Restricted Subsidiaries for such period, plus (iv) any non-cash expense related to the issuance to employees of the Corporation or any Restricted Subsidiary of the Corporation of options to purchase Capital Stock of the Corporation or such Restricted Subsidiary, plus (v) any charge related to any premium or penalty paid in connection with redeeming or retiring any Debt prior to its stated maturity; provided, however, that there shall be excluded there from the Consolidated Cash Flow Available for Fixed Charges (if positive) of any Restricted Subsidiary of the Corporation (calculated separately for such Restricted Subsidiary in the same manner as provided above for the Corporation) that is subject to a restriction which prevents the payment of dividends or the making of distributions to the Corporation or another Restricted Subsidiary of the Corporation to the extent of such restriction.

"Consolidated Income Tax Expense" for any period means the consolidated provision for income taxes of the Corporation and its Restricted Subsidiaries for such period calculated on a consolidated basis in accordance with generally accepted accounting principles.

"Consolidated Interest Expense" means for any period the consolidated interest expense included in a consolidated income statement (excluding interest income) of the Corporation and its Restricted Subsidiaries for such period calculated on a consolidated basis in accordance with generally accepted accounting principles, including without limitation or duplication (or, to the extent not so included, with the addition of), (i) the amortization of Debt discounts; (ii) any payments or fees with respect to letters of credit, bankers' acceptances or similar facilities; (iii) fees with respect to interest rate swap or similar agreements or foreign currency hedge, exchange or similar agreements; (iv) Preferred Stock dividends of the Corporation and its Restricted Subsidiaries (other than dividends paid in shares of Preferred Stock that is not Disqualified Stock) declared and paid or payable; (v) accrued Disqualified Stock dividends of the Corporation and its Restricted Subsidiaries, whether or not declared or paid; (vi) interest on Debt guaranteed by the Corporation and its Restricted Subsidiaries; and (vii) the portion of any Capital Lease Obligation paid during such period that is allocable to interest expense.

"Consolidated Net Income" for any period means the consolidated net income (or loss) of the Corporation and its Restricted Subsidiaries for such period determined on a consolidated basis in accordance with generally accepted accounting principles; provided that there shall be excluded there from (i) the net income (or loss) of any Person acquired by the Corporation or a Restricted Subsidiary of the Corporation in a pooling-of-interests transaction for any period prior to the date of such transaction, (ii) the net income (or loss) of any Person that is not a Restricted Subsidiary of the Corporation except to the extent of the amount of dividends or other distributions actually paid to the Corporation or a Restricted Subsidiary of the Corporation

by such Person during such period, (iii) gains or losses on Asset Dispositions by the Corporation or its Restricted Subsidiaries, (iv) all extraordinary gains and extraordinary losses, (v) the cumulative effect of changes in accounting principles, (vi) non-cash gains or losses resulting from fluctuations in currency exchange rates, (vii) any non-cash gain or loss realized on the termination of any employee pension benefit plan and (viii) the tax effect of any of the items described in clauses (i) through (vii) above.

"corporation" means a corporation, association, company, limited liability company, joint-stock company or business trust.

"Corporation" means NM Acquisition Corp. a Delaware corporation, and successor by merger to NETLINK Communications, Inc.

"Covenant Amendment" means either (i) the defeasance, extinguishment or amendment of certain covenants of the Existing Indenture that would cause the Senior Exchangeable Redeemable Preferred Shares to be deemed Disqualified Stock (under the Existing Indenture) if the provisions of paragraph (f)(G)(x) and (y) were a part of this Certificate of Designations, and include, but are not limited to, the definition of Disqualified Stock (under the Existing Indenture) or (ii) defeasance or extinguishment of the Existing Indenture in its entirety.

"Debt" means (without duplication), with respect to any Person, whether recourse is to all or a portion of the assets of such Person and whether or not contingent, (i) every obligation of such Person for money borrowed, (ii) every obligation of such Person evidenced by bonds, debentures, notes or other similar instruments, including any such obligations Incurred in connection with the acquisition of property, assets or businesses, (iii) every reimbursement obligation of such Person with respect to letters of credit, bankers' acceptances or similar facilities issued for the account of such Person, (iv) every obligation of such Person issued or assumed as the deferred purchase price of property or services (including securities repurchase agreements but excluding trade accounts payable or accrued liabilities arising in the ordinary course of business which are not overdue or which are being contested in good faith), (v) every Capital Lease Obligation of such Person, (vi) all Receivables Sales of such Person, together with any obligation of such Person to pay any discount, interest, fees, indemnities, penalties, recourse, expenses or other amounts in connection therewith, (vii) all obligations to redeem Disqualified Stock issued by such Person, (viii) every obligation under Interest Rate and Currency Protection Agreements of such Person and (ix) every obligation of the type referred to in clauses (i) through (viii) of another Person and all dividends of another Person the payment of which, in either case, such Person has Guaranteed.

The "amount" or "principal amount" of Debt at any time of determination as used herein represented by (a) any Debt issued at a price that is less than the principal amount at maturity thereof, shall be the amount of the liability in respect thereof determined in accordance with generally accepted accounting principles, (b) any Receivables Sale, shall be the amount of the unrecovered capital or principal investment of the purchaser (other than the Corporation or a Wholly-Owned Restricted Subsidiary of the Corporation) thereof, excluding amounts representative of yield or interest earned on such investment, (c) any Disqualified Stock, shall be the maximum fixed redemption or repurchase price in respect thereof, (d) any Capital Lease Obligation, shall be determined in accordance with the definition thereof, or (e) any Permitted

Interest Rate or Currency Protection Agreement, shall be zero. In no event shall Debt include any liability for taxes.

"Disqualified Stock" of any Person means any Capital Stock of such Person which, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or is redeemable at the option of the holder thereof, in whole or in part, on or prior to February 1, 2009; provided, however, that any Preferred Stock which would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require the Corporation to repurchase or redeem such Preferred Stock upon the occurrence of a Change of Control occurring prior to February 1, 2009 shall not constitute Disqualified Stock if the change of control provisions applicable to such Preferred Stock are no more favorable to the holders of such Preferred Stock than the provisions contained in paragraph (h) hereof and such Preferred Stock specifically provides that the Corporation will not repurchase or redeem any such stock pursuant to such provisions prior to the Corporation's repurchase of such Senior Exchangeable Redeemable Preferred Shares as are required to be purchased pursuant to paragraph (h) hereof.

"Dividend Payment Date" means February 1, May 1, August 1 and November 1, of each year. "Dividend Period" means the Initial Dividend Period and, thereafter, each Quarterly Dividend Period. "Dividend Record Date" means January 15, April 15, July 15 and October 15 of each year. "Eagle River" means Eagle River Investments, L.L.C., a limited liability company formed under the laws of the State of Delaware.

"Exchange Act" means the Securities Exchange Act of 1934, and the rules and regulations promulgated thereunder.

"Exchange Date" means the date on which Senior Exchangeable Redeemable Preferred Shares are exchanged by the Corporation for Exchange Notes. "Exchange Notes" shall have the meaning ascribed to it in paragraph (g)(i) hereof.

"Exchange Notice" shall have the meaning ascribed to it in paragraph (g)(ii) hereof.

"Exchange Offer" means the exchange offer contemplated by the Registration Rights Agreement.

"Exchange Shares" means any Senior Exchangeable Redeemable Preferred Shares issued in exchange for an Original Share or Original Shares pursuant to the Exchange Offer or otherwise registered under the Securities Act and any Senior Exchangeable Redeemable Preferred Shares with respect to which the next preceding Predecessor Shares of such Senior Exchangeable Redeemable Preferred Shares was an Exchange Share, and their Successor Shares.

"Existing Notes" means the Corporation's $350,000,000 aggregate principal amount of 12 1/2% Senior Notes due April 15, 2006, as the same may be modified or amended from time to time.

"Existing Indenture" means the Indenture governing the Existing Notes as such Indenture may be amended or supplemented from time to time in accordance with the terms thereof.

"Guarantee" by any Person means any obligation, contingent or otherwise, of such Person guaranteeing, or having the economic effect of guaranteeing, any Debt of any other Person (the "primary obligor") in any manner, whether directly or indirectly, and including, without limitation, any obligation of such Person, (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or to purchase (or to advance or supply funds for the purchase of) any security for the payment of such Debt, (ii) to purchase property, securities or services for the purpose of assuring the holder of such Debt of the payment of such Debt, or (iii) to maintain working capital, equity capital or other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Debt (and "Guaranteed", "Guaranteeing" and "Guarantor" shall have meanings correlative to the foregoing); provided, however, that the Guarantee by any Person shall not include endorsements by such Person for collection or deposit, in either case, in the ordinary course of business; and provided, further, that the incurrence by a Restricted Subsidiary of the Corporation of a lien permitted under clause (iv) of the second paragraph of Section 1011 of the Existing Indenture shall not be deemed to constitute a Guarantee by such Restricted Subsidiary of any Purchase Money Debt of the Corporation secured thereby.

"Holder" means a holder of Senior Exchangeable Redeemable Preferred Shares as reflected in the share books of the Corporation.

"Incur" means, with respect to any Debt or other obligation of any Person, to create, issue, incur (by conversion, exchange or otherwise), assume, Guarantee or otherwise become liable in respect of such Debt or other obligation including by acquisition of Subsidiaries or the recording, as required pursuant to generally accepted accounting principles or otherwise, of any such Debt or other obligation on the balance sheet of such Person (and "Incurrence", "Incurred", "Incurrable" and "Incurring" shall have meanings correlative to the foregoing); provided, however, that a change in generally accepted accounting principles that results in an obligation of such Person that exists at such time becoming Debt shall not be deemed an Incurrence of such Debt and that neither the accrual of interest nor the accretion of original issue discount shall be deemed an Incurrence of Debt; provided, further, however, that the Corporation may elect to treat all or any portion of revolving credit debt of the Corporation or a Subsidiary as being incurred from and after any date beginning the date the revolving credit commitment is extended to the Corporation or a Subsidiary, by furnishing notice thereof to the Transfer Agent, and any borrowings or reborrowings by the Corporation or a Subsidiary under such commitment up to the amount of such commitment designated by the Corporation as Incurred shall not be deemed to be new Incurrences of Debt by the Corporation or such Subsidiary.

"Initial Dividend Period" means the dividend period commencing on the Issue Date and ending on the first Dividend Payment Date to occur thereafter. "Initial Purchaser" means Merrill Lynch, Pierce, Fenner & Smith Incorporated or Toronto Dominion Securities (USA) Inc.

"Interest Rate or Currency Protection Agreement" of any Person means any forward contract, futures contract, swap, option or other financial agreement or arrangement (including, without limitation, caps, floors, collars and similar agreements) relating to, or the value of which is dependent upon, interest rates or currency exchange rates or indices.

"Investment" by any Person means any direct or indirect loan, advance or other extension of credit or capital contribution (by means of transfers of cash or other property to others or payments for property or services for the account or use of others, or otherwise) to, or purchase or acquisition of Capital Stock, bonds, notes, debentures or other securities or evidence of Debt issued by, any other Person, including any payment on a Guarantee of any obligation of such other Person, but excluding any loan, advance or extension of credit to an employee of the Corporation or any of its Restricted Subsidiaries in the ordinary course of business, accounts receivable and other commercially reasonable extensions of trade credit.

"Issue Date" means the date of original issuance of the Senior Exchangeable Redeemable Preferred Shares by NEXTLINK.

"Joint Venture" means a corporation, partnership or other entity engaged in one or more Telecommunications Businesses as to which the Corporation (directly or through one or more Restricted Subsidiaries) exercises managerial control and in which the Corporation owns (i) a 50% or greater interest, or (ii) a 40% or greater interest, together with options or other contractual rights, exercisable not more than seven years after the Corporation's initial Investment in such Joint Venture, to increase its interest to not less than 50%.

"Junior Shares" shall have the meaning ascribed to it in paragraph (b) hereof.

"Lien" means, with respect to any property or assets, any mortgage or deed of trust, pledge, hypothecation, assignment, Receivables Sale, deposit arrangement, security interest, lien, charge, easement (other than any easement not materially impairing usefulness or marketability), encumbrance, preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever on or with respect to such property or assets (including, without limitation, any conditional sale or other title retention agreement having substantially the same economic effect as any of the foregoing).

"Mandatory Redemption Price" shall have the meaning ascribed to it in paragraph (e)(ii) hereof.

"Merger Date" means the date of effectiveness of the merger of NEXTLINK with and into the Corporation.

"NEXTLINK" means NEXTLINK Communications, Inc., a Delaware corporation and a predecessor to the Corporation.

"Offer to Purchase" means a written offer (the "Offer") sent by the Corporation by first class mail, postage prepaid, to each Holder at his address appearing in the records of the Corporation on the date of the Offer offering to purchase any and all of the Senior Exchangeable Redeemable Preferred Shares at the purchase price specified in such Offer (as determined pursuant to this Certificate of Designations). Unless otherwise required by applicable law, the

Offer shall specify an expiration date (the "Expiration Date") of the Offer to Purchase which shall be, subject to any contrary requirements of applicable law, not less than 30 days or more than 60 days after the date of such Offer and a settlement date (the "Payment Date") for purchase of Senior Exchangeable Redeemable Preferred Shares within five Business Days after the Expiration Date. The Corporation shall notify the Transfer Agent at least 15 Business Days (or such shorter period as is acceptable to the Transfer Agent) prior to the mailing of the Offer of the Corporation's obligation to make an Offer to Purchase, and the Offer shall be mailed by the Corporation or, at the Corporation's request, by the Transfer Agent in the name and at the expense of the Corporation. The Offer shall contain information concerning the business of the Corporation and its Subsidiaries which the Corporation in good faith believes will enable such Holders to make an informed decision with respect to the Offer to Purchase (which at a minimum will include (i) the most recent annual and quarterly financial statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in the documents required to be filed with the Securities and Exchange Commission or provided to the Transfer Agent pursuant to this Certificate of Designations (which requirements may be satisfied by delivery of such documents together with the Offer), (ii) a description of material developments in the Corporation's business subsequent to the date of the latest of such financial statements referred to in clause (i) (including a description of the events requiring the Corporation to make the Offer to Purchase), (iii) if applicable, appropriate pro forma financial information concerning the Offer to Purchase and the events requiring the Corporation to make the Offer to Purchase and (iv) any other information required by applicable law to be included therein). The Offer shall contain all instructions and materials necessary to enable such Holders to tender Senior Exchangeable Redeemable Preferred Shares pursuant to the Offer to Purchase. The Offer shall also state:

(a) the paragraph of this Certificate of Designations pursuant to which the Offer to Purchase is being made;

(b) the Expiration Date and the Payment Date;

(c) the purchase price to be paid by the Corporation for each Senior Exchangeable Redeemable Preferred Shares accepted for payment (as specified pursuant to this Certificate of Designations) (the "Purchase Price");

(d) that the Holder may tender all or any portion of the Senior Exchangeable Redeemable Preferred Shares registered in the name of such Holder;

(e) the place or places where Senior Exchangeable Redeemable Preferred Shares are to be surrendered for tender pursuant to the Offer to Purchase;

(f) that dividends on any Senior Exchangeable Redeemable Preferred Share not tendered or tendered but not purchased by the Corporation pursuant to the Offer to Purchase will continue to accrue;

(g) that on the Payment Date the Purchase Price will become due and payable upon each Senior Exchangeable Redeemable Preferred Share being accepted for payment pursuant to the Offer to Purchase and that dividends thereon shall cease to accrue on and after the Purchase Date;

(h) that each Holder electing to tender a Senior Exchangeable Redeemable Preferred Share pursuant to the Offer to Purchase will be required to surrender such Senior Exchangeable Redeemable Preferred Share at the place or places specified in the Offer prior to the close of business on the Expiration Date (such Senior Exchangeable Redeemable Preferred Share being, if the Corporation or the Transfer Agent so requires, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Corporation and the Transfer Agent duly executed by, the Holder there of or his attorney duly authorized in writing);

(i) that Holders will be entitled to withdraw all or any portion of Senior Exchangeable Redeemable Preferred Shares tendered if the Corporation (or its paying agent) receives not later than the close of business on the Expiration Date, a telegram, telex, facsimile transmission or letter setting forth the name of the Holder, the number of the Senior Exchangeable Redeemable Preferred Shares the Holder tendered, the certificate number(s) of the Senior Exchangeable Redeemable Preferred Shares the Holder tendered and a statement that such Holder is withdrawing all or a portion of his tender;

(j) that the Corporation shall purchase all Senior Exchangeable Redeemable Preferred Shares tendered;

(k) that in the case of any Holder whose Senior Exchangeable Redeemable Preferred Shares is purchased only in part, the Corporation shall issue and deliver to the Holder of such Senior Exchangeable Redeemable Preferred Share without service charge, a new Senior Exchangeable Redeemable Preferred Share or Senior Exchangeable Redeemable Preferred Share as requested by such Holder; and

(l) the CUSIP number or numbers of the Senior Exchangeable Redeemable Preferred Shares offered to be purchased by the Corporation pursuant to the Offer to Purchase. Any Offer to Purchase shall be governed by and effected in accordance with the Offer for such Offer to Purchase.

"Officers' Certificate" means a certificate signed by (i) the Chief Executive Officer, President, an Executive Vice President or a Vice President, and (ii) the Treasurer, Assistant Treasurer, Secretary or an Assistant Secretary, of the Corporation and delivered to the Transfer Agent and containing the following:

(a) a statement that each individual signing such certificate has read such covenant or condition and the definitions herein relating thereto;

(b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(c) a statement that, in the opinion of each such individual, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(d) a statement as to whether, in the opinion of each such individual, such condition or covenant has been complied with. "Opinion of Counsel" means a written opinion of legal counsel, who may be counsel for the Corporation and containing the following statements:

(1) a statement that such counsel has read such covenant or condition and the definitions herein relating thereto;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(3) a statement that, in the opinion of each such individual, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(4) a statement as to whether, in the opinion of each such individual, such condition or covenant has been complied with.

"Original Shares" means Senior Exchangeable Redeemable Preferred Shares that are not Exchange Shares.

"Parity Shares" shall have the meaning ascribed to it in paragraph (b) hereof.

"Payment Date" shall have the meaning ascribed to it in the definition of Offer to Purchase.

"Permitted Interest Rate or Currency Protection Agreement" of any Person means any Interest Rate or Currency Protection Agreement entered into with one or more financial institutions in the ordinary course of business that is designed to protect such Person against fluctuations in interest rates or currency exchange rates with respect to Debt Incurred and which shall have a notional amount no greater than the payments due with respect to the Debt being hedged thereby and not for purposes of speculation.

"Person" means any individual, corporation, partnership, limited liability company, joint venture, association, joint stock company, trust, unincorporated organization, government or agency or political subdivision thereof or any other entity.

"Predecessor Share" of any particular Senior Exchangeable Redeemable Preferred Share means every previous Senior Exchangeable Redeemable Preferred Share issued before, and evidencing all or a portion of the same interest as that evidenced by, such particular Senior Exchangeable Redeemable Preferred Share; and, for the purposes of this definition, any Senior Exchangeable Redeemable Preferred Share issued and delivered in exchange for or in lieu of a mutilated, destroyed, lost or stolen Senior Exchangeable Redeemable Preferred Share shall be deemed to evidence the same interest as the mutilated, destroyed, lost or stolen Senior Exchangeable Redeemable Preferred Share.

"Preferred Stock" of any Person means Capital Stock of such Person of any class or classes (however designated) that ranks prior, as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation, dissolution or winding up of such Person, to shares of Capital Stock of any other class of such Person.

"Public Equity Offering" means a underwritten public offering of common stock, par value $.02 per share, of the Corporation pursuant to an effective registration statement filed with the Securities and Exchange Commission in accordance with the Securities Act.

"Purchase Money Debt" means (i) Acquired Debt Incurred in connection with the acquisition of Telecommunications Assets and (ii) Debt of the Corporation or of any Restricted Subsidiary of the Corporation (including, without limitation, Debt represented by Capital Lease Obligations, Vendor Financing Facilities, mortgage financings and purchase money obligations) Incurred for the purpose of financing all or any part of the cost of construction, acquisition or improvement by the Corporation or any Restricted Subsidiary of the Corporation or any Joint Venture of any Telecommunications Assets of the Corporation, any Restricted Subsidiary of the Corporation or any Joint Venture, and including any related notes, Guarantees, collateral documents, instruments and agreements executed in connection therewith, as the same may be amended, supplemented, modified or restated from time to time.

"Qualified Junior Shares" shall mean Junior Shares that do not constitute Disqualified Stock.

"Qualifying Event" means a Public Equity Offering or one or more Strategic Equity Investments which in either case results in aggregate net proceeds to the Corporation of not less than $75 million.

"Quarterly Dividend Period" shall mean the quarterly period commencing on each February 1, May 1, August 1 and November 1 and ending on the next succeeding Dividend Payment Date, respectively.

"Receivables" means receivables, chattel paper, instruments, documents or intangibles evidencing or relating to the right to payment of money in respect of the sale of goods or services.

"Receivables Sale" of any Person means any sale of Receivables of such Person (pursuant to a purchase facility or otherwise), other than in connection with a disposition of the business operations of such Person relating thereto or a disposition of defaulted Receivables for purpose of collection and not as a financing arrangement.

"Redemption Date", with respect to any Senior Exchangeable Redeemable Preferred Shares, means the date on which such Senior Exchangeable Redeemable Preferred Shares are redeemed by the Corporation.

"Redemption Notice" shall have the meaning ascribed to it in paragraph (e) hereof.

"Restricted Subsidiary" of the Corporation means any Subsidiary, whether existing on or after the date of this Certificate of Designations, unless such Subsidiary is an Unrestricted Subsidiary.

"Registration Rights Agreement" means that certain Preferred Exchange and Registration Rights Agreement, dated as of January 31, 1997, by and between the Corporation and Merrill Lynch, Pierce, Fenner & Smith Incorporated and Toronto Dominion Securities (USA) Inc.

"Senior Exchangeable Redeemable Preferred Shares" shall have the meaning ascribed to it in paragraph (a) hereof.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"Senior Shares" shall have the meaning ascribed to it in paragraph (b) hereof.

"Strategic Equity Investment" means an investment in Qualified Junior Shares made by a Strategic Investor in an aggregate amount of not less than $25 million.

"Strategic Investor" means a Person engaged in one or more Telecommunications Businesses (which need not be such Person's primary business) that has, or 80% or more of the Voting Stock of which is owned, directly or indirectly, by a Person that has, an equity market capitalization or net worth, at the time of its initial investment in the Corporation, in excess of $2.0 billion.

"Subordinated Debt" means Debt of the Corporation as to which the payment of principal of (and premium, if any) and interest and other payment obligations in respect of such

Debt shall be subordinate to the prior payment in full of the Exchange Notes, or the Existing Notes if the Exchange Notes have not yet been issued, to at least the following extent: (i) no payments of principal of (or premium, if any) or interest on or otherwise due in respect of such Debt may be permitted for so long as any default in the payment of principal (or premium, if any) or interest on the Exchange Notes or Existing Notes, as applicable, exists; (ii) in the event that any other default that with the passing of time or the giving of notice, or both, would constitute an Event of Default exists with respect to the Exchange Notes or the Existing Notes, as applicable, upon notice by 25% or more in principal amount of the Exchange Notes or the Existing Notes, as applicable, to the relevant trustee, the relevant trustee shall have the right to give notice to the Corporation and the holders of such Debt (or trustees or agents therefor) of a payment blockage, and thereafter no payments of principal of (or premium, if any) or interest on or otherwise due in respect of such Debt may be made for a period of 179 days from the date of such notice or for the period until such default has been cured or waived or ceased to exist and any acceleration of the Exchange Notes or the Existing Notes, as applicable, has been rescinded or annulled, whichever period is shorter (which Debt may provide (A) no new period of payment blockage may be commenced by a payment blockage notice unless and until 360 days have elapsed since the effectiveness of the immediately prior notice, (B) no nonpayment default that existed or was continuing on the date of delivery of any payment blockage notice to such holders (or such agents or trustees) shall be, or be made, the basis for a subsequent payment blockage notice and (C) failure of the Corporation to make payment on such Debt when due or within any applicable grace period, whether or not on account of such payment blockage provisions, shall constitute an event of default thereunder); and (iii) such Debt may not (x) provide for payments of principal of such Debt at the stated maturity thereof or by way of a sinking fund applicable thereto or by way of any mandatory redemption, defeasance, retirement or repurchase thereof by the Corporation (including any redemption, retirement or repurchase which is contingent upon events or circumstances, but excluding any retirement required by virtue of acceleration of such Debt upon an event of default thereunder), in each case prior to the final Stated Maturity (as defined in the Existing Indenture) of the Exchange Notes or the Existing Notes, as applicable, or (y) permit redemption or other retirement (including pursuant to an offer to purchase made by the Corporation) of such other Debt at the option of the holder thereof prior to the final Stated Maturity (as defined in the Existing Indenture) of the Exchange Notes or the Existing Notes, as applicable, other than a redemption or other retirement at the option of the holder of such Debt (including pursuant to an offer to purchase made by the Corporation) which is conditioned upon a change of control of the Corporation pursuant to provisions substantially similar to those contained in paragraph (h) hereof (and which shall provide that such Debt will not be repurchased pursuant to such provisions prior to the Corporation's repurchase of the Exchange Notes or the Existing Notes, as applicable, required to be repurchased by the Corporation pursuant to the provisions of Section 1016 of the Existing Indenture or Section 1016 of the Indenture, as applicable. "Subsidiary" of any Person means (i) a corporation more than 50% of the combined voting power of the outstanding Voting Stock of which is owned, directly or indirectly, by such Person or by one or more other Subsidiaries of such Person or by such Person and one or more Subsidiaries thereof or (ii) any other Person (other than a corporation) in which such Person, or one or more other Subsidiaries of such Person or such Person and one or more other Subsidiaries thereof, directly or indirectly, has at least a majority ownership and power to direct the policies, management and affairs thereof. "Successor Share" of any particular Senior Exchangeable Redeemable Preferred Share means every Senior Exchangeable Redeemable

Preferred Share issued after, and evidencing all or a portion of the same interest as that evidenced by, such particular Senior Exchangeable Redeemable Preferred Share; and, for the purposes of this definition, any Senior Exchangeable Redeemable Preferred Share issued and delivered in exchange for or in lieu of a mutilated, destroyed, lost or stolen Senior Exchangeable Redeemable Preferred Share shall be deemed to evidence the same interest as the mutilated, destroyed, lost or stolen Senior Exchangeable Redeemable Preferred Share.
"Telecommunications Assets" means all assets, rights (contractual or otherwise) and properties, whether tangible or intangible, used or intended for use in connection with a Telecommunications Business.

"Telecommunications Business" means the business of (i) transmitting, or providing services relating to the transmission of, voice, video or data through owned or leased transmission facilities, (ii) creating, developing or marketing communications related network equipment, software and other devices for use in a Telecommunication Business or (iii) evaluating, participating or pursuing any other activity or opportunity that is primarily related to those identified in (i) or (ii) above and shall, in any event, include all businesses in which the Corporation or any of its Subsidiaries are engaged on the Issue Date; provided that the determination of what constitutes a Telecommunications Business shall be made in good faith by the Board of Directors of the Corporation, which determination shall be conclusive.

"Transfer Agent" means the transfer agent for the Senior Exchangeable Redeemable Preferred Shares designated by the Corporation from time to time.

"Unrestricted Subsidiary" means (1) any Subsidiary of the Corporation designated as such by the Board of Directors as set forth below where (a) neither the Corporation nor any of its other Subsidiaries (other than another Unrestricted Subsidiary) (i) provides credit support for, or Guarantee of, any Debt of such Subsidiary or any Subsidiary of such Subsidiary (including any undertaking, agreement or instrument evidencing such Debt) or (ii) is directly or indirectly liable for any Debt of such Subsidiary or any Subsidiary of such Subsidiary, and (b) no default with respect to any Debt of such Subsidiary or any Subsidiary of such Subsidiary (including any right which the holders thereof may have to take enforcement action against such Subsidiary) would permit (upon notice, lapse of time or both) any holder of any other Debt of the Corporation and its Restricted Subsidiaries to declare a default on such other Debt or cause the payment thereof to be accelerated or payable prior to its final scheduled maturity and (2) any Subsidiary of an Unrestricted Subsidiary.

The Board of Directors may designate any Subsidiary to be an Unrestricted Subsidiary unless such Subsidiary owns any Capital Stock of, or owns or holds any Lien on any property of, any other Subsidiary of the Corporation which is not a Subsidiary of the Subsidiary to be so designated or otherwise an Unrestricted Subsidiary, provided that either (x) the Subsidiary to be so designated has total assets of $1,000 or less or (y) immediately after giving effect to such designation, the Corporation could incur at least $1.00 of additional Debt pursuant to paragraph (l)(i) hereof.

The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary, provided that, immediately after giving effect to such designation, the Corporation could incur at least $1.00 of additional Debt pursuant to the paragraph (l)(i) hereof.

"Vendor Financing Facility" means any agreements between the Corporation or a Restricted Subsidiary of the Corporation and one or more vendors or lessors of equipment to the Corporation or any of its Restricted Subsidiaries (or any affiliate of any such vendor or lessor) providing financing for the acquisition by the Corporation or any such Restricted Subsidiary of equipment from any such vendor or lessor.

"Vice President", when used with respect to the Corporation means any vice president, whether or not designated by a number or a word or words added before or after the title "vice president".

"Voting Stock" of any Person means Capital Stock of such Person which ordinarily has voting power for the election of directors (or persons performing similar functions) of such Person, whether at all times or only so long as no senior class of securities has such voting power by reason of any contingency.

"Voting Rights Triggering Event" shall have the meaning ascribed to it in paragraph (f)(iv) hereof.

"Wholly-Owned Restricted Subsidiary" of any Person means a Restricted Subsidiary of such Person 99% or more of the outstanding Capital Stock or other ownership interests of which (other than directors' qualifying shares) shall at the time be owned by such Person or by one or more Wholly-Owned Restricted Subsidiaries of such Person or by such Person and one or more Wholly-Owned Restricted Subsidiaries of such Person.

(m) Restrictions on Transfer.

(i) Each Original Share shall contain a legend substantially to the following effect until the Resale Restriction Termination Date (as defined below) unless the Corporation determines otherwise:

> THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, REGISTRATION AND SUBJECT TO COMPLIANCE WITH OTHER APPLICABLE LAWS. THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF AGREES TO OFFER, SELL OR OTHER WISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE WHICH IS THREE YEARS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE CORPORATION OR ANY AFFILIATE OF THE CORPORATION WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF THIS SECURITY) (THE "RESALE RESTRICTION

TERMINATION DATE"), ONLY (A) TO THE CORPORATION; (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THESE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D)PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144, (E) PURSUANT TO OFFERS AND SALES TO NON-U.S. PERSONS THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT OR (F)IN THE CASE OF EITHER ANY INITIAL INVESTOR THAT IS A QUALIFIED INSTITUTIONAL BUYER OR ANY SUBSEQUENT INVESTOR, TO AN INSTITUTIONAL" ACCREDITED INVESTOR" WITHIN THE MEANING OF SUBPARAGRAPH (a)(1), (2), (3) or (7) OF RULE 501 UNDER THE SECURITIES ACT PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT (IF AVAILABLE), AND OTHER WISE IN COMPLIANCE WITH OTHER APPLICABLE LAWS, SUBJECT TO THE CORPORATION'S AND THE TRANSFER AGENT AND REGISTRAR'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (C), (D),(E) OR (F) TO REQUIRE THE DELIVERY OF A TRANSFER CERTIFICATE AND IN THE CASE OF CLAUSE (F) AN OPINION OF COUNSEL OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM. THE LEGEND WILL BE REMOVED UPON THE REQUEST OF A HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE.

(ii) If prior to the Resale Restriction Termination Date (or such shorter period as may be prescribed by Rule 144(k) under the Securities Act (or any successor thereto)) a Holder of Original Shares that acquired Senior Exchangeable Redeemable Preferred Shares from an Initial Purchaser in a sale that was not made in reliance upon Rule 144A under the Securities Act wishes to transfer such Original Shares, such transfer may be effected only upon receipt by the Corporation or the Transfer Agent of a certificate substantially in the form of Exhibit A hereto duly executed by such Holder or his attorney duly authorized in writing.

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IN WITNESS WHEREOF, said NM Acquisition Corp. has caused this Certificate of Designation to be signed by Gary D. Begeman, its Vice President, this 16th day of June, 2000.

NM ACQUISITION CORP.

By: /s/ Gary D. Begeman
Name: Gary D. Begeman
Title: Vice President

Exhibit B to Certificate of Incorporation of NM Acquisition Corp.

[Certificate of Designation of the Powers, Preferences, and Relative, Participating, Optional and Other Special Rights of 6½% Series B Cumulative Convertible Preferred Stock and Qualifications, Limitations and Restrictions Thereof]

CERTIFICATE OF DESIGNATION OF THE POWERS, PREFERENCES AND RELATIVE, PARTICIPATING, OPTIONAL AND OTHER SPECIAL RIGHTS OF THE 6½% SERIES B CUMULATIVE CONVERTIBLE PREFERRED STOCK AND QUALIFICATIONS, LIMITATIONS AND RESTRICTIONS THEREOF

Pursuant to Section 151 of the
Delaware General Corporation Law

NM Acquisition Corp., Inc., the successor by merger to NEXTLINK Communications, Inc. and to be known as NEXTLINK Communications, Inc. immediately after the filing of this Certificate of Designation (the "Corporation"), a corporation organized and existing under the Delaware General Corporation Law, does hereby certify that, pursuant to authority conferred upon the board of directors of the Corporation (the "Board of Directors") by Section 3 of its Amended and Restated Certificate of Incorporation, as amended from time to time (the "Certificate of Incorporation"), and Section 151 of the Delaware General Corporation Law ("DGCL"), said Board of Directors, on June 13, 2000, duly approved and adopted a resolution to read as follows (the "Resolution"):

RESOLVED, that, pursuant to the authority vested in the Board of Directors by the Section 3 of the Corporation's Certificate of Incorporation, and Section 151 of the DGCL, the Board of Directors does hereby create, authorize and provide for the issuance of a series of Preferred Stock designated as the 6½% Series B Cumulative Convertible Preferred Stock, (liquidation preference $50 per share) in an amount not to exceed 4,600,000 shares, having the designations, preferences, relative, participating, optional and other special rights and the qualifications, limitations and restrictions thereof that are set forth in the Certificate of Incorporation and in this Resolution as follows:

(a) Designation.

There is hereby created out of the authorized and unissued Preferred Stock of the Corporation a class of Preferred Stock designated as the "6½% Series B Cumulative Convertible Preferred Stock." The number of shares constituting such class shall not exceed 4,600,000 and are referred to as the "Convertible Preferred Stock." The liquidation preference of the Convertible Preferred Stock shall be $50 per share.

(b) Ranking.

The Convertible Preferred Stock shall, with respect to dividends and distributions upon liquidation, winding-up and dissolution of the Corporation, rank (i) senior to each class of Capital Stock of the Corporation (including, without limitation, the Corporation's Class A Common Stock, par value $.02 per share and the Class B Common Stock, par value $.02 per

share) outstanding or hereafter created the terms of which do not expressly provide that it ranks senior to, or on a parity with, the Convertible Preferred Stock as to dividends and distributions upon liquidation, winding-up and dissolution of the Corporation (collectively referred to as "Junior Shares"); (ii) on a parity with the Corporation's 7% Series F Convertible Redeemable Preferred Stock Due 2010 and any class of Capital Stock of the Corporation or series of Preferred Stock of the Corporation hereafter created the terms of which expressly provide that such class or series will rank on a parity with the Convertible Preferred Stock as to dividends and distributions upon liquidation, winding-up and dissolution (collectively referred to as "Parity Shares"); and (iii) junior to the Corporation's 14% Series A Senior Exchangeable Redeemable Preferred Shares, the Corporation's 13½% Series E Senior Redeemable Exchangeable Preferred Stock due 2010, the Corporation's Series C Cumulative Convertible Participating Preferred Stock, the Corporations Series D Convertible Participating Preferred Stock and each other class of Capital Stock of the Corporation or series of Preferred Stock of the Corporation hereafter created the terms of which expressly provide that such class or series will rank senior to the Convertible Preferred Stock as to dividends and distributions upon liquidation, winding-up and dissolution of the Corporation (collectively referred to as "Senior Shares").

(c) Dividends.

(i) (A) Beginning on the Issue Date, the Holders of the outstanding Convertible Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors, out of funds legally available therefor, distributions in the form of dividends on each share of Convertible Preferred Stock, at a rate per annum equal to 6½% of the liquidation preference per share of the Convertible Preferred Stock, payable quarterly. No interest shall be payable in respect to any dividends that may be in arrears. All dividends shall be cumulative, whether or not earned or declared, on a daily basis from their date of issuance and shall be payable quarterly in arrears on each Dividend Payment Date, commencing on the first Dividend Payment Date after the Merger Date. Such dividends shall be paid only in cash. Each dividend shall be payable to the shares of Convertible Preferred Stock held by Holders of record as they appear on the share books of the Corporation on the Dividend Record Date immediately preceding the related Dividend Payment Date. Dividends shall cease to accumulate in respect of shares of Convertible Preferred Stock on the date of their redemption unless the Corporation shall have failed to pay the relevant redemption price on the date fixed for redemption. (B) In the event that (1) the Corporation has not filed the registration statement relating to the shelf registration of the Convertible Preferred Stock for resale by Holders contemplated by the Registration Rights Agreement (the "Resale Registration") on or before the 90th day after the Issue Date, (2) the Resale Registration has not become effective on or before the 120th day after the Issue Date, or (3) the Resale Registration is filed and declared effective but shall thereafter cease to be effective (except as specifically permitted therein) without being succeeded immediately by an additional registration statement filed and declared effective (any such event referred to in clauses (1) through (3), a

"Registration Default"), then additional dividends will accrue (in addition to the stated dividends on the Convertible Preferred Stock) at the rate of 0.25% per annum on the liquidation preference of the Convertible Preferred Stock for the period from and including the occurrence of the Registration Default until such time as no Registration Default is in effect. Such additional dividends (the "Special Dividends") will be payable quarterly in arrears on each regular Dividend Payment Date in accordance with the provisions of this paragraph (c). For each 90-day period that the Registration Default continues, the per annum rate of such Special Dividends will increase by an additional 0.25%; provided that such rate shall in no event exceed 1.0% per annum in the aggregate. At such time as the Registration Default is no longer in effect, the dividend rate on the Convertible Preferred Stock shall be the rate stated in paragraph (c)(i)(A) hereof and no further Special Dividends will accrue unless and until another Registration Default shall occur.

(ii) All dividends paid with respect to the Convertible Preferred Stock pursuant to paragraph (c)(i) shall be paid pro rata to the Holders entitled thereto.

(iii) Nothing herein contained shall in any way or under any circumstances be construed or deemed to require the Board of Directors to declare, or the Corporation to pay or set apart for payment, any dividends on the Convertible Preferred Stock at any time.

(iv) Dividends on account of arrears for any past Dividend Period and dividends in connection with any mandatory redemption pursuant to paragraph (e)(ii) may be declared and paid at any time, without reference to any regular Dividend Payment Date, to Holders of record on such date, not more than forty-five (45) days prior to the payment thereof, as may be fixed by the Board of Directors of the Corporation.

(v) No full dividends shall be declared by the Board of Directors or paid or set apart for payment by the Corporation on any Parity Shares for any period unless full cumulative dividends have been or contemporaneously are declared and paid in full, or declared and, if payable in cash, a sum in cash set apart sufficient for such payment, on the Convertible Preferred Stock for all Dividend Periods terminating on or prior to the date of payment of such full dividends on such Parity Shares. If full dividends are not so paid, all dividends declared upon the Convertible Preferred Stock and any other Parity Shares shall be declared pro rata so that the amount of dividends declared per share on the Convertible Preferred Stock and such Parity Shares shall in all cases bear to each other the same ratio that accrued dividends per share on the Convertible Preferred Stock and such Parity Shares bear to each other.

(vi) (A) Holders of shares of Convertible Preferred Stock shall be entitled to receive the dividends provided for in paragraph (c)(i) hereof in preference to and in priority over any dividends upon any of the Junior Shares.

(B) No dividends may be paid or set apart for such payment on Junior Shares (except dividends on Junior Shares payable in additional Junior Shares) if full cumulative, accrued dividends have not been paid in full on the Convertible Preferred Stock. So long as any shares of Convertible Preferred Stock are outstanding, the Corporation shall not make any payment on account of, or set apart for payment money for a sinking or other similar fund for, the purchase, redemption or other retirement of, any Parity Shares or Junior Shares, or any warrants, rights, calls or options to purchase any Parity Shares or Junior Shares, whether in cash, obligations or shares of the Corporation or other property, and shall not permit any corporation or other entity directly or indirectly controlled by the Corporation to purchase or redeem any Parity Shares or Junior Shares or any such warrants, rights, calls or options unless full cumulative, accrued dividends determined in accordance herewith on the Convertible Preferred Stock have been paid in full.

(vii) Dividends payable on the Convertible Preferred Stock for any period shorter than a quarterly dividend period shall be computed on the basis of a 360-day year of twelve 30-day months and the actual number of days elapsed in the period for which payable.

(d) Liquidation Preference.

(i) In the event of any voluntary or involuntary liquidation, dissolution or winding-up of affairs of the Corporation, the Holders of shares of Convertible Preferred Stock then outstanding shall be entitled to be paid, out of the assets of the Corporation available for distribution to its shareholders, an amount in cash equal to the liquidation preference of $50 per share of Convertible Preferred Stock, plus, without duplication, an amount in cash equal to accumulated and unpaid dividends thereon to the date fixed for liquidation, dissolution or winding-up (including an amount equal to a prorated dividend for the period from the last Dividend Payment Date to the date fixed for liquidation, dissolution or winding-up) before any payment shall be made or any assets distributed to the holders of any of the Junior Shares including, without limitation, common stock of the Corporation. Except as provided in the preceding sentence, Holders of shares of Convertible Preferred Stock shall not be entitled to any distribution in the event of any liquidation, dissolution or winding-up of the affairs of the Corporation. If the assets of the Corporation are not sufficient to pay in full the liquidation payments payable to the Holders of

outstanding shares of Convertible Preferred Stock and all Parity Shares, then the holders of all such shares shall share equally and ratably in such distribution of assets in proportion to the full liquidation preference, including, without duplication, all accrued unpaid dividends, to which each is entitled.

(ii) For the purposes of this paragraph (d), neither the sale, conveyance, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all of the property or assets of the Corporation nor the consolidation or merger of the Corporation with or into one or more entities shall be deemed to be a liquidation, dissolution or winding-up of the affairs of the Corporation.

(iii) Nothing herein contained shall in any way or under any circumstances be construed or deemed to require the Board of Directors to declare, or the Corporation to pay or set apart for payment, any amounts for the payment of liquidation preference on Convertible Preferred Stock at any time.

(e) Redemption.

(i) (A) Mandatory Redemption. On March 31, 2010, the Corporation shall redeem, to the extent of funds legally available therefor, in the manner provided for in paragraph (e)(ii) hereof, all of the shares of Convertible Preferred Stock then outstanding at a redemption price equal to 100% of the liquidation preference per share, plus, without duplication, an amount in cash equal to all accumulated and unpaid dividends per share (including an amount equal to a prorated dividend for the period from the Dividend Payment Date immediately prior to the Redemption Date to the Redemption Date).

(B) Optional Redemption. The Convertible Preferred Stock shall be redeemable, at any time on or after April 16, 2006, in whole or in part, at the option of the Company, at a redemption price equal to 100% of the liquidation preference per share, plus, without duplication, an amount in cash equal to all accumulated and unpaid dividends per share (including an amount equal to a prorated dividend for the period from the Dividend Payment Date immediately prior to the Redemption Date to the Redemption Date).

(ii) Procedures for Redemption.

(A) At least thirty (30) days and not more than sixty (60) days prior to the date fixed for any redemption of shares of Convertible Preferred Stock pursuant to paragraph (e)(i) hereof, written notice (each, a "Redemption Notice") shall be given by

first class mail, postage prepaid, to each Holder of record on the record date fixed for such redemption of shares of Convertible Preferred Stock at such Holder's address as it appears on the stock books of the Corporation, provided that no failure to give such notice nor any deficiency therein shall affect the validity of the procedure for the redemption of any shares of Convertible Preferred Stock to be redeemed except as to the Holder or Holders to whom the Corporation has failed to give said notice or except as to the Holder or Holders whose notice was defective. The Redemption Notice shall state:

(1) The redemption price;

(2) The Redemption Date;

(3) That the Holder is to surrender to the Corporation, in the manner, at the place or places and at the price designated, his certificate or certificates representing the shares of Convertible Preferred Stock to be redeemed; and

(4) That dividends on the shares of Convertible Preferred Stock to be redeemed shall cease to accumulate on such Redemption Date unless the Corporation defaults in the payment of the redemption price.

(B) Each Holder of shares of Convertible Preferred Stock shall surrender the certificate or certificates representing such shares to the Corporation, duly endorsed (or otherwise in proper form for transfer, as determined by the Corporation), in the manner and at the place designated in the Redemption Notice, and on the Redemption Date the full redemption price for such shares shall be payable in cash to the Person whose name appears on such certificate or certificates as the owner thereof, and each surrendered certificate shall be canceled and retired.

(C) On and after the Redemption Date, unless the Corporation defaults in the payment in full of the applicable redemption price, dividends on the shares of Convertible Preferred Stock called for redemption shall cease to accumulate on the Redemption Date, and all rights of the Holders of redeemed shares shall terminate with respect thereto on the Redemption Date, other than the right to receive the redemption price, without interest; provided, however, that if a notice of redemption shall have been given as provided in paragraph

(iii) (A) above and the funds necessary for redemption (including an amount in respect of all dividends that will accrue to the

Redemption Date) shall have been irrevocably deposited in trust for the equal and ratable benefit for the Holders of the shares called for redemption, then, at the close of business on the day on which such funds are segregated and set apart, the Holders of the shares to be redeemed shall cease to be shareholders of the Corporation and shall be entitled only to receive the redemption price, without interest.

(f) Voting Rights.

(i) The Holders of shares of Convertible Preferred Stock, except as otherwise required under Delaware law or as set forth in paragraphs (ii), (iii) and (iv) below, shall not be entitled or permitted to vote on any matter required or permitted to be voted upon by the shareholders of the Corporation.

(ii) (A) So long as any shares of Convertible Preferred Stock are outstanding, the Corporation shall not amend, alter or repeal any of the provisions of the Corporation's Certificate of Incorporation (including this Certificate of Designations) or the bylaws of the Corporation so as to affect adversely the specified rights, powers, preferences, privileges or voting rights of the Holders of the Convertible Preferred Stock or reduce the time for any notice which the Holders of the Convertible Preferred Stock may be entitled without the affirmative vote or consent of Holders of at least two-thirds of the issued and outstanding shares of Convertible Preferred Stock, voting or consenting, as the case may be, as one class, given in person or by proxy, either in writing or by resolution adopted at an annual or special meeting.

(B) Notwithstanding the foregoing, modifications and amendments of the terms of this Certificate of Designations contained in paragraph (i) below may be made by the Corporation with the consent of the Holders of a majority of the outstanding shares of Convertible Preferred Stock. In addition, the Holders of a majority of the outstanding shares of Convertible Preferred Stock, on behalf of all holders of Convertible Preferred Stock, may waive compliance by the Corporation with the covenant set forth below in paragraph (i) and may waive any past default under the Certificate of Designations.

(C) Notwithstanding anything to the contrary contained herein, (x) the creation, authorization or issuance of any shares of any Junior Shares, Parity Shares or Senior Shares or (y) the increase or decrease in the amount of authorized Capital Stock of any class, including Senior Shares or Parity Shares (other than a reduction in the number of authorized shares of Preferred Stock below the number thereof then outstanding), shall not require the consent of Holders of Convertible Preferred Stock and shall not be

deemed to affect adversely the rights, preferences, privileges or voting rights of Holders of shares of Convertible Preferred Stock.

(iii) Without the affirmative vote or consent of Holders of a majority of the issued and outstanding shares of Convertible Preferred Stock, voting or consenting, as the case may be, as a separate class, given in person or by proxy, either in writing or by resolution adopted at an annual or special meeting, the Corporation shall not, in a single transaction or series of related transactions, consolidate with or merge with or into, or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of its assets to, another Person or adopt a plan of liquidation unless: (A) either (1) the Corporation is the surviving or continuing Person or (2) the Person (if other than the Corporation) formed by such consolidation or into which the Corporation is merged or the Person that acquires by conveyance, transfer or lease the properties and assets of the Corporation substantially as an entirety or in the case of a plan of liquidation, the Person to which assets of the Corporation have been transferred, shall be a corporation, limited liability Company, partnership or trust organized and existing under the laws of the United States or any State thereof or the District of Columbia; (B) either (1) the Corporation is the surviving or continuing Person and the outstanding shares of Convertible Preferred Stock continue to exist as outstanding shares of Convertible Preferred Stock or are converted into or exchanged for shares of Capital Stock of an Acquiring Entity, having the same powers, preferences and relative, participating, optional or other special rights and the qualifications, limitations or restrictions thereon that the shares of Convertible Preferred Stock had immediately prior to such transaction or (2) the shares of Convertible Preferred Stock shall be converted into or exchanged for shares of Capital Stock of such successor, transferee or resulting Person or an Acquiring Entity, having in respect of such successor, transferee or resulting Person, the same powers, preferences and relative, participating, optional or other special rights and the qualifications, limitations or restrictions thereon, that the shares of Convertible Preferred Stock had immediately prior to such transaction; (C) immediately after giving pro forma effect to such transaction, no Voting Rights Triggering Event shall have occurred or be continuing; and (D) the Corporation has delivered to the Transfer Agent prior to the consummation of the proposed transaction an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger or transfer complies with the terms hereof and that all conditions precedent herein relating to such transaction have been satisfied.

For purposes of the foregoing, the transfer (by lease, assignment, sale or otherwise, in a single transaction or series of related transactions) of all or substantially all of the properties or assets of one or more Subsidiaries of the Corporation, the Capital Stock of which constitutes all or substantially all of the properties and assets of the Corporation, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Corporation.

Except as specified in this paragraph, the Holders of Convertible Preferred Stock shall not have voting rights with respect to mergers.

(iv) (A) If (1) dividends on the Convertible Preferred Stock are in arrears and unpaid for six or more Dividend Periods (whether or not consecutive) (a "Dividend Default"); (2) the Corporation fails to redeem all of the then outstanding shares of Convertible Preferred Stock on March 31, 2010 or fails otherwise to discharge any redemption obligation with respect to the Convertible Preferred Stock; (3) the Corporation breaches or violates one of the provisions set forth in any paragraphs (f)(iii) or (i) hereof and the breach or violation continues for a period of 30 days or more after the Corporation receives notice thereof specifying the default from the Holders of at least 25% of the shares of Convertible Preferred Stock then outstanding, or (4) the Corporation fails to pay at the final stated maturity (giving effect to any extensions thereof) the principal amount of any Debt of the Corporation or any Subsidiary of the Corporation, or the final stated maturity of any such Debt is accelerated, if the aggregate principal amount of such Debt, together with the aggregate principal amount of any other such Debt in default for failure to pay principal at the final stated maturity (giving effect to any extensions thereof) or that has been accelerated, aggregates $15,000,000 or more at any time, in each case, after a 10-day period during which such default shall not have been cured or such acceleration rescinded, then in the case of any of clauses (1)-(4) the number of directors constituting the Board of Directors shall be adjusted by the number, if any, necessary to permit the Holders of the Convertible Preferred Stock, voting together with any outstanding Parity Shares separately as a single class, to elect the lesser of two directors and that number of directors constituting 25% of the members of the Board of Directors. Each such event described in clauses (1), (2), (3) and (4) is a "Voting Rights Triggering Event." Holders of a majority of the issued and outstanding shares of Convertible Preferred Stock, voting together with any outstanding Parity Shares separately as a single class, shall have the exclusive right to elect the lesser of two directors and that number of directors constituting 25% of the members of the Board of Directors at a meeting therefor called upon occurrence of such Voting Rights Triggering Event, and at every subsequent meeting at which the terms of office of the directors so elected shall expire (other than as described in (f)(iv)(B) below). The voting rights provided herein shall be the exclusive remedy at law or in equity of the Holders of the Convertible Preferred Stock for any Voting Rights Triggering Event.

(B) The right of the Holders of Convertible Preferred Stock to elect members of the Board of Directors as set forth in subparagraph (f)(iv)(A) above shall continue until such time as (x) in the event such right arises due to a Dividend Default, all accumulated dividends that are in arrears on the Convertible Preferred Stock are paid in full and (y) in all other cases, the

failure, breach or default giving rise to such Voting Rights Triggering Event is remedied or waived by the Holders of at least a majority of the shares of Convertible Preferred Stock then outstanding, at which time (1) the special right of the Holders of Convertible Preferred Stock so to vote for the election of directors and (2) the term of office of the directors elected by the Holders of the Convertible Preferred Stock shall each terminate and the directors elected by the holders of Voting Stock other than the Convertible Preferred Stock shall constitute the entire Board of Directors. At any time after voting power to elect directors shall have become vested and be continuing in the Holders of Convertible Preferred Stock pursuant to paragraph (f)(iv)(A) hereof, or if vacancies shall exist in the offices of directors elected by the Holders of Convertible Preferred Stock, a proper officer of the Corporation may, and upon the written request of he Holders of record of at least twenty-five percent (25%) of the shares of Convertible Preferred Stock then outstanding addressed to the Secretary of the Corporation shall, call a special meeting of the Holders of Convertible Preferred Stock, for the purpose of electing the directors which such Holders are entitled to elect. If such meeting shall not be called by a proper officer of the Corporation within twenty (20) days after personal service of said written request upon the Secretary of the Corporation, or within twenty (20) days after mailing the same within the United States by certified mail, addressed to the Secretary of the Corporation at its principal executive offices, then the Holders of record of at least twenty-five percent (25%) of the outstanding shares of Convertible Preferred Stock may designate in writing one of their number to call such meeting at the expense of the Corporation, and such meeting may be called by the Person so designated upon the notice required for the annual meetings of shareholders of the Corporation and shall be held at the place for holding the annual meetings of shareholders. Any Holder of shares of Convertible Preferred Stock so designated shall have, and the Corporation shall provide, access to the lists of shareholders to be called pursuant to the provisions hereof.

(C) At any meeting held for the purpose of electing directors at which the Holders of Convertible Preferred Stock voting together with any outstanding shares of Parity Shares as a separate class shall have the right as described herein to elect directors, the presence in person or by proxy of the Holders of at least a majority of the then outstanding shares of Convertible Preferred Stock and Parity Shares shall be required to constitute a quorum of such Convertible Preferred Stock and Parity Shares.

(D) Any vacancy occurring in the office of a director elected by the Holders of shares of Convertible Preferred Stock and Parity Shares may be filled by the remaining directors elected by the Holders of Convertible Preferred Stock and Parity Shares unless and until such vacancy shall be filled by the Holders of Convertible Preferred Stock and Parity Shares.

(v) In any case in which the Holders of Convertible Preferred Stock shall be entitled to vote pursuant to this paragraph (f) or pursuant to Delaware law, each Holder of shares of Convertible Preferred Stock entitled to vote with respect to such matter shall be entitled to one vote for each share of Convertible Preferred Stock held.

(vi) The Corporation may voluntarily grant voting rights to the holders of Convertible Preferred Stock under such terms and conditions as the Corporation shall determine, provided, however, that such grant does not affect adversely the then-existing voting rights of such holders.

(g) Reissuance of Convertible Preferred Stock.

Shares of Convertible Preferred Stock that have been issued and reacquired in any manner, including shares purchased or redeemed, shall (upon compliance with any applicable provisions of the laws of Delaware) have the status of authorized and unissued shares of Preferred Stock undesignated as to series and may be redesignated and reissued as part of any series of Preferred Stock; provided that such reacquired shares shall not be reissued as shares of Convertible Preferred Stock.

(h) Business Day.

If any payment, redemption or exchange shall be required by the terms hereof to be made on a day that is not a Business Day, such payment, redemption or exchange shall be made on the immediately succeeding Business Day.

(i) Certain Additional Provisions.

(i) Reports. So long as any shares of Convertible Preferred Stock are outstanding, the Corporation will provide to the Holders of Convertible Preferred Stock, within 15 days after it files them with the Securities and Exchange Commission (or any successor agency performing similar functions), copies of the annual reports and of the information, documents and other reports (or copies of such portions of any of the foregoing as the Commission may by rules and regulation prescribe) which the Corporation files with the Commission pursuant to Section 13 or 15(d) of the Exchange Act. In the event that the Corporation is no longer required to furnish such reports to its securityholders pursuant to the Exchange Act, the Corporation will cause its consolidated financial statements, comparable to those which would have been required to

appear in annual or quarterly reports, to be delivered to the Holders of Convertible Preferred Stock.

(j) Definitions.

As used in this Certificate of Designations, the following terms shall have the following meanings (with terms defined in the singular having comparable meanings when used in the plural and vice versa), unless the context otherwise requires.

