

agreement and, together with Eagle River, has also guaranteed the performance of certain other obligations of INTERNEXT thereunder. The Company anticipates that Nextel will acquire a one-third ownership interest in INTERNEXT, which would reduce the Company's beneficial interest in and obligations with respect to INTERNEXT to one-third.

5. Reclassifications

Certain reclassifications have been made to prior period amounts in order to conform to the current presentation.

6. Subsequent Event

On November 12, 1998, the Company completed the sale of \$500.0 million in aggregate principal amount of 10 $\frac{1}{4}$ % Senior Notes due November 15, 2008 (10 $\frac{1}{4}$ % Senior Notes). Proceeds from the sale net of underwriting commissions, advisory fees and expenses totaled approximately \$488.5 million. Interest payments on the notes are due semi-annually, beginning May 15, 1999. The 10 $\frac{1}{4}$ % Senior Notes are redeemable at the option of the Company, in whole or in part, beginning November 15, 2003.

The indenture pursuant to which the 10 $\frac{1}{4}$ % Senior Notes are issued contains certain 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, under the indenture, the Company has agreed to use the net proceeds from the sale for expenditures relating to the construction, improvement and acquisition of new and existing networks and services