"Acquired Debt" means, with respect to any specified Person, (i) Debt of any other Person existing at the time such Person merges with or into or consolidates with or becomes a Restricted Subsidiary of such specified Person and (ii) Debt secured by a Lien encumbering any asset acquired by such specified Person, which Debt was not Incurred in anticipation of, and was outstanding prior to, such merger, consolidation or acquisition.

"Acquiring Entity" means the entity that is a constituent party to a transaction covered by paragraph (f)(iii) and that thereafter is the parent entity of the Corporation or its successor and whose shares of Capital Stock the holders of Class A Common Stock receive in a transaction in exchange for or in consideration of their shares of Class A Common Stock.

"Affiliate" of any Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such Person. For the purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Applicable Price" means (i) in the event of a Non-Stock Change in Control in which the holders of the Class A Common Stock receive only cash, the amount of cash received by the holder of one share of Class A Common Stock and (ii) in the event of any other Non-Stock Change in Control or any Common Stock Change in Control, the average of the Closing Price for the Class A Common Stock during the 10 Trading Days prior to and including the record date for the determination of the holders of Class A Common Stock entitled to receive cash, securities, property or other assets in connection with such Non-Stock Change in Control or Common Stock Change in Control or, if there is no such record date, the date upon which the holders of the Class A Common Stock shall have the right to receive such cash, securities, property or other assets or the date upon which such Non-Stock Change in Control is deemed to have occurred, as the case may be, in each case as adjusted in good faith by the Board of Directors to appropriately reflect any of the events referred to in paragraph (k)(vi).

"Business Day" means each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which banking institutions in the Borough of Manhattan, The City of New York, New York are authorized or obligated by law or executive order to close.

"Capital Lease Obligation" of any Person means the obligation to pay rent or other payment amounts under a lease of (or other Debt arrangements conveying the right to use) real or personal property of such Person which is required to be classified and accounted for as a capital lease or a liability on the face of a balance sheet of such Person in accordance with

generally accepted accounting principles (a "Capital Lease"). The stated maturity of such obligation shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be terminated by the lessee without payment of a penalty. The principal amount of such obligation shall be the capitalized amount thereof that would appear on the face of a balance sheet of such Person in accordance with generally accepted accounting principles.

"Capital Stock" of any Person means any and all shares, interests, participations or other equivalents (however designated) of corporate stock or other equity participations, including partnership interests, whether general or limited, of such Person.

"Change in Control" will be deemed to have occurred at such time as (i) the sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all the assets of the Corporation and its Subsidiaries taken as a whole to any "person" (as such term is used in Section 13(d)(3) of the Exchange Act), (ii) the adoption of a plan relating to the liquidation or dissolution of the Corporation, (iii) the consummation of any transaction (including any merger or consolidation) the result of which is that any Person or any Persons acting together that would constitute a "group" (a "Group") for purposes of Section 13(d) of the Exchange Act, or any successor provision thereto (other than Eagle River, Mr. Craig O. McCaw and their respective Affiliates or an underwriter engaged in a firm commitment underwriting on behalf of the Corporation), shall beneficially own (within the meaning of Rule 13d-3 under the Exchange Act, or any successor provision thereto) more than 50% of the aggregate voting power of all classes of Voting Stock of the Corporation, (iv) neither Mr. Craig O. McCaw nor any person designated by him to the Corporation as acting on his behalf shall be a director of the Corporation; or (v) during any period of two consecutive years, individuals who at the beginning of such period constituted the Board of Directors (together with any new directors whose election by the Board of Directors or whose nomination for election by the shareholders of the Corporation was proposed by a vote of a majority of the directors of the Corporation then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the Board of Directors then in office.

"Class A Common Stock" means the Class A Common Stock, par value $0.02 per share, of the Corporation.

"Closing Price" means, with respect to the Class A Common Stock of the Corporation, for any day, the closing sale price (or, if no closing sale price is reported, the last reported sale price) per share of the Class A Common Stock as reported by the Nasdaq National Market, or, if the Class A Common Stock is not so reported, on the principal national securities exchange or inter-dealer quotation system on which the Class A Common Stock is listed or admitted to trading, or if not listed or admitted to trading on any national securities exchange or inter-dealer quotation system, the average of the closing bid and asked prices per share in the over-the-counter market as reported by the National Quotation Bureau or similar organization or as furnished by any New York Stock Exchange member firm selected from time to time by the Corporation for that purpose.

"Common Stock" means the Class A Common Stock and the Class B Common Stock, par value $0.02 per share, of the Corporation.

"Common Stock Change in Control" means any Change in Control in which more than 50% of the value (as determined in good faith by the Board of Directors of the Corporation) of the consideration received by holders of Class A Common Stock consists of common stock of another company that for each of the 10 consecutive Trading Days referred to in the definition of "Applicable Price" above has been admitted for listing or admitted for listing subject to notice of issuance on a national securities exchange or quoted on the Nasdaq National Market; provided, however, that a Change in Control shall not be a Common Stock Change in Control unless either (i) the Corporation continues to exist after the occurrence of such Change in Control and the outstanding shares of Convertible Preferred Stock continue to exist as outstanding shares of Convertible Preferred Stock (or are converted into or exchanged for shares of Capital Stock of an Acquiring Entity, having the same powers, preferences and relative, participating, optional or other special rights and the qualifications, limitations or restrictions thereon that the shares of Convertible Preferred Stock had immediately prior to such transaction), or (ii) not later than the occurrence of such Change in Control, the outstanding shares of Convertible Preferred Stock are converted into or exchanged for shares of convertible preferred stock of a corporation succeeding to the business of the Corporation or the Acquiring Entity, which convertible preferred stock has powers, preferences and relative, participating, optional or other rights, and qualifications, limitations and restrictions, substantially similar to those of the Convertible Preferred Stock.

"Conversion Agent" means the conversion agent for the Convertible Preferred Stock designated by the Company from time to time.

"Corporation" means NM Acquisition Corp. a Delaware corporation, an successor by merger to NETLINK Communications, Inc.

"Current Market Price" per Junior Share or any other security at any date means (i) if the security is not registered under the Exchange Act, (a) the value of the security, determined in good faith by the Board of Directors of the Corporation, based on the most recently completed arm's-length transaction between the Corporation and a person other than an Affiliate of the Corporation and the closing of which occurs on such date or shall have occurred within the six-month period preceding such date, or (b) if no such transaction shall have occurred on such date or within such six-month period, the value of the security as determined by an independent financial expert (provided that, in the case of the calculation of Current Market Price for determining the cash value of fractional shares, any such determination within six months that is, in the good faith judgment of the Board of Directors of the Corporation, a reasonable determination, may be utilized) or (ii) (a) if the security is registered under the Exchange Act, the average of the daily market prices of the security for the 20 consecutive trading days immediately preceding such date, or (b) if the security has been registered under the Exchange Act for less than 20 consecutive trading days before such date, then the average of the closing sales prices for all of the trading days before such date for which closing sales prices are available, in the case of each of (ii) (a) and (ii) (b), as certified to the Conversion Agent by the President, any Vice President or the Chief Financial Officer of the Corporation. The market price for each such trading day shall be: (A) in the case of a security listed or admitted to trading on any national securities exchange or quotation system, the closing sales price, regular way, on

such day, or if no sale takes place on such day, the average of the closing bid and asked prices on such day, (B) in the case of a security not then listed or admitted to trading on any national securities exchange or quotation system, the last reported sale price on such day, or if no sale takes place on such day, the average of the closing bid and asked prices on such day, as reported by a reputable quotation source designated by the Corporation, (C) in the case of a security not then listed or admitted to trading on any national securities exchange or quotation system and as to which no such reported sale price or bid and asked prices are available, the average of the reported high bid and low asked prices on such day, as reported by a reputable quotation service, or a newspaper of general circulation in the Borough of Manhattan, City and State of New York, customarily published on each Business Day, designated by the Corporation, or, if there shall be no bid and asked prices on such day, the average of the high bid and low asked prices, as so reported, on the most recent day (not more than 30 days prior to the date in question) for which prices have been so reported and (D) if there are no bid and asked prices reported during the 30 days prior to the date in question, the Current Market Price shall be determined as if the securities were not registered under the Exchange Act.

"Debt" means (without duplication), with respect to any Person, whether recourse is to all or a portion of the assets of such Person and whether or not contingent, (i) every obligation of such Person for money borrowed, (ii) every obligation of such Person evidenced by bonds, debentures, notes or other similar instruments, including any such obligations Incurred in connection with the acquisition of property, assets or businesses, (iii) every reimbursement obligation of such Person with respect to letters of credit, bankers' acceptances or similar facilities issued for the account of such Person, (iv) every obligation of such Person issued or assumed as the deferred purchase price of property or services (including securities repurchase agreements but excluding, trade accounts payable or accrued liabilities arising in the ordinary course of business which are not overdue or which are being contested in good faith), (v) every Capital Lease Obligation of such Person, (vi) all Receivables Sales of such Person, together with any obligation of such Person to pay any discount, interest, fees, indemnities, penalties, recourse, expenses or other amounts in connection therewith, (vii) all obligations to redeem Disqualified Stock issued by such Person, (viii) every obligation under Interest Rate or Currency Protection Agreements of such Person, and (ix) every obligation of the type referred to in clauses (i) through (viii) of another Person and all dividends of another Person the payment of which, in either case, such Person has Guaranteed. The "amount" or "principal amount" of Debt at any time of determination as used herein represented by (a) any Debt issued at a price that is less than the principal amount at maturity thereof, shall be the amount of the liability in respect thereof determined in accordance with generally accepted accounting principles, (b) any Receivables Sale, shall be the amount of the unrecovered capital or principal investment of the purchaser (other than the Corporation or a Wholly-Owned Restricted Subsidiary of the Corporation) thereof, excluding amounts representative of yield or interest earned on such investment, (c) any Disqualified Stock, shall be the maximum fixed redemption or repurchase price in respect thereof, (d) any Capital Lease Obligation, shall be determined in accordance with the definition thereof, or (e) any Permitted Interest Rate or Currency Protection Agreement shall be zero. In no event shall Debt include any liability for taxes.

"Depositary" means, with respect to the shares of Convertible Preferred Stock issuable or issued in whole or in part in the form of a Global Share Certificate, DTC for so long as it shall be a clearing agency registered under the Exchange Act, or such successor (which shall

be a clearing agency registered under the Exchange Act) as the Corporation shall designate from time to time in an Officer's Certificate delivered to the Transfer Agent.

"Disqualified Stock" of any Person means any Capital Stock of such Person which, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or is redeemable at the option of the holder thereof, in whole or in part, on or prior to March 31, 2010; provided, however, that any Convertible Preferred Stock which would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require the Corporation to repurchase or redeem such Convertible Preferred Stock upon the occurrence of a Change in Control occurring prior to March 31, 2010 shall not constitute Disqualified Stock.

"Dividend Payment Date" means March 31, June 30, September 30 and December 31, of each year.

"Dividend Period" means the Initial Dividend Period, and thereafter, each Quarterly Dividend Period.

"Dividend Record Date" means March 15, June 15, September 15 and December 15 of each year.

"DTC" means The Depository Trust Company.

"Eagle River" means Eagle River Investments, L.L.C., a limited liability company formed under the laws of the State of Washington.

"Exchange Act" means the Securities Exchange Act of 1934, and the rules and regulations promulgated thereunder.

"Guarantee" by any Person means any obligation, contingent or otherwise, of such Person guaranteeing, or having the economic effect of guaranteeing, any Debt of any other Person (the "primary obligor") in any manner, whether directly or indirectly, and including, without limitation, any obligation of such Person, (i) to purchase or pay (or advance or supply funds for the purchase of) such Debt or to purchase (or to advance or supply funds for the purchase of) any security for the payment of such Debt, (ii) to purchase property, securities or services for the purpose of assuring the holder of such Debt of the payment of such Debt, or (iii) to maintain working capital, equity capital or other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Debt (and "Guaranteed", "Guaranteeing" and "Guarantor" shall have meanings correlative to the foregoing); provided, however, that the Guarantee by any Person shall not include endorsements by such Person for collection or deposit, in either case, in the ordinary course of business; and provided further, that the incurrence by a Restricted Subsidiary of the Corporation of a lien on real or personal property of such Restricted Subsidiary acquired, constructed or constituting improvements made after the Issue Date to secure Purchase Money Debt which is Incurred for the construction, acquisition and improvement of Telecommunications Assets, shall not be deemed to constitute a Guarantee by such Restricted Subsidiary of any Purchase Money Debt of the Corporation secured thereby; provided, however, that (a) the net proceeds of any Debt secured by such a Lien does not exceed

100% of such purchase price or cost of construction or improvement of the property subject to such Lien; (b) such Lien attaches to such property prior to, at the time of or within 180 days after the acquisition, completion of construction or commencement of operation of such property; and (c) such Lien does not extend to or cover any property (or identifiable portions thereof) acquired, constructed or constituting improvements made with the proceeds of such Purchase Money Debt (it being understood and agreed that all Debt owed to any single lender or group of lenders or outstanding under any single credit facility shall be considered a single Purchase Money Debt, whether drawn at one time or from time to time).

"Holder" means a holder of shares of Convertible Preferred Stock as reflected in the share books of the Corporation.

"Implied Conversion Price" means the quotient obtained by dividing $50.00 by the Conversion Rate.

"Incur" means, with respect to any Debt or other obligation of any Person, to create, issue, incur (by conversion, exchange or otherwise), assume, Guarantee or otherwise become liable in respect of such Debt or other obligation including by acquisition of Subsidiaries or the recording, as required pursuant to generally accepted accounting principles or otherwise, of any such Debt or other obligation on the balance sheet of such Person (and "Incurrence", "Incurred", "Incurrable" and "Incurring" shall have meanings correlative to the foregoing): provided, however, that a change in generally accepted accounting principles that results in an obligation of such Person that exists at such time becoming Debt shall not be deemed an Incurrence of such Debt and that neither the accrual of interest nor the accretion of original issue discount shall be deemed an Incurrence of Debt; provided, further, however, that the Corporation may elect to treat all or any portion of revolving credit debt of the Corporation or a Subsidiary as being Incurred from and after any date beginning the date the revolving credit commitment is extended to the Corporation or a Subsidiary, by furnishing notice thereof to the Trustee or the Transfer Agent, as applicable, and any borrowings or reborrowings by the Corporation or a Subsidiary under such commitment up to the amount of such commitment designated by the Corporation as Incurred shall not be deemed to be new Incurrence of Debt by the Corporation or such Subsidiary.

"Initial Dividend Period" means the dividend period commencing on the Issue Date and ending on the first Dividend Payment Date to occur thereafter.

"Interest Rate or Currency Protection Agreement" of any Person means any forward contract, futures contract, swap, option or other financial agreement or arrangement (including, without limitation, caps, floors, collars and similar agreements) relating to, or the value of which is dependent upon, interest rates or currency exchange rates or indices.

"Issue Date" means the date of original issuance of the Convertible Preferred Stock by NEXTLINK.

"Junior Shares" shall have the meaning ascribed to it in paragraph (b) hereof.

"Lien" means, with respect to any property or assets, any mortgage or deed of trust, pledge, hypothecation, assignment, Receivables Sale, deposit arrangement, security

interest, lien, charge, easement (other than any easement not materially impairing usefulness or marketability), encumbrances, preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever on or with respect to such property or assets (including, without limitation, any conditional sale or other title retention agreement having substantially the same economic effect as any of the foregoing).

"Merger Date" means the date of effectiveness of the merger of NEXTLINK with and into the Corporation.

"NEXTLINK" means NEXTLINK Communications, Inc., a Delaware corporation and a predecessor to the Corporation.

"Non-Stock Change in Control" means any Change in Control other than a Common Stock Change in Control.

"Officers' Certificate" means a certificate signed by (i) the Chief Executive Officer, President, an Executive Vice President or a Vice President, and (ii) the Treasurer, Assistant Treasurer, Secretary or an Assistant Secretary, of the Corporation and delivered to the Transfer Agent and containing the following:

(a) a statement that each individual signing such certificate has read such covenant or condition and the definitions herein relating thereto;

(b) a brief statement as to the nature and scope of the examination or investigation upon which the statement or opinions contained in such certificate or opinion are based;

(c) a statement that, in the opinion of each such individual, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(d) a statement as to whether, in the opinion of each such individual, such condition or covenant has been complied with.

"Opinion of Counsel" means a written opinion of legal counsel, who may be counsel for the Corporation and containing the following statements:

(a) a statement that such counsel has read such covenant or condition and the definitions herein relating thereto;

(b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(c) a statement that, in the opinion of each such individual, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has

been complied with; and

(d) a statement as to whether, in the opinion of each such individual, such condition or covenant has been complied with.

"Parity Shares" shall have the meaning ascribed to it in paragraph (b) hereof.

"Permitted Interest Rate or Currency Protection Agreement" of any Person means any Interest Rate or Currency Protection Agreement entered into with one or more financial institutions in the ordinary course of business that is designed to protect such Person against fluctuations in interest rates or currency exchange rates with respect to Debt Incurred and which shall have a notional amount no greater than the payments due with respect to the Debt being hedged thereby and not for purposes of speculation.

"Person" means any individual, corporation, partnership, limited liability company, joint venture, association, joint stock company, trust, unincorporated organization, government or agency or political subdivision thereof or any other entity.

"Preferred Stock" of any Person means Capital Stock of such Person of any class or classes (however designated) that ranks prior, as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation, dissolution or winding up of such Person, to shares of Capital Stock of any other class of such Person.

"Purchase Money Debt" means (i) Acquired Debt Incurred in connection with the acquisition of Telecommunications Assets and (ii) Debt of the Corporation or of any Restricted Subsidiary of the Corporation (including, without limitation, Debt represented by Capital Lease Obligations, Vendor Financing Facilities, mortgage financings and purchase money obligations) Incurred for the purpose of financing all or any part of the cost of construction, acquisition or improvement by the Corporation or any Restricted Subsidiary of the Corporation or any Joint Venture of any Telecommunications Assets of the Corporation, any Restricted Subsidiary of the Corporation or any Joint Venture, and including any related notes, Guarantees, collateral documents, instruments and agreements executed in connection therewith, as the same may be amended, supplemented, modified or restated from time to time.

"Purchaser Stock Price" means, with respect to any Common Stock Change in Control, the average of the per share Closing Prices for the common stock received as consideration in such Common Stock Change in Control for the 10 consecutive Trading Days prior to and including the record date for the determination of the holders of Class A Common Stock entitled to receive such common stock, or if there is no such record date, the date upon which the holders of the Class A Common Stock shall have the right to receive such common stock, in each case, as adjusted in good faith by the Board of Directors to appropriately reflect any of the events referred to in paragraph (k)(vi); provided, however, that if no such Closing Prices exist, then the Purchaser Stock Price shall be set at a price determined in good faith by the Board of Directors of the Corporation.

"Quarterly Dividend Period" shall mean the quarterly period commencing on each March 31, June 30, September 30 and December 31 and ending on the next succeeding Dividend Payment Date, respectively.

"Receivables" means receivables, chattel paper, instruments, documents or intangibles evidencing or relating to the right to payment of money in respect of the sale of the goods or services.

"Receivables Sale" of any Person means any sale of Receivables of such Person (pursuant to a purchase facility or otherwise), other than in connection with a disposition of the business operations of such Person relating thereto or a disposition of defaulted Receivables for purpose of collection and not as a financing agreement.

"Redemption Date", with respect to any share of Convertible Preferred Stock, means the date on which such share of Convertible Preferred Stock is redeemed by the Corporation.

"Redemption Notice" shall have the meaning ascribed to it in paragraph (e) hereof.

"Reference Market Price" shall initially mean $23.33, and in the event of any adjustment to the Conversion Rate other than as a result of a Change in Control, the Reference Market Price shall also be adjusted so that the ratio of the Reference Market Price to the Implied Conversion Price after giving effect to any such adjustment shall always be the same as the ratio of $23.33 to $43.67.

"Registration Rights Agreement" means the Registration Rights Agreement dated as of March 31, 1998 among the Corporation, Smith Barney, Inc. and Goldman, Sachs & Co. (for the benefit of Holders from time to time).

"Restricted Period Termination Date" means the date that is two years after the later of the Issue Date or the last date on which the Corporation or an Affiliate of the Corporation was the owner thereof.

"Restricted Subsidiary" of the Corporation means any Subsidiary, whether existing on or after the Issue date, other than an Unrestricted Subsidiary.

"Senior Shares" shall have the meaning ascribed to it in paragraph (b) hereof.

"Subsidiary" of any Person means (i) a corporation more than 50% of the combined voting power of the outstanding Voting Stock of which is owned, directly or indirectly, by such Person or by one or more other Subsidiaries of such Person or by such Person and one or more Subsidiaries thereof or (ii) any other Person (other than a corporation) in which such Person, or one or more other Subsidiaries of such Person or such Person and one or more other Subsidiaries thereof, directly or indirectly, has at least a majority ownership and power to direct the policies, management and affairs thereof.

"Telecommunications Assets" means all assets, rights (contractual or otherwise) and properties, whether tangible or intangible, used or intended for use in connection with a Telecommunications Business."

"Telecommunications Business" means the business of (i) transmitting, or providing services relating to the transmission of, voice, video or data through owned or leased transmission facilities, (ii) creating, developing or marketing communications related network equipment, software and other devices for use in a Telecommunication Business or (iii) evaluating, participating or pursuing any other activity or opportunity that is primarily related to those identified in (i) or (ii) above and shall, in any event, include all businesses in which the Company or any of its Subsidiaries are engaged on the Issue Date; provided that the determination of what constitutes a Telecommunications Business shall be made in good faith by the Board of Directors of the Company, which determination shall be conclusive.

"Trading Day" means (i) if the Class A Common Stock is admitted to trading on the Nasdaq National Market or any other system of automated dissemination of quotations of securities prices, a day on which trades may be effected through such system; (ii) if the Class A Common Stock is not so admitted for trading but is listed or admitted for trading on the American Stock Exchange or any other national securities exchange, a day on which such exchange is open for business; or (iii) if the Class A Common Stock is not listed or admitted for trading on any national securities exchange or admitted to trading on the Nasdaq National Market or any other system of automated dissemination of quotation of securities prices, a day on which the Common Stock is traded regular way in the over-the-counter market and for which a closing bid and a closing asked price for the Class A Common Stock are available.

"Transfer Agent" means the transfer agent for the Convertible Preferred Stock designated by the Corporation from time to time.

"Unrestricted Subsidiary" means (1) any Subsidiary of the Corporation or admitted for trading on any national securities exchange or admitted to trading on the Nasdaq National Market or any other system of automated dissemination of quotation of securities prices, a day on which the Common Stock is traded regular way in the over-the-counter market and for which a closing bid and a closing asked price for the Class A Common Stock are available. "Transfer Agent" means the transfer agent for the Convertible Preferred Stock designated by the Corporation from time to time. "Unrestricted Subsidiary" means (1) any Subsidiary of the Corporation of such Subsidiary (including any right which the holders thereof may have to take enforcement action against such Subsidiary) would permit (upon notice, lapse of time or both) any holder of any other Debt of the Corporation and its Restricted Subsidiaries to declare a default on such other Debt or cause the payment thereof to be accelerated or payable prior to its final scheduled maturity and (2) any Subsidiary of an Unrestricted Subsidiary. The Board of Directors of the Corporation may designate any Subsidiary to be an Unrestricted Subsidiary unless such Subsidiary owns any Capital Stock of, or owns or holds any Lien on any property of, any other Subsidiary of the Corporation which is not a Subsidiary of the Subsidiary to be so designated or otherwise an Unrestricted Subsidiary, provided that either (x) the Subsidiary to be so designated has total assets of $1,000 or less or (y) immediately after giving effect to such designation, the Corporation could incur at least $1.00 of additional Debt pursuant to certain covenants under the 12 1/2% Notes, the 9 % Notes and the 9% Notes. The Board of Directors of the Corporation may designate any Unrestricted Subsidiary to be a Restricted Subsidiary, provided that, immediately after giving effect to such designation, the Corporation could incur at least $1.00 of additional Debt pursuant to certain covenants under the 12 1/2% Notes, the 9 % Notes and the 9% Notes, as applicable.

"Vice President", when used with respect to the Corporation means any vice president, whether or not designated by a number or a word or words added before or after the title "Vice President".

"Voting Rights Triggering Event" shall have the meaning ascribed to it in paragraph (f)(iv) hereof.

"Voting Stock" of any Person means Capital Stock of such Person which ordinarily has voting power for the election of directors (or persons performing similar functions) of such Person, whether at all times or only so long as no senior class of securities has such voting power by reason of any contingency.

"Wholly-Owned Restricted Subsidiary" of any Person means a Restricted Subsidiary of such Person 99% or more of the outstanding Capital Stock or other ownership interests of which (other than directors' qualifying shares) shall at the time be owned by such Person or by one or more Wholly-Owned Restricted Subsidiaries of such Person or by such Person and one or more Wholly-Owned Restricted Subsidiaries of such Person.

(k) Conversion Rights.

(i) The Convertible Preferred Stock will be convertible at the option of the Holder, into shares of Class A Common Stock at any time, unless previously redeemed or repurchased, at a conversion rate of 1.145 shares of Class A Common Stock per share of the Convertible Preferred Stock (as adjusted pursuant to the provisions hereof, the "Conversion Rate") (subject to the adjustments described below). The right to convert a share of the Convertible Preferred Stock called for redemption will terminate at the close of business on the Redemption Date for such share of Convertible Preferred Stock. In addition, at any time from and after April 15, 2001, through and including April 15, 2006, the Corporation may elect to cause such conversion right to expire, upon not less than 30 nor more than 60 days' notice to the holders of shares of Convertible Preferred Stock, if the Closing Price of the Class A Common Stock exceeds 120% of the Implied Conversion Price for 20 Trading Days in any period of 30 consecutive Trading Days, including the last Trading Day of such period; provided that such conversion right shall expire only if the Corporation is current in the payment of accrued dividends on the Convertible Preferred Stock at such expiration date.

(ii) The right of conversion attaching to any shares of Convertible Preferred Stock may be exercised by the Holder thereof by delivering the shares to be converted to the office of the Conversion Agent, accompanied by a duly signed and completed notice of conversion in form reasonably satisfactory to the Conversion Agent. The conversion date will be the date on which the shares of Convertible Preferred Stock and the duly signed and completed notice of conversion are so delivered. The Person or Persons entitled to receive the Class A Common Stock

issuable upon such conversion shall be treated for all purposes as the record holder or holders of such Class A Common Stock as of such conversion date and such Person or Persons will cease to be a record Holder or record Holders of the Convertible Preferred Stock on that date. As promptly as practicable on or after the conversion date, the Corporation will issue and deliver to the Conversion Agent a certificate or certificates for the number of full shares of Class A Common Stock issuable upon conversion, with any fractional shares rounded up to full shares or, at the Corporation's option, payment in cash in lieu of any fraction of a share, based on the Closing Price of the Class A Common Stock on the Trading Day preceding the conversion date. Such certificate or certificates will be delivered by the Conversion Agent to the appropriate Holder on a book-entry basis or by mailing certificates evidencing the additional shares to the Holders at their respective addresses set forth in the register of Holders maintained by the Transfer Agent. Any shares of Convertible Preferred Stock surrendered for conversion during the period from the close of business on any Record Date to the opening of business on the next succeeding Dividend Payment Date must be accompanied by payment of an amount equal to the dividends payable on such Dividend Payment Date on the shares of Convertible Preferred Stock being surrendered for conversion. In the case of any shares of Convertible Preferred Stock that have been converted after any Record Date but before the next Dividend Payment Date, dividends that are payable on such Dividend Payment Date will be payable on such Dividend Payment Date notwithstanding such conversion, and such dividends will be paid to the Holder of such shares of Convertible Preferred Stock on such Record Date. No other payment or adjustment for dividends, or for any dividends in respect of shares of Class A Common Stock, will be made upon conversion. Holders of Class A Common Stock issued upon conversion will not be entitled to receive any dividends payable to holders of Class A Common Stock as of any record time before the close of business on the conversion date.

(iii) All shares of Class A Common Stock delivered upon any conversion of Convertible Preferred Stock prior to the Restricted Period Termination Date shall bear a legend substantially in the form of the legend required to be set forth on the Convertible Preferred Stock and shall be subject to the restrictions on transfer provided in such legend.

(iv) The Corporation shall at all times reserve and keep available out of its authorized and unissued Class A Common Stock, solely for issuance upon the conversion of the Convertible Preferred Stock, such number of shares of Class A Common Stock as shall from time to time be issuable upon the conversion of all the shares of Convertible Preferred Stock then outstanding. Whenever the Corporation issues shares of Class A Common Stock upon conversion of shares of Convertible Preferred Stock and the Corporation has in effect at such time a share purchase rights agreement under which holders of Class A

Common Stock are issued rights ("Rights") entitling the holders under certain circumstances to purchase an additional share or shares of stock, the Corporation will issue, together with each such share of Class A Common Stock, such number of Rights (which number may be a fraction) as shall at that time be issuable with a share of Class A Common Stock pursuant to such share purchase rights agreement. Any shares of Class A Common Stock issued upon conversion of the Convertible Preferred Stock shall be duly authorized, validly issued and fully paid and nonassessable and shall rank pari passu with the other shares of Class A Common Stock outstanding from time to time. The Conversion Agent shall deliver the shares of Class A Common Stock received upon conversion of the Convertible Preferred Stock to the converting Holder free and clear of all liens, charges, security interests and encumbrances, except for United States withholding taxes. The Corporation shall use its best efforts to obtain and keep in force such governmental or regulatory permits or other authorizations as may be required by law, and shall comply with all applicable requirements as to registration or qualification of the Class A Common Stock (and all requirements to list the Class A Common Stock issuable upon conversion of the Convertible Preferred Stock that are at the time applicable), in order to enable the Corporation to lawfully issue Class A Common Stock upon conversion of the Convertible Preferred Stock and to lawfully deliver the Class A Common stock to each Holder upon conversion of the Convertible Preferred Stock.

(v) The Corporation will pay any and all taxes that may be payable in respect of the issue or delivery of shares of Class A Common Stock on conversion of Convertible Preferred Stock. The Corporation shall not, however, be required to pay any tax which may be payable in respect of any transfer involved in the issue and delivery of shares of Class A Common Stock in a name other than that in which the Convertible Preferred Stock so converted were registered, and no such issue or delivery shall be made unless and until the Person requesting such issue has paid to the Conversion Agent the amount of any such tax, or has established to the satisfaction of the Conversion Agent that such tax has been paid.

(vi) The Conversion Rate shall be subject to adjustment (without duplication) from time to time as follows:

(1) In case the Corporation shall pay or make a dividend or other distribution on any class of Capital Stock of the Corporation payable in shares of Common stock, the Conversion Rate in effect at the opening of business on the day following the date fixed for the determination of shareholders entitled to receive such dividend or other distribution shall be increased by dividing such Conversion Rate by a fraction of which the numerator shall be the number of shares of Common Stock outstanding at the close

of business on the date fixed for such determination and the denominator shall be the sum of such number of shares and the total number of shares constituting such dividend or other distribution, such increase to become effective immediately after the opening of business on the day following the date fixed for such determination. If, after any such date fixed for determination, any dividend or distribution is not in fact paid, the Conversion Rate shall be immediately readjusted, effective as of the date the Board of Directors determines not to pay such dividend or distribution, to the Conversion Rate that would have been in effect if such determination date had not been fixed. For the purposes of this paragraph (1), the number of shares of Common Stock at any time outstanding shall not include shares held in the treasury of the Corporation but shall include shares issuable in respect of scrip certificates issued in lieu of fractions of shares of Common Stock. The Corporation will not pay any dividend or make any distribution on shares of Common Stock held in the treasury of the Corporation.

(2) In case outstanding shares of Common Stock shall be subdivided into a greater number of shares of Common Stock, the Conversion Rate in effect at the opening of business on the day following the day upon which such subdivision becomes effective shall be proportionately increased, and, conversely, in case outstanding shares of Common Stock shall be combined into a smaller number of shares of Common Stock, the Conversion Rate in effect at the opening of business on the day following the day upon which such combination becomes effective shall be proportionately reduced, such increase or reduction, as the case may be, to become effective immediately after the opening of business on the day following the day upon which such subdivision or combination becomes effective.

(3) In case the Company shall issue rights, options or warrants to holders of its Common Stock (by reason of such holder's ownership of such stock) entitling them to subscribe for or purchase shares of Common Stock at a price per share less than the Current Market Price per share of the Class A Common Stock on the date fixed for the determination of stockholders entitled to receive such rights, options or warrants (other than any rights, options or warrants that by their terms will also be issued to any Holder upon conversion of a share of Convertible Preferred Stock into shares of Class A Common Stock without any action required by the Corporation or any other Person), the Conversion Rate in effect at the opening of business on the day following the date fixed for such determination shall be increased by dividing such Conversion Rate by a fraction of which the numerator shall be the

number of shares of Common Stock outstanding at the close of business on the date fixed for such determination plus the number of shares of Common Stock which the aggregate of the offering price of the total number of shares of Common Stock so offered for subscription or purchase would purchase at such Current Market Price and the denominator shall be the number of shares of Common Stock outstanding at the close of business on the date fixed for such determination plus the number of shares of Common Stock so offered for such subscription or purchase, such increase to become effective immediately after the opening of business on the day following the date fixed for such determination. If, after any such date fixed for determination, any such rights, options or warrants are not in fact issued, the Conversion Rate shall be immediately readjusted, effective as of the date the Board of Directors determines not to issue such rights, options or warrants, to the Conversion Rate that would have been in effect if such determination date had not been fixed. For the purposes of this paragraph (3), the number of shares of Common Stock at any time outstanding shall not include shares held in the treasury of the Corporation but shall include shares issuable in respect of scrip certificates issued in lieu of fractions of shares of Common Stock. The Corporation will not issue any rights, options or warrants in respect of shares of Common Stock held in the treasury of the Corporation.

(4) In case the Corporation shall, by dividend or otherwise, distribute to holders of its Common Stock evidences of its indebtedness, shares of any class of Capital Stock, or other property (including securities, but excluding (i) any rights, options or warrants referred to in paragraph (3) of this Section, (ii) any dividend or distribution paid exclusively in cash, (iii) any dividend or distribution referred to in paragraph (1) of this paragraph (k)(vi) and (iv) any merger or consolidation to which paragraph (k)(ix) applies), the Conversion Rate shall be adjusted so the same shall equal the rate determined by dividing the Conversion Rate in effect immediately prior to the close of business on the date fixed for the determination of stockholders entitled to receive such distribution by a fraction of which the numerator shall be the Current Market Price per share of the Common Stock on the date fixed for such determination less the then fair market value (as determined by the Board of Directors, whose determination shall be conclusive) of the portion of the assets, shares or evidences of indebtedness so distributed applicable to one share of Common Stock entitled to such distribution and the denominator shall be such Current Market Price per share of the Class A Common Stock, such adjustment to become effective immediately prior to the opening of business on the day following the date fixed for the

determination of stockholders entitled to receive such distribution. If, after any such date fixed for determination, any such distribution is not in fact made, the Conversion Rate shall be immediately readjusted, effective as of the date of the Board of Directors determines not to make such distribution, to the Conversion Rate that would have been in effect if such determination date had not been fixed.

(5) In case the Corporation shall, by dividend or otherwise, distribute to holders of its Common Stock cash (excluding any cash that is distributed upon a merger or consolidation to which paragraph (k)(ix) applies or as part of a distribution referred to in paragraph (4) of this paragraph (k)(vi)) in an aggregate amount that, combined together with (I) the aggregate amount of any other cash distributions to all holders of its Common Stock made exclusively in cash within the 12 months preceding the date of payment of such distribution and in respect of which no adjustment pursuant to this paragraph (5) has been made and (II) the aggregate of any cash plus the fair market value (as determined by the Board of Directors, whose determination shall be conclusive) of consideration payable in respect of any tender offer or other stock repurchase program by the Corporation or any of its Subsidiaries for all or any portion of the Common Stock concluded within the 12 months preceding the date of payment of such distribution and in respect of which no adjustment pursuant to paragraph (6) of this paragraph (k)(vi) has been made (the "combined cash and tender amount"), exceeds 12.5% of the product of the Current Market Price per share of the Class A Common Stock on the date for the determination of holders of shares of Common Stock entitled to receive such distribution times the number of shares of Common Stock outstanding on such date (the "Aggregate Current Market Price"), then, and in each such case, immediately after the close of business on such date for determination, the Conversion Rate shall be adjusted so that the same shall equal the rate determined by dividing the Conversion Rate in effect immediately prior to the close of business on the date fixed for determination of the stockholders entitled to receive such distribution by a fraction (i) the numerator of which shall be equal to the Current Market Price per share of the Class A Common Stock on the date fixed for such determination less an amount equal to the quotient of (x) the excess of such combined cash and tender amount over such Aggregate Current Market Price divided by (y) the number of shares of Common Stock outstanding on such date for determination and (ii) the denominator of which shall be equal to the Current Market Price per share of the Class A Common Stock on such date for determination.

(6) In case a tender offer made by the Corporation or any Subsidiary for all or any portion of the Common Stock shall expire and such tender offer (as amended upon the expiration thereof) shall require the payment to stockholders (based on the acceptance (up to any maximum specified in the terms of the tender offer) of Common Stock (as defined below) of an aggregate consideration having a fair market value (as determined by the Board of Directors, whose determination shall be conclusive) that combined together with (I) the aggregate of the cash plus the fair market value (as determined by the Board of Directors, whose determination shall be conclusive) as of the expiration of such tender offer, of consideration payable in respect of any other tender offer or other stock repurchase program by the Corporation or any Subsidiary for all or any portion of the Common Stock expiring within the 12 months preceding the expiration of such tender offer and in respect of which no adjustment pursuant to this paragraph (6) has been made and (II) the aggregate amount of any cash distributions to all holders of the Corporation's Common Stock within 12 months preceding the expiration of such tender offer and in respect of which no adjustment pursuant to paragraph (5) of this paragraph (k)(vi) has been made (the "combined tender and cash amount") exceeds 12.5 % of the product of the Current Market Price per share of the Class A Common Stock as of the last time (the "Expiration Time") tenders could have been made pursuant to such tender offer (as it may be amended) times the number of shares of Common Stock outstanding (including any tendered shares) as of the Expiration Time, then, and in each such case, immediately prior to the opening of business on the day after the date of the Expiration Time, the Conversion Rate shall be adjusted so that the same shall equal the rate determined by dividing the Conversion Rate immediately prior to close of business on the date of the Expiration Time by a fraction (i) the numerator of which shall be equal to (A) the product of (I) the Current Market Price per share of Common Stock on the date of the Expiration Time multiplied by (II) the number of shares of Common Stock outstanding (including any tendered shares) on the Expiration Time less (B) the combined tender and cash amount, and (ii) the denominator of which shall be equal to the product of (A) the Current Market Price per share of the Class A Common Stock as of the Expiration Time multiplied by (B) the number of shares of Common Stock outstanding (including any tendered shares) as of the Expiration Time less the number of all shares validly tendered and not withdrawn as of the Expiration Time (the shares deemed so accepted up to any such maximum, being referred to as the "Purchased Shares").

(7) The reclassification of Common Stock into securities including other than Common Stock (other than any reclassification upon a consolidation or merger to which paragraph (k)(ix) applies) shall be deemed to involve (a) a distribution of such securities other than Common Stock to all holders of Common Stock (and the effective date of such reclassification shall be deemed to be "the date fixed for the determination of stockholders entitled to receive such distribution" and "the date fixed for such determination" within the meaning of paragraph (4) of this paragraph (k)(vi), and (b) a subdivision or combination, as the case may be, of the number of shares of Common Stock outstanding immediately prior to such reclassification into the number of shares of Common Stock outstanding immediately thereafter (and the effective date of such reclassification shall be deemed to be "the day upon which such subdivision becomes effective" or "the day upon which such combination becomes effective", as the case may be, and "the day upon which such subdivision or combination becomes effective" within the meaning of paragraph (2) of this paragraph (k)(vi).

(8) For the purpose of any computation under paragraphs (2), (4), (5) or (6) of this paragraph (k)(vi), the Current Market Price per share of Class A Common Stock on any date shall be calculated by the Company and be based on a period of Trading Days ending not later than the earlier of the day in question and the day before the "`ex" date with respect to the issuance or distribution requiring such computation. For purposes of this paragraph, the term "`ex" date", when used with respect to any issuance or distribution, means the first date on which the Common Stock trades regular way in the applicable securities market or on the applicable securities exchange without the right to receive such issuance or distribution.

(9) No adjustment in the Conversion Rate shall be required unless such adjustment (plus any adjustments not previously made by reason of this paragraph (9)) would require an increase or decrease of at least one percent (1%) in such rate; provided, however, that any adjustments which by reason of this paragraph (9) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this paragraph (f) shall be made to the nearest cent or to the nearest one-hundredth of a share, as the case may be. (10) The Corporation may make voluntary increases in the Conversion Rate, for the remaining term of the Convertible Preferred Stock or any shorter term, in addition to those required by paragraphs (1), (2), (3), (4), (5) and (6) of this paragraph (f)(vi),

provided that each such increase is in effect for at least 20 calendar days.

(vii) Whenever the Conversion Rate is adjusted as herein provided:

(1) the Corporation shall compute the adjusted Conversion Rate in accordance with paragraph (f)(vi) and shall prepare a certificate signed by the Chief Financial Officer of the Corporation setting forth the adjusted Conversion Rate and showing in reasonable detail the facts upon which such adjustment is based, and such certificate shall promptly be filed with the Conversion Agent; and

(2) upon each such adjustment, a notice stating that the Conversion Rate has been adjusted and setting forth the adjusted Conversion Rate shall be required, and as soon as practicable after it is required, such notice shall be provided by the Company to all Holders.

The Conversion Agent shall not be under any duty or responsibility with respect to any such certificate or the information and calculations contained therein, except to exhibit the same to any Holder of Convertible Preferred Stock desiring inspection thereof at its office during normal business hours.

(viii) In case:

(a) the Corporation shall declare a dividend (or any other distribution) on its Class A Common Stock payable (i) otherwise than exclusively in cash or (ii) exclusively in cash in an amount that would require any adjustment pursuant to paragraph (f)(vi); or

(b) the Corporation shall authorize the granting to holders of its Class A Common Stock (by reason of such holders' ownership of such stock) of rights, options or warrants to subscribe for or purchase any shares of capital stock of any class or of any other rights; or

(c) of any reclassification of the Class A Common Stock of the Corporation, or of any consolidation, merger or share exchange to which the Corporation is a party and for which approval of any stockholders of the Corporation is required, or of the conveyance, sale, transfer or lease of all or substantially all of the assets of the Corporation; or

(d) of the voluntary or involuntary dissolution, liquidation or winding up of the Corporation;

then the Corporation shall cause to be filed at the office of the Conversion Agent, and shall cause to be provided to all Holders, at least 20 days (or 10 days in any

case specified in clause (a) or (b) above) prior to the applicable record or effective date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution, rights, options or warrants, or, if a record is not to be taken, the date as of which the holders of Class A Common Stock of record to be entitled to such dividend, distribution, rights, options or warrants are to be determined or (y) the date on which such reclassification, consolidation, merger, conveyance, transfer, sale, lease, dissolution, liquidation or winding up is expected to become effective, and the date as of which it is expected that holders of Common Stock of record shall be entitled to exchange their shares of Common Stock for securities, cash or other property deliverable upon such reclassification, consolidation, merger, conveyance, transfer, sale, lease, dissolution, liquidation or winding up. Neither the failure to give such notice referred to in the following paragraph nor any defect therein shall affect the legality or validity of the proceedings described in clauses (a) through (d) of this paragraph (f)(viii). The Company shall cause to be filed at the office of the Conversion Agent and shall cause to be provided to all Holders, notice of any tender offer by the Corporation or any Subsidiary for all or any portion of the Class A Common Stock at or about the time that such notice of tender offer is provided to the public generally.

(ix) In the event that the Corporation is a party to any transaction including, without limitation, a merger (other than a merger that does not result in a reclassification, conversion, exchange or cancellation of Class A Common Stock), consolidation, sale of all or substantially all of the assets of the Corporation, recapitalization or reclassification of Class A Common Stock (other than a change in par value, or from par value to no par value, or from no par value to par value or as a result of a subdivision or combination of Class A Common Stock) or any compulsory share exchange (each of the foregoing being referred to as a "Transaction"), in each case, as a result of which shares of Class A Common Stock shall be converted into the right to receive, or shall be exchanged for, (i) in the case of any Transaction other than a Transaction involving a Common Stock Change in Control (and subject to funds being legally available for such purpose under applicable law at the time of such conversion), securities, cash or other property, each share of Convertible Preferred Stock shall thereafter be convertible solely into the kind and amount of securities, cash and other property receivable upon the consummation of such Transaction by a holder of that number of shares of Class A Common Stock into which a share of Convertible Preferred Stock was convertible immediately prior to such Transaction (but after giving effect to any adjustment discussed in paragraphs (b) and (c) relating to Change in Control if such Transaction constitutes a Change in Control), or (ii) in the case of a Transaction involving a Common Stock Change in Control, common stock, each share of Convertible Preferred Stock shall thereafter be convertible solely (in the manner described herein) into common stock of the kind received by holders of Class A Common Stock (but after giving effect to any adjustment discussed in paragraphs (b) and

(c) relating to Change in Control if such Transaction constitutes a Change in Control). The Holders of Convertible Preferred Stock will have no voting rights with respect to any Transaction described in this section. Shares of Convertible Preferred Stock issued in a Transaction by the successor transferee or resulting Person or an Acquiring Entity as provided in paragraph (f)(iii) will be subject to this paragraph k(ix)(a) and will be convertible solely into the consideration provided for herein.

(a) If any Change in Control occurs, then the Conversion Rate in effect will be adjusted immediately after such Change in Control as described in paragraph (c) below.

(b) For purposes of calculating any adjustment to be made in the event of a Change in Control, immediately after such Change in Control:

(i) in the case of a Non-Stock Change in Control, the Conversion Rate will thereupon become the higher of (A) the Conversion Rate in effect immediately prior to such Non-Stock Change in Control, but after giving effect to any other prior adjustments, and (B) a fraction, the numerator of which is the then-current deemed redemption price per share, which shall be equal to the product of the liquidation preference per share of $50.00 and 105.20% in year one, 104.55% in year 2, 103.9% in year 3, 103.25% in year 4, 102.6% in year 5, 101.95% in year 6, 101.3% in year 7, 100.65% in year 8 and 100.00 in year 9 and thereafter, respectively and the denominator of which is the greater of the Applicable Price or the then applicable Reference Market Price; and

(ii) in the case of a Common Stock Change in Control, the Conversion Rate in effect immediately prior to such Common Stock Change in Control, but after giving effect to any other prior adjustments, will thereupon be adjusted by multiplying such Conversion Rate by a fraction, of which the numerator will be the Applicable Price and the denominator will be the Purchaser Stock Price (as defined); provided, however, that in the event of a Common Stock Change in Control in which

(B) 100% of the value of the consideration received by a holder of Class A Common Stock is common stock of the successor, acquiror or other third party (and cash, if any, with respect to any fractional interests) and (B) all the Class A Common Stock (other than shares of Class A Common Stock for which cash was paid pursuant to rights of dissent and appraisal) will have been exchanged for, converted into, or acquired for, common stock (and cash with respect to fractional interests) of the successor, acquiror or other third party, the Conversion Rate in effect immediately prior to such Common Stock Change in Control will thereupon be adjusted by multiplying such Conversion Rate by the number of shares of common stock of the successor, acquiror, or other third

party received by a holder of one share of Class A Common Stock as a result of such Common Stock Change in Control.

(l) Restrictions on Transfer.

(i) Each share of Convertible Preferred Stock shall contain a legend substantially to the following effect until the date that is two years after the later of the Issue Date or the last date on which the Corporation or any Affiliate of the Corporation was the owner thereof, unless the Corporation determines otherwise:

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "SECURITIES ACT") AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (2) IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), OR (4) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, AND IN EACH CASE, IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES.

(l) Book Entry Delivery and Form.

The Convertible Preferred Stock sold will be issued in the form of a Global Share Certificate. The Global Share Certificate will be deposited with, or on behalf of, the Depositary and registered in the name of the Depositary or its nominee. Except as set forth below, the Global Share Certificate may be transferred, in whole and not in part, only to the Depositary or other nominee of the Depositary. Holders may hold their beneficial interests in the Global Share Certificate directly through the Depositary if they have an account with the Depositary or indirectly through organizations which have accounts with the Depositary. The Convertible Preferred Stock represented by the Global Share Certificate is exchangeable for certificated Convertible Preferred Stock in definitive form of like tenor as such Convertible Preferred Stock if (i) the Depositary notifies the Company that it is unwilling or unable to continue as Depositary for the Global Share Certificate and a successor is not promptly appointed or if at any time the Depositary ceases to be a clearing agency registered under the Exchange Act or (ii) the Company in its discretion at any time determines not to have all of the Convertible Preferred Stock represented by the Global Share Certificate. Any Convertible Preferred Stock that is exchangeable pursuant to the preceding sentence is exchangeable for certificated Convertible Preferred Stock 33 issuable in authorized denominations and registered in such names as the Depositary shall direct. Subject to the foregoing, the Global Share Certificate is not exchangeable, except for a Global Share Certificate of the same aggregate denomination to be registered in the name of the Depositary or its nominee.

(m) Amendments Without Consent of Holders.

Without the Consent of any Holders, the Company, when authorized by Board Resolution may amend this Certificate of Designation to cure any ambiguity, correct or supplement any provision herein which may be inconsistent with any other provision herein, make any other provisions with respect to matters or questions arising under this Certificate of Designation that are not inconsistent with the provisions of this Certificate of Designation, provided that such action pursuant to this paragraph (n) shall not adversely affect the legal rights of the Holders.

IN WITNESS WHEREOF, said NM ACQUISITION CORP. has caused this Certificate to be signed by its Vice President, this 16th day of June, 2000.

NM ACQUISITION CORP.

By: /s/ Gary D. Begeman
Name: Gary D. Begeman
Title: Vice President

Exhibit C to Certificate of Incorporation of NM Acquisition Corp.

[Certificate of Designation of the Powers, Preferences, and Relative, Participating, Optional and Other Special Rights of Series C Cumulative Convertible Participating Preferred Stock and Qualifications, Limitations and Restrictions Thereof]

CERTIFICATE OF DESIGNATION OF THE POWERS, PREFERENCES AND RELATIVE, PARTICIPATING, OPTIONAL AND OTHER SPECIAL RIGHTS OF SERIES C CUMULATIVE CONVERTIBLE PARTICIPATING PREFERRED STOCK AND QUALIFICATIONS, LIMITATIONS AND RESTRICTIONS THEREOF

Pursuant to Section 151 of the Delaware General Corporation Law

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NM Acquisition Corp., the successor by merger to NEXTLINK Communications, Inc. and to be known as NEXTLINK Communications, Inc. immediately after the filing of this Certificate of Designation (the "Corporation"), a corporation organized and existing under the General Corporation Law, does hereby certify that, pursuant to authority conferred upon the board of directors of the Corporation (the "Board of Directors") by the Section 3 of the Corporation's Amended and Restated Certificate of Incorporation, as amended from time to time (the "Certificate of Incorporation"), and pursuant to the provisions of Section 151 of the General Corporation Law of the State of Delaware (the "DGCL"), said Board of Directors is authorized to issue Preferred Stock of the Corporation in one or more series and the Board of Directors has duly approved and adopted the following resolution on June 13, 2000 (the "Resolution"):

RESOLVED that, pursuant to the authority vested in the Board of Directors by Section 3 of the Corporation's Certificate of Incorporation, and Section 151 of the DGCL, the Board of Directors, hereby creates, authorizes and provides for the issuance of a series of the preferred stock of the Corporation, par value $.01 per share (such preferred stock designated as the "Series C Cumulative Convertible Participating Preferred Stock"), consisting of 584,375 shares and having the powers, designation, preferences, relative, participating, optional and other special rights and the qualifications, limitations and restrictions thereof that are set forth in the Certificate of Incorporation and in this Resolution as follows:

1. Number and Designation. 584,375 shares of the Preferred Stock of the Corporation shall constitute a series designated as "Series C Cumulative Convertible Participating Preferred Stock" (the "Series C Preferred Stock").

2. Definitions. Unless the context otherwise requires, when used herein the following terms shall have the meaning indicated.

"Board of Directors" means the Board of Directors of the Corporation.

"Business Day" means any day except Saturday, Sunday and any day which shall be a legal holiday or a day on which banking institutions in New York City, New York generally are authorized or required by law or other governmental actions to close.

"Capital Stock" means, with respect to any person, any and all shares, interests, participations, rights in, or other equivalents (however designated and whether voting and/or non-voting) of such person's capital stock, whether outstanding on the Issue Date or issued after the Issue Date, and any and all rights (other than any evidence of indebtedness), warrants or options exchangeable for or convertible into such capital stock.

"Change of Control" will be deemed to have occurred at such time as any of the following occur: (i) any person or any persons acting together that would constitute a "group" for purposes of Section 13(d) of the Exchange Act, or any successor provision thereto (other than Eagle River, Craig O. McCaw, Wendy P. McCaw and their respective affiliates or an underwriter engaged in a firm commitment underwriting on behalf of the Corporation), shall beneficially own (within the meaning of Rule 13d-3 under the Exchange Act, or any successor provision thereto) more than 50% of the aggregate voting power of all classes of Voting Stock of the Corporation, (ii) neither Mr. Craig O. McCaw nor any person designated by him to the Corporation as acting on his behalf shall be a director of the Corporation, or (iii) from and after the date on which the Corporation has redeemed indefeasibly or defeased in full its obligations in respect of its 12-1/2% Senior Notes due April 15, 2006 or defeased the covenants applicable thereto in accordance with their terms, during any period of two consecutive years, individuals who at the beginning of such period constituted the Board of Directors (together with any new directors whose election by the Board of Directors or whose nomination for election by the shareholders of the Corporation was proposed by a vote of a majority of the directors of the Corporation then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the Board of Directors then in office.

"Class A Common Stock" means any shares of the Corporation's Class A Common Stock, par value $.02 per share, now or hereafter authorized to be issued, and any and all securities of any kind whatsoever of the Corporation which may be exchanged for or converted into Class A Common Stock, any and all securities of any kind whatsoever of the Corporation which may be issued on or after the date hereof in respect of, in exchange for, or upon conversion of shares of Class A Common Stock pursuant to a merger, consolidation, stock split, stock dividend, recapitalization of the Corporation or otherwise.

"Common Stock" means the Corporation's Class A Common Stock, the Corporation's Class B Common Stock, par value $.02 per share, and any other common stock of the Corporation.

"Current Market Price" means the average of the daily Market Prices of the Common Stock for ten consecutive trading days immediately preceding the date for which such value is to be computed.

"Eagle River" means Eagle River Investments, L.L.C., a limited liability company formed under the laws of the State of Washington.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, or any successor statute, and the rules and regulations promulgated thereunder.

"Issue Date" means the original date of issuance of shares of Series C Preferred Stock by NEXTLINK.

"Liquidation Preference" with respect to a share of Series C Preferred Stock means, as at any date, the sum of (i) $1,000.00 plus (ii) any Special Amount with respect to such share plus (iii) an amount equal to any accrued and unpaid Preferred Dividends (as defined in paragraph 4(a) below) with respect to such share from the last Dividend Payment Date through such date.

"Market Price" means, with respect to the Common Stock, on any given day, (i) the price of the last trade, as reported on the Nasdaq National Market, not identified as having been reported late to such system, or (ii) if the Common Stock is so traded, but not so quoted, the average of the last bid and ask prices, as those prices are reported on the Nasdaq National Market, or (iii) if the Common Stock is not listed or authorized for trading on the Nasdaq National Market or any comparable system, the average of the closing bid and asked prices as furnished by two members of the National Association of Securities Dealers, Inc. selected from time to time by the Corporation for that purpose. If the Common Stock is not listed and traded in a manner that the quotations referred to above are available for the period required hereunder, the Market Price per share of Common Stock shall be deemed to be the fair value per share of such security as determined in good faith by the Board of Directors of the Corporation.

"Net Realizable FMV" means, with respect to a share of Common Stock, if calculable, the amount of gross proceeds net of underwriters' discounts, commissions or other selling expenses received by or to be received by the holder in connection with the sale of such share of Common Stock on a when issued basis or immediately after the conversion or, in all other cases, an amount equal to 97% of the Current Market Price of the Common Stock.

"NEXTLINK" means NEXTLINK Communications, Inc., a Delaware corporation and a predecessor to the Corporation.

"Preference Amount" with respect to a share of Series C Preferred Stock means, as at any date, the sum of (i) $727.273 plus (ii) any Special Amount, whether or not declared, with respect to such share plus (iii) an amount equal to any accrued and unpaid Preferred Dividends with respect to such share from the last Dividend Payment Date through such date.

"Series D Designation" means the Certificate of Designation for the Series D Preferred Stock.

"Series D Preferred Stock" means the Series D Convertible Participating Preferred Stock, par value $.01 per share, of the Corporation.

"Special Amount" with respect to a share of Series C Preferred Stock shall mean all dividends and other amounts which have become payable in respect of such share under paragraph 4(a) but which have not been paid. The Special Amount with respect to any such share shall be reduced by the amount of any such dividends and other amounts actually paid in respect of such share under paragraph 4(c).

"Voting Stock" means, with respect to any person, the Capital Stock of any class or kind ordinarily having the power to vote for the election of directors or other members of the governing body of such person.

3. Rank. (a) The Series C Preferred Stock and Series D Preferred Stock each will, with respect to dividend rights and rights on liquidation, winding-up and dissolution, rank (i) senior to the Corporation's 6½% Series B Cumulative Convertible Preferred Stock, par value $.01 per share, the Corporation's 7% Series F Convertible Redeemable Preferred Stock due 2010 and all classes of Common Stock and to each other class of Capital Stock of the Corporation or series of Preferred Stock of the Corporation established hereafter by the Board of Directors of the Corporation the terms of which do not expressly provide that such class or series ranks senior to, or on a parity with, the Series C Preferred Stock and Series D Preferred Stock as to dividend rights and rights on liquidation, winding-up and dissolution of the Corporation (collectively referred to, together with all classes of Common Stock of the Corporation, as "Junior Securities"); (ii) on a parity with each class of Capital Stock of the Corporation or series of Preferred Stock of the Corporation established hereafter by the Board of Directors of the Corporation, the terms of which expressly provide that such class or series will rank on a parity with the Series C Preferred Stock and Series D Preferred Stock as to dividend rights and rights on liquidation, winding-up and dissolution (collectively referred to as "Parity Securities"); and (iii) junior to the Corporation's 14% Series A Senior Exchangeable Redeemable Preferred Shares, par value $.01 per share (the "Senior Exchangeable Redeemable Preferred Shares"), the Corporation's 13½% Series E Senior Redeemable Exchangeable Preferred Stock due 2010 and to each class of Capital Stock of the Corporation or series of Preferred Stock of the Corporation established hereafter by the Board of Directors of the Corporation in accordance with Section 9(d) hereof, the terms of which expressly provide that such class or series will rank senior to the Series C Preferred Stock and Series D Preferred Stock as to dividend rights and rights on liquidation, winding-up and dissolution of the Corporation (collectively referred to as "Senior Securities"); provided that the relative powers, rights and preferences of the Series C Preferred Stock and Series D Preferred Stock vis-a-vis the other shall be as set forth herein and in the Series D Designation.

(b) The respective definitions of Junior Securities, Parity Securities and Senior Securities shall also include any warrants, rights or options or other securities exercisable or exchangeable for or convertible into any of the Junior Securities, Parity Securities and Senior Securities, as the case may be.

(c) The Series C Preferred Stock shall be subject to the creation of Junior Securities and Parity Securities and, to the extent permitted by Section 9(d), Senior Securities.

4. Dividends. (a) The holders of shares of Series C Preferred Stock shall be entitled to receive with respect to each share of Series C Preferred Stock, when, as and if declared by the Board of Directors, out of funds legally available for the payment of dividends, dividends per annum equal to $54.5455 per share in cash (the "Preferred Dividend"). Preferred Dividends shall accrue and shall be cumulative whether or not declared from the Issue Date and shall be payable quarterly in arrears on March 31, June 30, September 30 and December 31 of each year (unless such day is not a Business Day, in which event such dividends shall be payable on the next succeeding Business Day) (each such date being a "Dividend Payment Date" and each such quarterly period being a "Dividend Period"), commencing on March 31, 2000. Each such dividend shall be payable to the holders of record of shares of the Series C Preferred Stock as they appear on the stock register of the Corporation at the close of business on the corresponding Record Date. As used herein, the term "Record Date" means, with respect to the dividend payable on March 31, June 30, September 30 and December 31, respectively, of each year, the preceding March 15, June 15, September 15 and December 15, or such other date, not more than 60 days or less than 10 days preceding the payment dates thereof, as shall be fixed as the record date by the Board of Directors.

(b) The amount of Preferred Dividends payable for each full Dividend Period for each outstanding share of Series C Preferred Stock shall be computed by dividing $54.5455 by four. The amount of Preferred Dividends payable on the initial Dividend Payment Date, or in respect of any period shorter or longer than a full Dividend Period, on the Series C Preferred Stock shall be computed on the basis of twelve 30-day months and a 360-day year. No interest, or sum or money in lieu of interest, shall be payable in respect of any dividend payment or payments on the Series C Preferred Stock that may be in arrears.

(c) Accrued and unpaid Special Amounts for any past Dividend Periods may be declared and paid on any subsequent Dividend Payment Date, to holders of record on the corresponding Record Date.

(d) So long as any shares of the Series C Preferred Stock are outstanding, no dividend, except as described in the last sentence of Section 4(e) below and except as described in the next succeeding sentence, shall be declared or paid or set apart for payment on any Parity Securities, nor shall any Parity Securities be redeemed, purchased or otherwise acquired for any consideration (or any moneys be paid to or made available for a sinking fund for the redemption of any shares of any such stock) by the Corporation, directly or indirectly (except by conversion into or exchange for Parity Securities or Junior Securities), unless in each case all Special Amounts have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof is set apart for such payment on the Series C Preferred Stock for all Dividend Periods terminating on or prior to the date of payment of the dividend on, or the date of redemption, purchase, or acquisition for consideration of, such Parity Securities. When Special Amounts are not paid in full or a sum sufficient for such payment is not set apart, as aforesaid, all Special Amounts and additional amounts declared upon shares of the Series C Preferred Stock and all dividends and additional amounts declared upon any other Parity Securities shall be declared ratably in proportion to the respective amounts of

Special Amounts and additional amounts accumulated and unpaid on the Series C Preferred Stock and dividends and additional amounts accumulated and unpaid on such Parity Securities.

(e) So long as any shares of the Series C Preferred Stock are outstanding, no dividends shall be declared or paid or set apart for payment and no other distribution shall be declared or made upon Junior Securities, nor shall any Junior Securities be redeemed, purchased or otherwise acquired (any such dividend, distribution, redemption, purchase or acquisition being hereinafter referred to as a "Junior Securities Distribution") for any consideration (or any moneys be paid to or made available for a sinking fund for the redemption of any shares of any such stock) by the Corporation, directly or indirectly (except by conversion into or exchange for Junior Securities), unless in each case (i) all Special Amounts and additional amounts on all outstanding shares of the Series C Preferred Stock and accrued and unpaid dividends and additional amounts on any other Parity Securities shall have been paid or set apart for payment for all past Dividend Periods with respect to the Series C Preferred Stock and all past dividend periods with respect to such Parity Securities and (ii) sufficient funds shall have been paid or set apart for the payment of the dividend for the current Dividend Period with respect to the Series C Preferred Stock and the current dividend period with respect to such Parity Securities. Notwithstanding anything in this Certificate of Designation to the contrary, the Corporation may declare and pay dividends on Parity Stock which are payable solely in additional shares of, or by the increase in the liquidation value of, Parity Stock or on Junior Stock which are payable in additional shares of, or by the increase in the liquidation value of, Junior Stock, as applicable, or repurchase, redeem or otherwise acquire Junior Stock in exchange for Junior Stock, and Parity Stock in exchange for Parity Stock or Junior Stock.

(f) So long as any shares of Series C Preferred Stock are outstanding, if the Corporation pays a dividend in cash, securities or other property on the Common Stock then at the same time the Corporation shall declare and pay a dividend on each share of Series C Preferred Stock in an amount equal to the Series C Per Share Participation Amount. The "Series C Per Share Participation Amount" means, as at any date, 37.5% of the amount of dividends that would be paid with respect to the Series C Preferred Stock and Series D Preferred Stock taken together if converted into Common Stock on the date established as the record date with respect to such dividend on the Common Stock divided by the number of shares of Series C Preferred Stock then outstanding.

5. Liquidation Preference. (a) In the event of any liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, after payment or distribution of the assets of the Corporation (whether capital or surplus) shall be made to or set apart for the holders of Senior Securities, and before any payment or distribution of the assets of the Corporation (whether capital or surplus) shall be made to or set apart for the holders of Junior Securities, the holders of the shares of Series C Preferred Stock and Series D Preferred Stock taken together shall be entitled to receive an amount in cash equal to the greater of (x) the aggregate Liquidation Preferences (as set forth herein and in the Series D Designation) of the shares of Series C Preferred Stock

and Series D Preferred Stock as of the date of liquidation, or (y) the aggregate amount that would have been received with respect to the shares of Series C Preferred Stock and Series D Preferred Stock if such stock had been converted to Common Stock immediately prior to such liquidation, dissolution or winding-up. If, upon any liquidation, dissolution or winding-up of the Corporation, the assets of the Corporation, or proceeds thereof, shall be insufficient to pay in full the aforesaid amounts under clause (x) of the preceding sentence and liquidating payments on all Parity Securities, then such assets, or proceeds thereof, shall (i) be distributed among the shares of Series C Preferred Stock and the Series D Preferred Stock taken together and all such other Parity Securities ratably in accordance with the respective amounts that would be payable on such shares of Preferred Stock and any such other Parity Securities if all amounts payable thereon were paid in full and (ii) the amount distributable under clause (i) to the Series C Preferred Stock and Series D Preferred Stock taken together, shall first be distributed to the Series C Preferred Stock until it has received an amount equal to the aggregate Preference Amounts of all Series C Preferred Stock outstanding as of the date of liquidation and thereafter 37.5% to the Series C Preferred Stock and 62.5% to the Series D Preferred Stock. If, upon any liquidation, dissolution or winding-up of the Corporation, the assets of the Corporation, or proceeds thereof, distributable to the Series C Preferred Stock and Series D Preferred Stock taken together shall be sufficient to pay in full the aforesaid amounts under clause (x) of the first sentence of this subsection 5(a) then such amount shall first be distributed to the Series C Preferred Stock until it has received an amount equal to the aggregate Preference Amounts of all Series C Preferred Stock outstanding as of the date of liquidation and thereafter 37.5% to the Series C Preferred Stock and 62.5% to the Series D Preferred Stock. Any amounts distributed with respect to the Series C Preferred Stock pursuant to this paragraph 5(a) shall be allocated pro rata among the shares of Series C Preferred Stock. For the purposes of this paragraph 5, neither the sale, conveyance, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all of the property or assets of the Corporation nor the consolidation or merger of the Corporation with or into one or more other entities shall be deemed to be a liquidation, dissolution or winding-up of the Corporation.

(b) Subject to the rights of the holders of any Parity Securities, after payment shall have been made in full to the holders of the Series C Preferred Stock and the Series D Preferred Stock taken together, as provided in this paragraph 5, any other series or class or classes of Junior Securities shall, subject to the respective terms and provisions (if any) applying thereto, be entitled to receive any and all assets remaining to be paid or distributed, and the holders of the Series C Preferred Stock, Series D Preferred Stock and any Parity Securities shall not be entitled to share therein.

6. Redemption. (a) The Series C Preferred Stock shall not be redeemable by the Corporation prior to the later of (i) the fifth anniversary of the Issue Date and (ii) the date on which the Corporation has redeemed indefeasibly or defeased in full its obligations in respect of its 12½% Senior Notes due April 15, 2006 or defeased the covenants applicable thereto in accordance with their terms (the "Redemption Trigger Date"). On and after the Redemption Trigger Date, to the extent the Corporation shall have funds legally available for such payment, and subject to the rights of the holders pursuant to Section 8 hereof, the Corporation may redeem at its option shares of Series C

Preferred Stock, at any time in whole or from time to time in part, at a redemption price per share equal to the Liquidation Preference as of the date fixed for redemption, without interest; provided that the Corporation shall only be entitled to redeem shares of the Series C Preferred Stock if shares of the Series D Preferred Stock are also redeemed on a proportional basis based on the percentage of each series of shares outstanding at such time.

(b) To the extent the Corporation shall have funds legally available therefor, during the 180-day period commencing on the tenth anniversary of the Issue Date, the holders of the Series C Preferred Stock shall have the right to cause the Corporation to redeem at any time in whole or from time to time in part outstanding shares of Series C Preferred Stock, if any, at a redemption price per share in cash equal to the Liquidation Preference, without interest; provided that upon any such election the Corporation shall be required to redeem a proportional amount of the Series D Preferred Stock.

(c) Shares of Series C Preferred Stock which have been issued and reacquired by the Corporation in any manner, including shares purchased or redeemed, shall (upon compliance with any applicable provisions of the laws of the State of Delaware) be retired and have the status of authorized and unissued shares of the class of Preferred Stock undesignated as to series and may be redesignated and reissued as part of any series of the Preferred Stock; provided that no such issued and reacquired shares of Series C Preferred Stock shall be reissued or sold as Series C Preferred Stock.

(d) If the Corporation is unable or shall fail to discharge its obligation to redeem outstanding shares of Series C Preferred Stock pursuant to paragraph 6(b) (the "Mandatory Redemption Obligation"), the Mandatory Redemption Obligation shall be discharged as soon as the Corporation is able to discharge such Mandatory Redemption Obligation. If and so long as any Mandatory Redemption Obligation with respect to the Series C Preferred Stock shall not be fully discharged, the Corporation shall not (i) directly or indirectly, redeem, purchase, or otherwise acquire any Parity Security or discharge any mandatory or optional redemption, sinking fund or other similar obligation in respect of any Parity Securities or (ii) declare or make any Junior Securities Distribution, or, directly or indirectly, discharge any mandatory or optional redemption, sinking fund or other similar obligation in respect of any Junior Securities.

7. Procedure for Redemption. (a) In the event that fewer than all the outstanding shares of Series C Preferred Stock are to be redeemed, in the case of Section 6(a), the number of shares to be redeemed shall be determined by the Board of Directors and the shares to be redeemed shall be selected pro rata (with any fractional shares being rounded to the nearest whole shares). Notwithstanding anything in Section 6 to the contrary, the Corporation shall only redeem shares of Series C Preferred Stock pursuant to Section 6(a) or 6(b) on a proportional basis based on the percentage of each series of shares outstanding at such time.

(b) In the event the Corporation shall redeem shares of Series C Preferred Stock pursuant to Section 6(a), notice of such redemption shall be given by first

class mail, postage prepaid, mailed not less than 30 days nor more than 60 days prior to the redemption date, to each holder of record of the shares to be redeemed at such holder's address as the same appears on the stock register of the Corporation; provided that neither the failure to give such notice nor any defect therein shall affect the validity of the giving of notice for the redemption of any share of Series C Preferred Stock to be redeemed except as to the holder to whom the Corporation has failed to give said notice or except as to the holder whose notice was defective. Each such notice shall state: (i) the redemption date; (ii) the number of shares of Series C Preferred Stock to be redeemed and, if fewer than all the shares held by such holder are to be redeemed, the number of shares to be redeemed from such holder; (iii) the redemption price; (iv) the place or places where certificates for such shares are to be surrendered for payment of the redemption price; and (v) that dividends on the shares to be redeemed will cease to accrue on such redemption date.

(c) Notice having been mailed as aforesaid, if applicable, from and after the redemption date, dividends on the shares of Series C Preferred Stock so called for redemption shall cease to accrue, and all rights of the holders thereof as stockholders of the Corporation (except the right to receive from the Corporation the redemption price and except the right to convert shares so called for redemption prior to the close of business on the date immediately preceding the date fixed for such redemption) shall cease. Upon surrender in accordance with said notice, if applicable, of the certificates for any shares so redeemed (properly endorsed or assigned for transfer, if the Board of Directors shall so require and the notice shall so state), such shares shall be redeemed by the Corporation at the redemption price aforesaid. In case fewer than all the shares represented by any such certificate are redeemed, a new certificate shall be issued representing the unredeemed shares without cost to the holder thereof.

8. Conversion. (a) (i) Subject to the provisions of this Section 8, the holders of shares of Series C Preferred Stock shall have the right, at any time in whole and from time to time in part, at such holders' option, to convert any or all outstanding shares (and fractional shares) of Series C Preferred Stock held by such holders into fully paid and non-assessable shares of Class A Common Stock; provided that upon the exercise by any holder of Series C Preferred Stock of this conversion option, a proportional amount, based on the percentage of each series of shares outstanding, of the Series D Preferred Stock shall automatically convert in accordance with the terms of the Series D Designation. At any time and from time to time the outstanding shares of Series C Preferred Stock and Series D Preferred Stock taken together shall be convertible into a number of shares of Class A Common Stock (the "Aggregate Conversion Shares") equal to the aggregate Liquidation Preferences of the shares of the Series C Preferred Stock and the Series D Preferred Stock as set forth herein and in the Series D Designation as of the date of conversion divided by $63.25, subject to adjustment from time to time pursuant to paragraph 8(g) hereof (the "Conversion Price"). The Series C Preferred Stock outstanding as at any date shall be convertible into a number of shares of Class A Common Stock (the "Aggregate Series C Conversion Shares") equal to the sum of (A) the aggregate Preference Amounts with respect to all outstanding shares of Series C Preferred Stock divided by the Net Realizable FMV of a share of Class A Common Stock at the time of conversion plus (B) .375 times the excess, if any, of the Aggregate Conversion Shares

over the number determined pursuant to clause (A). Each share of Series C Preferred Stock being converted shall convert into a number of shares of Class A Common Stock equal to the Aggregate Series C Conversion Shares divided by the number of shares of Series C Preferred Stock then outstanding. Notwithstanding any call for redemption pursuant to Section 6(a), the right to convert shares so called for redemption shall terminate at the close of business on the date immediately preceding the date fixed for such redemption unless the Corporation shall default in making payment of the amount payable upon such redemption.

(ii) In the case of any partial conversion of Series C Preferred Stock by the holders thereof, selection of the Series D Preferred Stock for automatic conversion will be made by the Corporation in compliance with the requirements of the principal national securities exchange, if any, on which the Series D Preferred Stock is listed, or if the Series D Preferred Stock is not listed on a national securities exchange, on a pro rata basis, by lot or such other method as the Corporation, in its sole discretion, shall deem fair and appropriate; provided, however, that the Corporation may redeem all the shares held by holders of fewer than 5 shares of Series D Preferred Stock (or all of the shares held by the holders who would hold less than 5 shares of Series D Preferred Stock as a result of such redemption) as may be determined by the Corporation.

(b) (i) In order to exercise the conversion privilege, the holder of the shares of Series C Preferred Stock to be converted shall surrender the certificate representing such shares at the principal executive offices of the Corporation, with a written notice of election to convert completed and signed, specifying the number of shares to be converted. Unless the shares issuable on conversion are to be issued in the same name as the name in which such shares of Series C Preferred Stock are registered, each share surrendered for conversion shall be accompanied by instruments of transfer, in form satisfactory to the Corporation, duly executed by the holder or the holder's duly authorized attorney, and an amount sufficient to pay any transfer or similar tax.

(ii) As promptly as practicable after the surrender by the holder of the certificates for shares of Series C Preferred Stock as aforesaid, the Corporation shall issue and shall deliver to such holder, or on the holder's written order to the holder's transferee, (x) a certificate or certificates for the whole number of shares of Class A Common Stock issuable upon the conversion of such shares in accordance with the provisions of this paragraph 8, (y) any cash adjustment required pursuant to Section 8(f), and (z) in the event of a conversion in part, a certificate or certificates for the whole number of shares of Series C Preferred Stock not being so converted.

(iii) Each conversion of shares of Series C Preferred Stock pursuant to paragraph 8(a) shall be deemed to have been effected immediately prior to the close of business on the date on which the certificates for shares of Series C Preferred Stock shall have been surrendered and such notice received by the Corporation as aforesaid, and the person in whose name or names any certificate or certificates for shares of Class A Common Stock shall be issuable upon such

conversion shall be deemed to have become the holder of record of the shares of Class A Common Stock represented thereby at such time on such date and such conversion shall be into a number of whole shares of Class A Common Stock in respect of the shares of Series C Preferred Stock being converted as determined in accordance with this Section 8 at such time on such date. All shares of Class A Common Stock delivered upon conversion of the Series C Preferred Stock will upon delivery be duly and validly issued and fully paid and non-assessable, free of all liens and charges and not subject to any preemptive rights. Upon the surrender of certificates representing the shares of Series C Preferred Stock to be converted, the shares to be so converted shall no longer be deemed to be outstanding and all rights of a holder with respect to such shares surrendered for conversion shall immediately terminate except the right to receive the Class A Common Stock and other amounts payable pursuant to this paragraph 8 and a certificate or certificates representing the shares of Series C Preferred Stock not converted.

(c) (i) Upon delivery to the Corporation by a holder of shares of Series C Preferred Stock of a notice of election to convert, the right of the Corporation to redeem such shares of Series C Preferred Stock shall terminate, regardless of whether a notice of redemption has been mailed as aforesaid.

(ii) If a holder of Series C Preferred Stock delivers to the Corporation a certificate therefor and a notice of election to convert, the Series C Preferred Stock to be converted shall cease to accrue dividends pursuant to paragraph 4 but shall continue to be entitled to receive pro rata dividends for the period from the last Dividend Payment Date to the date of delivery of the notice of election to convert in preference to and in priority over any dividends on any Junior Securities.

(iii) Except as provided above and in paragraph 8(g), the Corporation shall make no payment or adjustment for accrued and unpaid dividends on shares of Series C Preferred Stock, whether or not in arrears, on conversion of such shares or for dividends theretofore paid on the shares of Class A Common Stock.

(d) (i) The Corporation covenants that it will at all times reserve and keep available, free from preemptive rights, such number of its authorized but unissued shares of Class A Common Stock as shall be required for the purpose of effecting conversions of the Series C Preferred Stock.

(ii) Prior to the delivery of any securities which the Corporation shall be obligated to deliver upon conversion of the Series C Preferred Stock, the Corporation shall comply with all applicable federal and state laws and regulations which require action to be taken by the Corporation.

(e) The Corporation will pay any and all documentary stamp or similar issue or transfer taxes payable in respect of the issue or delivery of shares of Class A Common Stock on conversion of the Series C Preferred Stock pursuant hereto; provided

that the Corporation shall not be required to pay any tax which may be payable in respect of any transfer involved in the issue or delivery of shares of Class A Common Stock in a name other than that of the holder of the Series C Preferred Stock to be converted and no such issue or delivery shall be made unless and until the person requesting such issue or delivery has paid to the Corporation the amount of any such tax or has established, to the satisfaction of the Corporation, that such tax has been paid.

(f) In connection with the conversion of any shares of Series C Preferred Stock, no fractions of shares of Class A Common Stock shall be required to be issued to the holder of such shares of Series C Preferred Stock, but in lieu thereof the Corporation shall pay a cash adjustment in respect of such fractional interest in an amount equal to such fractional interest multiplied by the Market Price per share of Class A Common Stock on the business day next preceding the business day on which such shares of Series C Preferred Stock are deemed to have been converted.

(g) (i) In case the Corporation shall at any time after the Issue Date (A) declare a dividend or make a distribution on Common Stock payable in Common Stock (other than dividends or distributions payable to holders of the Series C Preferred Stock including dividends paid as contemplated by Section 4(f)), (B) subdivide or split the outstanding Common Stock, (C) combine or reclassify the outstanding Common Stock into a smaller number of shares, (D) issue any shares of its Capital Stock in a reclassification of Common Stock (including any such reclassification in connection with a consolidation or merger in which the Corporation is the continuing corporation), or (E) consolidate with, or merge with or into, any other person, the Conversion Price in effect at the time of the record date for such dividend or distribution or on the effective date of such subdivision, split, combination, consolidation, merger or reclassification shall be adjusted so that the conversion of the Series C Preferred Stock after such time shall entitle the holder to receive the aggregate number of shares of Common Stock or other securities of the Corporation (or other securities into which such shares of Common Stock have been converted, exchanged, combined, consolidated, merged or reclassified pursuant to clause 8(g)(i)(C), 8(g)(i)(D) or 8(g)(i)(E) above) which, if the Series C Preferred Stock had been converted immediately prior to such time, such holder would have owned upon such conversion and been entitled to receive by virtue of such dividend, distribution, subdivision, split, combination, consolidation, merger or reclassification. Such adjustment shall be made successively whenever an event listed above shall occur.

(ii) In case the Corporation shall issue or sell any Common Stock (or rights, options, warrants or other securities convertible into or exercisable or exchangeable for shares of Common Stock) without consideration or for a consideration per share (or having a conversion, exchange or exercise price per share) less than the Current Market Price on the date of such issuance (or, in the case of convertible or exchangeable or exercisable securities, less than the Current Market Price as of the date of issuance of the rights, options, warrants or other securities in respect of which shares of Common Stock were issued) then, and in each such case, the Conversion Price shall be reduced to an amount determined by multiplying (A) the Conversion Price in effect on the day immediately prior to

such date by (B) a fraction, the numerator of which shall be the sum of (1) the number of shares of Common Stock outstanding immediately prior to such sale or issuance multiplied by the then applicable Current Market Price (such Current Market Price, the "Adjustment Price") and (2) the aggregate consideration receivable by the Corporation for the total number of shares of Common Stock so issued (or into or for which the rights, options, warrants or other securities are convertible, exercisable or exchangeable), and the denominator of which shall be the sum of (x) the total number of shares of Common Stock outstanding immediately prior to such sale or issue and (y) the number of additional shares of Common Stock issued (or into or for which the rights, options, warrants or other securities may be converted, exercised or exchanged), multiplied by the Adjustment Price. In case any portion of the consideration to be received by the Corporation shall be in a form other than cash, the fair market value of such noncash consideration shall be utilized in the foregoing computation. Such fair market value shall be determined in good faith by the Board of Directors.

(iii) In case the Corporation shall fix a record date for the issuance on a pro rata basis of rights, options or warrants to the holders of its Common Stock or other securities entitling such holders to subscribe for or purchase shares of Common Stock (or securities convertible into or exercisable or exchangeable for shares of Common Stock) at a price per share of Common Stock (or having a conversion, exercise or exchange price per share of Common Stock, in the case of a security convertible into, or exerciseable or exchangeable for, shares of Common Stock) less than the Current Market Price on such record date, the maximum number of shares of Common Stock issuable upon exercise of such rights, options or warrants (or conversion of such convertible securities) shall be deemed to have been issued and outstanding as of such record date and the Conversion Price shall be adjusted pursuant to paragraph 8(g)(ii) hereof, as though such maximum number of shares of Common Stock had been so issued for an aggregate consideration payable by the holders of such rights, options, warrants or other securities prior to their receipt of such shares of Common Stock. In case any portion of such consideration shall be in a form other than cash, the fair market value of such noncash consideration shall be determined as set forth in paragraph 8(g)(ii) hereof. Such adjustment shall be made successively whenever such record date is fixed; and in the event that such rights, options or warrants are not so issued or expire in whole or in part unexercised, or in the event of a change in the number of shares of Common Stock to which the holders of such rights, options or warrants are entitled (other than pursuant to adjustment provisions therein comparable to those contained in this paragraph 8(g)), the Conversion Price shall again be adjusted as follows: (A) in the event that all of such rights, options or warrants expire unexercised, the Conversion Price shall be the Conversion Price that would then be in effect if such record date had not been fixed; (B) in the event that less than all of such rights, options or warrants expire unexercised, the Conversion Price shall be adjusted pursuant to paragraph 8(g)(ii) to reflect the maximum number of shares of Common Stock issuable upon exercise of such rights, options or warrants that remain outstanding (without taking into effect shares of Common Stock issuable upon exercise of rights,

options or warrants that have lapsed or expired); and (C) in the event of a change in the number of shares of Common Stock to which the holders of such rights, options or warrants are entitled, the Conversion Price shall be adjusted to reflect the Conversion Price which would then be in effect if such holder had initially been entitled to such changed number of shares of Common Stock. Notwithstanding anything herein to the contrary, no further adjustment to the Conversion Price shall be made upon the issuance or sale of Common Stock upon the exercise of any rights, options or warrants to subscribe for or purchase Common Stock, if any adjustment in the Conversion Price was made or required to be made upon the record date for the issuance or sale of such rights, options or warrants under this clause 8(g)(iii). Notwithstanding anything herein to the contrary, no adjustment in the Conversion Price shall be made under this clause 8(g)(iii) to the extent the holders of Series C Preferred Stock participate in any such distribution in accordance with Section 4(f) hereof.

(iv) In case the Corporation shall fix a record date for the making of a distribution to all holders of any class of Common Stock (including any such distribution made in connection with a consolidation or merger in which the Corporation is the continuing corporation) of evidences of indebtedness, assets or other property, the Conversion Price to be in effect after such record date shall be determined by multiplying the Conversion Price in effect immediately prior to such record date by a fraction, (A) the numerator of which shall be the Conversion Price immediately prior to such distributions less the fair market value (determined as set forth in paragraph 8(g)(ii) hereof) of the portion of the assets, other property or evidence of indebtedness so to be distributed which is applicable to one share of Common Stock and (B) the denominator of which shall be the Conversion Price immediately prior to such distributions. Such adjustments shall be made successively whenever such a record date is fixed; and in the event that such distribution is not so made, the Conversion Price shall again be adjusted to be the Conversion Price which would then be in effect if such record date had not been fixed. An adjustment to the Conversion Price also shall be made in respect of dividends and distributions paid exclusively in cash to all holders of any class of Common Stock (excluding any dividend or distribution in connection with the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, and any cash that is distributed upon a merger, consolidation or other transaction for which an adjustment pursuant to paragraph 8(g)(i) is made) where the sum of (1) all such cash dividends and distributions made within the preceding 12 months in respect of which no adjustment has been made and (2) any cash and the fair market value (determined as set forth in paragraph 8(g)(ii) hereof) of other consideration paid in respect of any repurchases of Common Stock by the Corporation or any of its subsidiaries within the preceding 12 months in respect of which no adjustment has been made, exceeds 2% of the Corporation's market capitalization (being the product of the then Current Market Price of the Common Stock times the aggregate number of shares of Common Stock then outstanding on the record date for such distribution). The Conversion Price to be in effect after such adjustment shall be determined by subtracting from the Conversion Price in effect prior to such

adjustment an amount equal to the quotient of (A) the sum of clause (1) and clause (2) above and (B) the number of shares of Common Stock outstanding on the date such adjustment is to be determined. Notwithstanding anything herein to the contrary, no adjustment in the Conversion Price shall be made under this clause 8(g)(iv) to the extent the holders of Series C Preferred Stock participate in any such distribution in accordance with Section 4(f) hereof.

(v) No adjustment to the Conversion Price pursuant to (a) paragraphs 8(g)(ii), 8(g)(iii) or 8(g)(iv) above shall be required unless such adjustment would require an increase or decrease of at least $.50 in the Conversion Price or (b) paragraph 8(g)(ii) above shall be required with respect to rights, options, warrants or other securities outstanding on the Issue Date or issued pursuant to the Company's employee benefit plans in effect on the Issue Date or reserved for issuance thereunder as of the Issue Date or stock options granted after the Issue Date pursuant to any stock option plans adopted by the Board of Directors so long as such options have an exercise price not less than the Market Price on the day preceding such grant; provided, however, that any adjustments which by reason of paragraph 8(g)(v)(a) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this paragraph 8(g) shall be made to the nearest four decimal points.

(vi) In the event that, at any time as a result of the provisions of this paragraph 8(g), a holder of Series C Preferred Stock upon subsequent conversion shall become entitled to receive any shares of Capital Stock of the Corporation other than Common Stock, the number of such other shares so receivable upon conversion of Series C Preferred Stock shall thereafter be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions contained herein.

(vii) If, as a result of the operation of paragraphs 8(g)(ii), 8(g)(iii) or 8(g)(iv) above and corresponding provisions in the Series D Designation, the cumulative number of shares of Class A Common Stock issued or issuable upon conversion of the Series C Preferred Stock and Series D Preferred Stock, after giving effect to (x) the adjustments described in such paragraphs and corresponding provisions in the Series D Designation and (y) all prior conversions of the Series C Preferred Stock and Series D Preferred Stock, would equal or exceed a number (the "Threshold Number") equal to 20% of the outstanding shares of Class A Common Stock as of the Issue Date and if the Company receives a written opinion of its outside counsel that the issuance of such shares in excess of the Threshold Number would violate the rules of the Nasdaq National Market or any other exchange on which the Class A Common Stock is then quoted or traded, then until and unless the Corporation obtains the approval of its common stockholders for the issuance of any such shares of Class A Common Stock in excess of the Threshold Number, the holders shall only be entitled to exercise their conversion rights with respect to a maximum number of Series C and Series D Preferred Stock that would not result in an amount of shares of Class A Common Stock being issued in excess of the Threshold Number, but in any

case, the Conversion Price shall be adjusted as provided in such paragraphs. If, as a result of the operation of the preceding sentence, the conversion rights of the holders of Series C Preferred Stock are limited by operation thereof because appropriate stockholder approval has not been obtained, the Corporation agrees for the benefit of the holders of Series C Preferred Stock and Series D Preferred Stock to use its reasonable best efforts to seek, as promptly as reasonably practicable, the requisite approval of its common stockholders (and shall seek such approval as often as necessary to obtain such approval), and will recommend to its stockholders that they vote in favor of a resolution providing for such approval, for the amount of shares of Class A Common Stock that would be issued or issuable upon conversion in full of all outstanding Series C and Series D Preferred Stock. Notwithstanding anything to the contrary set forth above, the holders of Series C Preferred Stock and Series D Preferred Stock shall be entitled to exercise such holders' conversion rights in full (after giving effect to any and all anti-dilution adjustments resulting from operation of paragraphs 8(g)(ii), 8(g)(iii) or 8(g)(iv)) in connection with any merger, consolidation or other transaction in which such Series C Preferred Stock, Series D Preferred Stock or Class A Common Stock is being converted into or exchanged for cash, securities or other property in connection with such merger, consolidation or other transaction. In the event that the Corporation elects to redeem the shares of Series C Preferred Stock and Series D Preferred Stock at a time when the holders' right to convert such shares into Class A Common Stock is limited as provided in this paragraph (g), and such holders seek to exercise such conversion rights prior to the date fixed for redemption in accordance with this Section 8 (the "Redemption Date"), then if the total number of shares of Class A Common Stock issued or issuable upon conversion of such shares, after giving effect to any adjustments provided under the first sentence of this section (the "Cumulative Number"), would exceed the Threshold Number, the holders shall be entitled to convert such number of shares of Series C Preferred Stock and Series D Preferred Stock into a number of shares of Class A Common Stock up to the Threshold Number, and with respect to the balance of such shares, the Corporation shall cancel such shares and shall pay the holders in lieu thereof an amount in cash equal to (a)(i) the Cumulative Number minus (ii) the Threshold Number multiplied by (b) the Market Price per share of Class A Common Stock on the business day next preceding the business day which is deemed the Redemption Date.

(h) All adjustments pursuant to this paragraph 8 shall be notified to the holders of the Series C Preferred Stock and such notice shall be accompanied by a schedule of computations of the adjustments.

9. Voting Rights. (a) The holders of record of shares of Series C Preferred Stock shall be entitled to vote on an as-converted basis (calculated in accordance with Section 8(a) as of the close of trading on the last trading day of the most recently ended fiscal quarter of the Corporation) with the Common Stock as a single class on all matters presented to the holders of the Common Stock for vote, except as hereinafter provided in this Section 9 or as otherwise provided by law. So long as the provisions of Section 9(b)(i) entitle the holders of Series C Preferred Stock to designate

the Series C Designee (as defined below), the holders of Series C Preferred Stock shall not be entitled to vote as to the election of other directors of the Corporation.

(b) (i) On the Issue Date, the Board of Directors shall cause the total number of directors then constituting the whole Board of Directors to be increased by two and the holders of the outstanding shares of Series C Preferred Stock shall be entitled to designate one director (the "Series C Designee") for election to the Board of Directors of the Corporation and, voting separately as a series, shall have the exclusive right to vote for the election of such designee to the Board of Directors; and the holders of the outstanding shares of Series D Preferred Stock shall be entitled to designate one director (the "Series D Designee") for election to the Board of Directors of the Corporation and, voting separately as a series, shall have the exclusive right to vote for the election of such designee to the Board of Directors; provided that, notwithstanding the foregoing, after the Issue Date, (i) the holders of the outstanding shares of the Series C Preferred Stock shall continue to be entitled to designate the Series C Designee for election to the Board of Directors and, voting separately as a series, shall continue to have the exclusive right to vote for the election of the Series C Designee to the Board of Directors, and the holders of the outstanding shares of the Series D Preferred Stock shall continue to be entitled to designate the Series D Designee for election to the Board of Directors and, voting separately as a series, shall continue to have the exclusive right to vote for the election of the Series D Designee to the Board of Directors, in each case, for as long as, and only for as long as, at least 40% of the aggregate number of shares of Series C Preferred Stock issued on the Issue Date and of shares of Series D Preferred Stock issued on the original date of issuance of the Series D Preferred Stock (such aggregate number of shares of Series C Preferred Stock and Series D Preferred Stock being referred to herein as the "Total C and D Shares") remains outstanding; (ii) the entitlement of the holders of outstanding shares of Series C Preferred Stock to designate one director for election to the Board of Directors, and the exclusive right of the holders of outstanding shares of Series C Preferred Stock to vote, separately as a series, for the election of the Series C Designee to the Board of Directors, shall cease immediately upon less than 40% of the Total C and D Shares being outstanding, and the holders of the outstanding shares of the Series C Preferred Stock shall be entitled to designate one board observer (the "Series C Board Observer"), for as long as, and only for as long as any shares of Series C Preferred Stock issued on the Issue Date are outstanding; (iii) immediately upon no shares of Series C Preferred Stock issued on the Issue Date being outstanding, the entitlement of the holders of outstanding shares of Series C Preferred Stock to designate the Series C Board Observer, and the rights of the Series C Observer, shall cease; and (iv) immediately upon less than 40% but more than 20% of the Total C and D Shares being outstanding, the Board of Directors shall cause the total number of directors then constituting the whole Board of Directors to be decreased by one, and the term of office of the Series C Designee shall terminate. The Series C Designee may be removed with or without cause by the holders of the shares of Series C Preferred Stock. The "Series C Board Observer" means a person who shall not be a member of the Board of Directors and who shall have the rights as agreed to with the Corporation, provided that such rights shall satisfy the requirement of contractual management rights for purposes of the Department of Labor's "plan assets" regulation.

(ii) If and whenever six quarterly dividends payable on the Series C Preferred Stock have not been paid in full or if the Corporation shall have failed to discharge its Mandatory Redemption Obligation or the Corporation shall have failed to comply with Section 9(d) hereof, the total number of directors then constituting the whole Board of Directors automatically shall be increased by one and the holders of outstanding shares of Series C Preferred Stock, voting separately as a single series, shall be entitled to elect one additional director to serve on the Board of Directors at any annual meeting of stockholders or special meeting held in place thereof, or at a special meeting of the holders of the Series C Preferred Stock called as hereinafter provided. Whenever all arrears in dividends and Special Amounts on the Series C Preferred Stock then outstanding shall have been paid and dividends thereon for the current quarterly dividend period shall have been paid or declared and set apart for payment, or the Company shall have fulfilled its Mandatory Redemption Obligation, as the case may be, then the right of the holders of outstanding shares of Series C Preferred Stock to elect such additional director shall cease (but subject always to the same provisions for the vesting of such voting rights in the case of any similar future arrearage in six quarterly dividends or failure to fulfill any Mandatory Redemption Obligation), and the term of office of any person elected as director by the holders of outstanding shares of Series C Preferred Stock pursuant to this subparagraph (b)(ii) shall forthwith terminate and the total number of directors then constituting the whole Board of Directors automatically shall be reduced by one. At any time after voting power to elect one additional director shall have become vested and be continuing in the holders of outstanding shares of Series C Preferred Stock pursuant to this subparagraph (b)(ii), or if a vacancy shall exist in the office of a director elected by the holders of outstanding shares of Series C Preferred Stock pursuant to this subparagraph (b)(ii), a proper officer of the Corporation may, and upon the written request of the holders of record of at least twenty-five percent (25%) of the shares of Series C Preferred Stock then outstanding addressed to the Secretary of the Corporation shall, call a special meeting of the holders of Series C Preferred Stock, for the purpose of electing the one additional director which such holders are entitled to elect pursuant to this subparagraph (b)(ii). If such meeting shall not be called by a proper officer of the Corporation within twenty (20) days after personal service of said written request upon the Secretary of the Corporation, or within twenty (20) days after mailing the same within the United States by certified mail, addressed to the Secretary of the Corporation at its principal executive offices, then the holders of record of at least twenty-five percent (25%) of the outstanding shares of Series C Preferred Stock may designate in writing one of their number to call such meeting at the expense of the Corporation, and such meeting may be called by the person so designated upon the notice required for the annual meeting of stockholders of the Corporation and shall be held at the place for holding the annual meetings of stockholders. Any holder of Series C Preferred Stock so designated shall have, and the Corporation shall provide, access to the lists of stockholders to be called pursuant to the provisions hereof.

(c) Without the written consent of holders of a majority of the outstanding shares of Series C Preferred Stock or the affirmative vote of holders of a majority of the outstanding shares of Series C Preferred Stock at a meeting of the holders of Series C Preferred Stock called for such purpose, the Corporation will not amend, alter or repeal any provision of the Restated Certificate of Incorporation or this Certificate of Designation so as to adversely affect the preferences, rights or powers of the Series C Preferred Stock or to authorize the issuance of, or to issue any, additional shares of Series C Preferred Stock; provided that any such amendment that changes any dividend or other amount payable on or the liquidation preference of the Series C Preferred Stock shall require the written consent of holders of two-thirds of the outstanding shares of Series C Preferred Stock or the affirmative vote of holders of two-thirds of the outstanding shares of Series C Preferred Stock at a meeting of the holders of Series C Preferred Stock called for such purpose.

(d) Without the written consent of holders of a majority of the outstanding shares of Series C Preferred Stock or the affirmative vote of holders of a majority of the outstanding shares of Series C Preferred Stock at a meeting of such holders called for such purpose, the Corporation will not create, authorize or issue any (i) Parity Securities or (ii) Senior Securities except Senior Securities issued in accordance with paragraph (f)(ii) of the Certificate of Designation for the Senior Exchangeable Redeemable Preferred Shares as in effect on December 3, 1999.

(e) Subject to the provisions of Sections 8 and 10 hereof, the Corporation may, without the consent of any holder of Series C Preferred Stock, consolidate with or merge with or into, or convey, transfer or lease all or substantially all its assets as an entirety to, any Person, provided that: (1) the successor, transferee or lessee (if not the Corporation) is organized and existing under the laws of the United States of America or any State thereof or the District of Columbia and the Series C Preferred Stock shall be converted into or exchanged for and shall become shares of, or interests in, such successor, transferee or lessee, having in respect of such successor, transferee, or lessee substantially the same powers, preferences and relative, participating, optional or other special rights and the qualifications, limitations or restrictions thereof, that the Series C Preferred Stock has immediately prior to such transaction; and (2) the Corporation delivers to the transfer agent an officers' certificate and an opinion of counsel stating that such consolidation, merger, conveyance, transfer or lease complies with this Certificate of Designation. In the event of any consolidation or merger or conveyance, transfer or lease of all or substantially all of the assets of the Corporation that is permitted pursuant to this paragraph (e), the successor resulting from such consolidation or into which the Corporation is merged or the transferee or lessee to which such conveyance, transfer or lease is made, will succeed to, and be substituted for, and may exercise every right and power of, the Corporation with respect to the Series C Preferred Stock (or the shares or interests into, or for which, the Series C Preferred Stock is converted or exchanged), and thereafter, except in the case of a lease, the predecessor (if still in existence) shall be released from its obligations and covenants with respect to the Series C Preferred Stock.

(f) In exercising the voting rights set forth in this paragraph 9, each share of Series C Preferred Stock shall have one vote per share. Except as otherwise required by applicable law or as set forth herein, the shares of Series C Preferred Stock shall not have any relative, participating, optional or other special voting rights and powers and the consent of the holders thereof shall not be required for the taking of any corporate action.

10. Change of Control. (a) Within thirty days of a Change of Control (the date of such occurrence being the "Change of Control Date"), the Corporation shall notify the holders of the Series C Preferred Stock of such occurrence and shall be required to make an offer (the "Offer to Purchase") to each holder of shares of Series C Preferred Stock (subject to the rights of the holders pursuant to Section 8 hereof) to repurchase such holder's shares of Series C Preferred Stock, or such portion thereof as may be determined by such holder, at a price per share in cash equal to 101% of the Liquidation Preference plus, without duplication, an amount in cash equal to all accumulated and unpaid dividends per share (including an amount in cash equal to a prorated dividend for the period from the last Dividend Payment Date through such date); provided that if any holders of Series C Preferred Stock tender their shares pursuant to the Offer to Purchase, the Corporation shall be required to purchase a proportional amount of the Series D Preferred Stock.

(b) The Offer to Purchase must take place on a Business Day (the "Change of Control Payment Date") not later than 30 days following the Change of Control Date. On the Change of Control Payment Date, the Corporation shall (A) accept for payment the Series C Preferred Stock validly tendered pursuant to the Offer to Purchase, (B) pay to the holders of shares so accepted the purchase price therefor in cash and (C) cancel and retire each surrendered certificate. Unless the Corporation defaults in the payment for the Series C Preferred Stock tendered pursuant to the Offer to Purchase, dividends will cease to accrue with respect to the Series C Preferred Stock tendered and all rights of holders of such tendered shares will terminate, except for the right to receive payment therefor.

(c) The Corporation will comply with any securities laws and regulations, to the extent such laws and regulations are applicable to the repurchase of the Series C Preferred Stock in connection with an Offer to Purchase.

(d) Notwithstanding anything to the contrary contained in this Section 10, the Company will not repurchase or redeem any such stock pursuant to this Section 10 until it has repurchased or repaid all outstanding debt obligations pursuant to rights triggered pursuant to the terms thereof resulting from the Change of Control in question.

11. Reports. So long as any of the Series C Preferred Stock is outstanding, in the event the Corporation is not required to file quarterly and annual financial reports with the Securities and Exchange Commission pursuant to Section 13 or Section 15(d) of the Exchange Act, the Corporation will furnish the holders of the Series C Preferred Stock with reports containing the same information as would be required in such reports.

12. General Provisions. (a) The term "person" as used herein means any corporation, limited liability company, partnership, trust, organization, association, other entity or individual. The term "outstanding", when used with reference to shares of stock, shall mean issued shares, excluding shares held by the Corporation or a subsidiary of the Corporation.

(b) The headings of the sections, paragraphs, subparagraphs, clauses and subclauses of this Certificate of Designation are for convenience of reference only and shall not define, limit or affect any of the provisions hereof.

IN WITNESS WHEREOF, said NM Acquisition Corp. has caused this Certificate of Designation to be signed by Gary D. Begeman, its Vice President, this 16th day of June, 2000.

NM ACQUISITION CORP.

By: /s/ Gary D. Begeman
Name: Gary D. Begeman
Title: Vice President

Exhibit D to Certificate of Incorporation of NM Acquisition Corp.

[Certificate of Designation of the Powers, Preferences, and Relative, Participating, Optional and Other Special Rights of Series D Cumulative Convertible Participating Preferred Stock and Qualifications, Limitations and Restrictions Thereof]

CERTIFICATE OF DESIGNATION OF THE POWERS, PREFERENCES AND RELATIVE, PARTICIPATING, OPTIONAL AND OTHER SPECIAL RIGHTS OF SERIES D CONVERTIBLE PARTICIPATING PREFERRED STOCK AND QUALIFICATIONS, LIMITATIONS AND RESTRICTIONS THEREOF

Pursuant to Section 151 of the
General Corporation Law of the State of Delaware

NM Acquisition Corp., the successor by merger to NEXTLINK Communications, Inc. and to be known as NEXTLINK Communications, Inc. immediately after the filing of this Certificate of Designation (the "Corporation"), a corporation organized and existing under the General Corporation Law of the State of Delaware, does hereby certify that, pursuant to authority conferred upon the board of directors of the Corporation (the "Board of Directors") by Section 3 of its Amended and Restated Certificate of Incorporation, as amended from time to time (the "Certificate of Incorporation"), and pursuant to the provisions of Section 151 of the General Corporation Law of the State of Delaware, said Board of Directors is authorized to issue Preferred Stock of the Corporation in one or more series and the Board of Directors has duly approved and adopted the following resolution on June 13, 2000 (the "Resolution"):

RESOLVED that, pursuant to the authority vested in the Board of Directors by Section 3 of its Certificate of Incorporation, and Section 151 of the DGCL, the Board of Directors hereby creates, authorizes and provides for the issuance of a series of preferred stock of the Corporation, par value $.01 per share (such preferred stock designated as the "Series D Convertible Participating Preferred Stock"), consisting of 265,625 shares and having the powers, designation, preferences, relative, participating, optional and other special rights and the qualifications, limitations and restrictions thereof that are set forth in the Certificate of Incorporation and in this Resolution as follows:

1. Number and Designation. 265,625 shares of the Preferred Stock of the Corporation shall constitute a series designated as "Series D Convertible Participating Preferred Stock" (the "Series D Preferred Stock").

2. Definitions. Unless the context otherwise requires, when used herein the following terms shall have the meaning indicated.

"Board of Directors" means the Board of Directors of the Corporation.

"Business Day" means any day except Saturday, Sunday and any day which shall be a legal holiday or a day on which banking institutions in New York City, New York generally are authorized or required by law or other governmental actions to close.

"Capital Stock" means, with respect to any person, any and all shares, interests, participations, rights in, or other equivalents (however designated and whether voting and/or non-voting) of such person's capital stock, whether outstanding on the Issue Date or issued after

the Issue Date, and any and all rights (other than any evidence of indebtedness), warrants or options exchangeable for or convertible into such capital stock.

"Change of Control" will be deemed to have occurred at such time as any of the following occur: (i) any person or any persons acting together that would constitute a "group" for purposes of Section 13(d) of the Exchange Act, or any successor provision thereto (other than Eagle River, Craig O. McCaw, Wendy P. McCaw and their respective affiliates or an underwriter engaged in a firm commitment underwriting on behalf of the Corporation), shall beneficially own (within the meaning of Rule 13d-3 under the Exchange Act, or any successor provision thereto) more than 50% of the aggregate voting power of all classes of Voting Stock of the Corporation, (ii) neither Mr. Craig O. McCaw nor any person designated by him to the Corporation as acting on his behalf shall be a director of the Corporation or (iii) from and after the date on which the Corporation has redeemed indefeasibly or defeased in full its obligations in respect of its 12-1/2% Senior Notes due April 15, 2006 or defeased the covenants applicable thereto in accordance with their terms, during any period of two consecutive years, individuals who at the beginning of such period constituted the Board of Directors (together with any new directors whose election by the Board of Directors or whose nomination for election by the shareholders of the Corporation was proposed by a vote of a majority of the directors of the Corporation then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the Board of Directors then in office.

"Class A Common Stock" means the Corporation's Class A Common Stock, par value $.02 per share, now or hereafter authorized to be issued, and any and all securities of any kind whatsoever of the Corporation which may be exchanged for or converted into Class A Common Stock, any and all securities of any kind whatsoever of the Corporation which may be issued on or after the date hereof in respect of, in exchange for, or upon conversion of shares of Class A Common Stock pursuant to a merger, consolidation, stock split, stock dividend, recapitalization of the Corporation or otherwise.

"Common Stock" means the Corporation's Class A Common Stock, the Corporation's Class B Common Stock, par value $.02 per share, and any other common stock of the Corporation.

"Current Market Price" means the average of the daily Market Prices of the Common Stock for ten consecutive trading days immediately preceding the date for which such value is to be computed.

"Eagle River" means Eagle River Investments, L.L.C., a limited liability company formed under the laws of the State of Washington.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, or any successor statute, and the rules and regulations promulgated thereunder.

"Issue Date" means the original date of issuance of shares of Series D Preferred Stock by NEXTLINK.

"Liquidation Preference" with respect to a share of Series D Preferred Stock means, as at any date, $1,000.00 plus an amount equal to any accrued and unpaid dividends with respect to such share through such date.

"Market Price" means, with respect to the Common Stock, on any given day, (i) the price of the last trade, as reported on the Nasdaq National Market, not identified as having been reported late to such system, or (ii) if the Common Stock is so traded, but not so quoted, the average of the last bid and ask prices, as those prices are reported on the Nasdaq National Market, or (iii) if the Common Stock is not listed or authorized for trading on the Nasdaq National Market or any comparable system, the average of the closing bid and asked prices as furnished by two members of the National Association of Securities Dealers, Inc. selected from time to time by the Corporation for that purpose. If the Common Stock is not listed and traded in a manner that the quotations referred to above are available for the period required hereunder, the Market Price per share of Common Stock shall be deemed to be the fair value per share of such security as determined in good faith by the Board of Directors of the Corporation.

"Net Realizable FMV" means, with respect to a share of Common Stock, if calculable, the amount of gross proceeds net of underwriters' discounts, commissions or other selling expenses received by or to be received by the holder in connection with the sale of such share of Common Stock on a when issued basis or immediately after the conversion or, in all other cases, an amount equal to 97% of the Current Market Price of the Common Stock.

"NEXTLINK" means NEXTLINK Communications, Inc., a Delaware corporation and a predecessor to the Corporation.

"Series C Designation" means the Certificate of Designation for the Series C Preferred Stock.

"Series C Preferred Stock" means the Series C Cumulative Convertible Participating Preferred Stock, par value $.01 per share, of the Corporation.

"Voting Stock" means, with respect to any person, the Capital Stock of any class or kind ordinarily having the power to vote for the election of directors or other members of the governing body of such person.

3. Rank. (a) The Series C Preferred Stock and Series D Preferred Stock each will, with respect to dividend rights and rights on liquidation, winding-up and dissolution, rank (i) senior to the Corporation's 6½% Series B Cumulative Convertible Preferred Stock, par value $.01 per share, the Corporation's 7% Series F Convertible Redeemable Preferred Stock Due 2010, all classes of Common Stock and to each other class of Capital Stock of the Corporation or series of Preferred Stock of the Corporation established hereafter by the Board of Directors of the Corporation the terms of which do not expressly provide that such class or series ranks senior to, or on a parity with, the Series C Preferred Stock and Series D Preferred Stock as to dividend rights and rights on liquidation, winding-up and dissolution of the Corporation (collectively referred to, together with all classes of Common Stock of the Corporation, as "Junior Securities"); (ii) on a parity with each class of Capital Stock of the Corporation or series of Preferred Stock of the Corporation established hereafter by the Board of Directors of the

Corporation, the terms of which expressly provide that such class or series will rank on a parity with the Series C Preferred Stock and Series D Preferred Stock as to dividend rights and rights on liquidation, winding-up and dissolution (collectively referred to as "Parity Securities"); and (iii) junior to the Corporation's 14% Series A Senior Exchangeable Redeemable Preferred Shares, par value $.01 per share (the "Senior Exchangeable Redeemable Preferred Shares"), the Corporation's the Corporation's 13½% Series E Senior Redeemable Exchangeable Preferred Stock due 2010, and to each class of Capital Stock of the Corporation or series of Preferred Stock of the Corporation established hereafter by the Board of Directors of the Corporation in accordance with Section 9(d) hereof, the terms of which expressly provide that such class or series will rank senior to the Series C Preferred Stock and Series D Preferred Stock as to dividend rights and rights on liquidation, winding-up and dissolution of the Corporation (collectively referred to as "Senior Securities"); provided that the relative powers, rights and preferences of the Series C Preferred Stock and Series D Preferred Stock vis-a-vis the other shall be as set forth herein and in the Series C Designation.

(b) The respective definitions of Junior Securities, Parity Securities and Senior Securities shall also include any warrants, rights, options or other securities exercisable or exchangeable for or convertible into any of the Junior Securities, Parity Securities and Senior Securities, as the case may be.

(c) The Series D Preferred Stock shall be subject to the creation of Junior Securities and Parity Securities and, to the extent permitted by Section 9(d), Senior Securities.

4. Dividends. So long as any shares of Series D Preferred Stock are outstanding, if the Corporation pays a dividend in cash, securities or other property on the Common Stock then at the same time the Corporation shall declare and pay a dividend on each share of Series D Preferred Stock in an amount equal to the Series D Per Share Participation Amount. The "Series D Per Share Participation Amount" means, as at any date, 62.5% of the amount of dividends that would be paid with respect to the Series C Preferred Stock and Series D Preferred Stock taken together if converted into Common Stock on the date established as the record date with respect to such dividend on the Common Stock divided by the number of shares of Series D Preferred Stock then outstanding.

5. Liquidation Preference. (a) In the event of any liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, after any payment or distribution of the assets of the Corporation (whether capital or surplus) shall be made to or set apart for the holders of Senior Securities, and before any payment or distribution of the assets of the Corporation (whether capital or surplus) shall be made to or set apart for the holders of Junior Securities, the holders of the shares of Series C Preferred Stock and Series D Preferred Stock taken together shall be entitled to receive an amount in cash equal to the greater of (x) the aggregate Liquidation Preferences (as set forth herein and in the Series C Designation) of the shares of Series C Preferred Stock and Series D Preferred Stock as of the date of liquidation, or (y) the aggregate amount that would have been received with respect to the shares of Series C Preferred Stock and Series D Preferred Stock if such stock had been converted to Common Stock immediately prior to such liquidation, dissolution or winding-up. If, upon any liquidation, dissolution or winding-up of the Corporation, the assets of the Corporation, or proceeds thereof,

shall be insufficient to pay in full the aforesaid amounts under clause (x) of the preceding sentence and liquidating payments on all Parity Securities, then such assets, or proceeds thereof, shall (i) be distributed among the shares of Series C Preferred Stock and the Series D Preferred Stock taken together and all such other Parity Securities ratably in accordance with the respective amounts that would be payable on such shares of Preferred Stock and any such other Parity Securities if all amounts payable thereon were paid in full and (ii) the amount distributable under clause (i) to the Series C Preferred Stock and Series D Preferred Stock taken together, shall first be distributed to the Series C Preferred Stock until it has received an amount equal to the aggregate Preference Amounts (as defined in the Series C Designation) of all Series C Preferred Stock outstanding as of the date of liquidation and thereafter 37.5% to the Series C Preferred Stock and 62.5% to the Series D Preferred Stock. If, upon any liquidation, dissolution or winding-up of the Corporation, the assets of the Corporation, or proceeds thereof, distributable to the Series C Preferred Stock and Series D Preferred Stock taken together shall be sufficient to pay in full the aforesaid amounts under clause (x) of the first sentence of this subsection 5(a) then such amount shall first be distributed to the Series C Preferred Stock until it has received an amount equal to the aggregate Preference Amounts (as defined in the Series C Designation) of all Series C Preferred Stock outstanding as of the date of liquidation and thereafter 37.5% to the Series C Preferred Stock and 62.5% to the Series D Preferred Stock. Any amounts distributed with respect to the Series D Preferred Stock pursuant to this paragraph 5(a) shall be allocated pro rata among the shares of Series D Preferred Stock. For the purposes of this paragraph 5, neither the sale, conveyance, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all of the property or assets of the Corporation nor the consolidation or merger of the Corporation with or into one or more other entities shall be deemed to be a liquidation, dissolution or winding-up of the Corporation.

(b) Subject to the rights of the holders of any Parity Securities, after payment shall have been made in full to the holders of the Series C Preferred Stock and the Series D Preferred Stock taken together, as provided in this paragraph 5, any other series or class or classes of Junior Securities shall, subject to the respective terms and provisions (if any) applying thereto, be entitled to receive any and all assets remaining to be paid or distributed, and the holders of the Series D Preferred Stock, Series C Preferred Stock and any Parity Securities shall not be entitled to share therein.

6. Redemption. (a) The Series D Preferred Stock shall not be redeemable by the Corporation prior to the later of (i) the fifth anniversary of the Issue Date and (ii) the date on which the Corporation has redeemed indefeasibly or defeased in full its obligations in respect of its 12½% Senior Notes due April 15, 2006 or defeased the covenants applicable thereto in accordance with their terms (the "Redemption Trigger Date"). On and after the Redemption Trigger Date, to the extent the Corporation shall have funds legally available for such payment, and subject to the rights of the holders pursuant to Section 8 hereof, the Corporation may redeem at its option shares of Series D Preferred Stock, at any time in whole or from time to time in part, at a redemption price per share equal to the Liquidation Preference as of the date fixed for redemption, without interest; provided that the Corporation shall only be entitled to redeem shares of the Series D Preferred Stock if shares of the Series C Preferred Stock are also redeemed on a proportional basis based on the percentage of each series of shares outstanding at such time.

(b) Pursuant to the Series C Designation, to the extent the Corporation shall have funds legally available therefor, during the 180-day period commencing on the tenth anniversary of the Issue Date, the holders of the Series C Preferred Stock shall have the right to cause the Corporation to redeem at any time in whole or from time to time in part outstanding shares of Series C Preferred Stock, if any, at a redemption price per share in cash equal to the Liquidation Preference (as set forth in the Series C Designation), without interest; provided that upon any such election the Corporation shall be required to redeem a proportional amount of the Series D Preferred Stock.

(c) Shares of Series D Preferred Stock which have been issued and reacquired by the Corporation in any manner, including shares purchased or redeemed, shall (upon compliance with any applicable provisions of the laws of the State of Delaware) be retired and have the status of authorized and unissued shares of the class of Preferred Stock undesignated as to series and may be redesignated and reissued as part of any series of the Preferred Stock; provided that no such issued and reacquired shares of Series D Preferred Stock shall be reissued or sold as Series D Preferred Stock.

(d) If the Corporation is unable or shall fail to discharge its obligation to redeem outstanding shares of Series C Preferred Stock and Series D Preferred Stock pursuant to paragraph 6(b) (the "Mandatory Redemption Obligation"), the Mandatory Redemption Obligation shall be discharged as soon as the Corporation is able to discharge such Mandatory Redemption Obligation. If and so long as any Mandatory Redemption Obligation with respect to the Series C Preferred Stock and Series D Preferred Stock shall not be fully discharged, the Corporation shall not (i) directly or indirectly, redeem, purchase, or otherwise acquire any Parity Security or discharge any mandatory or optional redemption, sinking fund or other similar obligation in respect of any Parity Securities or (ii) declare or make any Junior Securities Distribution (as defined in the Series C Designation), or, directly or indirectly, discharge any mandatory or optional redemption, sinking fund or other similar obligation in respect of any Junior Securities.

7. Procedure for Redemption. (a) In the event that fewer than all the outstanding shares of Series D Preferred Stock are to be redeemed, in the case of Section 6(a), the number of shares to be redeemed shall be determined by the Board of Directors and the shares to be redeemed shall be selected pro rata (with any fractional shares being rounded to the nearest whole shares). Notwithstanding anything in Section 6 to the contrary, the Corporation shall only redeem shares of Series D Preferred Stock pursuant to Section 6(a) or 6(b) on a proportional basis based on the percentage of each series of shares outstanding at such time.

(b) In the event the Corporation shall redeem shares of Series D Preferred Stock pursuant to Section 6(a), notice of such redemption shall be given by first class mail, postage prepaid, mailed not less than 30 days nor more than 60 days prior to the redemption date, to each holder of record of the shares to be redeemed at such holder's address as the same appears on the stock register of the Corporation; provided that neither the failure to give such notice nor any defect therein shall affect the validity of the giving of notice for the redemption of any share of Series D Preferred Stock to be redeemed except as to the holder to whom the Corporation has failed to give said notice or except as to the holder whose notice was defective. Each such notice shall state: (i) the redemption date; (ii) the number of shares of Series

D Preferred Stock to be redeemed and, if fewer than all the shares held by such holder are to be redeemed, the number of shares to be redeemed from such holder; (iii) the redemption price; (iv) the place or places where certificates for such shares are to be surrendered for payment of the redemption price; and (v) that dividends on the shares to be redeemed will cease to accrue on such redemption date.

(c) Notice having been mailed as aforesaid, if applicable, from and after the redemption date, dividends on the shares of Series D Preferred Stock so called for redemption shall cease to accrue, and all rights of the holders thereof as stockholders of the Corporation (except the right to receive from the Corporation the redemption price and except the right to convert shares so called for redemption prior to the close of business on the date immediately preceding the date fixed for such redemption) shall cease. Upon surrender in accordance with said notice, if applicable, of the certificates for any shares so redeemed (properly endorsed or assigned for transfer, if the Board of Directors shall so require and the notice shall so state), such shares shall be redeemed by the Corporation at the redemption price aforesaid. In case fewer than all the shares represented by any such certificate are redeemed, a new certificate shall be issued representing the unredeemed shares without cost to the holder thereof.

8. Conversion. (a) (i) Pursuant to the provisions of the Series C Designation, the holders of shares of Series C Preferred Stock have the right, at any time in whole and from time to time in part, at such holders' option, to convert any or all outstanding shares (and fractional shares) of Series C Preferred Stock held by such holders into fully paid and non-assessable shares of Class A Common Stock. Upon the exercise by any holder of Series C Preferred Stock of its conversion option, a proportional amount, based on the percentage of each series of shares outstanding, of the Series D Preferred Stock shall automatically convert into fully paid and non-assessable shares of Class A Common Stock, subject to the provisions of this Section 8. At any time and from time to time the outstanding shares of Series C Preferred Stock and Series D Preferred Stock taken together shall be convertible into a number of shares of Class A Common Stock (the "Aggregate Conversion Shares") equal to the aggregate Liquidation Preferences of the shares of the Series C Preferred Stock and the Series D Preferred Stock as set forth herein and in the Series C Designation as of the date of conversion divided by $63.25, subject to adjustment from time to time pursuant to paragraph 8(g) hereof (the "Conversion Price"). The Series D Preferred Stock outstanding as at any date shall be convertible into a number of shares of Class A Common Stock (the "Aggregate Series D Conversion Shares") equal to .625 times the excess, if any, of (A) the Aggregate Conversion Shares over (B) the aggregate Preference Amounts (as defined in the Series C Designation) with respect to all outstanding shares of Series C Preferred Stock divided by the Net Realizable FMV of a share of Class A Common Stock at the time of conversion. Each share of Series D Preferred Stock being converted shall convert into a number of shares of Class A Common Stock equal to the Aggregate Series D Conversion Shares divided by the number of shares of Series D Preferred Stock then outstanding. Notwithstanding any call for redemption pursuant to Section 6(a), the holders' right to convert shares so called for redemption shall terminate at the close of business on the date immediately preceding the date fixed for such redemption unless the Corporation shall default in making payment of the amount payable upon such redemption.

(ii) In the case of any partial conversion of Series C Preferred Stock by the holders thereof, selection of the Series D Preferred Stock for automatic conversion will be made by the Corporation in compliance with the requirements of the principal national securities exchange, if any, on which the Series D Preferred Stock is listed, or if the Series D Preferred Stock is not listed on a national securities exchange, on a pro rata basis, by lot or such other method as the Corporation, in its sole discretion, shall deem fair and appropriate; provided, however, that the Corporation may redeem all the shares held by holders of fewer than 5 shares of Series D Preferred Stock (or all of the shares held by the holders who would hold less than 5 shares of Series D Preferred Stock as a result of such redemption) as may be determined by the Corporation. The Corporation shall provide prompt written notice (including the number of shares so converted) of the automatic conversion of shares of Series D Preferred Stock pursuant to this paragraph 8 to the holders of record of the shares so converted.

(b) (i) Promptly upon receipt of notice of automatic conversion of shares of Series D Preferred Stock pursuant to paragraph 8(a) (including the number of shares to be so converted), the holder of the shares of Series D Preferred Stock so converted shall surrender the certificate representing such shares at the principal executive offices of the Corporation. Unless the shares issuable on conversion are to be issued in the same name as the name in which such shares of Series D Preferred Stock are registered, each certificate so surrendered shall be accompanied by instruments of transfer, in form satisfactory to the Corporation, duly executed by the holder or the holder's duly authorized attorney, and an amount sufficient to pay any transfer or similar tax.

(ii) As promptly as practicable after the surrender by the holder of the certificates for shares of Series D Preferred Stock as aforesaid, the Corporation shall issue and shall deliver to such holder, or on the holder's written order to the holder's transferee, (x) a certificate or certificates for the whole number of shares of Class A Common Stock issuable upon the conversion of such shares in accordance with the provisions of this paragraph 8, (y) any cash adjustment required pursuant to Section 8(f), and (z) in the event of a conversion in part, a certificate or certificates for the whole number of shares of Series D Preferred Stock not being so converted.

(iii) Each conversion of shares of Series D Preferred Stock pursuant to paragraph 8(a) shall be deemed to have been effected immediately prior to the close of business on the date on which the certificates for shares of Series C Preferred Stock shall have been surrendered and the notice of election to convert received by the Corporation in accordance with the procedures set forth in Section 8 of the Series C Designation, and the person in whose name or names any certificate or certificates for shares of Class A Common Stock shall be issuable upon such conversion shall be deemed to have become the holder of record of the shares of Class A Common Stock represented thereby at such time on such date and such conversion shall be into a number of whole shares of Class A Common Stock in respect of the shares of Series D Preferred Stock being converted as determined in accordance with this Section 8 at such time on such date. All shares of Class A Common Stock delivered upon conversion of the Series D Preferred Stock will upon delivery be duly and validly issued and fully paid and non-assessable, free of all liens and charges and not subject to any preemptive rights. Upon

automatic conversion of shares of Series D Preferred Stock, the shares so converted shall no longer be deemed to be outstanding and all rights of a holder with respect to such converted shares shall immediately terminate except the right to receive the Class A Common Stock and other amounts payable pursuant to this paragraph 8 and a certificate or certificates representing the shares of Series D Preferred Stock not converted.

(c) (i) Upon delivery to the Corporation by a holder of shares of Series C Preferred Stock of a notice of election to convert, the right of the Corporation to redeem the applicable shares of Series D Preferred Stock shall terminate, regardless of whether a notice of redemption has been mailed as aforesaid.

(ii) If a holder of Series C Preferred Stock delivers to the Corporation a certificate therefor and a notice of election to convert, the Series D Preferred Stock to be converted shall cease to accrue dividends pursuant to paragraph 4.

(iii) Except as provided above and in paragraph 8(g), the Corporation shall make no payment or adjustment for accrued and unpaid dividends on shares of Series D Preferred Stock, whether or not in arrears, on conversion of such shares or for dividends theretofore paid on the shares of Class A Common Stock.

(d) (i) The Corporation covenants that it will at all times reserve and keep available, free from preemptive rights, such number of its authorized but unissued shares of Class A Common Stock as shall be required for the purpose of effecting conversions of the Series D Preferred Stock.

(ii) Prior to the delivery of any securities which the Corporation shall be obligated to deliver upon conversion of the Series D Preferred Stock, the Corporation shall comply with all applicable federal and state laws and regulations which require action to be taken by the Corporation.

(e) The Corporation will pay any and all documentary stamp or similar issue or transfer taxes payable in respect of the issue or delivery of shares of Class A Common Stock on conversion of the Series D Preferred Stock pursuant hereto; provided that the Corporation shall not be required to pay any tax which may be payable in respect of any transfer involved in the issue or delivery of shares of Class A Common Stock in a name other than that of the holder of the Series D Preferred Stock to be converted and no such issue or delivery shall be made unless and until the person requesting such issue or delivery has paid to the Corporation the amount of any such tax or has established, to the satisfaction of the Corporation, that such tax has been paid.

(f) In connection with the conversion of any shares of Series D Preferred Stock, no fractions of shares of Class A Common Stock shall be required to be issued to the holder of such shares of Series D Preferred Stock, but in lieu thereof the Corporation shall pay a cash adjustment in respect of such fractional interest in an amount equal to such fractional interest multiplied by the Market Price per share of Class A Common Stock on the business day next preceding the business day on which such shares of Series D Preferred Stock are deemed to have been converted.

(g) (i) In case the Corporation shall at any time after the Issue Date (A) declare a dividend or make a distribution on Common Stock payable in Common Stock (other than dividends or distributions payable to holders of the Series D Preferred Stock including dividends paid as contemplated by Section 4(f)), (B) subdivide or split the outstanding Common Stock, (C) combine or reclassify the outstanding Common Stock into a smaller number of shares, (D) issue any shares of its Capital Stock in a reclassification of Common Stock (including any such reclassification in connection with a consolidation or merger in which the Corporation is the continuing corporation), or (E) consolidate with, or merge with or into, any other person, the Conversion Price in effect at the time of the record date for such dividend or distribution or on the effective date of such subdivision, split, combination, consolidation, merger or reclassification shall be adjusted so that the conversion of the Series D Preferred Stock after such time shall entitle the holder to receive the aggregate number of shares of Common Stock or other securities of the Corporation (or other securities into which such shares of Common Stock have been converted, exchanged, combined, consolidated, merged or reclassified pursuant to clause 8(g)(i)(C), 8(g)(i)(D) or 8(g)(i)(E) above) which, if the Series D Preferred Stock had been converted immediately prior to such time, such holder would have owned upon such conversion and been entitled to receive by virtue of such dividend, distribution, subdivision, split, combination, consolidation, merger or reclassification. Such adjustment shall be made successively whenever an event listed above shall occur.

(ii) In case the Corporation shall issue or sell any Common Stock (or rights, options, warrants or other securities convertible into or exercisable or exchangeable for shares of Common Stock) without consideration or for a consideration per share (or having a conversion, exchange or exercise price per share) less than the Current Market Price on the date of such issuance (or, in the case of convertible or exchangeable or exercisable securities, less than the Current Market Price as of the date of issuance of the rights, options, warrants or other securities in respect of which shares of Common Stock were issued) then, and in each such case, the Conversion Price shall be reduced to an amount determined by multiplying (A) the Conversion Price in effect on the day immediately prior to such date by (B) a fraction, the numerator of which shall be the sum of (1) the number of shares of Common Stock outstanding immediately prior to such sale or issuance multiplied by the then applicable Current Market Price (such Current Market Price, the "Adjustment Price") and (2) the aggregate consideration receivable by the Corporation for the total number of shares of Common Stock so issued (or into or for which the rights, options, warrants or other securities are convertible, exercisable or exchangeable), and the denominator of which shall be the sum of (x) the total number of shares of Common Stock outstanding immediately prior to such sale or issue and (y) the number of additional shares of Common Stock issued (or into or for which the rights, options, warrants or other securities may be converted, exercised or exchanged), multiplied by the Adjustment Price. In case any portion of the consideration to be received by the Corporation shall be in a form other than cash, the fair market value of such noncash consideration shall be utilized in the foregoing computation. Such fair market value shall be determined in good faith by the Board of Directors.

(iii) In case the Corporation shall fix a record date for the issuance on a pro rata basis of rights, options or warrants to the holders of its Common Stock or other securities entitling such holders to subscribe for or purchase shares of Common

Stock (or securities convertible into or exercisable or exchangeable for shares of Common Stock) at a price per share of Common Stock (or having a conversion, exercise or exchange price per share of Common Stock, in the case of a security convertible into, or exercisable or exchangeable for, shares of Common Stock) less than the Current Market Price on such record date, the maximum number of shares of Common Stock issuable upon exercise of such rights, options or warrants (or conversion of such convertible securities) shall be deemed to have been issued and outstanding as of such record date and the Conversion Price shall be adjusted pursuant to paragraph 8(g)(ii) hereof, as though such maximum number of shares of Common Stock had been so issued for an aggregate consideration payable by the holders of such rights, options, warrants or other securities prior to their receipt of such shares of Common Stock. In case any portion of such consideration shall be in a form other than cash, the fair market value of such noncash consideration shall be determined as set forth in paragraph 8(g)(ii) hereof. Such adjustment shall be made successively whenever such record date is fixed; and in the event that such rights, options or warrants are not so issued or expire in whole or in part unexercised, or in the event of a change in the number of shares of Common Stock to which the holders of such rights, options or warrants are entitled (other than pursuant to adjustment provisions therein comparable to those contained in this paragraph 8(g)), the Conversion Price shall again be adjusted as follows: (A) in the event that all of such rights, options or warrants expire unexercised, the Conversion Price shall be the Conversion Price that would then be in effect if such record date had not been fixed; (B) in the event that less than all of such rights, options or warrants expire unexercised, the Conversion Price shall be adjusted pursuant to paragraph 8(g)(ii) to reflect the maximum number of shares of Common Stock issuable upon exercise of such rights, options or warrants that remain outstanding (without taking into effect shares of Common Stock issuable upon exercise of rights, options or warrants that have lapsed or expired); and (C) in the event of a change in the number of shares of Common Stock to which the holders of such rights, options or warrants are entitled, the Conversion Price shall be adjusted to reflect the Conversion Price which would then be in effect if such holder had initially been entitled to such changed number of shares of Common Stock. Notwithstanding anything herein to the contrary, no further adjustment to the Conversion Price shall be made upon the issuance or sale of Common Stock upon the exercise of any rights, options or warrants to subscribe for or purchase Common Stock, if any adjustment in the Conversion Price was made or required to be made upon the record date for the issuance or sale of such rights, options or warrants under this clause 8(g)(iii). Notwithstanding anything herein to the contrary, no adjustment in the Conversion Price shall be made under this clause 8(g)(iii) to the extent the holders of Series D Preferred Stock participate in any such distribution in accordance with Section 4 hereof.

(iv) In case the Corporation shall fix a record date for the making of a distribution to all holders of any class of Common Stock (including any such distribution made in connection with a consolidation or merger in which the Corporation is the continuing corporation) of evidences of indebtedness, assets or other property, the Conversion Price to be in effect after such record date shall be determined by multiplying the Conversion Price in effect immediately prior to such record date by a fraction, (A) the numerator of which shall be the Conversion Price immediately prior to such distribution less the fair market value (determined as set forth in paragraph 8(g)(ii) hereof) of the

portion of the assets, other property or evidence of indebtedness so to be distributed which is applicable to one share of Common Stock, and (B) the denominator of which shall be the Conversion Price immediately prior to such distribution. Such adjustments shall be made successively whenever such a record date is fixed; and in the event that such distribution is not so made, the Conversion Price shall again be adjusted to be the Conversion Price which would then be in effect if such record date had not been fixed. An adjustment to the Conversion Price also shall be made in respect of dividends and distributions paid exclusively in cash to all holders of Common Stock (excluding any dividend or distribution in connection with the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, and any cash that is distributed upon a merger, consolidation or other transaction for which an adjustment pursuant to paragraph 8(g)(i) is made) where the sum of (1) all such cash dividends and distributions made within the preceding 12 months in respect of which no adjustment has been made and (2) any cash and the fair market value (determined as set forth in paragraph 8(g)(ii) hereof)of other consideration paid in respect of any repurchases of Common Stock by the Corporation or any of its subsidiaries within the preceding 12 months in respect of which no adjustment has been made, exceeds 2% of the Corporation's market capitalization (being the product of the then Current Market Price of the Common Stock times the aggregate number of shares of Common Stock then outstanding on the record date for such distribution). The Conversion Price to be in effect after such adjustment shall be determined by subtracting from the Conversion Price in effect prior to such adjustment an amount equal to the quotient of (A) the sum of clause (1) and clause (2) above and (B) the number of shares of Common Stock outstanding on the date such adjustment is to be determined. Notwithstanding anything herein to the contrary, no adjustment in the Conversion Price shall be made under this clause 8(g)(iv) to the extent the holders of Series D Preferred Stock participate in any such distribution in accordance with Section 4 hereof.

(v) No adjustment to the Conversion Price pursuant to (a) paragraphs 8(g)(ii), 8(g)(iii) or 8(g)(iv) above shall be required unless such adjustment would require an increase or decrease of at least $.50 in the Conversion Price or (b) paragraph 8(g)(ii) above shall be required with respect to rights, options, warrants or other securities outstanding on the Issue Date or issued pursuant to the Company's employee benefit plans in effect on the Issue Date or reserved for issuance thereunder as of the Issue Date or stock options granted after the Issue Date pursuant to any stock option plans adopted by the Board of Directors so long as such options have an exercise price not less than the Market Price on the day preceding such grant; provided, however, that any adjustments which by reason of this paragraph 8(g)(v)(a) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this paragraph 8(g) shall be made to the nearest four decimal points.

(vi) In the event that, at any time as a result of the provisions of this paragraph 8(g), a holder of Series D Preferred Stock upon subsequent conversion shall become entitled to receive any shares of Capital Stock of the Corporation other than Common Stock, the number of such other shares so receivable upon conversion of Series D Preferred Stock shall thereafter be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions contained herein.

(vii) If, as a result of the operation of paragraphs 8(g)(ii), 8(g)(iii) or 8(g)(iv) above and corresponding provisions in the Series C Designation, the cumulative number of shares of Class A Common Stock issued or issuable upon conversion of the Series C Preferred Stock and Series D Preferred Stock, after giving effect to (x) the adjustments described in such paragraphs and corresponding provisions in the Series C Designation and (y) all prior conversions of Series C Preferred Stock and Series D Preferred Stock, would equal or exceed a number (the "Threshold Number") equal to 20% of the outstanding shares of Class A Common Stock as of the Issue Date and if the Company receives a written opinion of its outside counsel that the issuance of such shares in excess of the Threshold Number would violate the rules of the Nasdaq National Market or any other exchange on which the Class A Common Stock is then quoted or traded, then until and unless the Corporation obtains the approval of its common stockholders for the issuance of any such shares of Class A Common Stock in excess of the Threshold Number, the holders shall only be entitled to exercise their conversion rights with respect to a maximum number of Series C and Series D Preferred Stock that would not result in an amount of shares of Class A Common Stock being issued in excess of the Threshold Number, but in any case, the Conversion Price shall be adjusted as provided in such paragraphs. If, as a result of the operation of the preceding sentence, the conversion rights of the holders of Series D Preferred Stock are limited by operation thereof because appropriate stockholder approval has not been obtained, the Corporation agrees for the benefit of the holders of Series C Preferred Stock and Series D Preferred Stock to use its reasonable best efforts to seek, as promptly as reasonably practicable, the requisite approval of its common stockholders (and shall seek such approval as often as necessary to obtain such approval), and will recommend to its stockholders that they vote in favor of a resolution providing for such approval, for the amount of shares of Class A Common Stock that would be issued or issuable upon conversion in full of all outstanding Series C and Series D Preferred Stock. Notwithstanding anything to the contrary set forth above, the holders of Series C Preferred Stock and Series D Preferred Stock shall be entitled to exercise such holders' conversion rights in full (after giving effect to any and all anti-dilution adjustments resulting from operation of paragraphs 8(g)(ii), 8(g)(iii) or 8(g)(iv)) in connection with any merger, consolidation or other transaction in which such Series C Preferred Stock, Series D Preferred Stock or Class A Common Stock is being converted into or exchanged for cash, securities or other property in connection with such merger, consolidation or other transaction. In the event that the Corporation elects to redeem the shares of Series C Preferred Stock and Series D Preferred Stock at a time when the holders' right to convert such shares into Class A Common Stock is limited as provided in this paragraph (g), and such holders seek to exercise such conversion rights prior to the date fixed for redemption in accordance with this Section 8 (the "Redemption Date"), then if the total number of shares of Class A Common Stock issued or issuable upon conversion of such shares, after giving effect to any adjustments provided under the first sentence of this section (the "Cumulative Number"), would exceed the Threshold Number, the holders shall be entitled to convert such number of shares of Series C Preferred Stock and Series D Preferred Stock into a number of shares of Class A Common Stock up to the Threshold Number, and with respect to the balance of such shares, the Corporation shall cancel such shares and shall pay the holders in lieu thereof an amount in cash equal to (a)(i) the

Cumulative Number minus (ii) the Threshold Number multiplied by (b) the Market Price per share of Class A Common Stock on the business day next preceding the business day which is deemed the Redemption Date.

(h) All adjustments pursuant to this paragraph 8 shall be notified to the holders of the Series D Preferred Stock and such notice shall be accompanied by a schedule of computations of the adjustments.

9. Voting Rights. (a) The holders of record of shares of Series D Preferred shall be entitled to vote on an as-converted basis (calculated in accordance with Section 8(a) as of the close of trading on the last trading day of the most recently ended fiscal quarter of the Corporation) with the Common Stock as a single class on all matters presented to the holders of the Common Stock for vote, except as hereinafter provided in this Section 9 or as otherwise provided by law. So long as the provisions of Section 9(b)(i) entitle the holders of Series D Preferred Stock to designate the Series D Designee (as defined below), the holders of Series D Preferred Stock shall not be entitled to vote as to the election of other directors of the Corporation.

(b) (i) On the Issue Date, the Board of Directors shall cause the total number of directors then constituting the whole Board of Directors to be increased by two and the holders of the outstanding shares of Series C Preferred Stock shall be entitled to designate one director (the "Series C Designee") for election to the Board of Directors of the Corporation and, voting separately as a series, shall have the exclusive right to vote for the election of such designee to the Board of Directors, and the holders of the outstanding shares of Series D Preferred Stock shall be entitled to designate one director (the "Series D Designee") for election to the Board of Directors of the Corporation and, voting separately as a series, shall have the exclusive right to vote for the election of such designee to the Board of Directors; provided that, notwithstanding the foregoing, after the Issue Date, (i) the holders of the outstanding shares of Series C Preferred Stock shall continue to be entitled to designate the Series C Designee for election to the Board of Directors and, voting separately as a series, shall continue to have the exclusive right to vote for the election of the Series C Designee to the Board of Directors, and the holders of the outstanding shares of the Series D Preferred Stock shall continue to be entitled to designate the Series D Designee for election to the Board of Directors and, voting separately as a series, shall continue to have the exclusive right to vote for the election of the Series D Designee to the Board of Directors, in each case, for as long as, and only for as long as, at least 40% of the aggregate number of shares of Series C Preferred Stock issued on the original date of issuance of the Series C Preferred Stock and of shares of Series D Preferred Stock issued on the Issue Date (such aggregate number of shares of Series C Preferred Stock and Series D Preferred Stock being referred to herein as the "Total C and D Shares") remains outstanding; (ii) the entitlement of the holders of outstanding shares of Series D Preferred Stock to designate one director for election to the Board of Directors, and the exclusive right of the holders of outstanding shares of Series D Preferred Stock to vote, separately as a series, for the election of such designee to the Board of Directors, shall cease immediately upon 20% or less of the Total C and D Shares being outstanding, and the holders of the outstanding shares of Series D Preferred Stock shall be entitled to designate one board observer (the "Series D Board Observer"), for as long as, and only for as long as, 20% or less (but at least one share of Series D Preferred Stock) of the Total C and D Shares remains outstanding; (iii) immediately upon no shares of Series D

Preferred Stock issued on the Series D Issue Date being outstanding, the entitlement of the holders of outstanding shares of Series D Preferred Stock to designate the Series D Board Observer, and the rights of such Board Observer, shall cease; and (iv) immediately upon 20% or less of the Total C and D Shares being outstanding, the Board of Directors shall cause the total number of directors then constituting the whole Board of Directors to be decreased by one, and the term of office of the Series D Designee shall terminate. The Series D Designee may be removed with or without cause by the holders of the shares of Series D Preferred Stock. The "Series D Board Observer" means a person who shall not be a member of the Board of Directors and who shall have the rights as agreed to with the Corporation, provided that such rights shall satisfy the requirement of contractual management rights for purposes of the Department of Labor's "plan assets" regulation.

(ii) If and whenever the Corporation shall have failed to discharge its Mandatory Redemption Obligation or the Corporation shall have failed to comply with Section 9(d) hereof, the total number of directors then constituting the whole Board of Directors automatically shall be increased by one and the holders of outstanding shares of Series D Preferred Stock, voting separately as a single series, shall be entitled to elect one additional director to serve on the Board of Directors at any annual meeting of stockholders or special meeting held in place thereof, or at a special meeting of the holders of the Series D Preferred Stock called as hereinafter provided. Whenever the Corporation shall have fulfilled its Mandatory Redemption Obligation, then the right of the holders of the outstanding shares of the Series D Preferred Stock to elect such additional director shall cease (but subject always to the same provisions for the vesting of such voting rights in the case of any future failure to fulfill any Mandatory Redemption Obligation), and the term of office of any person elected as director by the holders of outstanding shares of Series D Preferred Stock pursuant to this subparagraph (b)(ii) shall forthwith terminate and the total number of directors then constituting the whole Board of Directors automatically shall be reduced by one. At any time after voting power to elect one additional director shall have become vested and be continuing in the holders of outstanding shares of Series D Preferred Stock pursuant to this subparagraph (b)(ii), or if a vacancy shall exist in the office of a director elected by the holders of outstanding shares of Series D Preferred Stock pursuant to this subparagraph (b)(ii), a proper officer of the Corporation may, and upon the written request of the holders of record of at least twenty-five percent (25%) of the shares of Series D Preferred Stock then outstanding addressed to the Secretary of the Corporation shall, call a special meeting of the holders of Series D Preferred Stock, for the purpose of electing the one additional director which such holders are entitled to elect pursuant to this subparagraph (b)(ii). If such meeting shall not be called by a proper officer of the Corporation within twenty (20) days after personal service of said written request upon the Secretary of the Corporation, or within twenty (20) days after mailing the same within the United States by certified mail, addressed to the Secretary of the Corporation at its principal executive offices, then the holders of record of at least twenty-five percent (25%) of the outstanding shares of Series D Preferred Stock may designate in writing one of their number to call such meeting at the expense of the Corporation, and such meeting may be called by the person so designated upon the notice required for the annual meeting of stockholders of the Corporation and shall be held at the place for holding the annual meetings of stockholders. Any holder of Series D Preferred Stock so designated shall have, and the

Corporation shall provide, access to the lists of stockholders to be called pursuant to the provisions hereof.

(c) Without the written consent of holders of a majority of the outstanding shares of Series D Preferred Stock or the affirmative vote of holders of a majority of the outstanding shares of Series D Preferred Stock at a meeting of the holders of Series D Preferred Stock called for such purpose, the Corporation will not amend, alter or repeal any provision of the Restated Certificate of Incorporation or this Certificate of Designation so as to adversely affect the preferences, rights or powers of the Series D Preferred Stock or to authorize the issuance of, or to issue any, additional shares of Series D Preferred Stock; provided that any such amendment that changes any dividend or other amount payable on or the liquidation preference of the Series D Preferred Stock shall require the written consent of holders of two-thirds of the outstanding shares of Series D Preferred Stock or the affirmative vote of holders of two-thirds of the outstanding shares of Series D Preferred Stock at a meeting of the holders of Series D Preferred Stock called for such purpose.

(d) Without the written consent of holders of a majority of the outstanding shares of Series D Preferred Stock or the affirmative vote of holders of a majority of the outstanding shares of Series D Preferred Stock at a meeting of such holders called for such purpose, the Corporation will not create, authorize or issue any (i) Parity Securities or (ii) Senior Securities except Senior Securities issued in accordance with paragraph (f)(ii) of the Certificate of Designation for the Senior Exchangeable Redeemable Preferred Shares as in effect on December 3, 1999.

(e) Subject to the provisions of Sections 8 and 10 hereof, the Corporation may, without the consent of any holder of Series D Preferred Stock, consolidate with or merge with or into, or convey, transfer or lease all or substantially all its assets as an entirety to, any Person, provided that: (1) the successor, transferee or lessee (if not the Corporation) is organized and existing under the laws of the United States of America or any State thereof or the District of Columbia and the Series D Preferred Stock shall be converted into or exchanged for and shall become shares of, or interests in, such successor, transferee or lessee, having in respect of such successor, transferee, or lessee substantially the same powers, preferences and relative, participating, optional or other special rights and the qualifications, limitations or restrictions thereof, that the Series D Preferred Stock has immediately prior to such transaction; and (2) the Corporation delivers to the transfer agent an officers' certificate and an opinion of counsel stating that such consolidation, merger, conveyance, transfer or lease complies with this Certificate of Designation. In the event of any consolidation or merger or conveyance, transfer or lease of all or substantially all of the assets of the Corporation that is permitted pursuant to this paragraph (e), the successor resulting from such consolidation or into which the Corporation is merged or the transferee or lessee to which such conveyance, transfer or lease is made, will succeed to, and be substituted for, and may exercise every right and power of, the Corporation with respect to the Series D Preferred Stock (or shares or interests into, or for which, the Series D Preferred Stock is converted or exchanged), and thereafter, except in the case of a lease, the predecessor (if still in existence) shall be released from its obligations and covenants with respect to the Series D Preferred Stock.

(f) In exercising the voting rights set forth in this paragraph 9, each share of Series D Preferred Stock shall have one vote per share. Except as otherwise required by applicable law or as set forth herein, the shares of Series D Preferred Stock shall not have any relative, participating, optional or other special voting rights and powers and the consent of the holders thereof shall not be required for the taking of any corporate action.

10. Change of Control. (a) Pursuant to the Series C Designation, within thirty days of a Change of Control (the date of such occurrence being the "Change of Control Date"), the Corporation shall notify the holders of the Series C Preferred Stock of such occurrence and shall be required to make an offer (the "Offer to Purchase") to each holder of shares of Series C Preferred Stock (subject to the rights of the holders pursuant to Section 8 hereof) to repurchase such holder's shares of Series C Preferred Stock, or such portion thereof as may be determined by such holder, at a price per share in cash equal to 101% of the Liquidation Preference plus, without duplication, an amount in cash equal to all accumulated and unpaid dividends per share (including an amount in cash equal to a prorated dividend for the period from the last Dividend Payment Date through such date); provided that if any holders of Series C Preferred Stock tender their shares pursuant to the Offer to Purchase, the Corporation shall be required to purchase a proportional amount of the Series D Preferred Stock.

(b) The Offer to Purchase must take place on a Business Day (the "Change of Control Payment Date") not later than 30 days following the Change of Control Date. On the Change of Control Payment Date, the Corporation shall (A) accept for payment any Series D Preferred Stock required to be purchased, (B) pay to the holders of shares so accepted the purchase price therefor in cash and (C) cancel and retire each surrendered certificate. Unless the Corporation defaults in the payment for the Series D Preferred Stock required to be purchased pursuant to Section 10(a) hereof, dividends will cease to accrue with respect to the Series D Preferred Stock purchased and all rights of holders of such tendered shares will terminate, except for the right to receive payment therefor.

(c) The Corporation will comply with any securities laws and regulations, to the extent such laws and regulations are applicable to the repurchase of the Series D Preferred Stock in connection with an Offer to Purchase.

(d) Notwithstanding anything to the contrary contained in this Section 10, the Company will not repurchase or redeem any such stock pursuant to this Section 10 until it has repurchased or repaid all outstanding debt obligations pursuant to rights triggered pursuant to the terms thereof resulting from the Change of Control in question.

11. Reports. So long as any of the Series D Preferred Stock is outstanding, in the event the Corporation is not required to file quarterly and annual financial reports with the Securities and Exchange Commission pursuant to Section 13 or Section 15(d) of the Exchange Act, the Corporation will furnish the holders of the Series D Preferred Stock with reports containing the same information as would be required in such reports.

12. General Provisions. (a) The term "person" as used herein means any corporation, limited liability company, partnership, trust, organization, association, other entity or individual.

(b) The term "outstanding", when used with reference to shares of stock, shall mean issued shares, excluding shares held by the Corporation or a subsidiary of the Corporation.

(c) The headings of the sections, paragraphs, subparagraphs, clauses and subclauses of this Certificate of Designation are for convenience of reference only and shall not define, limit or affect any of the provisions hereof.

IN WITNESS WHEREOF, said NM Acquisition Corp. has caused this Certificate of Designation to be signed by Gary D. Begeman, its Vice President, this 16th day of June, 2000.

NM ACQUISITION CORP.

By: /s/ Gary D. Begeman
Name: Gary D. Begeman
Title: Vice President

Exhibit B

FILED
STATE OF WASHINGTON

SEP 27 2000

RALPH MUNRO
SECRETARY OF STATE

ARTICLES OF AMENDMENT
OF
NEXTLINK LONG DISTANCE SERVICES, INC.

The following Articles of Amendment are executed by the undersigned, a Washington corporation:

1. The name of the corporation is **NEXTLINK Long Distance Services, Inc.**

2. Article I of the Articles of Incorporation of the corporation is amended to read as follows:

"The name of this corporation is **XO Long Distance Services, Inc.**"

3. The date of the adoption of the amendment by the Board of Directors of the corporation is September 25, 2000.

4. Shareholder action was not required pursuant to the provisions of RCW 23B.10.020.

5. The amendment does not provide for the exchange, reclassification or cancellation of issued shares.

6. These Articles will be effective upon filing.

These Articles of Amendment are executed by said corporation by its duly authorized officer.

DATED: September 26, 2000

NEXTLINK Long Distance Services, Inc.

By: Richard A. Montfort

Print Name: **Richard A. Montfort, Jr.**

Its: **Assistant Secretary**

STATE of WASHINGTON

SECRETARY of STATE

I, RALPH MUNRO, Secretary of State of the State of Washington and custodian of its seal,

hereby certify by this certificate that the attached is a true and correct copy of

ARTICLES OF INCORPORATION

of

NEXTLINK LONG DISTANCE SERVICES, INC.

as filed in this office on February 26, 1999.

Date: June 9, 1999

Given under my hand and the Seal of the State of Washington at Olympia, the State Capital

SIGNED

Ralph Munro, Secretary of State

200-001

601 935 809

ARTICLES OF INCORPORATION

FILED
STATE OF WASHINGTON
FEB 26 1999
RALPH MUNRO
SECRETARY OF STATE

OF

NEXTLINK LONG DISTANCE SERVICES, INC.

Pursuant to RCW 23B.02.020 of the Washington Business Corporation Act, the undersigned does hereby submit these Articles of Incorporation for the purpose of forming a business corporation.

ARTICLE I

NAME

The name of this corporation is NEXTLINK LONG DISTANCE SERVICES, INC.

ARTICLE II

PURPOSES

This corporation is organized for the following purposes:

To engage in any business, trade or activity that may be conducted lawfully by a corporation organized under the Washington Business Corporation Act.

ARTICLE III

SHARES

This corporation is authorized to issue one thousand (1,000) shares of common stock with no par value.

ARTICLE IV

PREEMPTIVE RIGHTS

Each Shareholder shall have preemptive rights to acquire additional shares which may be issued by this corporation to the extent preemptive rights apply to such shares under the Washington Business Corporation Act.

ARTICLE V

NO CUMULATIVE VOTING

At each election for directors, every shareholder entitled to vote at such election has the right to vote in person or by proxy the number of shares held by such shareholder for as many persons as there are directors to be elected. No cumulative voting for directors shall be permitted.

ARTICLE VI

BYLAWS

The Board of Directors shall have the power to adopt, amend or repeal the Bylaws or adopt new Bylaws. Nothing herein shall deny the concurrent power of the shareholders to adopt, alter, amend or repeal the Bylaws.

ARTICLE VII

REGISTERED AGENT AND OFFICE

The name of the initial registered agent of this corporation and the address of its initial registered office are as follows:

Registered Agent	Office
DWTR&J Corp.	2600 Century Square 1501 Fourth Avenue Seattle, WA 98101-1688

ARTICLE VIII

DIRECTORS

A. The number of directors of this corporation shall be determined in the manner specified by the Bylaws and may be increased or decreased from time to time in the manner provided therein.

B. The term of the initial directors shall be until the first annual meeting of the shareholders or until their successors are elected and qualified, unless removed in accordance with the provisions of the Bylaws.

ARTICLE IX

SHAREHOLDER VOTING REQUIREMENTS FOR CERTAIN TRANSACTIONS

In order to obtain shareholder approval in connection with the following corporate actions, such actions must be approved by each voting group of shareholders entitled to vote thereon by a majority of all the votes entitled to be cast by that voting group: amendment of the Articles of Incorporation; a plan of merger or share exchange; the sale, lease, exchange, or other disposition of all, or substantially all, of the corporation's assets other than in the usual and regular course of business; or dissolution of the corporation.

ARTICLE X

INCORPORATOR

The name and address of the incorporator are as follows:

Name	Address
Jeff Belfiglio	1800 Bellevue Place 10500 N.E. 8th Street Bellevue, Washington 98004

ARTICLE XI

LIMITATION OF DIRECTORS' LIABILITY

A director shall have no liability to the corporation or its shareholders for monetary damages for conduct as a director, except for acts or omissions that involve intentional misconduct by the director, or a knowing violation of law by the director, or for conduct violating RCW 23B.08.310, or for any transaction from which the director will personally receive a benefit in money, property or services to which the director is not legally entitled. If the Washington Business Corporation Act is hereafter amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director shall be eliminated or limited to the full extent permitted by the Washington Business Corporation Act, as so amended. Any repeal or modification of this Article shall not adversely affect any right or protection of a director of the corporation existing at the time of such repeal or modification for or with respect to an act or omission of such director occurring prior to such repeal or modification.

ARTICLE XII

INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 1. Right to Indemnification. Each person who was, or is threatened to be made a party to or is otherwise involved (including, without limitation, as a witness) in any actual or threatened action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he or she is or was a director or officer of the corporation or, while a director or officer, he or she is or was serving at the request of the corporation as a director, trustee, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is alleged action in an official capacity as a director, trustee, officer, employee or agent or in any other capacity while serving as a director, trustee, officer, employee or agent, shall be indemnified and held harmless by the corporation, to the full extent permitted by applicable law as then in effect, against all expense, liability and loss (including attorney's fees, judgments, fines, ERISA excise taxes or penalties and amounts to be paid in settlement) actually and reasonably incurred or suffered by such person in connection therewith, and such indemnification shall continue as to a person who has ceased to be a director, trustee, officer, employee or agent and shall inure to the benefit of his or her heirs, executors and administrators; provided, however, that except as provided in Section 2 of this Article with respect to proceedings seeking to enforce rights to indemnification, the corporation shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the board of directors of the corporation. The right to indemnification conferred in this Section 1 shall be a contract right and shall include the right to be paid by the corporation the expenses incurred in defending any such proceeding in advance of its final disposition; provided, however, that the payment of such expenses in advance of the final disposition of a proceeding shall be made only upon delivery to the corporation of an undertaking, by or on behalf of such director or officer, to repay all amounts so advanced if it shall ultimately be determined that such director or officer is not entitled to be indemnified under this Section 1 or otherwise.

Section 2. Right of Claimant to Bring Suit. If a claim under Section 1 of this Article is not paid in full by the corporation within sixty (60) days after a written claim has been received by the corporation, except in the case of a claim for expenses incurred in defending a proceeding in advance of its final disposition, in which case the applicable period shall be twenty (20) days, the claimant may at any time thereafter bring suit against the corporation to recover the unpaid amount of the claim and, to the extent successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim. The claimant shall be presumed to be entitled to indemnification under this Article upon submission of a written claim (and, in an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition, where the required undertaking has been tendered to the corporation), and thereafter the corporation shall have the burden of proof to overcome the presumption that the claimant is not so entitled. Neither the failure of the corporation (including its board of directors, independent legal counsel or its shareholders) to have made a determination prior to the commencement of such

action that indemnification of or reimbursement or advancement of expenses to the claimant is proper in the circumstances nor an actual determination by the corporation (including its board of directors, independent legal counsel or its shareholders) that the claimant is not entitled to indemnification or to the reimbursement or advancement of expenses shall be a defense to the action or create a presumption that the claimant is not so entitled.

Section 3. Nonexclusivity of Rights. The right to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in this Article shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of the Articles of Incorporation, Bylaws, agreement, vote of shareholders or disinterested directors or otherwise.

Section 4. Insurance, Contracts and Funding. The corporation may maintain insurance, at its expense, to protect itself and any director, trustee, officer, employee or agent of the corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the corporation would have the power to indemnify such person against such expense, liability or loss under the Washington Business Corporation Act. The corporation may, without further shareholder action, enter into contracts with any director or officer of the corporation in furtherance of the provisions of this Article and may create a trust fund, grant a security interest or use other means (including, without limitation, a letter of credit) to ensure the payment of such amounts as may be necessary to effect indemnification as provided in this Article.

Section 5. Indemnification of Employees and Agents of the Corporation. The corporation may, by action of its board of directors from time to time, provide indemnification and pay expenses in advance of the final disposition of a proceeding to employees and agents of the corporation with the same scope and effect as the provisions of this Article with respect to the indemnification and advancement of expenses of directors and officers of the corporation or pursuant to rights granted pursuant to, or provided by, the Washington Business Corporation Act or otherwise.

ARTICLE XIII

EFFECTIVE DATE

These Articles of Incorporation shall be effective upon filing.

DATED this 25th day of February, 1999.

JEFF BELFIGLIO, Incorporator

CONSENT TO SERVE AS REGISTERED AGENT

DWTR&J Corp., a Washington corporation, hereby consents to serve as Registered Agent, in the State of Washington, for NEXTLINK LONG DISTANCE SERVICES, INC. DWTR&J Corp. understands that as agent for said corporation, it will be responsible to receive service of process in the name of said corporation; to forward all mail to said corporation; and to immediately notify the office of the Secretary of State in the event of its resignation, or of any changes in the registered office address of 2600 Century Square, 1501 Fourth Avenue, Seattle, WA 98101-1688.

DATED this 25th day of February, 1999.

DWTR&J CORP., a Washington corporation

SHARON LAWRENCE, Vice President

2600 Century Square
1501 Fourth Avenue
Seattle, Washington 98101-1688

BYLAWS

OF

NEXTLINK LONG DISTANCE SERVICES, INC.

These Bylaws are intended to conform to the mandatory requirements of the Washington Business Corporation Act, RCW Chapter 23, (the "Act"). Any ambiguity arising between these Bylaws and the discretionary provisions of the Act shall be resolved in favor of the application of the Act.

ARTICLE I

Shareholders

Section 1. - Place.

Shareholders meetings shall be held at the registered office of the Corporation unless a different place shall be designated by the Board of Directors.

Section 2. - Annual Meeting.

The annual meeting of the Shareholders shall be held on the third Tuesday of April of each year unless otherwise designated by the Board of Directors. The meeting shall be held for the purpose of electing Directors and for the transaction of such other business as may come before the meeting. If the day fixed for the annual meeting shall be a legal holiday, such meeting shall be held on the next succeeding business day. If the election of Directors shall not be held on the day designated herein, the Board of Directors shall cause the election to be held at a special meeting of the Shareholders on the next convenient day.

Section 3. - Special Meetings.

Special meetings of the Shareholders may be called by the President, the Board of Directors or the holders of not less than one-tenth of all the shares entitled to vote at the meeting.

Section 4. - Notice.

Written or printed notice stating the place, hour and day of the meeting and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than ten (10) days nor more than sixty (60) days before the date of the meeting, either personally or by mail, by or at the direction of the President, the Secretary, or the officer or persons calling the meeting to each Shareholder of record entitled to vote at such meeting. Such notice and the effective date thereof shall be determined as provided in the Act.

Section 5. - Quorum.

A majority of the shares issued, outstanding and entitled to vote upon the subject matter at the time of the meeting, represented in person or by proxy, shall constitute a quorum for the transaction of business at any meeting of the Shareholders.

Section 6. - Adjourned Meetings.

If there is no quorum present at any annual or special meeting the Shareholders present may adjourn to such time and place as may be decided upon by the holders of the majority of the shares present, in person or by proxy, and notice of such adjournment shall be given in accordance with Section 4 of this Article, but if a quorum is present, adjournment may be taken from day to day or to such time and place as may be decided and announced by a majority of the Shareholders present, and no notice of such adjournment need be given. At any such adjourned meeting at which a quorum is present, any business may be transacted which could have been transacted at the meeting originally called.

Section 7. - Voting.

Each Shareholder entitled to vote on the subject matter shall be entitled to one vote for each share of stock standing in the name of the Shareholder on the books of the Corporation at the time of the closing of the Transfer Books for said meeting, whether represented and present in person or by proxy. The affirmative vote of the holders of a majority of the shares of each class represented at the meeting and entitled to vote on the subject matter shall be the act of the Shareholders. The Shareholders present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough Shareholders to leave less than a quorum.

Section 8. - Proxies.

At all meetings of Shareholders, a Shareholder may vote in person or by proxy executed in writing by the Shareholder or by his duly authorized attorney in fact. No proxy shall be valid after eleven (11) months from the date of its execution, unless otherwise provided in the proxy and coupled with an interest as provided in the Act.

Section 9. - Closing of Transfer Books.

The Stock Transfer Books shall be closed for the meetings of the Shareholders and for the payment of dividends during such periods (not to exceed 50 days) as from time to time may be fixed by the Board of Directors. During such periods, no stock shall be transferred.

ARTICLE II

Directors

Section 1. - In General.

The business and affairs of the Corporation shall be managed by a Board of one to seven (1-7) Directors, whose exact number shall be fixed from time to time by resolution of the Board of Directors. The members of the first Board of Directors shall hold office until the first annual meeting of the Shareholders and until their successors shall have been elected and qualified. Thereafter, the term of the Directors shall begin upon each Director's election by the Shareholders as provided in Article I, Section 7 above, and shall continue until his successor shall have been elected and qualified.

Section 2. - Powers.

The corporate powers, business, property and interests of the Corporation shall be exercised, conducted and controlled by the Board of Directors, which shall have all power necessary to conduct, manage and control its affairs, and to make such rules and regulations as it may deem necessary as provided by the Act; to appoint and remove all officers, agents and employees; to prescribe their duties and fix their compensation; to call special meetings of Shareholders whenever it is deemed necessary by the Board, to incur indebtedness and to give securities, notes and mortgages for same. It shall be the duty of the Board to cause a complete record to be kept of all the minutes, acts, and proceedings of its meetings. The Board shall have the power to declare dividends out of the surplus profits of the Corporation when such profits shall, in the opinion of the Board, warrant the same.

Section 3. - Vacancies.

Vacancies in the Board of Directors shall be temporarily filled by the affirmative vote of a majority of the remaining Directors even though less than a quorum of the Board of Directors. Such temporary Director or Directors shall hold office until the first meeting of the Shareholders held thereafter, at which time such vacancy or vacancies shall be permanently filled by election according to the procedure specified in Section 1 of this Article II. During the existence of any vacancy or vacancies, the surviving or remaining Directors, though less than a quorum, shall possess and may exercise all of the powers vested in the Board of Directors.

Section 4. - Annual Meeting.

There shall be an annual meeting of the Board of Directors which shall be held immediately after the annual meeting of the Shareholders and at the same place.

Section 5. - Special Meeting.

Special meetings may be called from time to time by the President or any one of the Directors. Any business may be transacted at any special meeting.

Section 6. - Quorum.

A majority of the Directors shall constitute a quorum. The act of a majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board of Directors. If less than a quorum is present at a meeting, a majority of the Directors present may adjourn the meeting from time to time without further notice, other than announcement at the meeting, until a quorum shall be present. Interested Directors may be counted for quorum purposes.

Section 7. - Notice.

Notice of all Directors meetings shall be given in accordance with the Act. No notice need be given of any annual meeting of the Board of Directors. One day prior notice shall be given for all special meetings of the Board, but the purpose of special meetings need not be stated in the notice.

Section 8. - Compensation.

By resolution of the Board of Directors, each Director may either be reimbursed for his expenses, if any, for attending each meeting of the Board of Directors or may be paid a fixed fee for attending each meeting of the Board of Directors, or both. No such payment shall preclude any Director from serving the Corporation in any other capacity and receiving compensation therefor.

Section 9. - Removal or Resignation of Directors.

Any Director may resign by delivering written notice of the resignation to the Board of Directors or an officer of the Corporation. All or any number of the Directors may be removed, with or without cause, at a meeting expressly called for that purpose by a vote of the holders of the majority of the shares then entitled to vote at an election of Directors.

Section 10. - Presumption of Assent.

A Director of the Corporation who is present at a meeting of the Board of Directors at which action on any corporate matter is taken shall be presumed to have assented to the action taken, unless his dissent shall be entered in the minutes of the meeting. Such right to dissent shall not apply to a Director who voted in favor of such action.

ARTICLE III

Officers and Agents - General Provisions

Section 1. - Number, Election and Term.

Officers of the Corporation shall be a President and a Secretary. Officers shall be elected by the Board of Directors at its first meeting, and at each regular annual meeting of the Board of Directors thereafter. Each officer shall hold office until the next succeeding annual meeting of the

Directors and until his successor shall be elected and qualified. Any one person may hold more than one office if it is deemed advisable by the Board of Directors.

Section 2. - Additional Officers and Agents.

The Board of Directors may appoint and create such other officers and agents as may be deemed advisable and prescribe their duties.

Section 3. - Resignation or Removal.

Any officer or agent of the Corporation may resign from such position by delivering written notice of the resignation to the Board of Directors, but such resignation shall be without prejudice to the contract rights, if any, of the Corporation. Any officer or agent elected or appointed by the Board of Directors may be removed by the Board of Directors whenever in its judgment the best interests of the Corporation would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Election or appointment of an officer or agent shall not of itself create contract rights.

Section 4. - Vacancies.

Vacancies in any office caused by any reason shall be filled by the Board of Directors at any meeting by selecting a suitable and qualified person to act during the unexpired term.

Section 5. - Salaries.

The salaries of all the officers, agents and other employees of the Corporation shall be fixed by the Board of Directors and may be changed from time to time by the Board, and no officer shall be prevented from receiving such salary by reason of the fact that he is also a Director of the Corporation. All Directors, including interested Directors, are specifically authorized to participate in the voting of such compensation irrespective of their interest.

ARTICLE IV

Duties of the Officers

Section 1. - Chairman of the Board.

The Chairman of the Board, if any, shall be a member of the Board of Directors and shall preside at all meetings of the Shareholders and Directors; perform all duties required by the Bylaws of the Corporation, and as may be assigned from time to time by the Board of Directors; and shall make such reports to the Board of Directors and Shareholders as may be required.

Section 2. - President/Chief Executive Officer.

The President/Chief Executive Officer shall have general charge and control of the affairs of the Corporation subject to the direction of the Board of Directors; sign as President all Certificates

of Stock of the Corporation; perform all duties required by the Bylaws of the Corporation, and as may be assigned from time to time by the Board of Directors; and shall make such reports to the Board of Directors and Shareholders as may be required. In addition, if no Chairman of the Board is elected by the Board, the President/Chief Executive Officer shall perform all the duties required of such officer by these Bylaws.

Section 3. - Vice President.

The Vice President, if any, shall perform such duties as shall be assigned by the Board of Directors, and in the case of absence, disability or death of the President, the Vice President shall perform and be vested with all the duties and powers of the President, until the President shall have resumed such duties or the President's successor is elected. In the event there is more than one Vice President, the Board of Directors may designate one or more of the Vice Presidents as Executive Vice Presidents, who, in the event of the absence, disability or death of the President shall perform such duties as shall be assigned by the Board of Directors.

Section 4. - Secretary.

The Secretary shall keep a record of the proceedings at the meetings of the Shareholders and the Board of Directors and shall give notice as required in these Bylaws of all such meetings; have custody of all the books, records and papers of the Corporation, except such as shall be in charge of the Treasurer or some other person authorized to have custody or possession thereof by the Board of Directors; sign all Certificates of Stock of the Corporation; from time to time make such reports to the officers, Board of Directors and Shareholders as may be required and shall perform such other duties as the Board of Directors may from time to time delegate. In addition, if no Treasurer is elected by the Board, the Secretary shall perform all the duties required of the office of Treasurer by the Act and these Bylaws.

Section 5. - Treasurer.

The Treasurer shall keep accounts of all monies of the Corporation received or disbursed; from time to time make such reports to the officers, Board of Directors and Shareholders as may be required, perform such other duties as the Board of Directors may from time to time delegate.

Section 6. - Assistant Secretary.

The Assistant Secretary, if any, shall assist the Secretary in all duties of the office of Secretary. In the case of absence, disability or death of the Secretary, the Assistant Secretary shall perform and be vested with all the duties and powers of the Secretary, until the Secretary shall have resumed such duties or the Secretary's successor is elected.

ARTICLE V

Stock

Section 1. - Certificates.

The shares of stock of the Corporation shall be represented by Stock Certificates in a form adopted by the Board of Directors and every person who shall become a Shareholder shall be entitled to a Certificate of Stock. All Certificates shall be consecutively numbered by class.

Section 2. - Transfer of Certificates.

All Certificates of stock transferred by endorsement shall be surrendered, cancelled and new certificates issued to the purchaser or assignee.

Section 3. - Transfer of Shares.

Shares of stock shall be transferred only on the books of the Corporation by the holder thereof, in person or by his attorney, and no transfers of Certificates of Stock shall be binding upon the Corporation until this Section and Section 2 of this Article are met to the satisfaction of the Secretary of the Corporation.

Section 4. - Lost Certificates.

In the case of loss, mutilation or destruction of a Certificate of Stock, a duplicate Certificate may be issued upon such terms as the Board of Directors shall prescribe.

Section 5. - Dividends.

The Board of Directors may from time to time declare, and the Corporation may then pay, dividends on its outstanding shares in the manner and upon the terms and conditions provided by the Act and in its Articles of Incorporation.

Section 6. - Working Capital.

Before the payment of any dividends or the making of any distributions of the net profits, the Board of Directors may set aside out of the net profits of the Corporation such sum or sums as in their discretion they think proper, as a working capital or as a reserve fund to meet contingencies. The Board of Directors may increase, diminish or vary the capital of such reserve fund in their discretion.

Section 7. - Restrictions on Transfer.

No shares of stock of the Corporation or Certificates representing such shares shall be transferred in violation of any law or of any restriction on such transfer (1) set forth in the Articles of Incorporation or amendments thereto, or the Bylaws; or (2) contained in any Buy-Sell

Agreement, right of first refusal, or other Agreement restricting such transfer which Agreement has been filed with the Corporation, and, if Certificates have been issued, reference to which restriction is made on the Certificates representing such shares. The Corporation shall not be bound by any restriction not so filed and noted. The Corporation may rely in good faith upon the opinion of its counsel as to such legal or contractual violation unless the issue has been finally determined by a court of competent jurisdiction. The Corporation and any party to any such agreement shall have the right to have a restrictive legend imprinted upon any such Certificates and any Certificate issued in replacement or exchange thereof or with respect thereto.

ARTICLE VI

Seal

There shall be no corporate seal.

ARTICLE VII

Waiver of Notice

Whenever any notice is required to be given to any Shareholder or Director of the Corporation, a waiver signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be equivalent to the giving of such notice.

ARTICLE VIII

Action by Shareholders or Directors

Without a Meeting

Any action required to be taken at a meeting of the Shareholders or Directors of the Corporation, or any other action which may be taken at a meeting of the Shareholders or Directors, may be taken without a meeting if a consent in writing setting forth the actions so taken shall be signed by all the Shareholders or Directors entitled to vote with respect to the subject matter thereof. Such consent shall have the same effect and force as a unanimous vote of said Shareholders or Directors.

ARTICLE IX

Borrowing

Notwithstanding any other provision in these Bylaws, no officer of the Corporation shall have authority to obligate the Corporation to borrow any funds or to hypothecate any assets thereof, for corporate purposes or otherwise, except as expressly stated in a resolution approved by a majority of Directors. Such resolution may be general or specific.

ARTICLE X

Amendments

Any and all of these Bylaws may be altered, amended, repealed or suspended by the affirmative vote of a majority of the Directors at any meeting of the Directors. New Bylaws may be adopted in like manner.

IDENTIFICATION

I hereby certify that I was the Secretary of the first Directors' meeting of NEXTLINK LONG DISTANCE SERVICES, INC. and that the foregoing Bylaws in 9 typewritten pages numbered consecutively from 1 to 9, were and are the Bylaws adopted by the Directors of the Corporation at that meeting.

DATED: February 26, 1999.

R. Bruce Easter, Jr., Secretary

STATE of WASHINGTON

SECRETARY of STATE

I, RALPH MUNRO, Secretary of State of the State of Washington and custodian of its seal, hereby issue this

CERTIFICATE OF INCORPORATION

to

NEXTLINK LONG DISTANCE SERVICES, INC.

a Washington Profit Corporation. Articles of Incorporation were filed for record in this office on the date indicated below.

UBI Number: 601 935 809

Date: February 26, 1999

Given under my hand and the Seal of the State of Washington at Olympia, the State Capital

Ralph Munro, Secretary of State

Secretary of State
Division of Business Services
312 Eighth Avenue North
6th Floor, William R. Snodgrass Tower
Nashville, Tennessee 37243

DATE: 10/18/00
REQUEST NUMBER: 4029-0314
TELEPHONE CONTACT: (615) 741-2286
FILE DATE/TIME: 10/18/00 0942
EFFECTIVE DATE/TIME: 10/18/00 1630
CONTROL NUMBER: 0372519

TO:
CSC USC
1013 CENTRE ROAD

WILMINGTON, DE 19805

RE:
XO LONG DISTANCE SERVICES, INC.
APPLICATION FOR AMENDED CERTIFICATE OF AUTHORITY - FOR PROFIT

THIS WILL ACKNOWLEDGE THE FILING OF THE ATTACHED DOCUMENT WITH AN EFFECTIVE DATE AS INDICATED ABOVE.

WHEN CORRESPONDING WITH THIS OFFICE OR SUBMITTING DOCUMENTS FOR FILING, PLEASE REFER TO THE CORPORATION CONTROL NUMBER GIVEN ABOVE.

FOR: APPLICATION FOR AMENDED CERTIFICATE OF AUTHORITY - FOR PROFIT

ON DATE: 10/18/00

FROM:
CSC/USC (1013 CENTRE RD)
1013 CENTRE ROAD

WILMINGTON, DE 19805-0000

	FEES	
RECEIVED:	$20.00	$0.00

TOTAL PAYMENT RECEIVED: $20.00

RECEIPT NUMBER: 00002754434
ACCOUNT NUMBER: 00250881

Riley C. Darnell

RILEY C. DARNELL
SECRETARY OF STATE

4123 0314

State of Tennessee

Department of State
Corporations Section
18th Floor, James K. Polk Building
Nashville, TN 37243-0306

APPLICATION FOR AMENDED CERTIFICATE OF AUTHORITY (FOR PROFIT)

NEXTLINK Long Distance Services, Inc.

For Office Use Only

FILED

To the Secretary of State of the State of Tennessee:

Pursuant to the provisions of Section 48-25-104 of the Tennessee Business Corporation Act, the undersigned corporation hereby applies for an amended certificate of authority to transact business in the State of Tennessee, and for that purpose sets forth:

1. The name of the corporation is XO Long Distance Services, Inc.

If different, the name under which the certificate of authority is to be obtained is _____

2. The state or country under whose law it is incorporated is Washington.

3. The date of its incorporation is February 26, 1999 (must be month, day, and year), and the period of duration, if other than perpetual, is _____.

4. The complete street address (including zip code) of its principal office is

11111 Sunset Hills Road, 4th Floor, Reston, VA 20190

Street | City | State/Country | Zip Code

5. The complete street address (including the county and the zip code) of its registered office in Tennessee is

2908 Poston Avenue, Nashville, TN 37203

Street | City/State | County | Zip Code

The name of its registered agent at that office is Corporation Service Company.

6. The names and complete business addresses (including zip code) of its current officers are: (Attach separate sheet if necessary.)

see attached rider

7. The names and complete business addresses (including zip code) of its current board of directors are: (Attach separate sheet if necessary.)

see attached rider

8. The corporation is a corporation for profit.

9. If the document is not to be effective upon filing by the Secretary of State, the delayed effective date/time is

_____, _____ (date), _____ (time).

[**NOTE:** A delayed effective date shall not be later than the 90th day after the date this document is filed by the Secretary of State.]

[**NOTE:** This application must be accompanied by a certificate of existence (or a document of similar import) duly authenticated by the Secretary of State or other official having custody of corporate records in the state or country under whose law it is incorporated. The certificate shall not bear a date of more than two (2) months prior to the date the application is successfully filed in Tennessee.]

officer/director rider

4029 0315

XO LONG DISTANCE SERVICES, INC.

SLATE OF DIRECTORS

Nathaniel A. Davis
Gary D. Begeman
Mark S. Gunning

SLATE OF OFFICERS

Nathaniel A. Davis	Chief Executive Officer & President
Gary D. Begeman	Senior Vice President, General Counsel & Secretary
Mark S. Gunning	Senior Vice President, Chief Financial Officer
R. Gerard Salemme	Senior Vice President, Regulatory and Legislative Affairs
Wayne Rehberger	Senior Vice President, Finance
Doug Kinkoph	Vice President, Regional Regulatory Officer
Noelle N. Beams	Vice President, Treasurer
Reese K. Feuerman	Vice President, Controller
Steve Ednie	Chief Tax Officer, Assistant Treasurer
Jeff Joyce	Assistant Treasurer
Richard A. Montfort	Assistant Secretary
Jay Hull	Assistant Secretary

The business address for all officers and directors is:

11111 Sunset Hills Road, 4th Floor
Reston, VA 20190

STATE of WASHINGTON

SECRETARY of STATE

I, RALPH MUNRO, Secretary of State of the State of Washington and custodian of its seal,

hereby issue this

CERTIFICATE OF EXISTENCE/AUTHORIZATION

OF

XO LONG DISTANCE SERVICES, INC.

I FURTHER CERTIFY that the records on file in this office show that the above named profit corporation was formed under the laws of the State of Washington and was issued a Certificate of Incorporation in Washington on February 26, 1999.

I FURTHER CERTIFY that as of the date of this certificate, no Articles of Dissolution have been filed, and that the corporation is duly authorized to transact business in the corporate form in the State of Washington.

Date: October 9, 2000

Given under my hand and the Seal of the State of Washington at Olympia, the State Capital

sm

Ralph Munro, Secretary of State

200-002

Exhibit C

Officers

NATE DAVIS

Nate Davis is President and Chief Executive Officer of XO Long Distance Services, Inc., where he is responsible for the operating performance of the company. Prior to his current role, he served as executive vice president technical services for Nextel Communications, Inc. where he was responsible for the construction, operations and engineering of Nextel's national, digital network as well as for corporate information technology and systems development.

Prior to Nextel, Davis served as chief financial officer for MCI Telecommunications in Washington D.C. He also served as chief operating officer, MCI Metro and senior vice president, network operations for MCI in Vienna, VA. Additionally, Davis served in several other capacities for MCI including senior vice president access services, senior vice president finance, and vice president system engineering. Previously, he held various management positions for AT&T.

GARY BEGEMAN

Gary Begeman is Senior Vice President, General Counsel and Secretary of XO Long Distance Services, Inc. where he is responsible for all of the company's legal strategy and activities. Prior to joining XO, Begeman served as Vice President and Deputy General Counsel of Nextel Communications, Inc. since 1997 where he was involved in numerous bank, high-yield and equity financing transactions in which Nextel raised over $10 billion in funding to build its national wireless network.

Prior to joining Nextel, Begeman was a partner in the law firm of Jones Day, Reavis & Pogue where he specialized in corporate finance and securities law.

R. Gerard Salemme

Mr. Salemme is XO Long Distance Services, Inc. Senior Vice President, Regulatory and Legislative Affairs and has been Vice President, External Affairs and Industry Relations for XO Communications, Inc. since July 1997. Prior to joining XO Communications, Mr. Salemme was Vice President - Government Affairs at AT&T Corp. from December 1994. Prior to joining AT&T Corp., Mr. Salemme was Senior Vice President - External Affairs at McCaw Cellular from 1991 to December 1994. Mr. Salemme received a Bachelor of Arts and Masters in Economics from Boston College.

Wayne Rehberger

Mr. Rehberger is Senior Vice President, Chief Financial Officer of XO Long Distance Services, Inc. He brings over 20 years of diversified telecommunications management experience including having served as Senior Vice President of Finance at MCI WorldCom. At MCI he managed network costs, local interconnection and global procurement organizations. He also held other senior level finance positions at MCI in which he had responsibility for financial planning, business analysis, accounting functions and real estate management. Prior to joining MCI, he served as a private and public sector consultant at the accounting firm of KPMG where he specialized in strategic planning and project management.

Douglas W. Kinkoph
Mr. Kinkoph is Vice President, regional Regulatory Affairs for XOLong Distance Services, Inc. Mr. Kinkoph's responsibilities include managing XO Long Distance Services, Inc.'s certification process statewide, integrating XO's regulatory strategies with Federal and State Telecommunications policies and representing XO before the Public Utilities Commissions throughout the widwest.
Before joining XO, Mr. Kinkoph was Vice President of Regulatory and Legislative Affairs with LCI International. His main focus was on the development and integration of regulatory strategies for federal and state telecommunications legislation and public policies. Mr. Kinkoph's telecommunications career began with the Ohio Public Utilities Commission in 1985.

Steve Ednie
Mr. Ednie is Assistant Treasurer and Chief Tax Officer of XO Long Distance Services, Inc. and the Director of Taxation and Chief Tax Officer of XO Communications, Inc. Mr. Ednie has been with XO since June 1997. Prior to joining XO, he was the Tax Manager for MIDCOM Communications Inc. Mr. Ednie spent 5 years in the tax department of Coopers & Lybrand LLP where he focused on corporate tax matters.

Jay Hull
Mr. Hull is Assistant Secretary of XO Long Distance Services, Inc. and has been Assistant General Counsel and Assistant Secretary of XO Communications, Inc. since August 1998. Prior to joining XO Mr. Hull was partner in the law firm Davis Wright Tremaine in Portland, Oregon, where his practice focused on finance, corporate mergers and acquisitions and transactions in the telecommunications industry. While at DWT, Mr. Hull served as one of XO's primary outside counsel from 1994 till 1998.

Richard A. Montfort, Jr.
Mr. Montfort is Assistant Secretary of XO Long Distance Services, Inc. and has been Assistant Secretary of XO Communications since July 1998 and Securities Counsel since March 1998. Prior to joining XO, Mr. Montfort was associated with the law firm Preston Gates & Ellis LLP in Seattle, Washington, where his practice focused on securities, corporate finance, and mergers and acquisitions.

Noelle N. Beams
Vice President, Treasurer

Reese K. Feuerman
Vice President, Controller

Jeff Joyce
Assistant Treasurer

Exhibit D

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, 1999

Commission File No. 000-22939

NEXTLINK COMMUNICATIONS, INC.
NEXTLINK CAPITAL, INC.

A Delaware Corporation	**I.R.S. Employer No. 91-1738221**
A Washington Corporation	**I.R.S. Employer No. 91-1716062**

1505 Farm Credit Drive, McLean, Virginia 22102
Telephone Number (703) 547-2000

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

Securities registered pursuant to Section 12(g) of the Act:
Class A Common Stock, Par Value $0.02

Indicate by check mark whether the Registrants (1) have 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 Registrants were required to file such reports), and (2) have 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 Registration S-K is not contained herein, and will not be contained, to the best of Registrants' knowledge, in 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 Class A and Class B Common Stock held by non-affiliates of the Registrants, based upon the closing sale price of the Common Stock on March 15, 2000, as reported on the NASDAQ National Market System, was approximately $8,347,496,373. Shares of Class A and Class B Common Stock held by each executive officer and director and by certain persons who own 5% or more of the outstanding Class A and Class B Common Stock have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of March 15, 2000, the number of outstanding shares of NEXTLINK Communications, Inc.'s Class A Common Stock was 80,621,499 and Class B Common Stock was 54,880,765. NEXTLINK Capital, Inc. had outstanding 1,000 shares of Common Stock, par value $0.01 per share.

NEXTLINK Capital, Inc. ("NEXTLINK Capital" and together with NEXTLINK Communications, Inc., the "Registrants") meets the conditions set forth in General Instruction I (1)(a) and (b) of Form 10-K and is therefore filing this form with the reduced disclosure format.

DOCUMENTS INCORPORATED BY REFERENCE

List hereunder the following documents if incorporated by reference and the Part of the Form 10-K (e.g., Part I, Part II, etc.) into which the document is incorporated: (1) Any annual report to security holders; (2) Any proxy or information statement; and (3) Any prospectus filed pursuant to Rule 424(b) or (c) under the Securities Act of 1933. The listed documents should be clearly described for identification purposes (e.g., annual report to security holders for fiscal year ended December 24, 1980).

Portions of the Company's Definitive Proxy Statement for the 2000 Annual Meeting of Stockholders are incorporated by reference into Part III of this Form 10-K.

TABLE OF CONTENTS

NEXTLINK Communications, Inc.

PART I

Item 1. *Business*

Introduction

NEXTLINK Communications, Inc., NEXTLINK or the Company, is a Delaware corporation, which, through its predecessor entities, was formed on September 16, 1994. The Company was originally organized as NEXTLINK Communications, L.L.C., a Washington limited liability company. On January 31, 1997, NEXTLINK Communications, L.L.C. merged into NEXTLINK Communications, Inc., a Washington corporation, which on June 4, 1998 reincorporated in Delaware under the same name.

NEXTLINK's principal executive and administrative offices currently are located at 1505 Farm Credit Drive, McLean, Virginia 22102, and its telephone number is (703) 547-2000.

Overview

Since 1996, NEXTLINK has provided high-quality telecommunications services to the rapidly growing business market. We believe that increasing usage of both telephone service and newer data and information services will continue to increase demand for telecommunications capacity, or bandwidth, and for new telecommunications services and applications.

To serve our customers' broad and expanding telecommunications needs, we have assembled a unique collection of high-bandwidth, local and national network assets. We intend to integrate these assets with advanced communications technologies and services in order to become one of the nation's leading providers of a comprehensive array of communications services.

To accomplish this:

- we have built 31 high-bandwidth, or broadband, local networks in 19 states, generally located in the central business districts of the cities we serve, and we are continuing to build additional networks;
- we have become the nation's largest holder of broadband fixed wireless spectrum, with Federal Communications Commission, or FCC, licenses covering 95% of the population of the 30 largest U.S. cities, which we will use to extend the reach of our networks to additional customers; and
- we have acquired, through a joint venture known as INTERNEXT, rights to use unlit fiber optic strands, known as dark fiber, and an empty conduit in a national broadband network now being built to traverse over 16,000 miles and to connect more than 50 cities in the United States and Canada, including most of the major metropolitan markets that our current and planned local networks serve. By acquiring "dark" fiber rather than leasing "lit" fiber capacity, we have retained control over decisions on where and how to deploy existing or new generations of optical transmission equipment to enhance our network's capacity and performance.

We currently offer our customers a variety of voice services and high-speed Internet access. As our networks become increasingly optimized for data transmission and through our pending acquisition of Concentric Network Corporation, we plan to expand our Internet access business and offer additional data services, such as Internet web hosting, support for e-commerce, virtual private network services and other customized data communications services. By web hosting, we mean support for customers' web sites at our central offices, running either on their computers or on ours.

In addition, through our NEXTLINK Interactive subsidiary, we currently provide a number of voice response, speech recognition and e-commerce services. We plan to build on our existing expertise in customized information and automated order fulfillment to serve clients with e-commerce businesses, that is, businesses conducting high volume retail transactions over the Internet.

We are now operating 31 broadband local networks in 49 cities. We are currently building additional networks, and plan to have operational networks in most of the 30 largest U.S. cities by the end of 2000. We have been successful in attracting customers in the markets that we serve. We provided nearly 428,000 business telephone lines to our customers as of December 31, 1999, of which more than 78,000 were installed in the fourth quarter of 1999.

Our local and national networks employ fiber optic technology, which uses light waves to transmit signals over cables consisting of many glass fiber strands. Fiber optic strands have enough capacity to carry tens of thousands times more traffic than traditionally-configured copper wire. Rings of our fiber optic cables typically encircle a city's central business district and connect to our central offices. These central offices contain the switches and routers that direct calls and data traffic to their destinations, and have space to house the additional equipment necessary for future telecommunications services. Wherever we can, we build and own these local networks ourselves. We believe that owning our own network assets will enable us to deliver higher quality and new services at a lower cost, which we expect will increase our operating margins.

Our goal is to provide our customers with complete voice and data network solutions for all of their communications needs, using our own fiber, switches and other facilities to the greatest extent possible. Today, however, we frequently lease the existing copper telephone wires from the dominant local telephone company to make the physical connection for the short distance between our customers and our fiber optic networks. Congress and our industry refer to this dominant local carrier as the incumbent local exchange carrier, or the incumbent carrier.

To reduce our reliance on connections leased from the incumbent carrier, we intend to increase the number of customers connected directly to our networks. In some cases, we will construct a new fiber optic extension from our network to the customer's premises. In other cases, using our fixed wireless spectrum, we will deploy a high-bandwidth wireless connection between an antenna on the roof of the customer's premises and an antenna attached to our fiber rings. These wireless connections offer high-quality broadband capacity and, in many cases, cost less than fiber to install. We expect to deploy wireless direct connections to our networks in 25 markets by the end of 2000.

We are also deploying a technology called Digital Subscriber Line, or DSL, to meet the high bandwidth needs of those customers whose connection to our network remains over copper wire. DSL technology increases the effective capacity of existing copper telephone wires. We are installing our own DSL equipment to provide these services ourselves, and we also resell another provider's DSL services.

Our networks support a variety of communications technologies. This permits us to offer customers a set of technology options to meet their changing needs, and introduce new technologies as they become available. For example, we have begun to install Internet Protocol, or IP, routers, which will enable us to carry Internet traffic more efficiently and to provide more data services. We also have been installing Asynchronous Transfer Mode, or ATM, routers and switches in our local networks, which will enable us to meet the demands of large, high-volume customers.

We anticipate that future IP technologies will enable the high-bandwidth, end-to-end national network we are building to carry data, voice and video. Such a network should also enable us to offer our customers entirely new classes of IP services. To serve our customers' present needs and to take advantage of the future opportunities that technological advances may bring, we intend to remain flexible in our technology choices.

Business Strategy

Our goal is to provide integrated, end-to-end solutions for all of our customers' communications needs over our own network. We plan to deliver these solutions primarily through equipment and networks we own or control and, therefore, continue to be a facilities-based carrier. The key components of our strategy to achieve this goal are to:

- **Build Broadband Local Networks.** We build high-bandwidth local networks using fiber optic cable bundles, which are capable of carrying high volumes of data, voice, video and Internet traffic as well as other high-bandwidth services. In our newer markets, we install as many as 400 fiber strands in each

network, with built-in capacity for future growth. We plan to have completed broadband local networks in most of the nation's 30 largest cities by the end of 2000.

- **Increase Direct Customer Connections.** We generally build our networks in the central business districts of our markets to permit direct connections to a high percentage of the area's commercial buildings at a lower capital cost. For buildings where direct fiber connections to our networks are not economic, we will use our fixed wireless spectrum to make broadband direct connections where appropriate.
- **Create an Integrated, End-To-End, Facilities-Based National Network.** We will use our interest in a 16,000 mile, national fiber optic network to offer end-to-end communications services over our own facilities, rather than lines leased from others. By owning these high-speed facilities rather than leasing "lit" fiber capacity, we will be able to upgrade our system as new generations of optical transmission equipment become available. This will allow us to maximize the capacity and enhance the performance of our network as needed to meet our customers' current and future broadband data and other communication needs, rather than relying on the owner of leased lines to make those upgrades.
- **Deploy New Technology Optimized for IP.** We are installing high-capacity IP routers and switches, wavelength division multiplexing technology, and the latest fiber optic technology in our network to further increase its capacity to meet our customers' growing data needs. We believe that future IP technologies will enable our network to carry all types of communications traffic, including data, voice and video services.
- **Introduce New Internet Services.** In addition to our current offering of high-speed Internet access, we plan to offer customers secure, robust web hosting services at our central offices, and provide extensive back-office support for their e-commerce operations. We expect to substantially accelerate the deployment of data services as a result of our pending acquisition of Concentric.
- **Build on Our Customer Base, Staff and Systems to Succeed in the Data Services Market.** We will combine the strategies and skills we have developed competing successfully in the local exchange market with the proven skills of Concentric to compete in the expanding data services market. These include a focus on the business customer, close attention to customer care, and effective, reliable back-office systems.
- **Expand Our Targeted Customer Base.** Historically, our targeted customer base has consisted primarily of small and medium-sized businesses. As our capabilities expand through the completion of INTERNEXT's national fiber optic network, the addition of data service capabilities, including enhancements of those capabilities resulting from the Concentric acquisition, and the addition of ATM and IP technology to our networks, we plan to expand our targeted customers to include larger national customers that can benefit from our unique "end-to-end" broadband capabilities.
- **Attract Experienced Management at All Key Levels.** We have attracted a highly qualified senior management team at our headquarters and throughout our field operations. Experienced telecommunications and technology industry executives will lead the implementation of our integrated telecommunications strategy. We expect to benefit from the skills and experience of the seasoned executive, technical and marketing personnel who will be joining us when the Concentric acquisition is completed.

1999 Transactions and Developments

Local Fiber Optic Network Development. We launched service in 10 major metropolitan markets in 1999, each of which includes one or more fiber optic rings each consisting of up to 432 fiber optic strands. These market launches included San Diego, Seattle and Washington, D.C. during the first half of 1999, Newark, Detroit and Houston during the third quarter of 1999, and Phoenix, Boston, St. Louis and Sacramento in the fourth quarter of 1999. In September 1999, we also connected two additional markets to our South Bay fiber ring in the San Francisco area by launching service in Mountain View and Santa Clara, California.

Acquisition of Fixed Wireless Spectrum. In 1999, we acquired licenses for broadband fixed wireless spectrum for local multi-point distribution services, or LMDS, in order to expand on our ability to directly connect customers to our network. We are now the largest owner of LMDS spectrum in the United States holding 82 licenses covering approximately 95 percent of the top 30 United States markets, and have entered into agreements to acquire additional licenses. These pending and completed transactions include the following:

- ***WNP Communications.*** In April 1999, we acquired WNP Communications, Inc., which owned licenses for 1,150 MHz of LMDS spectrum, or A block LMDS licenses, in 39 cities and one license for 150 MHz of LMDS spectrum, or B block LMDS license, in one city. The purchase price was $698.2 million, of which $157.7 million was paid in cash to the FCC for license fees, including interest. The remainder was paid to stockholders of WNP, and consisted of $190.1 million in cash and 11,431,662 shares of NEXTLINK Class A common stock.

- ***NEXTBAND.*** In June 1999, we acquired from Nextel Communications Inc. its 50% interest in NEXTBAND, a joint venture formed in January 1998 by us and Nextel. As a result, we now own all of NEXTBAND, which holds A and B block LMDS licenses in 42 markets throughout the United States. The purchase price for Nextel's interest was $137.7 million in cash, and was determined based on a formula derived from the purchase price paid in the WNP acquisition.

- ***SPEEDUS.com.*** In July 1999, we purchased a license for 150 MHz of LMDS spectrum held by SPEEDUS.com, Inc. in the five boroughs that comprise New York City and 2,000,000 shares of SPEEDUS.com common stock for a total of $40.0 million. SPEEDUS.com is a facilities based high-speed Internet service provider.

- ***HighSpeed.*** In November 1999, we announced a strategic partnership with HighSpeed.Com, L.L.C. in which we will acquire a 15% equity interest in HighSpeed and a license for 300 MHz of LMDS spectrum in Denver, Colorado. In addition to the Denver LMDS license, HighSpeed holds LMDS licenses covering areas where approximately 12 million people live or work in seven western states. We have agreed to pay $18.7 million to HighSpeed.Com in exchange for the 15% interest and the LMDS spectrum. We expect this transaction to close in the second quarter of 2000.

Field Testing of Fixed Wireless Technology. In September 1999, we began field testing LMDS technology with several customers in the Los Angeles and Dallas areas. For the year prior to that, we had been testing broadband wireless equipment in our Plano, Texas research lab. Field testing gives us the opportunity to test wireless point-to-multipoint and point-to-point equipment from several vendors in several operating environments. In our field tests, we used a point-to-multi-point wireless hub site to connect customers directly to our Los Angeles-area and Dallas fiber networks. Although point-to-point equipment has performed to our standards, we believe that improvements in the price, features, and functionality of the point-to-multi-point equipment must be made before we undertake a broader commercial launch of services using this technology. Our vendors have advised us that these improvements will be incorporated in their second generation equipment, which is expected to be available later this year.

In January 2000, we completed our field tests and made commercial broadband wireless services available using the point-to-point equipment to a limited group of customers in Los Angeles and Dallas. We have announced commencement of lab testing of the second generation point-to-multi-point equipment that we plan to deploy throughout our networks this year. We plan to deploy service using fixed wireless technology in 25 markets by the end of 2000 as an alternative to fiber to connect customers directly to our fiber optic networks.

Construction of National Network. In December 1999, the first segment of the intercity national fiber optic network being constructed for INTERNEXT was completed. This segment consisted of most of the network connecting Dallas, Houston, Austin and San Antonio, Texas, the remainder of which is now substantially complete. We expect the construction of the remainder of the fiber backbone in the network to be substantially completed in segments during 2000 and 2001. In January 2000, we entered into an agreement

with Eagle River Investments, LLC to acquire the 50% interest in INTERNEXT that we do not currently own, which we expect to close in the second quarter of 2000.

Equity and Debt Financings. In 1999, we completed public offerings of our Class A common stock, 10¾% Senior Notes due 2009 and 12¼% Senior Discount Notes due 2009, and private offerings of 10½% Senior Notes due 2009 and 12⅛% Senior Discount Notes due 2009, with aggregate net proceeds of approximately $1,940.7 million dollars.

- ***Common Stock Offering.*** On June 1, 1999, we completed the sale of 15,200,000 shares of Class A common stock at $38.00 per share. Of the total shares sold, NEXTLINK offered 8,464,100 shares and certain stockholders who previously owned interests in WNP offered 6,735,900 shares. Gross proceeds from the shares offered by NEXTLINK totaled $321.6 million, which yielded proceeds net of underwriting discounts, advisory fees and estimated expenses of approximately $310.5 million.

- ***Offering of 10¾% Senior Notes due 2009 and 12¼% Senior Discount Notes due 2009.*** Concurrent with our June 1, 1999 common stock offering, we completed the sale of $675.0 million of 10¾% Senior Notes due 2009 and $588.9 million in principal amount at maturity of 12¼% Senior Discount Notes due 2009. From these sales, we received net proceeds of approximately $979.5 million.

- ***Private Offerings of 10½% Senior Notes due 2009 and 12⅛% Senior Discount Notes due 2009.*** On November 17, 1999, we completed the sale of $400.0 million of 10½% Senior Notes due 2009 and $455.0 million in principal amount at maturity of 12⅛% Senior Discount Notes due 2009. From these sales, we received net proceeds of approximately $639.6 million.

  In accordance with the terms under which the notes were issued, we are in the process of registering an exchange offer with the Securities and Exchange Commission, in which we will offer holders of these notes the opportunity to exchange the unregistered notes originally issued for registered notes with identical terms and conditions.

Investment by Forstmann Little & Co. In December 1999, several Forstmann Little & Co. investment funds agreed to invest $850.0 million in NEXTLINK in exchange for newly-created convertible preferred stock of NEXTLINK, to be used to expand our networks and services, introduce new technologies and fund our business plan. The investment closed in January 2000. Pursuant to the terms of the preferred stock, Nicholas C. Forstmann and Sandra J. Horbach, both general partners at Forstmann Little, joined NEXTLINK's Board of Directors in January 2000.

Acquisition of Canadian Fixed Wireless Spectrum. In December 1999, our NEXTLINK International subsidiary joined a venture, Wispra Networks, Inc., with TD Capital Group, a leading Canadian private equity investor in the communications and media industry, and Wispra Inc., a previous participant in Canada's broadband wireless marketplace. In December, Wispra Networks was named the provisional winner of six fixed broadband wireless 24 GHz spectrum licenses, following an auction of the licenses by Industry Canada, covering areas in which approximately 14.3 million people live or work, including Toronto, Montreal, Vancouver, Ottawa, Edmonton, Calgary and surrounding areas. Wispra Networks has paid a total of approximately Cdn. $74 million for 400 MHz of spectrum in the six market areas. Wispra Networks anticipates that Industry Canada will officially issue the licenses for the spectrum in 2000. Wispra was founded to provide broadband telecommunications services in Canada using emerging wireless telecommunications technologies.

Post Year-End Transactions and Developments

Agreement to Acquire Concentric Network Corporation. In January 2000, we agreed to acquire Concentric Network Corporation, a provider of high-speed DSL, web hosting, e-commerce, and other Internet services. As a combined company, we will be able to offer a complete, single source communications solution to our customers by combing our voice and data products with the full array of products from Concentric's Internet business, data center, and application service provider services.

In this transaction, both NEXTLINK and Concentric will merge into a newly-formed company, to be renamed NEXTLINK Communications, Inc., which will assume all of our and Concentric's outstanding debt obligations. In the transaction, each outstanding share of our Class A common stock and Class B common stock would be converted into one share of Class A common stock or Class B common stock, as applicable, of the corporation surviving the merger, which stock will be substantially identical to our Class A and Class B common stock. In addition, each outstanding share of Concentric common stock would be converted into 0.495 of a share of Class A common stock of the surviving corporation, unless the trading price of our Class A common stock at the effective time is less than or equal to $90.91, in which case each outstanding share would be converted into $45.00 of Class A common stock of the surviving corporation (based on the trading price of our Class A common stock prior to the effective time). If at the effective time our average stock price is less than $69.23, each outstanding share of Concentric common stock would covert into 0.650 of a share of Class A common stock of the surviving corporation. The transaction is subject to approval of the Concentric stockholders and other customary closing conditions, and is expected to close in the second quarter of 2000.

Acquisition of INTERNEXT Interest. In January 2000, as part of the reorganization of NEXTLINK under which we will acquire Concentric Network Corporation, we entered into an agreement with Eagle River Investments, LLC, to acquire the 50% interest of INTERNEXT, L.L.C. that we do not currently own. NEXTLINK and Eagle River formed INTERNEXT to hold our interests in the national network. The purchase price for Eagle River's interest is approximately 3.4 million shares of the Class A common stock of the corporation surviving the reorganization. As a result of this acquisition, which is expected to be consummated in the second quarter of 2000, we will own the entire interest in this 16,000 mile, 50 city national broadband network. The closing of this transaction is not conditioned on the closing of the Concentric acquisition.

Secured Credit Facility. On February 3, 2000, we entered into a $1.0 billion senior secured credit facility underwritten by a syndicate of banks and other financial institutions. The credit facility consists of a $387.5 million tranche A term loan facility, a $225.0 million tranche B term loan facility and a $387.5 million revolving credit facility. We have borrowed $375.0 million under this facility.

The security of the credit facility consists of the assets purchased using the proceeds thereof, the stock of certain of our direct subsidiaries, all assets of NEXTLINK and, to the extent of $125.0 million of guaranteed debt, all assets of certain of our subsidiaries.

Both the revolving credit facility and the tranche A term loan facility mature on December 31, 2006, and the tranche B term loan facility matures on June 30, 2007. The maturity date for each of the facilities may be accelerated to October 31, 2005 unless we have refinanced our $350.0 million 12½% Senior Notes due 2006 by April 15, 2005. We also are required to repay the facilities in full upon the occurrence of a change of control.

Amounts drawn under the revolving credit facility and the term loans bear interest, at our option, at the alternate base rate or reserve-adjusted London Interbank Offered Rate (LIBOR) plus, in each case, applicable margins.

The credit agreement contains customary events of default and covenants restricting and limiting our ability to engage in certain activities, including but not limited to:

- limitations on indebtedness, guarantee obligations and the incurrence of liens,
- restrictions on sale lease back transactions, consolidations, mergers, liquidations, dissolutions, leases, certain sales of assets, transactions with affiliates and investments,
- restrictions on issuance of preferred stock, dividends and distributions on capital stock and other similar distributions, and
- restrictions on optional payments and modifications of other debt instruments, changes in fiscal year, and changes in lines of business.

Two-for-One Stock Split. In February 2000, our Board of Directors declared a two-for-one stock split of our common stock, to be paid on June 15, 2000 in the form of a stock dividend. The split is subject to

stockholder approval of a proposed increase in the number of shares of our common stock authorized for issuance. This proposal will be considered and voted on at our May 24, 2000 annual meeting of stockholders.

Industry and Market Overview

Prior to 1984, AT&T Corp. dominated both the local exchange and long distance marketplace by owning the operating entities that provided both local exchange and long distance services to most of the U.S. population. While the court-ordered breakup of AT&T established the conditions for competition in the long distance services market in 1984, the market for local exchange services has been, until recently, virtually closed to competition and has largely been dominated by regulated monopolies. To foster competition in the long distance market, AT&T's divested local exchange businesses, the Regional Bell Operating Companies, or RBOCs, were prohibited from providing long distance services to customers in their home markets.

We believe that a similarly critical event occurred in 1996 with the passage of the Telecommunications Act of 1996, or the Telecom Act. Before passage of this law, in most locations throughout the United States, the incumbent carrier operated a virtual monopoly in the provision of most local exchange services. However, just as competition slowly emerged in the long distance business prior to the mandated breakup of AT&T, competitive opportunities also have slowly emerged over the last 10 years at the local exchange level.

We believe that the Telecom Act provided the opportunity to accelerate the development of competition at the local level by, among other things, requiring the incumbent carriers to cooperate with competitors' entry into the local exchange market. These provisions include:

- Interconnection—provides competitors the right to connect to the incumbent carriers' networks at any technically feasible point and to obtain access to its rights-of-way;
- Unbundling of the Local Network—allows competitors to purchase and utilize components of the incumbent carriers' network selectively;
- Reciprocal Compensation—establishes the framework for pricing between a competitor and the incumbent carrier for use of each other's networks; and
- Number Portability—allows incumbent carrier customers to retain their current telephone numbers when they switch to a competitor.

The Telecom Act and the subsequent rules issued by the FCC governing competition, as well as pro-competitive policies already developed by state regulatory commissions, have caused fundamental changes in the structure of the local exchange markets. These developments created opportunities for new entrants into the local exchange market to capture a portion of the incumbent carrier's dominant, and historically monopoly controlled, market share of local services. The development of switched local service competition, however, is still in its early stages.

Industry sources estimate that in 1998 the total revenues from local and long distance telecommunications services were approximately $210 billion, of which approximately $105 billion were derived from local exchange services and approximately $105 billion from long distance services. Based on FCC information, total revenues for local and long distance services grew at a compounded annual rate of approximately 5.4% between 1992 and 1998.

In addition to traditional local and long distance voice services, telecommunication services have been growing at an accelerated pace because of increased data telecommunications, such as Internet usage. As technology advances, we believe the demand for broadband capacity and additional business and consumer telecommunications services will increase.

The emergence of the Internet and the widespread adoption of IP as a data transmission standard in the 1990s, combined with deregulation of the telecommunications industry and advances in telecommunications technology, have significantly increased the attractiveness of providing data communication applications and services over public networks. At the same time, growth in client/server computing, multimedia personal computers and online computing services and the proliferation of networking technologies have resulted in a

large and growing group of people who are accustomed to using networked computers for a variety of purposes, including email, electronic file transfers, online computing and electronic financial transactions. These trends have led businesses increasingly to explore opportunities to provide IP-based applications and services within their organization, and to customers and business partners outside the enterprise.

The ubiquitous nature and relatively low cost of the Internet have resulted in its widespread usage for certain applications, most notably Web access and email. However, usage of the Internet for business applications has been impeded by the limited security and unreliable performance inherent in the structure and management of the Internet. In addition, transmission delays make the Internet less appealing for these emerging applications. Although private networks are capable of offering lower and more stable transmission delays, providers of these emerging applications also desire a network that will offer their customers full access to the Internet. As a result, these businesses and applications providers require a network that combines the best features of the Internet, such as openness, ease of access and low cost made possible by the IP standard, with the advantages of a private network, such as high security, low/fixed latency and customized features.

Industry analysts expect the market size for both value-added IP data networking services and Internet access to grow rapidly as businesses and consumers increase their use of the Internet, intranets and privately managed IP networks. According to industry analyst Forrester Research, Inc., the Internet services market will grow from $2.8 billion in 1998 to $56.6 billion in 2003. Forrester Research predicts that access revenue will comprise nearly $42.0 billion of the 2003 market and hosting services revenue will comprise the remainder.

NEXTLINK's Networks

We have built, and are continuing to build, fiber optic networks with robust capacity in urban centers across the country. Our IP-optimized national network will connect these local networks to one another. Our fiber optic and wireless customer connections will complete our goal of becoming an end-to-end, facilities-based provider of broadband communications services.

Local Fiber Optic Networks

The core of each of our local networks is a ring of fiber optic cable in a city's central business district that connects to our central offices. These facilities contain the switches and routers that direct data and voice traffic to their destinations, and also have the space to house the additional equipment necessary for future telecommunications services.

We are now operating 31 broadband local networks in 49 cities, having launched networks in 10 major metropolitan markets in 1999 and having connected two additional markets to our South Bay Area network. Based on our recent successes in operating and expanding our existing networks, as well as new opportunities in other markets, we are pursuing an aggressive growth plan. We are currently building additional local networks, and plan to have operational networks in most of the 30 largest U.S. cities by the end of 2000.

The following table provides information on the markets in which we have launched bundled switched local and long distance services.

State	Market	Launch Date for Switched Local Services
Arizona:	Phoenix	October 1999
California:	Los Angeles/Orange County:	
	Anaheim	July 1997
	Costa Mesa	July 1997
	Fullerton	July 1997
	Garden Grove	July 1997
	Huntington Beach	July 1997
	Inglewood	July 1997
	Irvine	July 1997
	Long Beach	July 1997
	Los Angeles	July 1997
	Orange	July 1997
	Santa Ana	July 1997
	Sacramento	December 1999
	San Diego	March 1999
	San Francisco Bay Area:	
	Fremont	May 1998
	Milpitas	May 1998
	San Jose	May 1998
	Palo Alto	May 1998
	Sunnyvale	May 1998
	Mountain View	September 1999
	Santa Clara	September 1999
Colorado	Denver	December 1998
District of Columbia	Washington	June 1999
Florida	Miami	December 1998
Georgia	Atlanta	September 1998
	Marietta	September 1998
Illinois	Chicago	February 1998
Massachusetts	Boston	November, 1999
Michigan	Detroit	September 1999
Missouri	St. Louis	December 1999
Nevada	Las Vegas	April 1997
New Jersey	Newark	July 1999
New York	Manhattan	September 1998
Ohio	Cleveland	April 1997
	Columbus	April 1997
Pennsylvania	Allentown	July 1996
	Harrisburg	July 1996
	Lancaster	July 1996
	Reading	July 1996
	Philadelphia	July 1997
	Scranton/Wilkes Barre	December 1997
Tennessee	Memphis	July 1996
	Nashville	July 1996
Texas	Dallas	December 1998
	Houston	September 1999

State	Market	Launch Date for Switched Local Services
Utah	Salt Lake City	January 1997
	Orem/Provo	September 1997
Washington	Spokane	July 1996
	Seattle	June 1999

We build high capacity networks using a backbone density ranging between 72 and 432 strands of fiber optic cable. Fiber optic cables have the capacity, or bandwidth, to carry tens of thousands times the amount of traffic as traditionally-configured copper wire. We believe that installing high-count fiber strands will allow us to offer a higher volume of broadband and voice services without incurring significant additional construction costs. To enhance our ability to connect customers directly to our networks, we design them to serve both core downtown areas and other metropolitan and suburban areas where business development supports the capital required for the network build.

Our customer base has been growing rapidly, as the following table of access lines installed on our networks illustrates:

As of	Markets in Service	Total Access Lines Installed
December 31, 1996	7	8,511
December 31, 1997	25	50,131
December 31, 1998	37	174,182
December 31, 1999	49	428,035

National Network

We are creating a single, end-to-end network by linking our local networks to one another through the use of a national fiber optic backbone network currently being constructed by Level 3 Communications for INTERNEXT. When complete, we will be able to utilize this network to offer our customers integrated, end-to-end telecommunications services over facilities we control. By owning these high-speed "dark" fiber facilities rather than leasing "lit" fiber capacity from others, we have retained control over decisions on where and how to deploy existing or new generations of optical transmission equipment. This will allow us to maximize the capacity and enhance the performance of our network as needed to meet our customers' current and future broadband data and other communications needs, rather than relying on the owners of leased lines to make those upgrades.

This national network is planned to cover more than 16,000 route miles with six or more conduits and connect 50 cities in the United States and Canada. INTERNEXT L.L.C., a joint venture managed by us and currently owned 50% each by us and Eagle River, has entered into a cost sharing agreement with Level 3 with respect to this network. Under this agreement, INTERNEXT has:

- an exclusive interest in 24 "dark" fibers in a shared, filled conduit throughout this network;
- an exclusive interest in one empty conduit, through which we expect to be able to pull up to 432 fiber optic strands; and
- the right to 25% of the "dark" fibers pulled by Level 3 through the sixth and any additional conduits in the network.

We expect the construction of the fiber backbone in the national network to be substantially completed in years 2000 and 2001.

We have entered into an agreement to acquire from Eagle River the 50% interest that we did not own of INTERNEXT. As a result of this acquisition, which is expected to close in the second quarter of 2000, we will have complete control over this national network. Although this acquisition is part of the transition in which we will acquire Concentric, the two closings are not conditioned on one another.

Connecting Customers to Our Networks

We intend to reduce our reliance on customer connections leased from the incumbent carrier by increasing the number of customers connected directly to our networks. We believe that by deploying direct connections to our customers, rather than connecting through the incumbent carriers' facilities, we will be better positioned to meet our customers' communications requirements. Direct customer connections enhance our ability to:

- ensure technological support for high-bandwidth communications;
- manage and control the quality of services used by our customers;
- meet the varying bandwidth needs of our customers; and
- achieve better operating margins.

By designing and deploying high capacity local networks, we maximize the number of customers that can be connected directly to our networks with fiber strands that we own or using our LMDS spectrum. By having both fiber and LMDS spectrum at our disposal, we can directly connect customers to our network using the most cost efficient means. In those instances where it is not cost effective or feasible to directly connect customers to our networks using fiber or fixed wireless technology, we can connect them by leasing the incumbent carriers' facilities, and meet their high bandwidth needs by deploying DSL technology where available.

Fiber Optics. In cases where expected revenues justify the cost, we will construct a new fiber optic extension from our network to the customer's premises. Whether it is economic to construct a fiber optic extension depends, among other things, on:

- the existing and potential revenue base located in the building in question;
- the building location relative to our network, and
- local permitting requirements.

Even if we initially determine that it is not economic to construct a fiber connection to a building, we will continually reexamine the costs and benefits of a fiber connection and may at a later date determine that construction of one is justified.

Making a direct fiber optic connection for a customer who is a tenant in an office building requires installation of in-building cabling through the building's risers from the customer's office to our fiber in the street. Space in building risers for fiber optic cables is limited, and in some office buildings, particularly the premier buildings in the largest markets, competition among carriers to gain access to this space is intense. Moreover, increasingly the owners of these buildings are seeking to impose fees or other revenue sharing arrangements as a condition of access.

Broadband Wireless Spectrum. In cases where construction of a fiber optic connection is not economic, we plan to deploy a high-bandwidth wireless connection between an antenna on the roof of the customer's premises and an antenna attached to our fiber rings. These wireless connections offer high-quality broadband capacity and, in many cases, cost less to install than fiber connections.

In January 2000, we announced completion of our first generation broadband wireless field tests and the availability of commercial broadband wireless services to a limited group of customers in Los Angeles and Dallas. We also announced commencement of lab testing of the second generation point-to-multi-point equipment that we plan to deploy throughout our networks this year and that we will purchase broadband, point-to-multi-point access equipment from Nortel Networks on a non-exclusive basis. We expect to deploy wireless direct connections to our networks in 25 markets by the end of 2000.

Through a series of auction bids and acquisitions, we have become the largest holder of broadband fixed wireless spectrum in North America. We hold licenses to 1,150 to 1,300 MHz of LMDS spectrum in 52 cities, covering areas where 95% of the population of the 30 largest U.S. cities live or work. Our licenses also include

150 MHz of LMDS spectrum in 13 smaller cities and 300 MHz of spectrum in the five boroughs that comprise New York City. In addition, we have entered into an agreement to acquire 300 MHz of spectrum in Denver, Colorado. We believe that, for many locations, broadband wireless connections from customer buildings to our local fiber optic networks will offer a lower cost solution for providing high-quality broadband services than fiber or copper connections.

The following table provides information on the markets in which we hold LMDS licenses.

Market	MHz	Market	MHz
Birmingham, AL	1,150	Albany-Schenectady, NY	1,150
Huntsville, AL	1,150	Buffalo-Niagara Falls, NY	1,150
Los Angeles, CA	1,300	New York, NY(2)	300
Sacramento, CA	1,150	Rochester, NY	1,300
San Diego, CA	150	Syracuse, NY	1,150
San Francisco, CA	150	Charlotte-Gastonia, NC	1,150
San Luis Obispo, CA	1,150	Hickory-Lenoir-Morganton, NC	1,150
Santa Barbara-Santa Monica, CA	1,150	Raleigh-Durham, NC	1,150
Denver, CO(1)	300	Cleveland, OH	150
Hartford, CT	1,300	Cincinnati, OH	150
New Haven-Waterbury-Meriden, CT	1,300	Columbus, OH	150
New London, CT	150	Mansfield, OH	150
Washington, DC	1,300	Toledo, OH	150
Jacksonville, FL	1,150	Klamath Falls, OR	150
Lakeland-Winterhaven, FL	150	Medford-Grants Pass, OR	150
Miami-Ft. Lauderdale, FL	1,150	Portland, OR	1,150
Ocala, FL	150	Philadelphia, PA-Wilmington, DE	1,150
Tampa-St. Petersburg-Clearwater, FL	1,150	Pittsburgh, PA	1,150
West Palm Beach-Boca Raton, FL	1,150	Providence-Pawtucket, RI	1,300
Atlanta, GA	1,300	Columbia, SC	1,150
Chicago, IL	1,300	Greenville-Spartanburg, SC	1,150
Indianapolis, IN	1,300	Chattanooga, TN	1,150
Des Moines, IA	1,150	Knoxville, TN	1,150
Lexington, KY	1,150	Memphis, TN	1,150
Louisville, KY	1,150	Nashville, TN	1,150
Baltimore, MD	1,300	Austin, TX	1,300
Boston, MA	1,300	Dallas-Ft. Worth, TX	1,150
Springfield-Holyoke, MA	1,150	Houston, TX	1,150
Worcester-Fitchburg-Leominster, MA	1,150	San Antonio, TX	1,150
Detroit, MI	1,300	Richmond-Petersburg, VA	1,150
Minneapolis-St. Paul, MN	1,300	Seattle, WA	1,150
Kansas City, MO	150	Milwaukee, WI	1,300
St. Louis, MO	1,300		
Manchester-Nashua-Concord, NH	1,150		

(1) Pending closing of the transaction with HighSpeed.Com.

(2) For the five boroughs comprising New York City, we hold licenses for 300 MHz of spectrum. For the remainder of the New York Basic Trading Area, we hold licenses for 1,300 MHz of spectrum.

In order to obtain the necessary access to install our LMDS equipment and connect our intended customers, we must secure roof and other building access rights, including access to conduits and wiring from the owners of each building or other structure on which we propose to install our equipment, and may need to obtain construction, zoning, franchise or other governmental permits.

DSL Technology. We are also currently deploying DSL technology to meet the high-bandwidth needs of those customers located less than three miles from the incumbent carrier's central office and whose customer connection remains over copper wire. DSL technology reduces the bottleneck in the transport of information, particularly for data services, by increasing the data carrying capacity of copper telephone lines. We believe that, for many locations, existing copper connections using DSL technology from customer buildings to our local fiber optic networks will offer a lower cost solution for providing high-quality broadband services than fiber or LMDS connections.

We have arrangements with incumbent carriers with respect to more than 247 of their central offices that enable us to make direct connections to each business or resident connected to that central office over leased lines. These arrangements are known in our industry as collocations. We have introduced our own DSL equipment and services at many of our collocation sites, and plan to introduce DSL equipment and services at other collocation sites, to provide our customers with increased data carrying capacity.

Technology

The wires, cables and spectrum that comprise the physical layer of our networks can support a variety of communications technologies. We seek to offer customers a set of technology options to meet their changing needs, and introduce new technologies as necessary. Specifically, we believe that a service platform based on Internet Protocol, or IP, will provide us with significant future opportunities, because it will enable data, voice and video to be carried inexpensively over our end-to-end, facilities-based network. We have, therefore, begun to supplement our current data and voice switching technology with IP and ATM equipment.

These technologies will enable us to offer our customers additional services, such as high-speed Internet access, Internet web hosting, e-commerce and other Internet services. Because they are more efficient, IP and ATM technology increase the effective capacity of networks for these types of applications, and in the future may become the preferred technology for voice calls and faxes as well.

Circuit Switching vs. Packet Switching

There are two widely used switching technologies in currently deployed communications networks: circuit-switching systems and packet-switching systems. Circuit switch-based communications systems, which currently dominate the public telephone network, establish a dedicated channel for each communication (such as a telephone call for voice or fax), maintain the channel for the duration of the call, and disconnect the channel at the conclusion of the call.

Packet switch-based communications systems, which format the information to be transmitted into a series of shorter digital messages called "packets," are the preferred means of data transmission. Each packet consists of a portion of the complete message plus the addressing information to identify the destination and return address. A key feature that distinguishes Internet architecture from the public telephone network is that on the packet-switched Internet, a single dedicated channel between communication points is not required.

Packet switch-based systems offer several advantages over circuit switch-based systems, particularly the ability to commingle packets from several communications sources together simultaneously onto a single channel. For most communications, particularly those with bursts of information followed by periods of "silence," the ability to commingle packets provides for superior network utilization and efficiency, resulting in more information being transmitted through a given communication channel.

IP technology, an open protocol that allows unrelated computer networks to exchange data, is the technological basis of the Internet. The Internet's explosive growth in recent years has focused intensive efforts worldwide on developing IP-based networks and applications. In contrast to protocols like ATM, which was the product of elaborate negotiations between the world's monopoly telephone companies, IP is an open standard, subject to continuous improvement.

We believe that a form of IP-based switching will eventually replace both ATM and circuit switched technologies, and will be the foundation of integrated networks that treat all transmissions – including voice, fax and video – simply as forms of data transmission. Current implementations of IP technology over the

Internet lack the necessary quality of service to support real-time applications like voice and fax at commercially acceptable quality levels. We fully expect that a combination of increased bandwidth and improved technology will correct these deficiencies.

We are in the process of constructing IP points of presence in all of our major markets using high-capacity IP routers. We have launched points of presence in eight of our markets, through which we offer Internet-related services, and plan to launch and acquire, through the Concentric acquisition, additional points of presence in 2000. We currently connect these points of presence with leased backbone facilities. On completion, our national network will serve as our IP backbone.

We believe that the IP deployment currently under way on our network will enable us to implement new services based on current IP technology, and position us to adopt future IP technology implementations as they evolve to support fully integrated communications networks. We anticipate remaining flexible in our use of technology, however, so that as underlying communications technology changes, we will have the ability to take advantage of and implement these new technologies.

To enhance the capacity of our networks, we are incorporating wavelength division multiplexing technology, which increases the capacity of an optical fiber by simultaneously operating at more than one wavelength, thereby allowing the transmission of multiple signals through the same fiber at different wavelengths. To further enhance our network's capacity, we also are using the latest in fiber technology. In our national network, we are deploying a new generation of fiber that allows for faster transmission of traffic with less dispersion than previous generations, which can enhance the speed and capacity of the national network.

LMDS Wireless Technology

LMDS is a fixed broadband service that the license holder may use to provide high-speed data transfer, wireless local telephone service, wireless transmission of telephone calls in bulk quantity, video broadcasting and videoconferencing, in any combination. This spectrum is not suitable for mobile telephones, but can transmit voice, data or video signals from one fixed antenna to many others. As the word "local" in the local multipoint distribution service name implies, the radio links provided using LMDS frequencies are of limited distance, typically of a few miles or less, due to the degradation of these high-frequency signals over greater distances.

A wireless connection typically consists of paired antennas that we anticipate will be placed at a distance of up to 2.5 miles from one another with a direct, unobstructed line of sight. The antennas are typically installed on rooftops, towers or windows. Point-to-multipoint technology allows a single hub site antenna to be used to form multiple paths with antennas located on numerous customer buildings. As few as four hub site antennas can provide telecommunications connections to buildings in all directions that have line of sight visibility.

Wireless local loop technology typically utilizes millimeter wave transmissions having narrow beam width, reducing the potential for channel interference and allowing dense deployment and channel re-use. This means that, like cellular telephone systems, LMDS sites can be split into sectors in order to increase the available capacity. The large amount of capacity in each channel permits the simultaneous use of multiple voice and data applications.

LMDS and other wireless broadband services require a direct line of sight between two antennas comprising a link and are subject to distance and rain attenuation. We expect that the average coverage radius of a base station will be up to approximately 2.5 miles, depending on local conditions, and we expect that our base stations will utilize power control to increase signal strength where necessary to mitigate the effects of rain attenuation. In areas of heavy rainfall, transmission links will be engineered for shorter distances and greater power to maintain transmission quality. This reduction of path link distances to maintain transmission quality requires more closely spaced transceivers and, therefore, tends to increase the cost of service coverage.

Due to line of sight limitations, we currently plan to install our transceivers and antennas on the rooftops of buildings. Line of sight and distance limitations generally do not present problems in urban areas, provided that suitable roof rights can be obtained, due to the existence of unobstructed structures from which to

transmit and the concentration of customers within a limited area. Line of sight and distance limitations in non-urban areas can arise due to lack of structures with sufficient height to clear local obstructions. We may have to plan to construct intermediate links or use other means to resolve these line of sight and distance issues. These limitations may render point-to-multipoint links uneconomic in certain locations.

Applications and Services

Voice Applications and Services

In each market in which we operate, we currently offer the telephone services listed below, at prices generally determined and implemented locally in each market. These prices are generally 10% to 15% lower than the pricing for comparable local services from the incumbent carrier. Our service offerings include:

- standard dial tone, including touch tone dialing, 911 and operator assisted calling;
- multi-trunk services, including direct inward dialing, or DID, and direct outward dialing, or DOD;
- long distance service, including 1+, 800/888 and operator services;
- voice messaging with personalized greetings, send, transfer, reply and remote retrieval capabilities; and
- directory listings and assistance.

In each of our operational markets, we have negotiated and entered into interconnection agreements with the incumbent carrier, and implemented permanent local number portability, which allows customers to retain their telephone numbers when changing telephone service providers.

Additionally, in each of our markets we offer the following services to long distance carriers and high volume customers, which our customers use as both primary and back-up circuits:

- special access circuits that connect end users to long distance carriers;
- special access circuits that connect long distance carriers' facilities to one another; and
- private line circuits that connect several facilities owned by the same end user.

Historically, our targeted customer base has consisted of primarily small and medium-sized businesses. As our capabilities expand through the completion of INTERNEXT's national fiber optic network, the addition of data service capabilities, including enhancements of those capabilities resulting from the Concentric acquisition, and the addition of IP technology to our networks, we plan to expand our targeted customers to include larger national customers that can benefit from our unique end-to-end broadband capabilities.

Data Applications and Services

In the eight markets in which we have launched IP points of presence, we offer Internet access services. We will offer Internet access services in all of our markets as we launch additional points of presence this year or acquire them in the Concentric acquisition. We offer these services on a stand-alone basis and bundled with local and long distance telephone service.

We intend to configure the central offices of our network backbone with electrical and environmental controls and 24-hour maintenance and technical support, which will provide an attractive location for our customers to locate their larger computers (which are known as servers) or from which they can run important applications on servers that we will maintain. This will enable us to offer:

- **Web Hosting:** support for customers' websites, including design, maintenance and telecommunications services;
- **Server Hosting:** collocation of customers' servers in our central offices;

- **Application Hosting:** running our customers' enterprise-wide applications at our central offices and distributing them as needed over our network to ensure uniformity, reduce costs and implement upgrades on a continuous and immediate basis; and
- **E-Commerce Support:** support for high-volume purchases over the Internet, including system design, order fulfillment and network security.

In December 1999, we launched Internet access services as an Internet service provider, or ISP, in eight markets. We expect that our acquisition of Concentric will significantly accelerate implementation of our data services strategy and, in particular will significantly enhance our ability to market Internet access services utilizing Concentric's status as an ISP with significant peering arrangements. Concentric provides high speed Internet access, virtual private networks and web hosting services principally to small to medium-sized enterprises.

We also plan to combine the capabilities of our national network with the mass-market e-commerce expertise we have developed through NEXTLINK Interactive to offer customers a broad range of services to their e-commerce activities, including telecommunications, web-site design, order fulfillment and enhancement of back-office systems.

Other Businesses

NEXTLINK Interactive

Through our NEXTLINK Interactive subsidiary, we develop systems for clients that enable those clients' consumers to order products and services, receive information, seek assistance, and a host of other capabilities via the Internet, through a call center or within a physical store location. NEXTLINK Interactive's systems enable its clients to seamlessly integrate sales and customer service functions across their Internet site, call center and physical store, thereby creating a uniform experience for its clients' customers regardless of how a customer chooses to interact with the NEXTLINK Interactive client. NEXTLINK Interactive builds, operates, maintains and hosts customized Internet and telephony-based third-party software applications and technologies that are integrated with its clients' existing or desired operational and business systems. It hosts these applications in data centers and deploys them to the client across a network, thereby alleviating the client's need to purchase, own, install, or maintain these applications. Clients pay for the use of these customized solutions through a combination of "upfront" payments for installation and system integration and recurring fees based on transaction volume.

Examples of solutions that NEXTLINK Interactive has developed and operated for its clients include:

- Automated cross channel purchasing and customer service;
- Applications that identify and supply consumers with information that directs them to the closest retail location or dealer;
- Applications that configure and prices a product or service for a consumer; and
- Subscription or metered based service delivery.

Examples of key technologies and capabilities include:

- Hardware and software integration expertise;
- E-commerce application development;
- Interactive Voice Response (IVR) and natural language speech recognition development;
- Call center solutions development and integration;
- Handheld and kiosk application development; and
- Application management and hosting.

Significantly, in February 2000, NEXTLINK Interactive announced that it entered into an agreement to develop one of the largest installations in the world of interactive voice response and natural language speech recognition applications for Federal Express Corp.

NEXTLINK Interactive's service offerings currently are not integrated with NEXTLINK's telecommunications networks and services. We, however, plan to use these service offerings as a means to expand the relationship with NEXTLINK Interactive's customers to include utilization of telecommunications services on our network.

For financial information regarding NEXTLINK Interactive's operations, see note 16 to our consolidated financial statements regarding reportable segments.

Shared Tenant Services

Through our NEXTLINK One subsidiary (formerly known as Start Technologies) acquired in November 1997, we provide shared tenant services. Shared tenant services are telecommunications management services provided to groups of small and medium-sized businesses located in the same office building. This service enables businesses too small to justify hiring their own telecommunications managers to benefit from the efficiencies, including volume discounts, normally available only to larger enterprises.

NEXTLINK One installs an advanced telecommunications system throughout each building it serves, leasing space for on-site sales and service, and offers tenants products and services such as telephones, voice mail, local calling lines, discounted long distance and high speed Internet connections, all on a single, detailed invoice.

Sales and Customer Care

Overview

We use a two-pronged sales strategy, one directed to the sale of local, long distance, and high-speed Internet access services and the other to enhanced communications services. Historically, our primary sales efforts have focused on selling switched local and long distance to small and medium-sized businesses and professional groups with fewer than 50 business lines. Our market research indicates that these customers prefer a single source for all of their telecommunications requirements, including products, billing, installation, maintenance, and customer service. Using direct sales efforts, we offer bundled local and long distance services that are generally priced at a 10% to 15% discount from the incumbent carrier. By bundling local and long distance services, we believe we provide our customers a level of convenience that has been generally unavailable since the break-up of AT&T.

In some of our markets, we also target high concentrations of business customers in multi-tenant commercial office buildings in major metropolitan areas. This allows these business customers to benefit from voice and data services offered through our on-site facilities and technical staff. We market our enhanced communications services nationally through a separate direct sales force.

In addition, we employ a national sales team to market services to long distance carriers and large commercial users. As our capabilities expand through the completion of INTERNEXT's national fiber optic network, the addition of data service capabilities, including enhancements of those capabilities resulting from the Concentric acquisition and the addition of IP technology to our networks, we plan to expand our targeted customers to include larger national customers that can benefit from our unique end-to-end broadband capabilities.

Sales Force

We have established a highly motivated and experienced direct sales force and customer care organization that is designed to establish a direct and personal relationship with our customers. We seek to recruit salespeople with strong sales backgrounds, including salespeople from long distance companies, telecommunications equipment manufacturers, network systems integrators and the incumbent carriers. We have expanded

our sales force from 319 salespeople at December 31, 1998 to 707 salespeople at December 31, 1999. Salespeople are given incentives through a commission structure that generally targets 40-50% of a salesperson's compensation to be based on performance.

Concentric pursues a multi-tiered sales strategy consisting of third party distribution channels, inbound and outbound telesales, value-added resellers, original equipment manufacturers and a direct sales force. After closing the Concentric acquisition, we plan to leverage these distribution channels as a means to complement our direct sales force approach.

Customer Care

We augment our direct sales approach with customer care and support from locally based customer care representatives. We have structured our customer care organization so that each customer has a single customer care point of contact who is responsible for solving problems and responding to customer inquiries. We have expanded our customer care organization from 256 customer care employees at December 31, 1998 to 321 employees at December 31, 1999. Our goal is to provide a customer care group that has the ability and resources to respond to and resolve customer problems as they arise. We believe that customer care representatives are most effective if they are based in the communities in which we offer services, which also allows, among other things, the opportunity for the representatives to visit the customer's location.

Regulatory Overview

Overview

The Telecom Act, which substantially revised the Communications Act of 1934, established the regulatory framework for the introduction of competition for local telecommunications services throughout the United States by new competitive entrants such as NEXTLINK. Prior to the passage of the Telecom Act, states typically granted an exclusive franchise in each local service area to a single dominant carrier — often a former subsidiary of AT&T, known as a Regional Bell Operating Company, or RBOC — which owned and operated the entire local exchange network. The RBOCs, following some recent consolidation, now consist of the following companies: BellSouth, Bell Atlantic, U S WEST (which has agreed to merge with Qwest Communications International, Inc.), and SBC Communications. Among other things, the Telecom Act preempts state or local governments from prohibiting any entity from providing telecommunications service, which had the effect of eliminating prohibitions on entry found in almost half of the states at the time the Telecom Act was enacted.

The Telecom Act requires incumbent carriers to interconnect their facilities with those of their competitors, including NEXTLINK. This interconnection obligation permits our customers to exchange telecommunications traffic with the customers of other carriers, including the incumbent carrier. This ability to interconnect with incumbent carriers and the preemption of state and local prohibitions on entry are essential to our ability to be a full service provider of telecommunications services.

At the same time, the Telecom Act preserved state and local jurisdiction over many aspects of local telephone service, and, as a result, we are subject to varying degrees of federal, state and local regulation. Consequently, federal, state and local regulation, and other legislative and judicial initiatives relating to the telecommunications industry, could significantly affect our business.

Federal Regulation

Although the FCC exercises jurisdiction over our communication facilities and services, we are not currently required to obtain FCC authorization for the installation, acquisition or operation of our wireline network facilities. We are, however, required to hold and have obtained FCC authorizations for the operation of our fixed wireless LMDS facilities. Unlike incumbent carriers, we are not currently subject to price cap or rate of return regulation, which leaves us freer to set our own pricing policies. The FCC does require us to file interstate tariffs on an ongoing basis for interstate access, rates charged among carriers for access to their networks, and domestic and international long distance service. An FCC order that could have exempted us

from any requirement to file tariffs for interstate access and domestic long distance service has been stayed pending further judicial review, and, as a result, we currently file tariffs for these services.

The following table summarizes the interconnection rights granted by the Telecom Act that are most important for full local competition and our belief as to the effect of the requirements, if properly implemented.

Issue	Definition	Effect
Interconnection	Efficient network interconnection to transfer calls back and forth between incumbent carriers and competitive networks (including 911, 0+, directory assistance, etc.)	Allows the customers of NEXTLINK and other competitors to exchange traffic with customers connected to other networks
Local Loop Unbundling	Allows competitors to selectively gain access to incumbent carriers' facilities and wires which connect the incumbent carriers' central offices with customer premises	Reduces the capital costs of NEXTLINK and other competitors to serve customers not directly connected to their networks
Reciprocal Compensation	Mandates reciprocal compensation for local traffic exchange between incumbent carriers and NEXTLINK and other competitors	Improves NEXTLINK's and other competitors' margins for local service
Number Portability	Allows customers to change local carriers without changing numbers	Allows customers to switch to NEXTLINK's and other competitor's local service without changing phone numbers
Access to Phone Numbers	Mandates assignment of new telephone numbers to NEXTLINK's and other competitors' customers	Allows NEXTLINK and other competitors to provide telephone numbers to new customers on the same basis as the incumbent carrier

In January 1999, the U.S. Supreme Court upheld key provisions of the FCC rules implementing the Telecom Act, in a decision that was generally favorable to competitive telephone companies such as NEXTLINK. In finding that the FCC has general jurisdiction to implement the Telecom Act's local competition provisions, the Supreme Court confirmed the FCC's role in establishing national telecommunications policy, and thereby created certainty regarding the rules governing local competition going forward.

Although the rights established in the Telecom Act are a necessary prerequisite to the introduction of full local competition, they must be properly implemented to permit competitive telephone companies like NEXTLINK to complete effectively with the incumbent carriers. Discussed below are several FCC and court proceedings relating to the application of certain FCC rules and policies that are significant to our operations.

Unbundling of Incumbent Network Elements. In the January 1999 Supreme Court decision discussed above, the Court affirmed the FCC's interpretation of matters related to unbundling of incumbent carriers' network elements. It held that the FCC correctly interpreted the meaning of the term "network element", which defines the parts of an incumbent carrier's operations that may be subject to the "unbundling" requirement of the Telecom Act. The Court, however, also held that the FCC did not correctly determine which network elements must be unbundled and made available to competitive telephone companies such as NEXTLINK. In November 1999, the FCC released its order addressing the deficiencies in the FCC's original ruling cited by the Supreme Court. The order is generally viewed as favorable to NEXTLINK and other

competitive carriers because it ensures that incumbent carriers will be required to continue to make available those network elements, including unbundled loops, that are crucial to our ability to provide local and other services. It states that incumbent carriers must provide access to the following unbundled network elements:

- loops, including loops used to provide high-capacity and advanced telecommunications services, which allows competitors to access all of the features, functions and capabilities of the transmission facilities owned by the incumbent carrier between its central office and the customer's location;
- network interface devices, which permits competitors to connect their facilities with the telephone wiring inside the customer's location;
- local circuit switching (except for larger business customers in major urban markets), which allows competitors to access all of the features, functions and capabilities of the incumbent carrier's switch;
- dedicated and shared transport, which allows competitors to utilize transmission facilities owned by the incumbent carrier between customer locations and the incumbent carrier's switches or between the incumbent carrier's switch locations;
- signaling and call-related databases, which competitors use to correctly route and bill calls; and
- operations support systems, which permit competitors to submit orders to the incumbent for unbundled network elements and for provisioning, repair and maintenance services.

In addition, incumbent carriers must provide access to combinations of elements if they are currently combined in the networks, but the FCC did not address whether an incumbent carrier must combine network elements that are not already combined in the network because that issue is pending before the Eighth Circuit Court of Appeals.

The FCC declined, except in limited circumstances, to require incumbents to unbundle the facilities used to provide high-speed Internet access and other data services. In addition, the FCC did not require incumbents to provide competitive carriers with access to operator and directory assistance services. These aspects of the order are not expected to have a material adverse effect on our operations.

The Supreme Court's decision did not address or resolve the incumbent carriers' challenge to the FCC's forward-looking pricing methodology for unbundling network elements. The incumbent carriers have challenged this methodology before the Eighth Circuit Court of Appeals, claiming that the pricing procedure should take into account historical costs. If the incumbent carriers succeed in this contention, we would be required to pay more to purchase network elements, which could increase our cost of doing business.

Regulation of the RBOC's Ability to Provide Long Distance Service. The FCC has primary jurisdiction over the implementation of Section 271 of the Telecom Act, which provides that the RBOCs cannot combine in-region long distance services with the local services they offer until they have demonstrated that:

- they have entered into an approved interconnection agreement with a facilities-based competitive telephone company or that no such competitive telephone company has requested interconnection as of a statutorily determined deadline,
- they have satisfied a 14-element checklist designed to ensure that the RBOC is offering access and interconnection to all local exchange carriers on competitive terms, and
- the FCC has determined that allowing the RBOC to offer in-region, long distance services is consistent with the public interest, convenience and necessity.

In December 1999, Bell Atlantic became the first RBOC to win Section 271 authority when the FCC approved its application to provide long distance services in the State of New York. SBC Communications has pending an application filed with the FCC in January 2000 for Section 271 authority to enter the long distance market in Texas. The FCC is expected to rule on this application in April 2000. In addition, several applications are currently pending before state commissions and it is expected that these applications plus several new applications are likely to be filed with the FCC in the near future. We cannot predict if any of these applications will be approved or when such approval is likely to occur. Approval could have an adverse

affect on our ability to compete if it is not accompanied by safeguards to ensure that the RBOC continues to comply with the market-opening requirements of Section 271 or if it is granted prematurely before the RBOC has completely satisfied the market-opening requirements. For example, the FCC recently fined Bell Atlantic after concluding that widespread systems problems have hindered many of its customers from switching telephone service to Bell Atlantic's competitors.

Provision of Advanced Telecommunications Services. Rules promulgated under the Telecom Act restrict the RBOCs' ability to provide advanced telecommunications services, such as data and DSL services. In August 1998, the FCC denied the request of various RBOCs that the FCC waive enforcement of these restrictions, but the agency also initiated a proceeding, which is still pending, to determine whether to relax some of the restrictions. Certain of the RBOCs also have filed tariffs for the provision of advanced services, such as DSL, that are based upon an assumption that these services are outside the purview of the Telecom Act under certain circumstances. The FCC has allowed these tariffs to go into effect and has determined that the RBOCs' treatment of these services is lawful. This decision may have the effect of allowing RBOCs to provide terms, conditions and pricing to their own affiliates that provide data services that are better than those made available to unaffiliated competitors.

Universal Service. In 1997, the FCC established a significantly expanded federal telecommunications subsidy regime known as "universal service." For example, the FCC established new subsidies for services provided to qualifying schools and libraries and rural health care providers, and expanded existing subsidies to low income consumers. Most telecommunications companies, including NEXTLINK, must pay for these programs based on its share of certain defined telecommunications revenues. In a 1999 decision, the Fifth Circuit Court of Appeals issued a ruling that had the net effect of somewhat lowering our contribution of revenues to universal service. We cannot be sure that legislation or FCC rulemaking will not increase the size of our subsidy payments or the scope of the subsidy program.

Access Charge Reform. Long distance carriers pay local carriers, including NEXTLINK, interstate access charges for both originating and terminating the interstate calls of long distance customers on the local carriers' networks. Historically, the RBOCs set access charges higher than cost and justified this pricing to regulators as a subsidy to the cost of providing local telephone service to higher cost customers. With the establishment of an explicit universal service subsidy mechanism, however, the FCC is under increasing pressure to revise the current access charge regime to bring the charges closer to the cost of providing access. In response, the FCC has initiated a proceeding to consider whether competitors' access charges should be regulated and a request by AT&T that competitors' access rates be set through negotiation rather than tariffing. The method selected and the timing of a FCC decision to lower access charge levels or an FCC decision requiring that competitors' access rates be set through negotiation rather than tariffing may reduce access charge revenue that we receive from long distance carriers. Although an FCC decision lowering access charges may reduce our access charge revenues, we do not expect that such a reduction would have a material impact on our total revenues or financial position.

Regulation of Business Combinations. The FCC, along with the Department of Justice and state commissions, has jurisdiction over business combinations involving telecommunications companies. The FCC has reviewed a number of recent and proposed combinations to determine whether the combination would undermine the market-opening incentives of the Telecom Act by permitting the combined company to expand its operations without opening its local markets to competition or have other anti-competitive effects on the telecommunications and Internet access markets. For example, the FCC conditioned its approval of the recent Ameritech and SBC Communications combination on the parties' agreement to a series of safeguards intended to neutralize any adverse affect on competitors. In addition, the FCC approved the Qwest and US West combination, subject to Qwest's divestiture of long distance customers in US West territory. We cannot predict whether these conditions will be effective, nor can we predict whether the FCC will impose similar conditions should it approve future business combinations currently under consideration by the FCC, including the proposed mergers of GTE with Bell Atlantic and MCI WorldCom with Sprint.

State Regulation

State regulatory commissions retain jurisdiction over our facilities and services to the extent they are used to provide intrastate communications. We expect that we will be subject to direct state regulation in most, if not all, states in which we operate in the future. Many states require certification before a company can provide intrastate communications services. We are certified in all states where we have operations and certification is required. We cannot be sure that we will retain such certifications or that we will receive authorization for markets in which we expect to operate in the future.

Most states require us to file tariffs or price lists setting forth the terms, conditions and prices for services that are classified as intrastate. In some states, our tariff can list a range of prices for particular services. In other states, prices can be set on an individual customer basis. We are not subject to price cap or to rate of return regulation in any state in which we currently provide service.

Under the regulatory arrangement contemplated by the Telecom Act, state authorities continue to regulate matters related to universal service, public safety and welfare, quality of service and consumer rights. All of these regulations, however, must be competitively neutral and consistent with the Telecom Act, which generally prohibits state regulation that has the effect of prohibiting us from providing telecommunications services in any particular state. State commissions also enforce some of the Telecom Act's local competition provisions, including those governing the arbitration of interconnection disputes between the incumbent carriers and competitive telephone companies.

Local Government Regulation

In certain locations, we must obtain local franchises, licenses or other operating rights and street opening and construction permits to install, expand and operate our fiber-optic networks. In some of the areas where we provide network services, our subsidiaries pay license or franchise fees based on a percentage of gross revenues or on a per linear foot basis. Cities that do not currently impose fees might seek to impose them in the future, and after the expiration of existing franchises, fees could increase. Under the Telecom Act, state and local governments retain the right to manage the public rights-of-way and to require fair and reasonable compensation from telecommunications providers, on a competitively neutral and nondiscriminatory basis, for use of public rights-of-way. As noted above, these activities must be consistent with the Telecom Act, and may not have the effect of prohibiting us from providing telecommunications services in any particular local jurisdiction.

If an existing franchise or license agreements were terminated prior to its expiration date and we were forced to remove our fiber from the streets or abandon our network in place, our operations in that area would cease, which could have a material adverse effect on our business as a whole. We believe that the provisions of the Telecom Act barring state and local requirements that prohibit or have the effect of prohibiting any entity from providing telecommunications service should be construed to limit any such action. Although none of our existing franchise or license agreements have been terminated, and we have received no threat of such a termination, there can be no assurance that one or more local authorities will not attempt to take such action. Nor is it clear that we would prevail in any judicial or regulatory proceeding to resolve such a dispute.

Environmental Regulation

Our switch site and customer premise locations are equipped with back-up power sources in the event of an electrical failure. Each of our switch site locations has battery and diesel fuel powered back-up generators, and we use batteries to back-up some of our customer premise equipment. Federal, state and local environmental laws require that we notify certain authorities of the location of hazardous materials and that we implement spill prevention plans. During 1999, we instituted a program, retained environmental consultants, and worked with federal and state environmental regulators to bring us into compliance with these laws and regulations. The cost related to those efforts are not expected to be material. We believe that we currently are in compliance with these requirements in all material respects.

Canadian Regulation

Wispra Networks, as the provisional winner of fixed broadband wireless spectrum licenses in Canada's recent spectrum auction, will be subject to regulation by Industry Canada, which regulates wireless licensees, and the Canadian Radio-television and Telecommunications Commission, known as CRTC, which regulates local, interexchange and international telecommunications carriers operating in Canada. To be eligible to hold wireless licenses or to operate as a Canadian competitive local exchange carrier, an entity must be Canadian-owned and controlled and incorporated under the laws of Canada. Although Wispra expects that its applications to hold its wireless licenses and for competitive carrier status ultimately will be approved, it cannot predict whether that approval will be conditioned upon changes to the joint venture between NEXTLINK International and its Canadian partners that are adverse to our interests. Wispra must also secure licenses from the cities in its markets to occupy the municipal rights of way. Wispra has no assurance that these licenses will be granted, or that if they are granted that they are on terms and conditions favorable to Wispra.

Like in the United States, incumbent carriers in Canada must provide competitive carriers with interconnection, including collocation in their central offices and access to unbundled network elements. There, however, are significant differences between the Canadian and the United States regulatory structures. In many cases, the Canadian regulations are less favorable for competitive carriers than those applicable in the United States. In addition, Canadian regulation promotes the ownership and control of Canadian telecommunications carriers by Canadians and restricts the voting rights and equity participation of non-Canadian investors like us in ventures like Wispra.

Competition

The regulatory environment in which we operate is changing rapidly. The passage of the Telecom Act combined with other actions by the FCC and state regulatory authorities continues to promote competition in the provision of telecommunications services.

Incumbent Carriers

In each market we serve, we face, and expect to continue to face, significant competition from the incumbent carriers, which currently dominate the local telecommunications markets. We compete with the incumbent carriers in our markets for local exchange services on the basis of product offerings, reliability, state-of-the-art technology, price, route diversity, ease of ordering and customer service. However, the incumbent carriers have long-standing relationships with their customers and provide those customers with various transmission and switching services that we, in many cases, do not currently offer. Current competition for telecommunications services is based primarily on quality, capacity and reliability of network facilities, customer service, response to customer needs, service features and price, and is not based on any proprietary technology. Because our fiber optic networks have been recently installed compared to those of the incumbent carriers, our networks' dual path architectures and state-of-the-art technology may provide us with cost, capacity, and service quality advantages over some existing incumbent carrier networks.

Other Competitors

We also face, and expect to continue to face, competition for local telecommunications services from other competitors and potential competitors. In addition to the incumbent carriers, competitors and potential competitors offering or capable of offering switched local and long distance services include long distance carriers such as AT&T, MCI WorldCom, Inc. and Sprint Corporation (which has agreed to merge with MCI WorldCom), cable television companies the largest of which have merged or agreed to merge with AT&T and America Online, Inc., electric utilities, microwave carriers, wireless telephone system operators and private networks built by large end users, as well as other new entrants such as Qwest, Level 3, McLeodUSA Incorporated, Winstar Communications, Inc. and Teligent, Inc.

We also compete with long distance carriers in the provision of long distance services. Although the long distance market is dominated by three major competitors, AT&T, MCI WorldCom, and Sprint, hundreds of

other companies, such as Qwest, also compete in the long distance marketplace. In addition, we will compete with the RBOCs for the provision of long distance service as they receive FCC authority to offer such service.

Many of our existing and potential competitors have financial, personnel and other resources, including name recognition, significantly greater than ours.

Data Service Competitors

Whether or not the Concentric acquisition closes, we will face competition from at least four groups of companies for Internet access and other data services, and the following are examples of the key competitors in these groups:

- *Telecommunications companies:* AT&T, MCI WorldCom, Sprint, Qwest, Level 3 Communications, the incumbent carriers;
- *Online service providers:* America Online, Inc., CompuServe Corporation, MSN, the Microsoft Network, Prodigy Communications Corporation;
- *Internet service providers:* BBN Corporation, a subsidiary of GTE, EarthLink Network, Inc., MindSpring Enterprises, Inc., PSINet Inc., Verio Inc., other national and regional providers; and
- *Web hosting providers:* AboveNet Communications, Exodus Communications.

Additional groups of competitors include cable companies and DSL providers, including Covad Communications Group, Inc. and Rhythms Netconnections, Inc.

Many of these competitors have greater market presence, engineering and marketing capabilities, and financial, technological and personnel resources than those available to us, even if the Concentric acquisition closes.

Other Business Competitors

Our enhanced communications service offerings are also subject to competition. For example, there are several competitors that offer interactive voice response services similar to those offered by NEXTLINK Interactive, such as Call Interactive and West Teleservices Corporation, which we believe focus their sales efforts on large volume interactive voice response service users. Additionally, many of the long distance competitors discussed above have their own enhanced services products that compete with those offered by NEXTLINK Interactive.

Our shared tenant services business competes with a number of companies offering similar services, including Allied Riser Communications Corporation, OnSite Access and Cypress Communications.

Employees

As of December 31, 1999, we employed approximately 3,500 people, including full-time and part-time employees. We consider our employee relations to be good. None of our employees is covered by a collective bargaining agreement.

Risk Factors

Risks Related to Liquidity and Financial Resources

We have a history of increasing net losses and negative cash flow from operations and may not be able to satisfy our cash needs from operations

For each period since inception, we have incurred substantial and increasing net losses and negative cash flow from operations. For 1999, we posted a net loss attributable to common stockholders of approximately $627.9 million and showed negative cash flow from operations of approximately $358.9 million. Our accumulated deficit was approximately $1,217.5 million at December 31, 1999. We expect that losses and negative cash flow from operations will continue over the next several years.

Our existing operations do not currently, and are not expected to in the near future to, generate cash flows from which we can make interest payments on our outstanding notes, make dividend payments on our outstanding preferred stock or fund continuing operations and planned capital expenditures. We cannot know when, if ever, net cash generated by our internal business operations will support our growth and continued operations. If we are unable to generate cash flow in the future sufficient to cover our fixed charges and are unable to raise sufficient funds from other sources, we may be required to:

- refinance all or a portion of our existing debt and redeemable preferred stock; or
- sell all or a portion of our assets.

We have substantial existing debt and we will incur substantial additional debt

As of December 31, 1999, we had outstanding nine issues of senior notes totaling $3,733.3 million in principal amount, approximately $4.1 million in miscellaneous debt obligations of our subsidiaries, and two series of redeemable preferred stock. These preferred stock series include 8,324,796 shares of 14% exchangeable preferred stock, with a liquidation preference of $50 per share, and 4,000,000 shares of 6½% cumulative convertible preferred stock, with a liquidation preference of $50 per share.

Since December 31, 1999, we have obtained a $1,000.0 million credit facility, of which $375.0 million has been drawn, and have issued two additional series of preferred stock in connection with the Forstmann Little investment. These preferred stock issuances included 584,375 shares of Series C cumulative convertible participating preferred stock and 265,625 shares of Series D convertible participating preferred stock, both with a liquidation preference of $1,000 per share.

At December 31, 1999 Concentric's total liabilities (including current portion) was $214.8 million, including its 12¾% Senior Notes due 2007, which has an aggregate principal amount of $150.0 million. Concentric also has outstanding 187,205 shares of preferred stock with dividends which accrue at the rate of 13½% per year which, prior to June 1, 2003, are payable in additional shares of preferred stock at Concentric's option, and which are redeemable at $1,000 per share, and 50,000 shares of preferred stock with dividends which accrue at the rate of 7% per year, redeemable at $1,000 per share.

The indentures under which our notes have been issued, and our credit facility, permit us to incur substantial additional debt. We fully expect to draw down the remaining $625 million available under our credit facility and borrow substantial additional funds in the next several years. This additional indebtedness, together with any indebtedness we assume in connection with the Concentric acquisition, will further increase the risk of a default unless we can establish an adequate revenue base and generate sufficient cash flow to repay our indebtedness. We cannot assure you that we will ever establish an adequate revenue base to produce an operating profit or generate adequate positive cash flow to provide future capital expenditures and repayment of debt.

We do not have sufficient additional financing commitments to meet our long term needs and, if we are not successful in raising additional capital, we will not be able to build and maintain our business

Building our business will require substantial additional capital spending. Our capital spending plans have increased substantially over time, as our strategy has evolved and our planned networks have grown larger and more robust. We will need to raise additional capital because our anticipated future capital requirements exceed the $1,881.8 million in cash and marketable securities we had on hand as of December 31, 1999, the $850.0 million that we received in January 2000 in connection with the Forstmann Little investment, the $375.0 million that we received in February 2000 in connection with our credit facility, and the $625.0 million currently available under our credit facility, our only current commitment for additional financing. If we fail to raise sufficient capital, we may be required to delay or abandon some of our planned future expansion or expenditures, which could have a material adverse effect on our growth and our ability to compete in the telecommunications services industry and generate profits for stockholders, and could even result in a payment default on our existing debt.

Under the terms of the indenture governing Concentric's 12¾% Senior Notes due 2007, and the terms of its 13½% Series B Senior Redeemable Exchangeable Preferred Stock, upon completion of the Concentric acquisition we will be required to offer to repurchase those outstanding senior notes and shares of preferred stock at a purchase price equal to 101% of the principal amount of the senior notes and 101% of the liquidation preference of the shares of the preferred stock. As of December 31, 1999, the total principal amount of the senior notes and the liquidation preference of the shares of preferred stock outstanding was approximately $338.7 million. If we were required to utilize available cash to fund repurchase of all or a significant amount of Concentric's senior notes and preferred stock, it would reduce the amount of funds available to implement our business plan.

The covenants in our indentures and credit facility restrict our financial and operational flexibility, which could have an adverse affect on our results of operations

The indentures under which our senior notes have been issued and our credit facility contains covenants that restrict, among other things, our ability to borrow money, make particular types of investments or other restricted payments, sell assets or merge or consolidate. Our credit facility also requires us to maintain specified financial ratios. If we fail to comply with these covenants or meet these financial ratios, the noteholders or the lenders under our credit facility could declare a default and demand immediate repayment. Unless we cure any such default, they could seek a judgment and attempt to seize our assets to satisfy the debt to them. The security for our credit facility consists of all of the assets purchased with the proceeds thereof, the stock of certain of our direct subsidiaries, all assets of NEXTLINK and, to the extent of $125 million of guaranteed debt, all assets of certain of our subsidiaries. In addition, a default under any of these obligations could adversely affect our rights under other commercial agreements.

Our existing debt obligations and outstanding redeemable preferred stock also could affect our financial and operational flexibility, as follows:

- they may impair our ability to obtain additional financing in the future;
- they will require that a substantial portion of our cash flow from operations and financing activities be dedicated to the payment of interest on debt and dividends on preferred stock, which will reduce the funds available for other purposes;
- they may limit our flexibility in planning for or reacting to changes in market conditions; and
- they may cause us to be more vulnerable in the event of a downturn in our business.

Risks Related to Network Development

If we cannot quickly and efficiently install our hardware, we will be unable to generate revenue

Each of our networks consists of many different pieces of hardware, including switches, routers, fiber optic cables, electronics and combination radio transmitter/receivers, known as transceivers, and associated equipment, which are difficult to install. If we cannot install this hardware quickly, the time in which customers can be connected to our network and we can begin to generate revenue from our network will be delayed. You should be aware that the construction of our national fiber optic network is not under our control, but is under the control of Level 3 Communications. If Level 3 fails to complete its network on time or if it fails to perform as specified, our strategy of linking our local networks to one another and creating an end-to-end national network will be delayed.

IP technology has not yet been perfected for full service networks like ours

We plan to rely on IP technology as the basis for our planned end-to-end network. Although IP technology is used throughout the Internet, its extension to support other telecommunications applications, such as voice and video, has not yet been perfected, and IP technology currently has several deficiencies, including poor reliability and quality. Integrating these technologies into our network may prove difficult and may be subject to delays. We cannot assure you that these improvements will become available in a timely

fashion or at reasonable cost, if at all, or that the technology choices we make will prove to be cost effective and correct.

We may not be able to connect our network to the incumbent carrier's network or obtain Internet peering arrangements on favorable terms

We require interconnection agreements with the incumbent carrier to connect our customers to the public telephone network. We cannot assure you that we will be able to negotiate or renegotiate interconnection agreements in all of our markets on favorable terms.

If we fail to consummate the Concentric merger for any reason, we will require peering arrangements with other ISPs, particularly the large, national ISPs, to implement our planned expansion of data services including Internet access services. Peering arrangements are agreements among Internet backbone providers to exchange data traffic. Depending on the relative size of the carriers involved, these exchanges may be made without settlement charge. Although we anticipate that we would be able to enter into the agreements necessary to become an ISP, the terms and conditions of these peering agreements are becoming more restrictive as Internet service becomes increasingly commercialized, and we cannot be sure that these peering arrangements would be on favorable terms.

Physical space limitations in office buildings and landlord demands for fees or revenue sharing could limit our ability to connect customers directly to our networks and reduce our operating margins

Connecting a customer who is a tenant in an office building directly to our network requires installation of in-building cabling through the building's risers from the customer's office to our fiber in the street or our antenna on the roof. In some office buildings, particularly the premier buildings in the largest markets, the risers are already close to their maximum physical capacity due to the entry of other competitive carriers into the market. Moreover, the owners of these buildings are increasingly requiring competitive telecommunications service providers like NEXTLINK to pay fees or otherwise share revenue as a condition of access. We have not been required to pay these fees in the smaller markets we have served in the past, but may be required to do so to penetrate larger markets, which would reduce our operating margins. In addition, some major office building owners have equity interests in, or joint ventures with, companies offering broadband communications services over fiber optic networks and may have an incentive to encourage their tenants to choose those companies' services over ours or to grant those companies more favorable terms for installation of in-building cabling.

Our deployment of wireless first mile connections could be delayed by a lack of acceptable equipment and by installation risks

Our LMDS broadband wireless spectrum is a newly-authorized service, and equipment vendors are only beginning to offer radios, transceivers and related equipment designed to work at these frequencies. Recently completed field testing revealed that improvements in the price, features and functionality of the point-to-multi-point equipment must be made before we undertake a broader commercial launch of services using this technology. Although our vendors have advised us that these improvements will be incorporated in their second generation equipment, this equipment is still in development. We cannot be certain that commercial quantities of equipment meeting our standards will be available in time to meet our development schedule.

LMDS direct connections require us to obtain access to rooftops from building owners and to satisfy local construction and zoning rules for antennas and transmitters. The need to obtain these authorizations could be an additional source of cost and delay.

We cannot accurately predict the total cost of our wireless first mile deployment

Although we have selected one vendor from which we will purchase LMDS equipment, because our fixed wireless deployment strategy contemplates utilizing a number of equipment vendors, we do not know precisely how much the equipment we will need will cost. Installation costs are expected to vary greatly, depending on the particular characteristics of the locations to be served. After initial installation, we

expect to incur additional costs to reconfigure, redeploy and upgrade our wireless direct connections as technologies improve.

It is expensive and difficult to switch new customers to our network, and provisioning bottlenecks with the incumbent carrier can slow the new customer connection process

It is expensive and difficult for us to switch a new customer to our network because:

- a potential customer faces switching costs if it decides to become our customer, and
- we require cooperation from the incumbent carrier in instances where there is no direct connection between the customer and our network.

Our principal competitors, the incumbent carriers, are already established providers of local telephone services to all or virtually all telephone subscribers within their respective service areas. Their physical connections from their premises to those of their customers are expensive and difficult to duplicate. To complete the new customer provisioning process, we rely on the incumbent carrier to process certain information. The incumbent carriers have a financial interest in retaining their customers, which could reduce their willingness to cooperate with our new customer provisioning requests.

If we lose key personnel and qualified technical staff, our ability to manage the day-to-day aspects of our complex network will be weakened

We believe that a critical component for our success will be the attraction and retention of qualified professional and technical personnel. There is intense competition for qualified personnel in our business with the technical and other skill sets that we seek. The loss of the services of our senior executive management team or other key personnel, or the inability to attract additional qualified personnel, could cause us to make less successful strategic decisions, which could hinder the introduction of new services or the entry into new markets. We could also be less prepared for technological or marketing problems, which could reduce our ability to serve our customers and lower the quality of our services. We may not be able to attract, develop, motivate and retain experienced and innovative personnel. In addition, we must also develop and retain a large and sophisticated sales force, particularly in connection with our plan to target larger national customers. If we fail to do so, there will be an adverse effect on our ability to generate revenue and, consequently, our operating cash flow.

Risks Related to Competition and Our Industry

We face competition in local markets from other carriers, putting downward pressure on prices

We face competition in each of our markets principally with the incumbent carrier in that market, but also from recent and potential market entrants, including long distance carriers seeking to enter, reenter or expand entry into the local exchange marketplace, such as AT&T, MCI WorldCom and Sprint (which has agreed to merge with MCI WorldCom). This competition places downward pressure on prices for local telephone service and data services, which can adversely affect our operating results. In addition, we expect competition from other companies, such as cable television companies, electric utilities, microwave carriers, wireless telephone system operators and private networks built by large end-users. We cannot assure you that we will be able to compete effectively with these industry participants.

We face competition in long distance markets, putting downward pressure on prices

We also face intense competition from long distance carriers in the provision of long distance services, which places downward pressure on prices for long distance services, including both voice and data services, and makes it difficult for us to achieve positive operating cash flow. Although the long distance market is dominated by three major competitors, AT&T, MCI WorldCom and Sprint (which has agreed to merge with MCI WorldCom), hundreds of other companies, such as Qwest, also compete in the long distance marketplace. We also anticipate that the incumbent carriers will be competing in the long distance market in

the near future. We cannot assure you that we will be able to effectively compete with any of these industry participants.

We face competition in creating a national broadband network

Several of our competitors, such as AT&T, MCI WorldCom, Qwest, Level 3, IXC and Williams, are creating end-to-end broadband networks that would compete directly with the network we are building. In addition, other competitors have the ability to do so as well. We cannot assure you that we will be able to successfully compete with these service providers.

We face competition for data services

Competitors for data services consist of online service providers, Internet service providers and Web hosting providers. New competitors continue to enter this market and include large computer hardware, software, media and other technology and telecommunications companies, including the incumbent carriers. Certain telecommunications companies and online services providers are currently offering or have announced plans to offer Internet or online services or to expand their network services. Certain companies, including America Online, BBN, PSINet and Verio, have also obtained or expanded their Internet access products and services.

Many of these competitors have superior resources, which may place us at a cost and price disadvantage

Many of our current and potential competitors have market presence, engineering, technical and marketing capabilities and financial, personnel and other resources substantially greater than those of NEXTLINK. As a result, some of our competitors can raise capital at a lower cost than we can, and they may be able to develop and expand their communications and network infrastructures more quickly, adapt more swiftly to new or emerging technologies and changes in customer requirements, take advantage of acquisition and other opportunities more readily, and devote greater resources to the marketing and sale of their products and services than we can. Also, our competitors' greater brand name recognition may require us to price our services at lower levels in order to win business. Finally, our competitors' cost advantages give them the ability to reduce their prices for an extended period of time if they so choose.

The technologies we use may become obsolete, which would limit our ability to compete effectively

The telecommunications industry is subject to rapid and significant changes in technology. If we do not replace or upgrade technology and equipment that becomes obsolete, we will be unable to compete effectively because we will not be able to meet the expectations of our customers.

The following technologies and equipment that we use or will use are subject to obsolescence: wireline and wireless transmission technologies, circuit and packet switching technologies, multiplexing technologies and data transmission technologies, including the DSL, ATM and IP technologies. In addition, we cannot assure you that the technologies in which we choose to invest will lead to successful implementation of our business plan.

Additionally, the markets for data and Internet-related services are characterized by rapidly changing technology, evolving industry standards, changes in customer needs, emerging competition and frequent new product and service introductions. The future success of our data services business will depend, in part, on our ability to accomplish the following in a timely and cost-effective manner:

- effectively use leading technologies;
- continue to develop technical expertise;
- enhance current networking services;
- develop new services that meet changing customer needs; and
- influence and respond to emerging industry standards and other technological changes.

Our pursuit of necessary technological advances may require substantial time and expense.

We may be required to pay patent licensing fees, which will divert funds which could be used for other purposes

From time to time, we receive requests to consider licensing certain patents held by third parties that may have bearing on our interactive voice response, other enhanced, or data services. Should we be required to pay license fees in the future, such payments, if substantial, could have a material adverse effect on our results of operations.

Our company and industry are highly regulated, imposing substantial compliance costs and restricting our ability to compete in our target markets

We are subject to varying degrees of federal, state and local regulation. This regulation imposes substantial compliance costs on us. It also restricts our ability to compete. For example, in each state in which we desire to offer our services, we are required to obtain authorization from the appropriate state commission. We cannot assure you that we will receive authorization for markets or services to be launched in the future. For further discussion regarding regulatory matters and risks related thereto, see "Business — Regulatory Overview".

The requirement that we obtain permits and rights-of-way increases our cost of doing business

In order for us to acquire and develop our fiber networks, we must obtain local franchises and other permits, as well as rights-of-way and fiber capacity from entities such as incumbent carriers and other utilities, railroads, long distance companies, state highway authorities, local governments and transit authorities. You should be aware that the process of obtaining these permits and rights-of-way increases our cost of doing business.

We cannot assure you that we will be able to maintain our existing franchises, permits and rights-of-way that we need to implement our business. Nor can we assure you that we will be able to obtain and maintain the other franchises, permits and rights that we require. A sustained and material failure to obtain or maintain these rights could materially adversely affect our business in the affected metropolitan area.

Risks Related to Growth, Development of Data Services and the Concentric Acquisition

Continued rapid growth of our network, services and subscribers could be slowed if we cannot manage this growth

We have rapidly expanded and developed our network, services and subscribers, and expect to continue to do so. This has placed and will continue to place significant demands on our management, operational and financial systems and procedures and controls. We may not be able to manage our anticipated growth effectively, which would harm our business, results of operations and financial condition. Further expansion and development will depend on a number of factors, including:

- technological developments;
- our ability to hire, train and retain qualified personnel in a competitive labor market;
- availability of rights-of-way, building access and antenna sites;
- development of customer billing, order processing and network management systems that are capable of serving our growing customer base;
- cooperation of the existing local telephone companies;
- regulatory and governmental developments; and
- existence of strategic alliances or relationships.

We will need to continue to improve our operational and financial systems and our procedures and controls as we grow. We must also develop, train and manage our employees.

Our ability to succeed in the data services market is uncertain

Our ability to succeed in the data services market depends to a large extent on our ability to build a tailored, value-added network services business. Our ability to do so is subject to the following risks:

- the data services markets are relatively new, and current and future competitors are likely to introduce competing services or products which may result in market saturation;
- certain critical issues concerning commercial use of tailored, value-added services and Internet services, including, among others, security, reliability, ease and cost of access, and quality of service, remain unresolved and may impact the growth of such services;
- the market for data services may fail to grow or grow more slowly than anticipated;
- reliability, quality or compatibility problems with new enterprise service offerings which we may introduce could significantly delay or hinder market acceptance and could divert technical and other resources;
- our inability to obtain sufficient quantities of sole- or limited-source components required to provide data services or to develop alternative sources, if required, could result in delays and increased costs in expanding, and overburdening of, our network infrastructure;
- suppliers may not provide us with products or components that comply with Internet standards or that inter-operate with other products or components used in our network infrastructure;
- capacity constraints that adversely affect the system performance if demand for data services were to increase faster than projected or were to exceed current forecasts;
- our ability to respond to changing customer requirements or evolving industry trends;
- the failure of any link in the delivery chain, including the networks with which we may establish public or private peering arrangements or private transit;
- the market for tailored value-added network services is extremely competitive, and we expect that competition will intensify in the future;
- increased price and other competition due to Internet industry consolidation;
- interruptions in service due to a natural disaster, such as an earthquake, or other unanticipated problem; and
- liability for information disseminated through our network.

If the Concentric acquisition closes, we could face these risks sooner, and the magnitude of such risks could be greater, than if we fully implemented our data services strategy organically.

The Concentric acquisition remains subject to Concentric stockholder approval and other conditions

If Concentric stockholders fail to approve our proposed acquisition, or if that transaction fails to close for any other reason, our data strategy will likely take longer than if we combined with Concentric and our entry into the data services and web hosting business will be delayed. As a consequence, our business will not expand as rapidly in this significant, rapidly growing area of the telecommunications market.

If the Concentric acquisition closes we will face challenges integrating our business with theirs, and difficulties in the integration process may prevent the benefits of the merger from being realized

The Concentric acquisition will be the largest acquisition we have made to date. As a result of the differing nature of Concentric's and NEXTLINK's operations, it may be difficult to quickly integrate the

products, services, technologies, research and development activities, administration, sales and marketing and other operations of the two companies. Integration difficulties may disrupt the combined company's business and could prevent the achievement of the potential benefits of the merger. The difficulties, costs and delays involved in integrating Concentric and NEXTLINK, which could be substantial, may include:

- Distracting management and other key personnel, particularly sales and marketing personnel and senior engineers involved in network deployment, from the business of the combined company;
- Failure to integrate complex technology, product lines and development plans and the difficulty of maintaining uniform standards, controls, procedures and policies;
- Potential incompatibility of business cultures;
- Costs and delays in implementing common systems and procedures, particularly in integrating different information systems;
- Inability to retain and integrate key management, technical, sales and customer support personnel;
- Disruptions in the combined sales forces that may result in a loss of current customers or the inability to close sales with potential customers;
- The additional financial resources that may be needed to fund combined operations;
- Incorporating acquired technology or businesses into service offerings to maximize the combined company's financial and strategic position; and
- Impairment of relationships with employees and customers as a result of changes in management.

If we cannot quickly and efficiently integrate Concentric's personnel, products and services with our own following the closing, we will not enjoy the full benefits we anticipate from the transaction. Concentric officers and employees have valuable knowledge of the data services and web hosting business that would be difficult to replace if we do not retain the services of a substantial portion of them.

We face risks associated with international expansion

We have begun to expand into Canadian markets, and through the Concentric acquisition we would acquire a subsidiary in the United Kingdom. We may in the future expand into other international markets, either through acquisition of businesses or assets, organic development, or a combination thereof. The following risks are inherent in doing business on an international level:

- unexpected changes in regulatory requirements;
- export restrictions;
- export controls relating to encryption technology;
- tariffs and other trade barriers;
- difficulties in staffing and managing foreign operations;
- longer payment cycles;
- problems in collecting accounts receivable;
- political instability;
- fluctuations in currency exchange rates;
- seasonal reductions in business activity during the summer months in Europe and certain other parts of the world; and
- potentially adverse tax consequences that could adversely impact the success of our international operations.

We cannot assure you that one or more of such factors will not have a material adverse effect on our future international operations.

Other Risks

Craig O. McCaw, who controls approximately 55% of the voting power of NEXTLINK, may have interests which are adverse to your interests

Craig O. McCaw, primarily through his majority ownership and control of Eagle River Investments, L.L.C., currently controls approximately 55% of NEXTLINK's total voting power, and holds proxies that are likely to continue to assure that Mr. McCaw will hold a majority of that voting power. Because Mr. McCaw has the ability to control the direction and future operations of NEXTLINK and has interests in other companies that may compete with NEXTLINK, he may make decisions which are adverse to your interests and the interests of other NEXTLINK security holders.

Mr. McCaw effectively controls a decision whether a change of control of NEXTLINK will occur. Moreover, Delaware corporate law could make it more difficult for a third party to acquire control of us, even if a change of control could be beneficial to you.

We do not plan on paying any dividends on our common stock

We do not anticipate paying any dividends for the foreseeable future. Our credit facility and the indentures governing our senior notes restrict our ability to pay cash dividends.

Forward-Looking Statements

Our forward-looking statements are subject to a variety of factors that could cause actual results to differ significantly from current beliefs

Some statements and information contained in this report are not historical facts, but are "forward-looking statements", as such term is defined in the Private Securities Litigation Reform Act of 1995. These forward-looking statements can be identified by the use of forward-looking terminology such as "believes," "expects," "plans," "may," "will," "would," "could," "should," or "anticipates" or the negative of these words or other variations of these words or other comparable words, or by discussions of strategy that involve risks and uncertainties. Such forward-looking statements include, but are not limited to, statements regarding:

- market development, the number of markets we expect to serve, and the expected number of addressable business lines in such markets;
- network development, including those with respect to IP and ATM network and facilities development and deployment, broadband fixed wireless technology, testing and installation, high speed technologies such as DSL, and matters relevant to our national network;
- liquidity and financial resources, including anticipated capital expenditures, funding of capital expenditures and anticipated levels of indebtedness; and
- statements with respect to the Concentric acquisition and its effects.

All such forward-looking statements are qualified by the inherent risks and uncertainties surrounding expectations generally, and also may materially differ from our actual experience involving any one or more of these matters and subject areas. The operation and results of our business also may be subject to the effect of other risks and uncertainties in addition to the relevant qualifying factors identified in the above "Risk Factors" section and elsewhere in this report, including, but not limited to:

- general economic conditions in the geographic areas that we are targeting for communications services;
- the ability to achieve and maintain market penetration and average per access line revenue levels sufficient to provide financial viability to our business;
- access to sufficient debt or equity capital to meet our operating and financing needs;
- the quality and price of similar or comparable communications services offered or to be offered by our competitors; and
- future telecommunications-related legislation or regulatory actions.

NEXTLINK Capital, Inc.

NEXTLINK Capital, Inc. is a Washington corporation and a wholly-owned subsidiary of NEXTLINK Communications. NEXTLINK Capital was formed for the sole purpose of obtaining financing from external sources when NEXTLINK Communications was a limited liability company. It is a joint obligor with NEXTLINK Communications on the 12½% Senior Notes due 2006. NEXTLINK Capital has had no operations to date.

Item 2. ***Properties***

We own or lease, in our operating territories, telephone property which includes: fiber optic backbone and distribution network facilities; point-to-point distribution capacity; central office switching equipment; connecting lines between customers' premises and the central offices; and customer premise equipment. Our central office switching equipment includes electronic switches and peripheral equipment.

The fiber optic backbone and distribution network and connecting lines include aerial and underground cable, conduit, and poles and wires. These facilities are located on public streets and highways or on privately-owned land. We have permission to use these lands pursuant to consent or lease, permit, easement, or other agreements.

We, and our subsidiaries, lease facilities for our and their administrative and sales offices, central switching offices network nodes and warehouse space. The various leases expire in years ranging from 2000 to 2008. Most have renewal options.

We recently relocated our headquarters to McLean, Virginia, where we are currently leasing 9,500 square feet of office space on an interim basis. We have entered into a lease for approximately 212,000 square feet of space located in Reston, Virginia, which will serve as our permanent headquarters beginning in the third quarter of 2000. We still maintain some operation in the 45,000 square feet in Bellevue, Washington, leased for our former headquarters. Additional office space and equipment rooms will be leased as the Company's operations and networks are expanded and as new networks are constructed.

Item 3. ***Legal Proceedings***

We are not currently a party to any legal proceedings, other than regulatory and other proceedings that are in the normal course of its business.

Item 4. ***Submission of Matters to a Vote of Security Holders***

No matters were submitted to a vote of security holders during the quarter ended December 31, 1999.

Effective October 19, 1999, our Board of Directors approved amendments to the NEXTLINK Communications, Inc. Stock Option Plan to authorize an additional 5,000,000 shares of our Class A common stock to be issued under the plan, increasing the maximum number of shares authorized for issuance under the plan to 41,000,000, adjusted for NEXTLINK's 100% stock dividend paid in August 1999. The amendment also provided that the maximum number of shares of Class A stock with respect to which options may be granted to any individual in any calendar year is limited to the maximum number of shares authorized under the plan. These amendments also were approved by one of our stockholders, Eagle River, which, as of October 19, 1999, held 37,743,574 shares of our Class B common stock, representing shares with a majority of the total number of votes attributable to all shares of outstanding common stock. Our common stock is the only outstanding class of capital stock of NEXTLINK entitled to vote on this matter. Eagle River approved the Board's action by a written consent in lieu of stockholder meetings dated October 19, 1999, pursuant to Section 228(a) of the Delaware General Corporation Law. Because we are a corporation organized under the laws of the State of Delaware, our stockholders may take action by written consent without a meeting. The Board did not solicit any proxies or consents from any other stockholders in connection with this action. The amendments became effective on or about December 12, 1999, 20 days after the date on which we mailed the information statement to stockholders of NEXTLINK in accordance with rules of the Securities and Exchange Commission.

Executive Officers of the Registrant

The following table sets forth the names, ages and positions of NEXTLINK's executive officers. Their respective backgrounds are described following the table.

Name	Age	Title
Daniel F. Akerson	51	Chairman, Chief Executive Officer
Nathaniel A. Davis	46	President and Chief Operating Officer
Steven W. Hooper	47	Executive Vice President
Wayne M. Perry	50	Executive Vice President
Gary D. Begeman	41	Senior Vice President, General Counsel and Secretary
Doug L. Carter	49	Senior Vice President, Chief Technology Officer
Nancy B. Gofus	46	Senior Vice President, Chief Marketing Officer
Mark S. Gunning	43	Senior Vice President, Chief Financial Officer
Charles W. Sackley	46	Senior Vice President, National Accounts Sales and Marketing
R. Gerard Salemme	46	Senior Vice President, Regulatory and Legislative Affairs
Scott G. Macleod	37	Vice President, Chief Corporate Development Officer
Dennis O'Connell	40	President, North Region
Michael Ruley	40	President, West Region

Daniel F. Akerson. Mr. Akerson has served as our Chairman of the Board of Directors and Chief Executive Officer since joining NEXTLINK in September 1999. Since March 1996, he has been the Chairman of the Board of Directors of Nextel Communications, Inc. From March 1996 to July 1999, he was Chief Executive Officer of Nextel. From 1993 until March 1996, Mr. Akerson served as a general partner of Forstmann Little & Co., a private investment firm. While serving as a general partner of Forstmann Little, Mr. Akerson also held the positions of Chairman of the Board and Chief Executive Officer of General Instrument Corporation, a technology company acquired by Forstmann Little. From 1983 to 1993, Mr. Akerson held various senior management positions with MCI Communications Corporation, including president and chief operating officer. In addition, Mr. Akerson is a member of Eagle River and he currently serves as a director of the American Express Company, America OnLine, Inc., and Nextel International, Inc., a substantially wholly owned subsidiary of Nextel.

Nathaniel A. Davis. Mr. Davis has served as our President and Chief Operating Officer since joining NEXTLINK in January 2000. In February 2000, he was elected to serve on our Board of Directors. From October 1998 to January 2000, Mr. Davis served as Vice President of Technical Services for Nextel. From November 1996 to September 1998, Mr. Davis was Chief Financial Officer of U.S. Operations at MCI. From January 1994 to October 1996, he was Chief Operating Officer of MCImetro, a subsidiary of MCI. From July 1992 to December 1993, Mr. Davis was Senior Vice President of Access Services for MCI. Mr. Davis currently serves as a director of Mutual of America Capital Management Corporation and XM Satellite Radio, Inc.

Steven W. Hooper. Mr. Hooper has been an Executive Vice President of NEXTLINK since February 2000. From September 1999 to February 2000, he was our Vice Chairman — Strategic Development and served as a member of our Board of Directors. From March 1999 to September 1999, Mr. Hooper was our Chief Executive Officer. From July 1997 to September 1999, he was our Chairman of the Board of Directors. From January 1998 to July 1999, he was Co-Chief Executive Officer with Craig O. McCaw of Teledesic Corporation, a satellite telecommunications company. From January 1995 to June 1997, Mr. Hooper was President and Chief Executive Officer of AT&T Wireless Services, Inc. From January 1993 to January 1995, he served as Chief Financial Officer of AT&T Wireless Services.

Wayne M. Perry. Mr. Perry has been an Executive Vice President of NEXTLINK since February 2000. From June 1997 to February 2000, he was a Vice Chairman of NEXTLINK. From July 1997 to March 1999, Mr. Perry was Chief Executive Officer of NEXTLINK. From September 1994 to July 1997, he was a Vice Chairman of AT&T Wireless Services, Inc. From December 1985 to June 1989, served as President McCaw Cellular and, from June 1989 to September 1994, he served as Vice Chairman of the Board of McCaw Cellular.

Gary D. Begeman. Mr. Begeman has served as our Senior Vice President, General Counsel and Secretary since November 1999. From May 1997 to November 1999, he was Deputy General Counsel of Nextel, and from August 1999 to November 1999, he also was a Vice President of Nextel. From January 1992 to May 1997, Mr. Begeman was a partner of the law firm Jones, Day, Reavis & Pogue, specializing in corporate and securities law and mergers and acquisitions.

Doug L. Carter. Mr. Carter has served as our Senior Vice President, Chief Technology Officer since May 1999. From July 1998 to May 1999, he was our Senior Vice President, Technology. From February 1998 to November 1998, Mr. Carter also was the Vice President, Technology of Teledesic. From June 1996 to January 1998, he was Senior Vice President, Network Operations of AT&T Wireless Services and from June 1995 to May 1996, he was AT&T Wireless' Vice President, Network Operations. From January 1987 to May 1995, Mr. Carter was Director, Technology of McCaw Cellular.

Nancy B. Gofus. Ms. Gofus has served as our Senior Vice President, Chief Marketing Officer since January 2000. From March 1999 to December 1999, she was the Chief Operating Officer of Concert Management Services, Inc., which previously was a wholly-owned subsidiary of British Telecom and is a global provider of managed telecommunications services. From March 1995 to March 1998, Ms. Gofus was Concert's Senior Vice President of Marketing.

Mark S. Gunning. Mr. Gunning has served as our Senior Vice President, Chief Financial Officer since March 2000. From August 1996 to November 1999, he was Chief Financial Officer of Primco Personal Communications, a wireless telecommunications company. From March 1988 to November 1999, Mr. Gunning held various positions in finance with Airtouch Communications, a wireless telecommunications company, which owned 50% of Primco, including Vice President from 1996 to 1999.

Charles W. Sackley. Mr. Sackley has served as our Senior Vice President, National Accounts Sales and Marketing since February 2000. From May 1999 to February 2000, he was Senior Vice President, Sales and Marketing for Wireless Facilities, Inc. and, from February 1998 to May 1999, he was Wireless Facilities' Vice President, Sales and Business Development. From May 1997 to January 1998, Mr. Sackley was Executive Director of Marketing – Americas for Broadband Networks, Inc. From 1995 to 1997, he was Senior Director – Intelligent Network Operations of the Cellular Infrastructure Group of Motorola Inc. and, from 1993 to 1995, he was the Cellular Infrastructure Group's Director – Switching and Intelligent Network Operations.

R. Gerard Salemme. Mr. Salemme has served as our Senior Vice President, Regulatory and Legislative Affairs since January 2000. From March 1998 to January 2000, he served as our Senior Vice President, External Affairs and Industry Relations. From July 1997 to March 1998, he was our Vice President, External Affairs and Industry Relations. From December 1994 to July 1997, Mr. Salemme was Vice President, Government Affairs at AT&T Corp. From 1991 to 1994, Mr. Salemme was Senior Vice President, External Affairs at McCaw Cellular.

Scott G. Macleod. Mr. Macleod has been our Vice President, Chief Corporate Development Officer since May, 1999. From January 1992 to May 1999, he was an investment banker with Merrill Lynch & Co., in its telecommunications group. While Mr. Macleod was with Merrill Lynch, he was a Vice President from 1993 to 1995, a director in 1996, and a managing director from 1997 to May 1999.

Dennis O'Connell. Mr. O'Connell has been our President, North Region since January 2000. From April 1998 to January 2000, he was the President of our Northeast Region and, from June 1999 to January 2000, he was also our President, North American Operations. From June 1995 to March 1998, Mr. O'Connell was President of the Northeast Region for AT&T Wireless. From January 1992 to May 1995, Mr. O'Connell was the New York Vice President of Operations for AT&T Wireless.

Michael S. Ruley. Mr. Ruley has been our President, West Region since June 1999. From April 1998 to June 1999, he was the President of our Southwest Region. Mr. Ruley has over 15 years of experience in the telecommunications field. From June 1996 to April 1998, Mr. Ruley held various positions at TCG, including Regional Vice President of the Pacific Bell Territory and Vice President and General Manager of both the San Francisco and Colorado markets. From March 1993 to June 1996, Mr. Ruley was the Director of New Business Development for BPI Communications, a Colorado based telecommunications and technology company. Mr. Ruley has also managed District Sales for Librex Computer Express in Colorado; and was Vice-President of Sales and Marketing for Integrated Management Systems of Denver, Colorado.

PART II

Item 5. *Market for Registrants' Common Stock and Related Stockholder Matters*

Market Information

NEXTLINK's Class A common stock is traded on the NASDAQ National Market under the symbol "NXLK". The following table shows, for the periods indicated, the high and low bid prices for our Class A common stock as reported by the NASDAQ National Market tier of The NASDAQ Stock Market. The prices below have been adjusted for the two-for-one stock split effected August 27, 1999.

	1999		1998	
	High	Low	High	Low
First Quarter	$31.44	$13.00	$18.44	$10.60
Second Quarter	$43.38	$26.63	$18.91	$12.94
Third Quarter	$56.88	$38.00	$20.37	$10.32
Fourth Quarter	$91.31	$49.81	$16.75	$ 5.50

There is no public trading market for our Class B common stock or NEXTLINK Capital's common equity. NEXTLINK Capital is a wholly owned subsidiary of ours, formed for the sole purpose of obtaining financing from external sources.

As of March 15, 2000, the approximate number of shareholders of our Class A and Class B common stock was approximately 44,000 and nine, respectively. NEXTLINK is the sole holder of record of NEXTLINK Capital's common stock.

Use of Proceeds

The initial public offering (IPO) of our Class A common stock took place in October 1997 (File No. 333-32001). The net proceeds we received from the offering totaled approximately $226.8 million. As of December 31, 1999, proceeds from the IPO remain available for future network build out and working capital requirements. We have raised additional funding from debt and additional equity offerings in 1998 and 1999. The proceeds from these recent offerings have been applied first in funding the expansion of our network and other working capital requirements.

Dividends

Neither we nor NEXTLINK Capital have declared a cash dividend on any of our respective common stock. Covenants in our credit facility and the indentures pursuant to which our and NEXTLINK Capital's Senior Notes have been issued restrict our ability to pay cash dividends on our capital stock.

Sales of Unregistered Securities

On November 17, 1999, we completed the issuance and sale in a private placement transaction of $400.0 million of 10½% Senior Notes due 2009 and $455.0 million in principal amount at stated maturity of 12⅛% Senior Discount Notes due 2009. The Senior Notes were sold at 100% of their principal amount,

yielding $400.0 million in gross proceeds. The Senior Discount Notes were sold at 55.257% of their principal amount at maturity, yielding gross proceeds of approximately $251.4 million. Goldman, Sachs & Co., Salomon Smith Barney Inc., Credit Suisse First Boston Corporation, TD Securities (USA) Inc., Barclays Capital Inc., Chase Securities Inc., Banc of America Securities LLC, BancBoston Robertson Stephens Inc., Deutsche Bank Securities Inc., J.P. Morgan Securities Inc. and PNC Capital Markets, Inc. acted as initial purchasers and received approximately $11.6 million in fees in connection with the sale of the notes. The offer and sale of the notes was exempt from the registration requirements of the Securities Act of 1933, as amended, because each initial purchaser offered and sold the notes in the United States only to qualified institutional buyers in reliance on Rule 144A under the Securities Act and outside the United States only to non-U.S. persons in offshore transactions in reliance on Regulation S under the Securities Act.

Item 6. ***Selected Financial Data***

	Year Ended December 31,				
	1999	1998	1997	1996	1995
	(In Thousands, Except per Share Data)				
Statement of Operations Data:					
Revenue	$ 274,324	$ 139,667	$ 57,579	$ 25,686	$ 7,552
Loss from operations	(366,530)	(206,184)	(102,621)	(51,015)	(12,462)
Net loss	(558,692)	(278,340)	(129,004)	(71,101)	(12,731)
Net loss applicable to common shares	(627,881)	(337,113)	(168,324)	(71,101)	(12,731)
Net loss per share (1)	(5.02)	(3.13)	(1.96)	(0.91)	—
Statement of Cash Flow Data:					
Net cash used in operating activities	$ (358,916)	$ (174,484)	$ (97,320)	$ (40,563)	$ (9,180)
Net cash used in investing activities	(1,040,620)	(1,276,747)	(470,195)	(227,012)	(35,417)
Net cash provided by financing activities	1,948,503	1,381,653	879,782	343,032	45,922
Other Data:					
EBITDA, as adjusted (2)	$ (214,248)	$ (140,937)	$ (72,184)	$ (30,761)	$ (8,629)
Balance Sheet Data:					
Cash, cash equivalents and marketable securities	$ 1,881,764	$ 1,478,062	$ 742,357	$ 124,520	$ 1,350
Property and equipment, net	1,180,021	594,408	253,653	97,784	29,664
Investment in fixed wireless licenses, net	933,128	67,352	—	—	—
Total assets	4,597,108	2,483,106	1,219,978	390,683	53,461
Long-term debt	3,733,342	2,013,192	750,000	350,000	—
Redeemable preferred stock, net of issuance costs	612,352	556,168	313,319	—	—
Total shareholders' equity (deficit)	(13,122)	(246,463)	71,285	(18,654)	36,719

(1) The net loss per share data above has been adjusted for the stock splits effected in 1999 and in prior periods.

(2) EBITDA represents net loss before interest expense, interest income, depreciation, amortization and deferred compensation expense, and has been adjusted to exclude the non-recurring restructuring charge recorded in the fourth quarter of 1999. EBITDA is commonly used to analyze companies on the basis of operating performance, leverage and liquidity. While EBITDA should not be construed as a substitute for operating income or a better measure of liquidity than cash flow from operating activities, which are determined in accordance with generally accepted accounting principles, it is included herein to provide additional information with respect to our ability to meet future debt service, capital expenditure and working capital requirements.

Item 7. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

Forward-looking and Cautionary Statements

Some of the statements contained in this Management's Discussion and Analysis of Financial Condition and Results of Operations may be deemed to be forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially, as discussed further elsewhere in this report and in our public filings with the Securities and Exchange Commission.

Overview

Since 1996, we have provided high-quality telecommunications services to the rapidly growing business market. We believe that increasing usage of both telephone service and newer data and information services will continue to increase demand for telecommunications capacity, or bandwidth, and for new telecommunications services and applications.

To serve our customers' expanding telecommunications needs, we have assembled a unique collection of high-bandwidth local and national network assets. We intend to integrate these assets with advanced communications technologies and services in order to become one of the nation's leading providers of a comprehensive array of communications services and applications.

To accomplish this:

- We have built 31 high-bandwidth or broadband local networks in 19 states, generally located in the central business districts of the cities we serve, and we continue to build additional networks;
- We have become the nation's largest holder of broadband fixed wireless spectrum with FCC licenses covering 95% of the population of the 30 largest U.S. cities, which we will use to extend the reach of our networks to additional customers; and
- We have acquired, through a joint venture known as INTERNEXT, rights to use unlit fiber optic strands, known as dark fiber, and an empty conduit in a national broadband network now being built to traverse over 16,000 miles and to connect more than 50 cities in the United States and Canada, including all of the largest cities that our current and planned local networks serve. By acquiring "dark" fiber rather than leasing "lit" fiber capacity, we have retained control over decisions on where and how to deploy existing or new generations of optical transmission equipment to enhance our network's capacity and performance.

We currently offer our customers a variety of voice services and high-speed Internet access. As our networks become increasingly optimized for data transmission and through our pending acquisition of Concentric Network Corporation (Concentric), we plan to expand our Internet access business and offer additional data services, such as Internet web hosting, support for e-commerce, virtual private network services and other customized data communications services.

In addition, through our NEXTLINK Interactive subsidiary, we currently provide a number of voice response, speech recognition, and e-commerce services. We plan to build on our existing expertise in customized information and automated order fulfillment to serve clients with e-commerce businesses, that is, businesses conducting high volume retail transactions over the Internet.

We currently operate 31 broadband local networks in 49 cities. We launched services in San Diego, Seattle and Washington D.C. during the first half of 1999, in Newark, Detroit and Houston during the third quarter of 1999, and, most recently, in Phoenix, Boston, St. Louis and Sacramento. We are currently building additional local networks, and plan to have operational networks in most of the 30 largest U.S. cities by the end of 2000.

Our goal is to provide customers with complete voice and data network solutions for all of their communications needs, using our own fiber, switches and other facilities to the greatest extent possible. To reduce reliance on the physical connection for the short distance between our customers and our fiber optic networks, which are, in most instances, leased from the dominant carrier, we intend to increase the number of customers connected directly to our networks. In some cases, using our fixed wireless spectrum, we will construct a new fiber optic extension from our network to the customer's premises. In other cases, we will deploy a high-bandwidth wireless connection between an antenna on the roof of the customer's premises and an antenna attached to our fiber rings. These fixed wireless connections offer high-quality broadband capacity and, in most cases, will cost less than fiber to install. In December 1999, we completed our first generation broadband wireless field testing and announced the availability of commercial services to a limited group of customers in Los Angeles and Dallas. We continue to evaluate vendors for participation in our planned commercial rollout of broadband wireless service in 25 markets scheduled for the end of 2000.

We are also deploying a technology called Digital Subscriber Line, or DSL, to meet the high bandwidth needs of those customers whose connection to our network remains over copper wire. DSL technology increases the effective capacity of existing copper telephone wires. We are installing our own DSL equipment to provide these services ourselves, and we also resell another provider's DSL services.

Our networks support a variety of communications technologies, which permit us to offer our customers a set of technology options to meet their changing needs, and introduce new technologies, as they become available. For example, we have begun to install Internet Protocol (IP) routers, which will enable us to carry Internet traffic more efficiently and to provide more data services. We also have been installing Asynchronous Transfer Mode (ATM) routers and switches in our local network, which will enable us to meet the demands of large, high volume customers.

We anticipate that future IP technologies will enable the high-bandwidth, end-to-end national network we are building to carry data, voice and video. Such a network should also enable us to offer our customers entirely new classes of IP services. To serve our customers' present needs and to take advantage of future opportunities that technological advances may bring, we intend to remain flexible with respect to technology choices.

The table provides selected key operational data:

	As of December 31,		
	1999	1998	'99-'98 % Change
Operating data (1):			
Route miles (2)	4,285	2,477	73.0%
Fiber miles (3)	378,200	195,531	93.4%
On-net buildings connected (4)	1,320	801	64.8%
Off-net buildings connected (5)	28,656	13,443	113.2%
Switches installed	32	21	52.4%
Access lines in service (6)	428,035	174,182	145.7%
Employees	3,500	2,299	52.2%

(1) The operating data include 100% of the statistics of the Las Vegas network, which we manage and in which we have a 40% membership interest.

(2) Route miles refer to the number of miles of the telecommunications path in which we own or lease the fiber optic cables that are installed.

(3) Fiber miles refer to the number of route miles installed along a telecommunications path, multiplied by our estimate of the number of fibers along that path.

(4) Represents buildings physically connected to our networks, excluding those connected by unbundled dominant local exchange carrier facilities.

(5) Represents buildings connected to our networks through leased or unbundled dominant carrier facilities.

(6) Represents the number of access lines in service, including those lines that are provided through resale of Centrex services, for which we are billing services. We serviced 1,463 resold access lines as of December 31, 1999. An access line is defined as a telephone connection between our facilities and a customer purchasing local telephone services. This connection does not include so-called access line equivalents (ALEs), and is a one-for-one relationship with no multipliers used for trunk ratios, except for those trunks over which we provide primary rate interface (PRI) service is provided, which are counted as 23 access lines.

Concentric Acquisition

In January 2000, we agreed to acquire Concentric, a provider of high-speed DSL, web hosting, e-commerce and other Internet services. As a combined company, we will be able to offer a complete, single

source communications solution to our customers by combining our voice and data products with the full array of products from Concentric's Internet business, data center, and application service provider (ASP) services.

In this transaction, both the Company and Concentric will merge into a newly-formed company, to be renamed NEXTLINK Communications, Inc., which will succeed to both companies' assets and businesses and will assume all of NEXTLINK's and Concentric's outstanding debt obligations and other liabilities. In the transaction, each outstanding share of our Class A common stock and Class B common stock would be converted into one share of Class A common stock or Class B common stock, as applicable, of the corporation surviving this merger, which stock will be substantially identical to our Class A and Class B common stock. In addition, each outstanding share of Concentric common stock would be converted into 0.495 of a share of Class A common stock of the surviving corporation, unless the trading price of our Class A common stock at the effective time is less than or equal to $90.91, in which case each outstanding share would be converted into $45.00 of Class A common stock of the surviving corporation (based on the trading price of our Class A common stock prior to the effective time). If at the effective time our average stock price is less than $69.23, each outstanding share of Concentric common stock would convert into 0.650 of a share of the Class A common stock of the surviving corporation.

This transaction is intended to be tax-free to our shareholders and Concentric's shareholders and has been unanimously approved by both our and Concentric's boards of directors, but remains subject to approval by Concentric stockholders. Eagle River, the majority holder of our voting power, has agreed to approve the transaction. The parties have obtained the consent of Concentric's bond and preferred stock holders to certain amendments to those securities that are necessary to complete this transaction. The transaction is subject to customary closing conditions and is expected to close during the second quarter of 2000. The merger will be accounted for under the purchase method of accounting.

Results of Operations

Revenue grew 96% to $274.3 million in 1999, from $139.7 million in 1998. In 1998, revenue increased 143% to $139.7 million from $57.6 million in 1997. Revenue reported consisted of the following components (dollars in thousands):

	1999	1998	1999–1998 % Change	1997	1998–1997 % Change
Core services	$217,052	$ 76,654	183.2%	$20,342	276.8%
Shared tenant services	13,805	12,781	8.0%	2,018	533.3%
Long distance telephone services	21,233	26,937	(21.2)%	16,478	63.5%
Enhanced services	22,234	23,295	(4.6)%	18,741	24.3%
Total revenue	$274,324	$139,667	96.4%	$57,579	142.6%

Core services revenue, consisting of bundled local and long distance, as well as dedicated services, grew 183% to $217.1 million from $76.7 million in 1998. In 1998, core services revenue grew 277% from $20.3 million in 1997. This revenue growth corresponded to an increase in customer access lines installed, which was driven by growth in our existing markets, as well as expansion into new markets. During 1999, access lines in service grew 146% to 428,035 as of December 31, 1999 from 174,182 at December 31, 1998. At December 31, 1997 access lines in service totaled 50,131. Our quarterly customer access line installation rate grew 97% to 78,881 in the fourth quarter of 1999 from 40,075 in the same quarter of 1998.

Through our NEXTLINK One subsidiary, we provide shared tenant services, including telecommunications management services, to groups of small and medium-sized businesses located in the same office building. This service enables businesses too small to justify hiring their own telecommunications managers to benefit from the efficiencies, including volume discounts, normally only available to larger enterprises. We acquired our NEXTLINK One subsidiary (formerly Start Technologies Corporation) in the fourth quarter of 1997; therefore, 1998 was the first full year of shared tenant services revenue recognized.

Revenue from our stand-alone long distance telephone services declined in 1999 from 1998, primarily due the conversion of those customers onto our local networks, as we began servicing those customers with our bundled local and long distance services. We expect this trend to continue in future periods both in absolute terms and as a percentage of revenue. In 1998, revenue from this source increased due to the acquisition of Chadwick Telecommunications Corporation, a switch-based long distance service reseller, in the fourth quarter of 1997.

Enhanced revenue consists primarily of interactive voice response (IVR) services provided by our NEXTLINK Interactive subsidiary. IVR is a platform that allows a consumer to dial into a computer-based system using a toll-free number and a touch-tone phone and access a variety of information by following a customized menu. Simultaneously, a profile of the caller is left behind for either our use or the use of our customer.

The table below provides expenses by classification and as a percentage of revenue:

	Expense Classification as a Percentage of Revenue (dollars in thousands)					
	1999		1998		1997	
	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue
Costs and expenses:						
Operating	$221,664	80.8%	$123,675	88.5%	$54,031	93.8%
SG&A	266,908	97.3%	156,929	112.4%	75,732	131.5%
Restructuring	30,935	11.3%	—	—	—	—
Deferred compensation	12,872	4.7%	4,993	3.6%	3,247	5.6%
Depreciation	93,097	33.9%	45,638	32.7%	18,851	32.7%
Amortization	15,378	5.6%	14,616	10.5%	8,339	14.5%

Operating expenses consist of costs directly related to providing facilities-based network and enhanced communications services and also includes salaries, benefits and related costs of operations and engineering personnel. Operating expenses increased 79% in 1999 to $221.7 million versus $123.7 million in 1998. In 1998, operating expenses increased 129% from $54.0 million in 1997. The increase in both years was attributable to increased network costs related to provisioning higher volumes of local, long distance and enhanced communications services, an increase in employees and an increase in other related costs primarily to expand our switched local and long distance service businesses in existing and planned markets. To a lesser extent, the acquisitions of Start and Chadwick in the fourth quarter of 1997 also contributed to the increase in operating costs in 1998 over those in 1997. We expect operating expenses to continue to increase in future periods in connection with our growth and expansion plans.

Selling, general and administrative (SG&A) expenses include salaries and related personnel costs, facilities expenses, sales and marketing, information systems costs, consulting and legal costs and equity in loss of affiliated companies. SG&A expenses increased 70% in 1999 to $266.9 million from $156.9 million in 1998. In 1998, SG&A increased 107% from $75.7 million in 1997. Consistent with the cost drivers of our operating expenses, the increases in SG&A in both periods was primarily due to increases in employees and other costs associated with the expansion of our switched local and long distance service businesses in existing and planned markets.

In the fourth quarter of 1999, we recorded a $30.9 million non-recurring restructuring charge for costs associated with relocating our Bellevue, Washington headquarters to Northern Virginia. Approximately $28.0 million of the charge resulted from non-cash stock option compensation charges that arose from accelerated vesting on certain employee options associated with their severance.

Deferred compensation expense was recorded in connection with our Equity Option Plan until April 1997, and in connection with our Stock Option Plan, which replaced the Equity Option Plan, subsequent to April 1997. The stock options granted under the Equity Option Plan were considered compensatory. All options outstanding under the Equity Option Plan were re-granted under the Stock Option Plan with terms and conditions substantially the same as under the Equity Option Plan. As such, we continue to record

deferred compensation expense for those compensatory stock options issued and for compensatory stock options issued subsequent to the Stock Option Plan inception date. Compensation expense is recognized over the vesting periods of the options based on the excess of the fair value of the stock options at the date of grant over the exercise price.

Depreciation expense increased 104% in 1999 to $93.1 million from $45.6 million in 1998. In 1998, depreciation expense increased 142% from $18.9 million in 1997. The increase in both years was primarily due to placement in service of additional telecommunications network assets, including switches, fiber optic cable, and network electronics and related equipment. As we expand our networks and install additional switches and related equipment and other network technology, depreciation expense is expected to continue to increase. Amortization of intangible assets increased in 1998 over 1997 primarily as a result of the Start and Chadwick acquisitions in the fourth quarter of 1997.

In 1999, interest expense increased 96% to $283.1 million from $144.6 million in 1998. In 1998, interest expense increased 165% from $54.5 million in 1997. The increase in both years was due to an increase in our average outstanding indebtedness. Interest expense will increase in future periods in conjunction with an increase in our average outstanding indebtedness. For more information, see "Liquidity and Capital Resources." A portion of interest costs is capitalized as part of the construction cost of our communications networks. Capitalized interest was $9.9 million in 1999, $4.3 million in 1998, and $1.8 million in 1997.

Interest income increased 26% in 1999 to $91 million from $72.4 million in 1998. In 1998, interest income increased 157% from $28.1 million in 1997. The increases in both years corresponded to the increase in our average cash and investment balances.

Liquidity and Capital Resources

Our business is capital-intensive and, as such, has required and will continue to require substantial capital investment. We build high capacity networks with broad market coverage, a strategy that initially increases our level of capital expenditures and operating losses and requires us to make a substantial portion of our capital investments before we realize any revenue from them. These capital expenditures, together with the associated early operating expenses, will continue to result in negative cash flow unless and until we are able to establish an adequate customer base. We believe, however, that over the long term this strategy will enhance our financial performance by increasing the traffic flow over our networks.

Capital Uses

During 1999, we used $358.9 million in cash for operating activities, compared to $174.5 million used in 1998 and $97.3 million used in 1997. The increase was primarily due to a substantial increase in our activities associated with the continued development and expansion of switched local and long distance service operations. Accounts receivable increased 123% during 1999, primarily due to the increase in revenue in the same period. Increases in accounts payable and accured liabilities were proportional with the increase in operating costs and selling, general, and administrative expenses. In addition, during 1999, we invested an additional $1,127.1 million in property and equipment, and acquisitions of telecommunications assets, including a $515.6 million investment in fixed wireless licenses.

During 1999, we acquired a number of licenses to broadband fixed wireless spectrum. We plan to use our fixed wireless licenses to extend the reach of our fiber networks and to connect additional customers directly to our fiber networks. Deploying the technologies associated with this strategy will require additional capital expenditures. The transactions completed included the following:

- In April 1999, we acquired WNP Communications, Inc. for $698.2 million. Of this amount, we paid $157.7 million to the FCC for license fees, including interest. We paid the remainder of the purchase price, consisting of $190.1 million in cash and 11,431,662 shares of Class A common stock, to the stockholders of WNP. In this transaction, we acquired licenses for 1,150 MHz of local multi-point distribution services (LMDS) spectrum (A block LMDS licenses) in 39 cities and one license for 150 MHz of LMDS spectrum (B block LMDS license) in one city.

- In June 1999, we acquired from Nextel Communications Inc. (Nextel) its 50% interest in NEXTBAND, a joint venture we formed with Nextel in January 1998, for $137.7 million in cash. NEXTBAND owns LMDS licenses in 42 markets throughout the U.S. The purchase price was determined based on a formula derived in conjunction with our acquisition of WNP.

In July 1998, we formed INTERNEXT L.L.C., which is currently beneficially owned 50% each by us and Eagle River Investments, LLC. INTERNEXT entered into an agreement with Level 3 Communications, Inc., which is constructing a fiber optic network that is expected to cover more than 16,000 route miles with six or more conduits and connect 50 cities in the United States and Canada. Pursuant to this agreement, INTERNEXT will receive an exclusive interest in 24 "dark" fibers in a shared, filled conduit, one empty conduit and the right to 25% of the fibers pulled through the sixth and any additional conduits in the network. INTERNEXT will pay $700.0 million in exchange for these rights, the majority of which will be payable as segments of the network are completed and accepted, which is expected to occur substantially during 2000 and 2001. As of December 31 1999, INTERNEXT had paid $47.6 million to Level 3 of which $19.8 million was paid in 1999.

In January 2000, we entered into an agreement with Eagle River to purchase the 50% interest that we did not own of INTERNEXT. The purchase price for Eagle River's interest is approximately 3.4 million shares of the Class A common stock of the corporation surviving the Concentric acquisition. As a result of this acquisition, which is expected to be consummated in the second quarter of 2000, we will have complete control over this national broadband network.

We expect to make substantial capital expenditures in 2000 and beyond relating to our existing and planned network development and operations. These expenditures include:

- the purchase and installation of switches, routers, servers and other data-related equipment and related electronics in existing networks and in networks to be constructed or acquired in new or adjacent markets;
- the purchase and installation of fiber optic cable and electronics to expand existing networks and develop new networks, including the connection of new buildings;
- the development of our comprehensive information technology platform;
- the purchase and installation of equipment associated with the deployment of LMDS using our LMDS spectrum;
- funding of the commitments to build our national network, and related expenses we expect to incur in building our national network;
- the purchase and installation of equipment associated with deployment of DSL services; and
- the funding of operating losses and working capital.

Our strategic plan also calls for expansion into additional market areas. This expansion will require significant additional capital for:

- potential acquisitions of businesses or assets;
- design, development and construction of new networks; and
- the funding of operating losses and working capital during the start-up phase of each market.

In addition, our proposed acquisition of Concentric may result in additional capital uses. Specifically, under the terms of the indenture governing Concentric's 12¾% Senior Notes due 2007 and the terms of Concentric's 13½% Series B Senior Redeemable Exchangeable Preferred Stock, upon completion of the Concentric transaction we will be required to offer to repurchase those outstanding senior notes and shares of preferred stock at a purchase price equal to 101% of the principal amount of the senior notes and 101% of the liquidation preference of the shares of the preferred stock. As of December 31, 1999, the total principal amount of the Concentric senior notes and the liquidation preference of the shares of Concentric preferred

stock outstanding were approximately $338.7 million. If we were required to utilize available cash to fund repurchase of all or a significant amount of Concentric's senior notes and preferred stock, it would reduce the amount of funds available to implement our business plan.

Based on the current and historical trading prices of Concentric's senior notes and preferred stock, we do not expect that the holders of these notes and preferred stock will tender them for repurchase. However, if there is a significant adverse change in the market for these securities or an adverse change with respect to either of us or Concentric, it is likely that some or all of the Concentric senior notes and preferred stock will be tendered in the repurchase offer.

Capital Resources

1999 Financing Activities. In November 1999, we sold $400.0 million of 10½% Senior Notes and $455.0 million in principal amount at stated maturity of 12⅛% Senior Discount Notes both due December 1, 2009. The transaction generated proceeds, net of discounts, commissions, advisory fees and expenses, totaling approximately $639.6 million. Interest payments on the 10½% Notes are due semi-annually, beginning June 1, 2000. The 12⅛% Notes were issued at a discount from their principal amount to generate aggregate gross proceeds of approximately $251.4 million. The 12⅛% Notes accrete at a rate of 12⅛% compounded semi-annually, to an aggregate principal amount of $455.0 million by December 1, 2004. No cash interest will accrue on the 12⅛% Notes until December 1, 2004. Interest will become payable in cash semi-annually beginning June 1, 2005. We have the option to redeem both the 10½% Notes and the 12⅛% Notes, in whole or in part, beginning December 1, 2004 at established redemption prices that decline to 100% of the stated principal amount thereof by December 1, 2007.

In June 1999, we completed the sale of $675.0 million of 10¾% Senior Notes and $588.9 million in principal amount at stated maturity of 12¼% Senior Discount Notes, both due June 1, 2009. The transaction generated proceeds, net of discounts, underwriting commissions, advisory fees and expenses, totaling approximately $979.5 million. Interest payments on the 10¾% Notes due 2009 are due semi-annually, beginning December 1, 1999. The 12¼% Notes were issued at a discount from their principal amount to generate aggregate gross proceeds of approximately $325.0 million. The 12¼% Notes accrete at a rate of 12¼% compounded semi-annually, to an aggregate principal amount of approximately $588.9 million by June 1, 2004. No cash interest will accrue on the 12¼% Notes until June 1, 2004. Interest will become payable in cash semi-annually beginning December 1, 2004. We have the option to redeem both the 10¾% Notes and the 12¼% Notes, in whole or in part, beginning June 1, 2004 at established redemption prices that decline to 100% of the stated principal amount thereof by June 1, 2007.

Our operating flexibility with respect to certain business matters is, and will continue to be, limited by covenants associated with our outstanding indebteness and preferred stock. Among other things, these covenants limit our ability to incur additional indebtedness, create liens upon assets, apply the proceeds from the disposal of assets, make dividend payments and other distributions on capital stock and redeem capital stock.

We are required to use the proceeds from the sale of certain series of our senior notes solely to fund 80% of the expenditures for the construction, improvement and acquisition of new and existing networks and services and direct and indirect investments in certain joint ventures, by covenants in the indentures under which these and other of our notes were issued. We expect to fund the remainder of these costs with the proceeds of other offerings. These covenants may adversely affect our ability to finance our future operations or capital needs or to engage in other business activities that may be in our interest.

In June 1999, we completed the sale of 15,200,000 shares of Class A common stock at $38.00 per share, 8,464,100 shares of which we offered and 6,735,900 shares of which were offered by certain stockholders that previously owned interests in WNP. Gross proceeds from the offering totaled $321.6 million, and our proceeds, net of underwriting discounts, advisory fees and expenses, aggregated approximately $310.5 million.

At December 31, 1999 we had $150.6 million of comprehensive income generated from net unrealized holding gains and losses on our equity investments in marketable securities. These investments were classified

as available-for-sale in accordance with Statement Financial Accounting Standard 115, "Accounting For Certain Investments in Debt and Equity Securities." In the first quarter of 2000, we sold a portion of these investments realizing most of this gain, including the impact of subsequent changes in fair market value.

Secured Credit Facility. In February 2000, we entered into a $1.0 billion Senior Secured Credit Facility with various lenders, and certain of our subsidiaries, as guarantors. The security for the facility consists of all of the assets purchased with the proceeds thereof, the stock of certain of our subsidiaries, all assets of NEXTLINK and, to the extent of $125.0 million of guaranteed debt, all assets of certain of our subsidiaries. A portion of the facility is available to provide working capital and for other general corporate purposes with the remainder available to provide financing for the construction, acquisition or improvement of telecommunication assets. The facility consists of a $387.5 million multi-draw term loan A, a $225.0 million term loan B, and a $387.5 million revolving credit facility. In addition, the facility may be increased by up to an additional $1.0 billion under certain circumstances. At closing, we borrowed $150.0 million of the term loan A and the entire $225.0 million of the term loan B.

The revolving credit facility and the term loan A mature on December 31, 2006, and the term loan B matures on June 30, 2007. The maturity date for each of the facilities may be accelerated to October 31, 2005 unless we have refinanced our $350.0 million 12½% Senior Notes by April 15, 2005. Amounts drawn under the revolving credit facility and the term loans are expected to bear interest, at our option, at the alternate base rate or reserve-adjusted London Interbank Offered Rate (LIBOR) plus, in each case, applicable margins.

Forstmann Little Investment. In December 1999, several Forstmann Little & Co. investment funds agreed to invest $850.0 million in NEXTLINK, to be used to expand our networks and services, introduce new technologies and fund our business plan. The investment closed in January 2000. In the transaction, the investors acquired shares of two series of convertible preferred stock that together are convertible into Class A common stock at a conversion price of $63.25 per share and provide for a 3.75% dividend payable quarterly. Under the agreement, the holders may convert the preferred stock into Class A common stock at any time after January 20, 2001, and we may redeem the preferred stock at any time after the later of January 20, 2005 and the date we have redeemed our 12½% Notes in full. The preferred stock is redeemable at the option of the holders during the 180-day period commencing January 20, 2010.

Liquidity Assessment

We believe that the net proceeds from the Forstmann Little investment together with the amounts borrowed and available under the secured credit facility, cash and marketable securities on hand and cash generated from operations, will provide sufficient funds for us to expand our business as planned and to fund operating losses until the latter half of 2001. However, the amount of future funding requirements will depend on a number of factors, including the success of our business, the dates at which we further expand our network, the types of services we offer, staffing levels, acquisitions and customer growth, as well as other factors that are not within our control, including the obligation to fund the repurchase offer obligation with respect to Concentric's senior notes and preferred shares that will be triggered upon completion of the Concentric transaction, competitive conditions, government regulatory developments and capital costs. In the event our plan or assumptions change or prove to be inaccurate, or available borrowings under the secured credit facility, cash and investments on hand and cash generated from operations prove to be insufficient to fund our growth in the manner and at the rate currently anticipated, we may be required to delay or abandon some or all of our development and expansion plans or we may be required to seek additional sources of financing earlier than currently anticipated. In the event we are required to seek additional financing, there can be no assurance that such financing will be available on acceptable terms or at all.

Impact of Year 2000

Prior to January 1, 2000, considerable concern was raised as to Year 2000 readiness of computer systems. The Year 2000 concerns arose because certain older computer systems and applications were written to define a given year with abbreviated dates using the last two digits in a year rather than the entire four digits. As a result, when computer systems attempt to process dates both before and after January 1, 2000, two digit year

fields may create processing ambiguities that can cause errors and system failures. For example, systems and applications may have time-sensitive software that recognize an abbreviated year "00" as the year 1900 rather than the year 2000. There was concern as to whether these errors or failures would have limited effects, or whether the effects would be widespread, depending on the computer chip, system, or software, and its location and function. We experienced no significant problems arising from the Year 2000 concerns and, to date, no year 2000-related claims have been made against us. We continue to monitor for date-related impacts.

State of Readiness

We had adopted a formal Year 2000 plan, the purpose of which was to develop and perform reasonable steps intended to prevent our critical operational functions from being impaired due to the Year 2000 problem. We engaged outside consultants to aid in formulating and implementing the plan. Prior to December 31, 1999 our assessments, which included testing and vendor confirmations, indicated that our major operational support systems, including our billing, order management, network management, and financial systems were Year 2000 ready.

Costs to Address Year 2000 Issues

We have not incurred material historical costs for Year 2000 awareness, inventory, assessment, analysis, conversion, or contingency planning. We currently do not anticipate any future costs for these purposes.

Year 2000 Risk Factors and Contingency Plans

In the unlikely event that a post Year 2000 date-related incident does occur, our contingency plans developed prior to December 31, 1999 would be implemented.

Item 7A. ***Quantitative and Qualitative Disclosure About Market Risk***

We currently have instruments sensitive to market risks relating to exposure to changing interest rates. As disclosed in Notes 8 and 9 to the consolidated financial statements, we had $3,733.3 million in fixed rate debt and $612.3 million in fixed rate redeemable preferred stock as of December 31, 1999. We do not have significant cash flow exposure to changing interest rates on our long term debt and redeemable preferred stock because the interest rates are fixed. However, the estimated fair values of the fixed-rate debt and redeemable preferred stock are subject to market risk.

We also maintain an investment portfolio consisting of U.S. government and other securities with an average maturity of less than one year. These securities are classified as "available for sale". If interest rates were to increase or decrease immediately, it could have a material impact on the fair value of these financial instruments. However, changes in interest rates would not likely have a material impact on interest earned on our investment portfolio. We do not currently hedge these interest rate exposures. We have in the past hedged certain equity securities available-for-sale to reduce our risk of exposure to declines in the market price of such securities.

Presented below is an analysis of our financial instruments, as of December 31, 1999, that are sensitive to changes in interest rates. The model demonstrates the change in fair value of the instruments calculated for an

instantaneous parallel shift in interest rates, plus or minus 50 basis points (BPS), 100 BPS, and 150 BPS (in millions).

Interest Rate Risk	Valuation of Securities Given an Interest Rate Decrease of X Basis Points			No Change in Interest Rates	Valuation of Securities Given an Interest Rate Increase of X Basis Points		
	(150 BPS)	(100 BPS)	(50 BPS)		50 BPS	100 BPS	150 BPS
Financial Assets:							
Marketable securities	$1,020	$1,018	$1,015	$1,013	$1,011	$1,008	$1,005
Financial Liabilities:							
Fixed rate debt	$4,041	$3,919	$3,802	$3,690	$3,582	$3,478	$3,361

The sensitivity analysis provides only a limited, point-in-time view of the market risk sensitivity of certain of our financial instruments. The actual impact of market interest rate and price changes on the financial instruments may differ significantly from those shown in the sensitivity analysis.

Item 8. ***Financial Statements and Supplementary Data***

Our consolidated financial statements are filed under this Item, beginning on page F-1 of this Report, and NEXTLINK Capital's balance sheet is filed under this Item, beginning on Page F-24 of this Report.

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 herein regarding directors is incorporated herein by reference from the definitive Proxy Statement for NEXTLINK's 2000 Annual Meeting, which is scheduled to be filed on or before April 29, 2000, under the caption "Election of Directors". The information required herein regarding executive officers required is set forth in Part I hereof under the heading "Executive Officers of the Registrant", which information is incorporated herein by reference. The information required by this item regarding compliance with Section 16(a) of the Securities and Exchange Act of 1934 by NEXTLINK's directors and executive officers, and holders of ten percent of a registered class of NEXTLINK's equity securities is incorporated herein by reference from the definitive Proxy Statement for NEXTLINK's 2000 Annual Meeting which is scheduled to be filed on or before April 29, 2000, under the caption "Other Information-Section 16(a) Beneficial Ownership Reporting Compliance".

Item 11. ***Executive Compensation***

The information required by this item regarding compensation of executive officers and directors is incorporated herein by reference from the definitive Proxy Statement for NEXTLINK's 2000 Annual Meeting, which is scheduled to be filed on or before April 29, 2000, under the captions "Director Compensation" and "Executive Compensation".

Item 12. ***Security Ownership of Certain Beneficial Owners and Management***

The information required by this item is incorporated herein by reference from the definitive Proxy Statement for NEXTLINK's 2000 Annual Meeting, which is scheduled to be filed on or before April 29, 2000, under the caption "NEXTLINK Common Stock Ownership".

Item 13. ***Certain Relationships and Related Transactions***

The information required by this item is incorporated herein by reference from the definitive Proxy Statement for NEXTLINK's 2000 Annual Meeting, which is scheduled to be filed on or before April 29, 2000, under the caption "Certain Relationships and Related Transactions."

PART IV

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

(a) 1. and 2. Financial Statements and Schedules:

(3) List of Exhibits — Refer to Exhibit Index, which is incorporated herein by reference.

(b) Reports on Form 8-K:

(1) Current Report on Form 8-K dated November 17, 1999, reporting under Item 5 certain completed and proposed financings of NEXTLINK Communications, Inc.

(2) Current Report on Form 8-K dated December 7, 1999, reporting under Item 5 that NEXTLINK Communications, Inc. had entered into certain financing and other agreements.

(3) Current Report on Form 8-K dated January 11, 2000, reporting under Item 5 that NEXTLINK Communications, Inc. had entered into an Agreement and Plan of Merger and Share Exchange Agreement with Concentric Network Corporation and Eagle River Investments, L.L.C.

(4) Current Report on Form 8-K dated January 24, 2000, reporting under Item 5 the closing of the previously announced $850 million investment by Forstmann Little & Co. in NEXTLINK Communications, Inc.

(5) Current Report on Form 8-K dated January 24, 2000, reporting under Item 5 certain details regarding the Concentric acquisition and the closing of the previously announced $1 billion credit facility with various lenders, Goldman Sachs Credit Partners L.P., as syndication agent, Toronto Dominion (Texas), Inc., as administrative agent, Barclays Bank PLC, and The Chase Manhattan Bank, as co-documentation agents and Goldman Sachs Credit Partners L.P., and TD Securities (USA) Inc., as joint lead arrangers, and certain subsidiaries of NEXTLINK, as guarantors.

SIGNATURES

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

NEXTLINK Communications, Inc.

Date: March 29, 2000

By: /s/ DANIEL F. AKERSON
Daniel F. Akerson
Chief Executive Officer
Chairman of the Board of Directors

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on March 29, 2000 by the following persons on behalf of the Registrants and in the capacities indicated:

Name	Title
/s/ DANIEL F. AKERSON Daniel F. Akerson	Chief Executive Officer (Principal Executive Officer) Chairman of the Board of Directors
/s/ MARK S. GUNNING Mark S. Gunning	Senior Vice President, Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
/s/ JOSEPH L. COLE Joseph L. Cole	Director
/s/ NATHANIEL A. DAVIS Nathaniel A. Davis	Director
/s/ NICHOLAS C. FORSTMANN Nicholas C. Forstmann	Director
_____ William A. Hoglund	Director
/s/ SANDRA J. HORBACH Sandra J. Horbach	Director
/s/ NICOLAS KAUSER Nicolas Kauser	Director
_____ Craig O. McCaw	Director

Name	Title
/s/ SHARON L. NELSON Sharon L. Nelson	Director
/s/ JEFFREY S. RAIKES Jeffrey S. Raikes	Director
/s/ DENNIS M. WEIBLING Dennis M. Weibling	Director

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

NEXTLINK Capital, Inc.

Date: March 29, 2000

By: /s/ DANIEL F. AKERSON
Daniel F. Akerson
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on March 29, 2000 by the following persons on behalf of the Registrants and in the capacities indicated:

Name	Title
/s/ DANIEL F. AKERSON Daniel F. Akerson	Chief Executive Officer (Principal Executive Officer)
/s/ MARK S. GUNNING Mark S. Gunning	Senior Vice President, Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
/s/ GARY D. BEGEMAN Gary D. Begeman	Director

EXHIBIT INDEX

2.1 — Agreement and Plan of Merger and Share Exchange Agreement, dated January 9, 2000, by and among Concentric Network Corporation, NEXTLINK Communications, Inc., Eagle River Investments, L.L.C. and NM Acquisition Corp. (Incorporated herein by reference to exhibit 10.1 filed with the current report on Form 8-K filed on January 11, 2000)

3.1.1 — Certificate of Incorporation of NEXTLINK Communications, Inc. (Incorporated herein by reference to exhibit 3.1 filed with the Registration Statement on Form S-4 of NEXTLINK Communications, Inc. (Commission File No. 333-53975))

3.1.2 — Certificate of Amendment of Certificate of Incorporation of NEXTLINK Communications, Inc., dated August 25, 1999 (Incorporated herein by reference to exhibit 3.2 filed with the quarterly report on Form 10-Q for the quarterly period ended September 30, 1999 of NEXTLINK Communications, Inc. and NEXTLINK Capital, Inc.)

3.1.3 — Certificate of Designation of the Powers, Preferences and Relative, Participating, Optional and Other Special Rights of 14% Senior Exchangeable Redeemable Preferred Shares and Qualifications, Limitations and Restrictions Thereof (Incorporated herein by reference to the exhibit 4.2 filed with the Registration Statement on Form S-4 of NEXTLINK Communications, Inc. (Commission File No. 333-53975))

3.1.4 — Certificate of Designation of Powers, Preferences and Relative, Participating, Optional and Other Special Rights of 6½% Cumulative Convertible Preferred Stock and Qualifications, Limitations and Restrictions Thereof (Incorporated herein by reference to exhibit 4.8 filed with the Registration Statement on Form S-4 of NEXTLINK Communications, Inc. (Commission File No. 333-53975))

3.1.5 — Certificate of Designation of Powers, Preferences and Relative, Participating, Optional and Other Special Rights of Series C Cumulative Convertible Participating Preferred Stock and Qualifications, Limitations and Restrictions Thereof

3.1.6 — Certificate of Designation of the Powers, Preferences and Relative, Participating, Optional and Other Special Rights of Series D Convertible Participating Preferred Stock and Qualifications, Limitations and Restrictions Thereof

3.2 — By-laws of NEXTLINK Communications, Inc. (Incorporated herein by reference to exhibit 3.2 filed with the Registration Statement on Form S-4 of NEXTLINK Communications, Inc. (Commission File No. 333-53975))

3.3 — Articles of Incorporation of NEXTLINK Capital, Inc. (Incorporated herein by reference to exhibit 3.3 filed with the Registration Statement on Form S-4 of NEXTLINK Communications, L.L.C. (the predecessor of NEXTLINK Communications, Inc.) and NEXTLINK Capital, Inc. (Commission File No. 333-4603))

3.4 — By-laws of NEXTLINK Capital, Inc. (Incorporated herein by reference to exhibit 3.4 filed with the Registration Statement on Form S-4 of NEXTLINK Communications, L.L.C. (the predecessor of NEXTLINK Communications, Inc.) and NEXTLINK Capital, Inc. (Commission File No. 333-4603))

4.1.1 — Form of stock certificate of 14% Senior Exchangeable Redeemable Preferred Shares (Incorporated herein by reference to exhibit 4.4 filed with the Annual Report on Form 10-KSB for the year ended December 31, 1996 of NEXTLINK Communications, Inc. and NEXTLINK Capital, Inc.)

4.1.2 — Form of stock certificate of Class A common stock (Incorporated herein by reference to exhibit 4.4 filed with the Registration Statement on Form S-1 of NEXTLINK Communications, Inc. (Commission File No. 333-32001))

4.1.3 — Form of stock certificate of 6½% Cumulative Convertible Preferred Stock

4.1.4 — Form of stock certificate of Series C Cumulative Convertible Participating Preferred Stock

4.1.5 — Form of stock certificate of Series D Convertible Participating Preferred Stock

4.2.1 — Indenture, dated as of April 25, 1996, by and among NEXTLINK Communications, Inc., NEXTLINK Capital, Inc. and United States Trust Company of New York, as Trustee, relating to 12½% Senior Notes due April 15, 2006, including form of global note (Incorporated herein by reference to exhibit 4.1 filed with the Registration Statement on Form S-4 of NEXTLINK Communications, L.L.C. (the predecessor of NEXTLINK Communications, Inc.) and NEXTLINK Capital, Inc. (Commission File No. 333-4603))

4.2.2 — First Supplemental Indenture, dated as of January 31, 1997, by and among NEXTLINK Communications, Inc., NEXTLINK Communications, L.L.C., NEXTLINK Capital, Inc. and United States Trust Company of New York, as Trustee (Incorporated herein by reference to exhibit 4.6 filed with the Annual Report on Form 10-KSB for the year ended December 31, 1996 of NEXTLINK Communications, Inc. and NEXTLINK Capital, Inc.)

4.2.3 — Second Supplemental Indenture, dated June 3, 1998, amending Indenture dated April 25, 1996, by and among NEXTLINK Communications, Inc., NEXTLINK Capital, Inc. and United States Trust Company of New York, as Trustee (Incorporated herein by reference to exhibit 4.10 filed with the Registration Statement on Form S-4 of NEXTLINK Communications, Inc. (Commission File No. 333-53975))

4.3.1 — Indenture dated September 25, 1997 between United States Trust Company, as Trustee and NEXTLINK Communications, Inc., relating to the 9⅝% Senior Notes due 2007 (Incorporated herein by reference to exhibit 4.7 filed with the Registration Statement on Form S-3 of NEXTLINK Communications, Inc. (Commission File No. 333-77577))

4.3.2 — First Supplemental Indenture, dated June 3, 1998, amending Indenture dated September 25, 1997, by and between NEXTLINK Communications, Inc. and United States Trust Company of New York, as Trustee (Incorporated herein by reference to exhibit 4.11 filed with the Registration Statement on Form S-4 of NEXTLINK Communications, Inc. (Commission File No. 333-53975))

4.4.1 — Indenture, dated March 3, 1998, between United States Trust Company, as Trustee and NEXTLINK Communications, Inc., relating to the 9% Senior Notes due 2008 (Incorporated herein by reference to exhibit 4.7 filed with the Annual Report on Form 10-KSB for the year ended December 31, 1997 of NEXTLINK Communications, Inc. and NEXTLINK Capital, Inc.)

4.4.2 — First Supplemental Indenture, dated June 3, 1998, amending Indenture dated March 3, 1998, by and between NEXTLINK Communications, Inc. and United States Trust Company of New York, as Trustee (Incorporated herein by reference to exhibit 4.12 filed with the Registration Statement on Form S-4 of NEXTLINK Communications, Inc. (Commission File No. 333-53975))

4.5.1 — Indenture, dated April 1, 1998, between United States Trust Company, as Trustee and NEXTLINK Communications, Inc., relating to the 9.45% Senior Discount Notes due 2008 (Incorporated herein by reference to exhibit 4.9 filed with the quarterly report on Form 10-Q for the quarterly period ended March 31, 1998 of NEXTLINK Communications, Inc. and NEXTLINK Capital, Inc.)

4.5.2 — First Supplemental Indenture, dated June 3, 1998, amending Indenture dated April 1, 1998, by and between NEXTLINK Communications, Inc. and United States Trust Company of New York, as Trustee (Incorporated herein by reference to exhibit 4.13 filed with the Registration Statement on Form S-4 of NEXTLINK Communications, Inc. (Commission File No. 333-53975))

4.6 — Indenture, dated November 12, 1998, by and among NEXTLINK Communications, Inc. and United States Trust Company of New York, as trustee relating to the 10¾% Senior Notes due 2008 (Incorporated herein by reference to exhibit 4.1 filed with the Registration Statement on Form S-4 of NEXTLINK Communications, Inc. (Commission File No. 333-71749))

4.7 — Indenture, dated June 1, 1999, by and among NEXTLINK Communications, Inc. and United States Trust Company of New York, as Trustee, relating to the 10¾% Senior Notes due 2009 (Incorporated herein by reference to exhibit 4.16 filed with the quarterly report on Form 10-Q for the quarterly period ended September 30, 1999 of NEXTLINK Communications, Inc. and NEXTLINK Capital, Inc.)

4.8 — Indenture, dated June 1, 1999, by and among NEXTLINK Communications Inc. and United States Trust Company of Texas, as Trustee, related to the 12¼% Senior Discount Notes due 2009 (Incorporated herein by reference to exhibit 4.17 filed with the quarterly report on Form 10-Q for the quarterly period ended September 30, 1999 of NEXTLINK Communications, Inc. and NEXTLINK Capital, Inc.)

4.9 — Indenture, dated November 17, 1999, by and among NEXTLINK Communications, Inc. and United States Trust Company of New York, as Trustee, relating to the 10½% Senior Notes due 2009 (Incorporated herein by reference to exhibit 4.1(i) filed with the Registration Statement on Form S-4 of NEXTLINK Communications, Inc. (Commission File No. 333-30388))

4.10 — Indenture, dated November 17, 1999, by and among NEXTLINK Communications, Inc. and United States Trust Company of Texas, as Trustee, relating to the 12⅛% Senior Discount Notes due 2009 (Incorporated herein by reference to exhibit 4.1(ii) filed with the Registration Statement on Form S-4 of NEXTLINK Communications, Inc. (Commission File No. 333-30388))

10.1 — Stock Option Plan of NEXTLINK Communications, Inc. as amended

10.2 — Employee Stock Purchase Plan of NEXTLINK Communications, Inc. (Incorporated herein by reference to exhibit 10.2 filed with the Registration Statement on Form S-4 of NEXTLINK Communications, Inc. (Commission File No. 333-53975))

10.3 — NEXTLINK Communications, Inc. Change of Control Retention Bonus and Severance Pay Plan

10.4 — Registration Rights Agreement, dated as of January 15, 1997, between NEXTLINK Communications, Inc. and the signatories listed therein (Incorporated herein by reference to exhibit 10.4 filed with the Annual Report on Form 10-KSB for the year ended December 31, 1996 of NEXTLINK Communications, Inc. and NEXTLINK Capital, Inc.)

10.5 — Registration Rights Agreement, dated as of November 4, 1997, between NEXTLINK Communications, Inc. and Wendy P. McCaw

10.6 — Registration Right Agreement, dated as of June 30, 1999, between NEXTLINK Communications, Inc. and Craig O. McCaw

10.7 — Registration Rights Agreement dated as of January 20, 2000, between NEXTLINK Communications, Inc. and the purchasers listed on the signature pages thereto, relating to Class A common stock issuable upon conversion of Series C and D convertible preferred stock

10.8 — Registration Rights Agreement, dated January 14, 1999, between NEXTLINK Communications, Inc. and the Holders referred to therein. (Incorporated herein by reference to exhibit 10.2 filed with the current report on Form 8-K filed on January 19, 1999)

10.9 — Employment Agreement, effective September 21, 1999, by and between Daniel Akerson and NEXTLINK Communications, Inc. (Incorporated herein by reference to exhibit 10.11 filed with the quarterly report on Form 10-Q for the quarterly period ended September 30, 1999 of NEXTLINK Communications, Inc. and NEXTLINK Capital, Inc.)

10.10 — Letter agreement, dated June 9, 1998, between NEXTLINK Communications, Inc. and Jan Loichle

10.11 — Employment Agreement, dated as of January 3, 2000, by and between Nathaniel A. Davis and NEXTLINK Communications, Inc.

10.12 — Fiber Lease and Innerduct Use Agreement, dated February 23, 1998, by and between NEXTLINK Communications, Inc. and Metromedia Fiber Network, Inc. (Incorporated herein by reference to exhibit 10.5 filed with the Annual Report on Form 10-KSB for the year ended December 31, 1997 of NEXTLINK Communications, Inc. and NEXTLINK Capital, Inc.)

10.13 — Amendment No. 1 to Fiber Lease and Innerduct Use Agreement, dated March 4, 1998, by and between NEXTLINK Communications, Inc. and Metromedia Fiber Network, Inc. (Incorporated herein by reference to exhibit 10.6 filed with the Annual Report on Form 10-KSB for the year ended December 31, 1997 of NEXTLINK Communications, Inc. and NEXTLINK Capital, Inc.)

10.14 — Cost sharing and IRU Agreement, dated July 18, 1998, between Level 3 Communications, LLC and INTERNEXT LLC. (Incorporated herein by reference to exhibit 10.8 filed with the quarterly report on Form 10-Q for the quarterly period ended September 30, 1998 of NEXTLINK Communications, Inc. and NEXTLINK Capital, Inc.)

10.15 — Guaranty Agreement, dated July 18, 1998, between NEXTLINK Communications, Inc. and Level 3 Communications, LLC. (Incorporated herein by reference to exhibit 10.7 filed with the quarterly report on Form 10-Q for the quarterly period ended September 30, 1998 of NEXTLINK Communications, Inc. and NEXTLINK Capital, Inc.)

10.16 — Credit and Guaranty Agreement, dated as of February 3, 2000, among NEXTLINK Communications, Inc., certain subsidiaries of NEXTLINK Communications, Inc., as guarantors, various lenders, Goldman Sachs Credit Partners L.P., as syndication agent, Toronto Dominion (Texas), Inc., as administrative agent, Barclays Bank PLC, and The Chase Manhattan Bank, as co-documentation agents and Goldman Sachs Credit Partners L.P., and TD Securities (USA) Inc., as joint lead arrangers (Incorporated herein by reference to exhibit 10.1 filed with the current report on Form 8-K filed on February 16, 2000)

21 — Subsidiaries of the Registrant

23 — Consent of Independent Public Accountants

27 — Financial Data Schedule

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors of
NEXTLINK Communications, Inc.:

We have audited the accompanying consolidated balance sheets of NEXTLINK Communications, Inc. (a Delaware corporation) and subsidiaries as of December 31, 1999 and 1998, and the related consolidated statements of operations, shareholders' equity (deficit) and cash flows for each of the three years in the period ended December 31, 1999. These 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 auditing standards generally accepted in the United States. 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 NEXTLINK Communications, Inc. and subsidiaries as of December 31, 1999 and 1998, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States.

/s/ ARTHUR ANDERSEN LLP

Seattle, Washington
February 14, 2000

NEXTLINK Communications, Inc.

Consolidated Balance Sheets
(Dollars in thousands, except share and per share amounts)

	December 31, 1999	December 31, 1998
ASSETS		
Current assets:		
Cash and cash equivalents	$ 868,463	$ 319,496
Marketable securities	1,013,301	1,158,566
Accounts receivable, net of allowance for doubtful accounts of $4,246 and $3,022, respectively	80,746	36,115
Other current assets	24,498	16,480
Pledged securities	40,759	21,500
Total current assets	2,027,767	1,552,157
Property and equipment, net	1,180,021	594,408
Investment in fixed wireless licenses, net	933,128	67,352
Other assets, net	456,192	269,189
Total assets	$ 4,597,108	$2,483,106
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	$ 81,841	$ 61,175
Other accrued liabilities	119,795	45,056
Accrued interest payable	45,578	34,670
Current portion of long-term obligations	2,003	2,755
Total current liabilities	249,217	143,656
Long-term debt	3,733,342	2,013,192
Other long-term liabilities	15,319	16,553
Total liabilities	3,997,878	2,173,401
Redeemable preferred stock, par value $0.01 per share, 25,000,000 shares authorized; 14% Preferred, aggregate liquidation preference $425,952; 8,324,796 and 7,254,675 shares issued and outstanding in 1999 and 1998, respectively; 6½% Convertible Preferred, aggregate liquidation preference $200,000; 4,000,000 shares issued and outstanding	612,352	556,168
Shareholders' deficit:		
Common stock, par value $0.02 per share, stated at amounts paid in; Class A, 400,000,000 shares authorized, 75,228,632 and 48,340,234 shares issued and outstanding at December 31, 1999 and 1998, respectively; Class B, 60,000,000 shares authorized, 58,742,550 and 60,595,804 shares issued and outstanding at December 31, 1999 and 1998, respectively	1,139,232	354,525
Deferred compensation	(85,489)	(11,370)
Accumulated other comprehensive income	150,634	—
Accumulated deficit	(1,217,499)	(589,618)
Total shareholders' deficit	(13,122)	(246,463)
Total liabilities and shareholders' deficit	$ 4,597,108	$2,483,106

See accompanying notes to consolidated financial statements.

NEXTLINK Communications, Inc.

Consolidated Statements of Operations
(Dollars in thousands, except share and per share amounts)

	Year Ended December 31,		
	1999	1998	1997
Revenue	$ 274,324	$ 139,667	$ 57,579
Costs and expenses:			
Operating	221,664	123,675	54,031
Selling, general and administrative	266,908	156,929	75,732
Restructuring (including $28,016 in non-cash stock compensation)	30,935	—	—
Deferred compensation	12,872	4,993	3,247
Depreciation	93,097	45,638	18,851
Amortization	15,378	14,616	8,339
Total costs and expenses	640,854	345,851	160,200
Loss from operations	(366,530)	(206,184)	(102,621)
Interest income	90,961	72,409	28,112
Interest expense	(283,123)	(144,565)	(54,495)
Net loss	$ (558,692)	$ (278,340)	$ (129,004)
Preferred stock dividends and accretion of preferred stock redemption obligation, including issue costs	(69,189)	(58,773)	(39,320)
Net loss applicable to common shares	$ (627,881)	$ (337,113)	$ (168,324)
Net loss per share (basic and diluted)	$ (5.02)	$ (3.13)	$ (1.96)
Shares used in computation of net loss per share	125,132,459	107,708,264	86,111,770

See accompanying notes to consolidated financial statements.

NEXTLINK Communications, Inc.

Consolidated Statements of Shareholders' Equity (Deficit)
(Dollars in thousands)

	Common Stock Shares Class A	Common Stock Shares Class B	Common Stock Amount	Deferred Compensation	Accumulated Deficit	Accumulated Other Comprehensive Income	Members' Capital	Total
Balance at December 31, 1996	—	—	$ —	$ —	$ (84,181)	$ —	$65,527	$ (18,654)
Merger of NEXTLINK Communications, L.L.C. with and into NEXTLINK Communications, Inc.	—	72,330,518	65,527	—	—	—	(65,527)	—
Conversion of Equity Option Plan into Stock Option Plan	—	—	15,363	(4,234)	—	—	—	11,129
Issuance of compensatory stock option	—	—	4,872	(4,872)	—	—	—	—
Compensation attributable to stock options vesting	—	—	—	2,335	—	—	—	2,335
Issuance of common stock under leasing agreement	353,068	—	1,400	—	—	—	—	1,400
Issuance of common stock through Stock Option Plan	1,345,756	1,842,628	115	—	—	—	—	115
Issuance of common stock in initial public offering	28,560,000	—	226,760	—	—	—	—	226,760
Sale of common stock by selling shareholder in initial public offering	6,400,000	(6,400,000)	—	—	—	—	—	—
Issuance of common stock in acquisitions	1,396,974	—	16,524	—	—	—	—	16,524
Conversion of Class B common stock into Class A common stock	280,000	(280,000)	—	—	—	—	—	—
Cumulative redeemable stock redemption obligation, including issue costs	—	—	—	—	(39,320)	—	—	(39,320)
Net loss	—	—	—	—	(129,004)	—	—	(129,004)
Balance at December 31, 1997	38,335,798	67,493,146	330,561	(6,771)	(252,505)	—	—	71,285
Issuance of compensatory stock options	—	—	9,592	(9,592)	—	—	—	—
Compensation attributable to stock options vesting	—	—	—	4,993	—	—	—	4,993
Issuance of common stock through employee benefit plans	1,688,570	—	3,695	—	—	—	—	3,695
Issuance of common stock for purchase of minority interest	—	378,624	5,727	—	—	—	—	5,727
Conversion of Class B common stock into Class A common stock	8,315,866	(8,315,866)	—	—	—	—	—	—
Termination of common stock redemption obligation	—	1,039,900	4,950	—	—	—	—	4,950
Cumulative redeemable preferred stock dividends and accretion of preferred stock redemption obligation, including issue costs	—	—	—	—	(58,773)	—	—	(58,773)
Net loss	—	—	—	—	(278,340)	—	—	(278,340)
Balance at December 31, 1998	48,340,234	60,595,804	354,525	(11,370)	(589,618)	—	—	(246,463)
Issuance of common stock in public offering	8,464,100	—	310,533	—	—	—	—	310,533
Issuance of common stock in acquisition	11,431,662	—	350,438	—	—	—	—	350,438
Issuance of compensatory stock options	—	—	86,991	(86,991)	—	—	—	—
Compensation attributable to stock options vesting	—	—	—	12,872	—	—	—	12,872
Issuance of common stock through employee benefit plans	4,596,708	—	36,468	—	—	—	—	36,468
Conversion of Class B common stock into Class A common stock	2,391,060	(2,391,060)	—	—	—	—	—	—
Issuance of common stock for purchase of minority interest	—	537,806	210	—	—	—	—	210
Issuance of common stock under leasing arrangement	4,868	—	67	—	—	—	—	67
Cumulative redeemable preferred stock dividends and accretion of preferred stock redemption obligation, including issue costs	—	—	—	—	(69,189)	—	—	(69,189)
Net loss	—	—	—	—	(558,692)	—	—	(558,692)
Other comprehensive income — unrealized holding gains arising during the period	—	—	—	—	—	150,634	—	150,634
Total comprehensive income	—	—	—	—	—	—	—	(408,058)
Balance at December 31, 1999	75,228,632	58,742,550	$1,139,232	$(85,489)	$(1,217,499)	$150,634	$ —	$ (13,122)

See accompanying notes to consolidated financial statements.

NEXTLINK Communications, Inc.

Consolidated Statements of Cash Flows
(Dollars in thousands)

	Year Ended December 31,		
	1999	1998	1997
OPERATING ACTIVITIES:			
Net loss	$ (558,692)	$ (278,340)	$ (129,004)
Adjustments to reconcile net loss to net cash used in operating activities:			
Restructuring charge	28,016	—	—
Deferred compensation expense	12,872	4,993	3,247
Equity in loss of affiliates	4,386	3,677	2,544
Depreciation and amortization	108,475	60,254	27,190
Accretion of interest on senior notes	68,731	28,869	—
Changes in assets and liabilities, net of effects from acquisitions:			
Accounts receivable	(44,631)	(13,160)	(11,206)
Other current assets	(11,414)	(4,996)	(4,778)
Other long-term assets	6,034	(16,179)	(1,208)
Accounts payable	(6,924)	5,742	4,116
Accrued expenses and other liabilities	23,323	18,866	2,149
Accrued interest payable	10,908	15,790	9,630
Net cash used in operating activities	(358,916)	(174,484)	(97,320)
INVESTING ACTIVITIES:			
Purchase of property and equipment	(611,511)	(268,255)	(142,170)
Investment in fixed wireless licenses (net of cash received)	(515,627)	(67,354)	—
Investment in assets of acquired businesses (net of cash acquired)	—	—	(61,609)
Cash placed into escrow in conjunction with acquisition	—	—	6,000
Assets acquired in network lease	—	(92,000)	—
Investments in unconsolidated affiliates	(1,776)	(80,836)	(6,766)
Purchase of pledged securities	(40,759)	—	—
Maturity of pledged securities	21,135	36,981	39,920
Purchase of marketable securities	(9,095,139)	(4,699,018)	(2,100,916)
Sale of marketable securities	9,203,057	3,893,735	1,795,346
Net cash used in investing activities	(1,040,620)	(1,276,747)	(470,195)
FINANCING ACTIVITIES:			
Net proceeds from issuance of redeemable preferred stock	—	193,824	274,000
Repayment of payable to affiliates	—	—	(1,500)
Repayment of note payable and other obligations	(2,954)	(11,417)	(7,865)
Dividends paid on convertible preferred stock	(13,000)	(9,750)	—
Net proceeds from sale of common stock	310,533	—	226,760
Proceeds from sale of senior notes	1,651,419	1,234,323	400,000
Proceeds from issuance of common stock upon exercise of stock options	36,468	3,695	115
Costs incurred in connection with debt financing	(33,963)	(29,022)	(11,728)
Net cash provided by financing activities	1,948,503	1,381,653	879,782
Net increase (decrease) in cash and cash equivalents	548,967	(69,578)	312,267
Cash and cash equivalents, beginning of year	319,496	389,074	76,807
Cash and cash equivalents, end of year	$ 868,463	$ 319,496	$ 389,074
SUPPLEMENTAL DATA:			
Cash paid for interest	$ 202,431	$ 100,551	$ 44,865

See accompanying notes to consolidated financial statements.

1. ORGANIZATION AND DESCRIPTION OF BUSINESS

The consolidated financial statements include the accounts of NEXTLINK Communications, Inc., a Delaware corporation, and its majority-owned subsidiaries (collectively referred to as the Company). The Company, through predecessor entities, was formed in September 1994 and, through its subsidiaries, provides competitive local, long distance and enhanced telecommunications services in selected markets in the United States. The Company is a majority-owned subsidiary of Eagle River Investments, LLC (Eagle River).

As the competitive local telecommunications service business is a capital intensive business, the Company's operations are subject to significant risks and uncertainties including competitive, financial, developmental, operational, growth and expansion, technological, regulatory, and other risks associated with developing the Company's business.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The Company's financial statements include 100% of the assets, liabilities and results of operations of subsidiaries in which the Company has a controlling interest. All significant inter-company accounts and transactions have been eliminated.

Cash and Cash Equivalents

The Company considers all highly liquid investments with maturities of three months or less at the time of purchase to be cash equivalents.

Marketable Securities

Investments in marketable securities are classified as available-for-sale and are reported at fair value in accordance with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities." The fair values are based on quoted market prices. Unrealized gains and losses on marketable securities are reported as a separate component of comprehensive income, if significant. The Company's marketable securities consist of U.S. government and other securities with original maturities beyond three months.

Pledged Securities

As of December 31, 1999, the Company had pledged $40.0 million in marketable securities as collateral against certain hedge options. The Company had entered into a hedge transaction during 1999 to reduce its risk of significant market declines on certain highly volatile equity securities. The hedge was closed out in early 2000.

As of December 31, 1998, the Company had pledged $20.5 million in U.S. government securities to be used to satisfy interest payment obligations on its 12½% Senior Notes due 2006. In connection with the sale of 12½% Senior Notes, a portion of the net proceeds was used to purchase a portfolio consisting of U.S. government securities, which matured at dates sufficient to provide for interest payments in full on the 12½% Senior Notes through April 15, 1999. All of such pledged securities were used for such interest payments with remaining amounts released to the Company.

The pledged securities are stated at cost, adjusted for premium amortization and accrued interest. The fair value of the pledged securities approximates the carrying value.

Property and Equipment

Property and equipment are stated at cost and depreciated on a straight-line basis over the estimated useful lives of the assets. Direct costs of construction are capitalized, including $9.9 million, $4.3 million, and $1.8 million of interest costs related to construction during 1999, 1998 and 1997, respectively.

Estimated useful lives of property and equipment are as follows:

Telecommunications networks	5-20 years
Office equipment, furniture and other	3-5 years
Leasehold improvements	the lesser of the estimated useful lives or the terms of the leases

Investment in Fixed Wireless Licenses

Investment in fixed wireless licenses consists of direct and indirect costs to acquire fixed wireless license rights. Such costs will be amortized using the straight-line method over 20 years commencing when the license is placed into use, or when commercial service using fixed wireless technology is deployed in the license's geographic area.

Other Assets

Other assets consist primarily of intangible assets including costs allocated in acquisitions to customer bases, software and related intellectual property, and goodwill. Such costs are amortized using the straight-line method over the estimated useful lives of the assets as follows:

Customer bases	5 years
Software and related intellectual property	5 years
Goodwill	15-20 years

The Company periodically evaluates the recoverability of goodwill based upon projected undiscounted cash flows and operating income or other valuation techniques.

Costs incurred in connection with securing the Company's debt facilities, including underwriting and advisory fees and other such costs, are deferred and included in other assets, and are amortized over the term of the financing using the straight-line method.

Other assets also includes investments in entities in which the Company has less than a majority interest but can exercise significant influence. The Company uses the equity method to account for such investments. Under the equity method, investments originally recorded at cost, are adjusted to recognize the Company's share of net earnings or losses of the affiliates as they occur, rather than as dividends or other distributions received, limited to the extent of the Company's investment in, advances to and guarantees for the investees. Investments in publicly traded equity securities are marked to market in accordance with SFAS No. 115 "Accounting for Certain Investments in Debt and Equity Securities." Investments in entities in which the Company has no significant influence are accounted for under the cost method and included in other assets.

Income Taxes

The Company accounts for income taxes in accordance with the provisions of SFAS No. 109, "Accounting for Income Taxes", which requires that deferred income taxes be determined based on the estimated future tax effects of differences between the financial statement and tax bases of assets and liabilities given the provisions of the enacted tax laws.

Revenue Recognition

The Company recognizes revenue on telecommunications and enhanced communications services in the period that services are provided.

Net Loss Per Share

Net loss per share has been computed in accordance with SFAS No. 128, "Earnings Per Share." Accordingly, net loss per share amounts are based on the weighted average number of common shares outstanding during each period. Pursuant to the Securities and Exchange Commission Staff Accounting Bulletin No. 98, nominal issuances of shares and common stock equivalents during the twelve-month period preceding the Company's initial public offering in September 1997 have been included as if such shares were outstanding for all periods presented. All other common share equivalents are excluded from the calculation of net loss per share due to their antidilutive effect. Therefore, the weighted average number of common shares outstanding for basic and dilutive net loss per share calculations are equal for all periods presented.

Stock-Based Compensation

As allowed by SFAS No. 123, "Accounting for Stock-Based Compensation," the Company has chosen to account for compensation cost associated with its stock option plans in accordance with Accounting Principles Bulletin Opinion No. 25 adopting the disclosure-only provisions of SFAS 123. Accordingly, the excess, if any, of the market value of the common stock over the exercise price of the option on the date of grant is recorded as expense ratably over the vesting period.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of trade receivables. The Company's trade receivables are geographically dispersed and include customers in many different industries. Management believes that any risk of loss is significantly reduced due to the diversity of its customers and geographic sales areas. The Company continually evaluates the creditworthiness of its customers; however, it generally does not require collateral. The Company's allowance for doubtful accounts is based on historical trends, current market conditions and other relevant factors.

Use of Estimates

The preparation of consolidated 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.

Reclassifications

Certain reclassifications have been made to prior period amounts in order to conform to the current year presentation.

Accounting Changes

Comprehensive Income

Under SFAS No. 130 "Reporting Comprehensive Income," the Company is required to report comprehensive income, which includes the Company's net income, as well as changes in equity from other sources. In the Company's case, the other changes in equity included in comprehensive income comprise unrealized gains and losses on available-for-sale investments.

Segment Information

In the first quarter of 1998, the Company adopted SFAS No. 131 "Disclosures about Segments of an Enterprise and Related Information." SFAS No. 131 supersedes SFAS No. 14 "Financial Reporting for Segments of a Business Enterprise." Under the new standard the Company uses the "management" approach to reporting its segments. Under the management approach, the internal organization that is used by management for making operating decisions and assessing performance is the basis for designating the Company's segments.

New Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board (FASB) issued SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities," which establishes accounting and reporting standards for derivative instruments and hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the balance sheet and measure those instruments at fair value. The standard was initially proposed to be effective for all fiscal quarters of all fiscal years beginning after June 15, 1999, however the FASB issued SFAS 137 "Accounting for Derivative Instruments and Hedging Activities — Deferral of the Effective Date of FASB Statement No. 133", and the effective date of this SFAS has been deferred until issuance by the FASB. Management believes that the adoption of SFAS 133 will not materially impact the Company's financial position.

In January 2000, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin 101, "Revenue Recognition," that will be effective for the Company's year ending December 31, 2000. The bulletin provides guidance for applying Generally Accepted Accounting Principles to revenue recognition, presentation, and disclosure in financial statements filed with the SEC. Management believes that the bulletin will not materially impact the Company's financial position.

3. ACQUISITIONS

In April 1999, the Company acquired WNP Communications, Inc (WNP), for a total of $698.2 million. Of this amount the Company paid $157.7 million to the FCC in license fees, including interest. The remainder of the purchase price, consisting of $190.1 million in cash and 11,431,662 shares of Class A common stock, was paid to the stockholders of WNP. In this transaction, the Company acquired 39 A block local multi-point distribution services, or LMDS, wireless licenses and one B block LMDS wireless license. At the time of the acquisition, WNP was a holding company for the fixed wireless licenses and did not have any operations.

In June 1999, the Company acquired from Nextel Communications Inc. (Nextel) its 50% interest in NEXTBAND, a joint venture formed between the Company and Nextel in January 1998, for $137.7 million in cash. NEXTBAND owns LMDS licenses in 42 markets throughout the U.S. The purchase price was determined based on a formula derived in conjunction with the acquisition of WNP.

In July 1998, the Company formed INTERNEXT L.L.C., which is beneficially owned 50% each by the Company and Eagle River. INTERNEXT entered into an agreement with Level 3 Communications, Inc. Level 3 is constructing a fiber optic network that is expected to cover more than 16,000 route miles with six or more conduits and connect 50 cities in the United States and Canada. Pursuant to this agreement, INTERNEXT will receive an exclusive interest in 24 "dark" fibers in a shared, filled conduit, one empty conduit and the right to 25% of the fibers pulled through the sixth and any additional conduits in the network. INTERNEXT will pay $700 million in exchange for these rights, the majority of which will be payable as segments of the network are completed and accepted, substantially all of which is expected to occur during 2000 and 2001. As of December 31, 1999, INTERNEXT had paid $47.6 million to Level 3 of which $19.8 million was paid in 1999. The investment is recorded in Other Assets.

In November 1997, the Company acquired all of the outstanding shares of Start Technologies Corporation (Start), a shared tenant services provider offering local and long distance services, Internet access and customer premise equipment management in Texas and Arizona. The Company paid consideration for the transaction consisting of $20.0 million in cash, 882,672 shares of Class A common stock, and the assumption of approximately $5.3 million in liabilities.

In October 1997, the Company acquired all of the outstanding shares of Chadwick Telecommunications Corporation, a switch-based long distance reseller in central Pennsylvania, through a merger transaction between Chadwick and a wholly owned subsidiary of the Company. The purchase price consisted of a $5.0 million promissory note paid in January 1998, issuance of 1,028,604 and 578,588 shares of Class A common stock in 1997 and March 2000, respectively, and the repayment of long-term debt and other liabilities totaling $6.6 million. The Company also has agreed to issue an additional 96,432 shares of Class A common stock in the event that certain performance goals are achieved by March 31, 2002.

4. MARKETABLE SECURITIES

Of the marketable securities outstanding as of December 31, 1999, $532.9 million matures within one year. The remainder matures in less than two years.

As of December 31, 1999, the Company's marketable securities were recorded at fair value. As of December 31, 1998, such securities were recorded at amortized cost which approximated fair value. The Company's marketable securities consisted of the following (in thousands):

	December 31,	
	1999	1998
U.S. Government and agency notes and bonds	$ 552,394	$ 653,554
State and municipal notes and bonds	—	28,561
Foreign government notes and bonds	21,195	7,016
Corporate notes and bonds	439,712	469,435
	$1,013,301	$1,158,566

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following components (in thousands):

	December 31,	
	1999	1998
Telecommunications networks	$ 781,899	$379,277
Office equipment, leasehold improvements, furniture and other	216,456	107,991
	998,355	487,268
Less accumulated depreciation	174,134	81,212
	824,221	406,056
Network construction in progress	355,800	188,352
	$1,180,021	$594,408

In February 1998, the Company entered into a 20-year capital lease for exclusive rights to multiple fibers and innerducts throughout New York, New Jersey, Connecticut, Pennsylvania, Delaware, Maryland and Washington D.C. The Company paid $97.0 million in the transaction, of which $5.0 million was paid for rights-of-way. Of the purchase price, $80.3 million was placed into escrow pending completion and delivery of segments of the network route to the Company. The payment was recorded as a long-term asset, and is

reclassified as property and equipment as portions of the network are completed. As of December 31, 1999, $25.2 million has been released from escrow for delivery of portions of the network. The Company has the option to renew the lease for two additional 10 year terms.

6. OTHER ASSETS

Other assets consisted of the following components (in thousands):

	December 31,	
	1999	1998
Customer bases	$ 53,447	$ 53,397
Investments in unconsolidated affiliates	58,499	17,839
Financing costs	72,528	50,572
Assets acquired in network lease	66,800	92,000
Goodwill	62,599	62,330
Other non-current assets	186,681	27,886
	500,554	304,024
Less accumulated amortization	44,362	34,835
	$456,192	$269,189

7. OTHER ACCRUED LIABILITIES

Other accrued liabilities consisted of the following components (in thousands)

	December 31,	
	1999	1998
Accrued compensation	$ 27,516	$11,410
Accrued restructuring costs	30,935	—
Other accrued liabilities	61,344	33,646
	$119,795	$45,056

8. LONG-TERM DEBT

Long-term debt consisted of the following components (in thousands):

	December 31,		
	1999		1998
	Carrying Value	Estimated Fair Value	Carrying Value
Senior Notes, 10½%, due December 1, 2009	$ 400,000	$ 400,000	$ —
Senior Discount Notes, 12⅛%, due December 1, 2009	255,230	259,206	—
Senior Notes, 10¾%, due June 1, 2009	675,000	684,797	—
Senior Discount Notes, 12¼%, due June 1, 2009	348,425	358,711	—
Senior Notes, 10¾%, due November 15, 2008	500,000	507,038	500,000
Senior Discount Notes, 9.45%, due April 15, 2008	470,420	408,483	428,813
Senior Notes, 9%, due March 15, 2008	334,267	308,059	334,379
Senior Notes, 9⅝%, due October 1, 2007	400,000	382,042	400,000
Senior Notes, 12½%, due April 15, 2006	350,000	381,391	350,000
	$3,733,342	$3,689,727	$2,013,192

On November 17, 1999, the Company completed the sale of $400.0 million of 10½% Senior Notes and $455.0 million in principal amount at stated maturity of 12⅛% Senior Discount Notes, both due 2009. The Company received proceeds, net of discounts, commissions, advisory fees and expenses totaling approximately $639.6 million. Interest payments on the 10½% Notes are due semi-annually beginning June 1, 2000. The 12⅛% Notes were issued at a discount from their principal amount to generate aggregate gross proceeds of approximately $251.4 million. The 12⅛% Notes accrete at a rate of 12⅛% compounded semi-annually, to an aggregate principal amount of $455 million by December 1, 2004. No cash interest will accrue on the 12⅛% Notes until December 1, 2004. Interest will become payable in cash semi-annually beginning June 1 2005. The Company has the option to redeem the 10½% Notes and the 12⅛% Notes, in whole or in part, beginning December 1, 2004 at established redemption prices that decline to 100% of the stated principal amount thereof by December 1, 2007.

On June 1, 1999, the Company completed the sale of $675.0 million of 10¾% Senior Notes and $588.9 million in principal amount at stated maturity of 12¼% Senior Discount Notes, both due June 1, 2009. The Company received proceeds, net of discounts, underwriting commissions, advisory fees and expenses, totaling approximately $979.5 million. Interest payments on the 10¾% Notes due 2009 are due semi-annually beginning December 1, 1999. The 12¼% Notes were issued at a discount from their principal amount to generate aggregate gross proceeds of $325.0 million. The 12¼% Notes accrete at a rate of 12¼% compounded semi-annually, to an aggregate principal amount of approximately $588.9 million by June 1, 2004. No cash interest will accrue on the 12¼% Notes until June 1, 2004. Interest will become payable in cash semi-annually beginning December 1, 2004. The Company has the option to redeem the 10¾% Notes due 2009 and the 12¼% Notes, in whole or in part, beginning June 1, 2004 at established redemption prices that decline to 100% of the stated principal amount thereof by June 1, 2007.

On November 12, 1998, the Company completed the sale of $500.0 million of 10¾% Senior Notes due November 15, 2008. The Company received proceeds from the sale, net of commissions, advisory fees and expenses, totaling approximately $488.5 million. Interest payments on the notes are due semi-annually. The 10¾% Notes due 2008 are redeemable at the option of the Company, in whole or in part, beginning November 15, 2003 at established redemption prices, that decline to 100% of the stated principal amount thereof by November 12, 2006.

On April 1, 1998, the Company completed the sale of $637.0 million in principal amount at stated maturity of 9.45% Senior Discount Notes due April 15, 2008. The 9.45% Notes were issued at a discount from their principal amount to generate aggregate gross proceeds of approximately $400.0 million. The Company received proceeds, net of discounts, commissions, advisory fees and expenses, totaling approximately $390.9 million. The 9.45% Notes accrete at a rate of 9.45% compounded semi-annually, to an aggregate principal amount of approximately $637.0 million by April 15, 2003. No cash interest will accrue on the 9.45% Notes until April 15, 2003. Interest will become payable in cash semi-annually beginning on October 15, 2003. The 9.45% Notes are redeemable at the option of the Company, in whole or in part, beginning April 15, 2003 at established redemption prices, that decline to 100% of the stated principal amount thereof by April 1, 2006.

On March 3, 1998, the Company completed the sale of $335.0 million of 9% Senior Notes due March 15, 2008. The Company received proceeds from the sale, net of discounts, commissions, advisory fees and expenses, of approximately $326.5 million. Interest payments on the 9% Senior Notes are due semi-annually. The 9% Senior Notes are redeemable at the option of the Company, in whole or in part, beginning March 15, 2003 at established redemption prices that decline to 100% of the stated principal amount thereof by March 3, 2006.

On October 1, 1997, the Company completed the sale of $400.0 million in principal amount of 9⅝% Senior Notes due October 1, 2007. The Company received proceeds from the sale, net of underwriting commissions, advisory fees and expenses, totaling approximately $388.5 million. Interest payments on the 9⅝% Notes are due semi-annually. The 9⅝% Notes are redeemable at the option of the Company, in whole or in part, at any time on or after October 1, 2002 at established redemption prices, that decline to 100% of the stated principal amount thereof by October 1, 2005.

On April 25, 1996, the Company completed the sale of $350.0 million in principal amount of 12½% Senior Notes due April 15, 2006. The Company received proceeds from the sale, net of commissions, advisory fees and expenses totaling approximately $340.2 million. The Company used $117.7 million of the proceeds to purchase U.S. government securities, representing funds sufficient to provide for payment in full of interest on the 12½% Senior Notes through April 15, 1999 and $32.2 million to repay advances and accrued interest from Eagle River. Interest payments on the 12½% Senior Notes are due semi-annually. The 12½% Senior Notes are redeemable at the option of the Company, in whole or in part, at any time on or after April 15, 2001 at established redemption prices that decline to 100% of the stated principal amount thereof by April 15, 2004.

The indentures pursuant to which all of the Company's Senior Notes and Senior Discount Notes have been issued contain covenants that, among other things, limit the ability of the Company and its subsidiaries to incur additional indebtedness, issue stock in subsidiaries, pay dividends or make other distributions, repurchase equity interests or subordinated indebtedness, engage in sale and leaseback transactions, create certain liens, enter into certain transactions with affiliates, sell assets of the Company and its subsidiaries, and enter into certain mergers and consolidations. In addition, the Company is required to use the net proceeds from the sale of certain sales of senior notes and senior discount notes to fund 80% of the expenditures for the construction, improvement and acquisition of new and existing networks and services and direct and indirect investments in certain joint ventures to fund similar expenditures. Prior to the application of all such proceeds, the Company may invest them in marketable securities.

In the event of a change in control of the Company as defined in the indentures, holders of the Notes will have the right to require the Company to purchase their Notes, in whole or in part, at a price equal to 101% of the stated principal amount thereof, plus accrued and unpaid interest, if any, thereon to the date of purchase. The Notes are senior unsecured obligations of the Company, and are subordinated to all current and future indebtedness of the Company's subsidiaries, including trade payables.

9. REDEEMABLE PREFERRED STOCK

On March 31, 1998, the Company completed the sale of 4,000,000 shares of 6½% cumulative convertible preferred stock (6½% Preferred Stock) with a liquidation preference of $50 per share. The sale generated gross proceeds to the Company of $200.0 million, and proceeds net of commissions, advisory fees and expenses of approximately $193.8 million. Each share of 6½% Preferred Stock is convertible, at the option of the holder, into 2.29 shares of the Company's Class A common stock (subject to adjustments in certain circumstances). The Company may cause such conversion rights to expire if the closing price of the Class A common stock exceeds 120% of an implied conversion price (as defined) for 20 days in a 30 consecutive day trading period after April 15, 2001 and through April 15, 2006. Dividends on the 6½% Preferred Stock accrue from March 31, 1998 and are payable in cash quarterly, at an annual rate of 6½% of the liquidation preference thereof. The Company is required to redeem all of the 6½% Preferred Stock outstanding on March 31, 2010 at a redemption price equal to 100% of the liquidation preference thereof, plus accumulated and unpaid dividends to the date of redemption. As of December 31, 1999, the implied fair value of the Company's 6½% Preferred Stock is $777.0 million based on the market price of the Company's Class A common stock into which the preferred stock converts. Terms, including conversion features, vary based on market conditions at the time the security is issued. Accordingly, management believes that this value may not reflect the proceeds the Company would obtain if it issued convertible preferred stock today.

On January 31, 1997, the Company completed the sale of 5.7 million units consisting of (i) 14% senior exchangeable redeemable preferred shares (14% Preferred Shares), liquidation preference $50 per share, and (ii) contingent warrants to acquire in the aggregate 5% of each class of outstanding junior shares (as defined) of the Company on a fully diluted basis as of February 1, 1998. The sale generated gross proceeds to the Company of $285.0 million, and proceeds net of commissions, advisory fees and expenses of approximately $274.0 million. The contingent warrants expired unexercised as of the date of the Company's initial public offering of Class A common stock. Dividends on the 14% Preferred Shares accrue from January 31, 1997 and are payable quarterly, at an annual rate of 14% of the liquidation preference thereof. Dividends may be paid, at the Company's option, on any dividend payment date occurring on or prior to February 1, 2002, either in cash or by issuing additional 14% Preferred Shares with an aggregate liquidation preference equal to the amount of such dividends. The Company is required to redeem all of the 14% Preferred Shares outstanding on February 1, 2009 at a redemption price equal to 100% of the liquidation preference thereof, plus accumulated and unpaid dividends to the date of redemption. Management believes that, as of December 31, 1999, the carrying value of the 14% Preferred Shares approximated its fair market value.

Subject to certain conditions, the 14% Preferred Shares are exchangeable in whole, but not in part, at the option of the Company, on any dividend payment date, for the 14% senior subordinated notes (Senior Subordinated Notes) due February 1, 2009 of the Company. All terms and conditions (other than interest, ranking and maturity) of the Senior Subordinated Notes would be substantially the same as those of the Company's outstanding 12½% Senior Notes.

The terms of the 14% Preferred Stock limit the ability of the Company to incur additional indebtedness and issue additional preferred stock. In the event of a change of control, as defined by the terms of the 14% Preferred Stock, holders of the 14% Preferred Stock will have the right to require the Company to purchase their shares, in whole or in part, at a price equal to 101% of the $50 liquidation preference thereof, plus accumulated and unpaid dividends, if any, thereon at the date of purchase.

10. INCOME TAXES

Components of deferred tax assets and liabilities were as follows (in thousands):

	December 31, 1999	December 31, 1998
Deferred tax assets:		
Provisions not currently deductible	$ 3,482	$ 3,004
Property, equipment and other long term assets (net)	86,351	47,613
Net operating loss carryforwards	372,920	119,292
Total deferred tax assets	462,753	169,909
Valuation allowance	(277,690)	(148,953)
Net deferred tax assets	185,063	20,956
Deferred tax liabilities:		
Property, equipment and other long term assets (net)	(12,535)	(3,068)
Purchase acquisitions	(171,050)	(16,445)
Other	(1,478)	(1,443)
Total deferred tax liabilities	(185,063)	(20,956)
Net deferred taxes	$ —	$ —

The net change in the valuation allowance for the years ended December 31, 1999, 1998 and 1997 was an increase of $128.7 million, $114.9 million and $34.1 million, respectively.

As of December 31, 1999, the Company had net operating loss carryforwards of approximately $916.8 million, of which $119.3 million, $178.9 million and $618.6 million expire in 2012, 2018 and 2019 respectively.

A reconciliation of the Company's effective income tax rate and the U.S. federal tax rate is as follows:

	1999	1998
Statutory rate	35.0%	34.0%
State income taxes, net of federal benefit	6.0%	6.0%
Valuation allowance for deferred tax assets	(41.0)%	(40.0)%
	—%	—%

11. SHAREHOLDERS' EQUITY (DEFICIT)

In August 1999, the Company effected a two-for-one stock split of the issued and outstanding shares of Class A and Class B common stock, in the form of a stock dividend. In August 1997, the Company effected a 0.441336-for-1 reverse stock split of the issued and outstanding shares of Class A and Class B common stock. The accompanying consolidated financial statements and the related notes herein have been adjusted retroactively to reflect both the reverse stock split and the two-for-one stock split.

In June 1999, the Company completed the sale of 15,200,000 shares of Class A common stock at $38.00 per share, 8,464,100 of which were offered by the Company and 6,735,900 of which were offered by certain shareholders that previously owned interests in WNP. Gross proceeds from the offering totaled $321.6 million, and proceeds to the Company, net of underwriting discounts, advisory fees and expenses, totaled approximately $310.5 million.

In October 1997, the Company completed an initial public offering (IPO) of 24,000,000 shares of Class A common stock at a price of $8.50 per share. In addition, the underwriters of the IPO exercised an option to purchase 4,560,000 additional shares of Class A common stock at the same price per share. Gross proceeds from the IPO totaled approximately $242.8 million, and proceeds to the Company, net of underwriting discounts, advisory fees and expenses, totaled approximately $226.8 million.

Since January 31, 1997, the Company has had two classes of common stock outstanding, Class A common stock and Class B common stock. The Company's Class A common stock and Class B common stock are identical in dividend and liquidation rights, and vote together as a single class on all matters, except as otherwise required by applicable law, with the Class A shareholders entitled to cast one vote per share, and the Class B shareholders entitled to cast 10 votes per share.

12. NET LOSS PER SHARE

Shares used in the computation of net loss per share amounts were calculated as follows:

	1999	1998	1997
Weighted average common shares outstanding	125,132,459	107,708,264	82,288,550
Nominal issuances during the 12 month period prior to the Company's filing of its IPO, treated as if outstanding for all periods presented	—	—	3,823,220
Shares used in computation of net loss per share ...	125,132,459	107,708,264	86,111,770

13. STOCK COMPENSATION ARRANGEMENTS

Effective July 1, 1998, the Company adopted the Employee Stock Purchase Plan, or the Purchase Plan. Under the Purchase Plan, the Company has authorized the issuance of 6,000,000 Class A common shares, which allows eligible employees of the Company to purchase common shares of the Company at 85% of the simple average of the fair value of the common stock on the first and the last trading day of each month. Employees who own 5% or more of the voting rights of the Company's outstanding common shares may not participate in the Purchase Plan. Employees purchased 124,716 and 111,934 shares of Class A Common Stock under the Purchase Plan during 1999 and 1998, respectively.

The Company also maintains the NEXTLINK Communications, Inc. Stock Option Plan (the Plan) to provide a performance incentive for certain officers, employees and individuals or companies who provide services to the Company. The Plan provides for the granting of qualified and non-qualified stock options. The Company has reserved 41,000,000 shares of Class A common stock for issuance under the Plan. The options become exercisable over vesting periods of up to four years and expire no later than 10 years after the date of grant.

The exercise price of qualified stock options granted under the Plan may not be less than the fair market value of the common shares on the date of grant. The exercise price of non-qualified stock options granted under the Plan may be greater or less than the fair market value of the common stock on the date of grant, as determined at the discretion of the Board of Directors. Stock options granted at prices below fair market value at the date of grant are considered compensatory, and compensation expense is deferred and recognized ratably over the option vesting period based on the excess of the fair market value of the stock at the date of grant over the exercise price of the option.

The Company recorded approximately $12.9 million, $4.9 million and $2.3 million of deferred compensation expense related to the Plan for the years ended December 31, 1999, 1998, and 1997, respectively. Additionally, $28.0 million of the Company's 1999 restructuring charge associated with the relocation of the

Company's headquarters from Bellevue, Washington to Northern Virginia arose due to accelerated vesting of employee options in conjunction with severance arrangements for approximately 125 employees.

The Company has adopted the disclosure-only provisions of SFAS 123. Had compensation costs been recognized based on the fair value at the date of grant for options awarded under the Plan and the Equity Option Plan, the pro forma amounts of the Company's net loss and net loss per share for the years ended December 31, 1999, 1998 and 1997 would have been as follows (in thousands, except per share amounts):

	1999	1998	1997
Net loss applicable to common shares — as reported	$(627,881)	$(337,113)	$(168,324)
Net loss applicable to common shares — pro forma	$(679,046)	$(353,466)	$(182,571)
Net loss per share — as reported	$ (5.02)	$ (3.13)	$ (1.96)
Net loss per share — pro forma	$ (5.43)	$ (3.28)	$ (2.13)

The fair value of each option grant was estimated using the Black-Scholes option-pricing model assuming no dividend yield and the following weighted average assumptions:

	1999	1998	1997
Expected volatility	70.3%	70.0%	45.0%
Risk free interest rate	5.32%	5.04%	6.11%
Expected life (range in years)	4.0	2.0–4.0	3.0–5.0

The weighted average fair value of options granted during 1999, 1998 and 1997 was $24.27, $15.71, and $5.94, respectively.

Information with respect to the Plan and the Equity Option Plan is as follows:

	Shares Subject to Option	Option Price Range	Weighted Average Exercise Price
Options outstanding at December 31, 1996	4,009,292	$0.01 - 3.97	$ 0.23
Granted	5,138,312	$3.97 - 13.25	$ 4.62
Canceled	(410,796)	$0.01 - 10.66	$ 0.60
Exercised	(1,345,756)	$0.01 - 3.97	$ 0.09
Options outstanding at December 31, 1997	7,391,052	$0.01 - 13.25	$ 3.23
Granted	15,428,860	$3.97 - 20.25	$13.92
Canceled	(1,593,610)	$0.01 - 18.94	$ 8.11
Exercised	(1,593,710)	$0.01 - 16.07	$ 1.49
Options outstanding at December 31, 1998	19,632,592	$0.01 - 20.25	$11.37
Granted	13,260,996	$0.01 - 91.38	$31.26
Canceled	(2,148,568)	$0.50 - 61.38	$16.12
Exercised	(3,143,253)	$0.01 - 56.06	$ 9.40
Options outstanding at December 31, 1999	27,601,767	$0.01 - 91.38	$19.72

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Options Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercise Price
$ 0.01 - $ 9.38	4,915,136	8.46	$2.72	1,615,472	$ 3.58
$ 10.06 - $22.50	15,331,443	8.59	7.18	2,847,561	8.27
$ 22.18 - $51.88	4,503,858	9.39	35.92	96,249	38.43
$ 52.16 - $91.38	2,851,330	9.72	58.27	269,375	79.09
	27,601,767				

At December 31, 1999 there were approximately 7 million shares of Class A common stock shares available for future issuances.

14. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Supplemental disclosure of the Company's cash flow information is as follows (in thousands):

	Year Ended December 31,		
	1999	1998	1997
Noncash financing and investing activities were as follows:			
Class A common stock issued in acquisitions and under lease arrangement	$350,438	$ —	$17,924
Redeemable preferred stock dividends, paid in redeemable preferred shares	53,504	46,632	31,102
Accrued redeemable preferred stock dividends, payable in redeemable preferred shares, and accretion of preferred stock redemption obligation	2,680	2,391	8,218
Issuance of notes payable and assumption of liabilities in acquisitions	—	—	21,280
Issuance of Class B common stock for purchase of minority interest	269	5,727	—
Other long term obligations assumed	—	10,139	4,725

15. LEASES

The Company is leasing premises under various operating leases which, in addition to rental payments, require payments for insurance, maintenance, property taxes and other executory costs related to the leases. The lease agreements have various expiration dates and renewal options through 2028.

Future minimum lease commitments required under operating leases that have an initial or remaining noncancelable lease term in excess of one year at December 31, 1999 were as follows (in thousands):

Year Ending December 31,	
2000	$ 28,482
2001	28,386
2002	28,195
2003	26,202
2004	23,236
Thereafter	177,683
Total minimum lease commitments	$312,184

Rent expense totaled approximately $28.0 million, $13.3 million and $6.4 million in 1999, 1998 and 1997, respectively.

16. OPERATING SEGMENTS

Reportable Segments

The Company has two reportable segments as defined by SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information": a switched telecommunication services segment and an Interactive Voice Response, or IVR service segment. The switched telecommunications services segment is the Company's largest segment and includes operations relating to the Company's bundled local and long distance switched services, dedicated services, and long distance services. These services have similar network operations and technology requirements and are sold through identical sales channels to a targeted customer

base. Therefore, the Company manages these services as a single segment that is divided into geographic profit centers, or markets, within the United States. The Company's IVR services manages an IVR platform that allows a consumer to dial into a computer-based system using a toll-free number and a touch-tone phone and, by following a customized menu, access a variety of information. Simultaneously, a profile of the caller is left behind for either the Company's or its customers' use. The Company manages its IVR operations as a separate segment due to differences in technology requirements, sales and marketing strategy, and targeted customer base.

The accounting policies followed by these segments are consistent with those described in Note 2. There are no significant inter-segment transactions. The Company does not allocate overhead expenses generated by its headquarters to individual segments.

The Company's IVR segment contributed the following percentages to the Company's total:

	Year Ended December 31,		
	1999	1998	1997
Revenue	8.1%	15.4%	27.3%
Net loss (excluding corporate overhead)	0.4%	0.7%	3.6%
Total assets	0.5%	0.8%	1.8%

Products and Services

The Company groups its products and services offered by its switched telecommunications services segment into core services, (comprised of bundled local and long distance as well as dedicated services) shared tenant services, long distance telephone services and enhanced services. Revenues from the IVR services segment services are included in the enhanced services product group. The revenues generated by the Company's products and services were as follows (in thousands):

	Year Ended December 31 ,		
	1999	1998	1997
Core services	$217,052	$ 76,654	$20,342
Shared tenant services	13,805	12,781	2,018
Long distance telephone services	21,233	26,937	16,478
Enhanced services	22,234	23,295	18,741
Total revenue	$274,324	$139,667	$57,579

17. SELECTED QUARTERLY DATA (Unaudited)

Summarized quarterly financial information for the year was as follows (in thousands, except per share amounts):

	1999			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenue	$ 48,586	$ 60,657	$ 75,059	$ 90,022
Loss from operations	(71,359)	(80,224)	(86,582)	(128,365)
Net loss	(102,286)	(122,765)	(141,573)	(192,068)
Net loss applicable to common shares	(118,886)	(139,819)	(159,098)	(210,078)
Net loss per share	(1.09)	(1.12)	(1.27)	(1.57)

	1998			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenue	$ 26,545	$ 32,030	$ 37,817	$ 43,275
Loss from operations	(40,769)	(45,057)	(53,074)	(67,284)
Net loss	(52,312)	(60,573)	(68,949)	(96,506)
Net loss applicable to common shares	(63,863)	(75,901)	(84,683)	(112,666)
Net loss per share	(0.60)	(0.71)	(0.79)	(1.04)

Since there are changes in the weighted average number of shares outstanding each quarter, the sum of net loss per share by quarter may not equal the total net loss per share for the applicable year.

18. RELATED PARTY TRANSACTIONS

In June 1999, the Company acquired the assets of NEXTLINK, Inc., a company owned by Craig O. McCaw, the Company's largest and controlling shareholder, through a merger transaction. NEXTLINK, Inc., owned approximately 1% minority interests in 10 of the Company's subsidiaries. The Company issued 537,806 shares of Class B common stock in exchange for the minority interests. As part of this transaction, Mr. McCaw also received 532,932 shares of the Company's Class B common stock, the number of shares of Class B common stock previously owned by NEXTLINK, Inc. The transaction was accounted for as a purchase of minority interests between entities under common control and, as such, the minority interests were recorded at NEXTLINK, Inc.'s historical cost.

19. SUBSEQUENT EVENTS

Senior Secured Credit Facility

In February 2000, the Company entered into a $1.0 billion secured credit facility. The facility is comprised of a $387.5 million senior secured multi-draw term loan A, a $225.0 million senior secured term loan B, and a $387.5 million revolving credit facility. At closing, the Company borrowed $150.0 million and $225.0 million of the term loan A and term loan B, respectively.

The security for the Senior Secured Credit Facility consists of all of the assets purchased with the proceeds of the Senior Secured Credit Facility, the stock of certain of the Company's direct subsidiaries, all assets of the Company and up to $125.0 million of guaranteed debt, all assets of certain of the Company's subsidiaries.

Amounts drawn under the Senior Secured Credit Facility will bear interest, at the option of the Company, at an alternate base rate or reserve-adjusted LIBOR plus, in each case, applicable margins.

Initially, the applicable margins for the term loan A and the revolving credit facility are 175 basis points over the alternate base rate and 275 basis points over LIBOR. After June 30, 2003, the applicable margins for the term loan A and the revolving credit facility range from 62½ to 150 basis points over the alternate base rate and from 162½ to 250 basis points over LIBOR, based on the ratio of the Company's consolidated total debt to annualized consolidated EBITDA. The applicable margin for the term loan B is fixed at 250 basis points over the alternate base rate and 350 basis points over LIBOR. Specific rates are determined by actual borrowings under each facility. Interest on the term loans A and the revolving credit facility is payable on the earlier of the last day of each interest period, or each successive date three months after the first day of such interest period.

The term loan A and the revolving credit facility mature on December 31, 2006, and the term loan B matures on June 30, 2007. In each case, the maturity dates are subject to acceleration to October 31, 2005 if the Company has not refinanced its 12½% Senior Notes due 2006 by April 15, 2005. The term loans A and B and the revolving credit facility provide for automatic and permanent quarterly reductions of the amount available for borrowing under those facilities, beginning on March 31, 2004. The term loan B contains nominal amortization provisions beginning March 31, 2004 until maturity.

The Senior Secured Credit Facility contains certain covenants, which, among other things, limit additional indebtedness, certain investments and other transactions, and dividend payments.

Preferred Stock

In December 1999, several Forstmann Little & Co. investment funds agreed to invest $850.0 million in NEXTLINK, to be used to expand its networks and services, introduce new technologies and fund its business plan. The investment closed in January 2000. In the transaction, the investors acquired shares of two series of convertible preferred stock that together are convertible into the Company's Class A common stock at a conversion price of $63.25 per share and provide for a 3.75% dividend payable quarterly. The holders may convert the preferred stock into Class A common stock at any time after January 20, 2001, and the Company may redeem the preferred stock at any time after later of January 20, 2005 and the date when the Company has redeemed its 12½% Notes in full. Holders of the preferred stock will also have the option of requiring redemption of the preferred stock during the 180-day period commencing January 20, 2010.

Concentric Acquisition

In January 2000, the Company agreed to acquire Concentric Network Corporation, a provider of high-speed digital subscriber lines (DSL), web hosting, e-commerce and other Internet services. In this transaction, both the Company and Concentric will merge into a newly-formed company, to be renamed NEXTLINK Communications, Inc., which will succeed to both companies assets and businesses and will assume all their outstanding debt obligations and other liabilities. In the transaction, each outstanding share of the Company's Class A common stock and Class B common stock would be converted into one share of Class A common stock or Class B common stock, as applicable, of the corporation surviving this merger, which stock will be substantially identical to the Company's Class A and Class B common stock. In addition, each share of Concentric common stock would be converted into 0.495 of a share of Class A common stock of the surviving corporation, unless the trading price of the Company's common stock at the effective time is less than or equal to $90.91, in which case each outstanding share would be converted into $45.00 in Class A common stock of the surviving corporation (based on the trading price of our Class A common stock prior to the effective time). If the Company's average stock price is less than $69.23, each outstanding share of Concentric common stock would convert into 0.650 of a share of the Class A common stock of the surviving corporation.

This transaction is intended to be tax-free to the Company's and Concentric's shareholders and has been unanimously approved by both the Company's and Concentric's boards of directors, but remains subject to

approval by Concentric's stockholders. Eagle River, the holder of the majority of the Company's voting power, has agreed to approve the transaction. The parties have obtained the consent of Concentric's bond and preferred stock holders to certain amendments to those securities that are necessary to complete this transaction. The transaction is subject to customary closing conditions and is expected to close during the second quarter of 2000. The merger will be accounted under the purchase method of accounting.

INTERNEXT Acquisition

In January 2000, the Company agreed to acquire Eagle River's 50% interest in INTERNEXT, L.L.C. in exchange for approximately 3.4 million shares of Class A common stock of the corporation surviving the reorganization. The acquisition, which is expected to close in the second quarter of 2000, will give the Company exclusive rights to "dark" fiber and empty conduits in the 16,000 mile, 50 city national broadband network that Level 3 is currently constructing. As this is a reorganization of entities under common control, Eagle River's 50% interest in INTERNEXT will be recorded by the Company at Eagle River's historical cost. Although this acquisition part of the reorganization in connection with the Concentric acquisition, closing is not conditioned on the closing of the Concentric acquisition.

2000 Stock Split

In February 2000, the Company announced a two-for-one stock split, to be effected in the form of a stock dividend, effective for stockholders of record on June 1, 2000, and payable on June 15, 2000. The split is subject to stockholder approval of a proposed increase in the number of shares of the Company's common stock authorized for issuance. This proposal will be considered and voted on at the Company's May 24, 2000 annual meeting of stockholders.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To NEXTLINK Capital, Inc.:

We have audited the accompanying balance sheets of NEXTLINK Capital, Inc. (a Washington Corporation) as of December 31, 1999 and 1998. These balance sheets are the responsibility of the Company's management. Our responsibility is to express an opinion on these balance sheets based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the balance sheets are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the balance sheets. 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 balance sheets referred to above present fairly, in all material respects, the financial position of NEXTLINK Capital, Inc. as of December 31, 1999 and 1998, in conformity with accounting principles generally accepted in the United States.

/s/ ARTHUR ANDERSEN LLP

Seattle, Washington
February 14, 2000

NEXTLINK Capital, Inc.

Balance Sheets

	December 31, 1999	December 31, 1998
Assets		
Cash in bank	$100	$100
Shareholder's Equity		
Common stock, no par value, 1,000 shares authorized, issued and outstanding	$100	$100

NEXTLINK Capital, Inc.

Note to Balance Sheets
December 31, 1999 and 1998

1. Description

NEXTLINK Capital, Inc. (NEXTLINK Capital) is a Washington corporation and a wholly owned subsidiary of NEXTLINK Communications, Inc. (NEXTLINK). NEXTLINK Capital was formed for the sole purpose of obtaining financing from external sources and is a joint obligor on the 12½% Senior Notes due April 15, 2006 of NEXTLINK. NEXTLINK Capital was initially funded with a $100 contribution from NEXTLINK and has had no operations to date. NEXTLINK Capital's sole source and repayment for the 12½% Senior Notes will be from the operations of NEXTLINK. Therefore, these balance sheets should be read in conjunction with the consolidated financial statements of NEXTLINK.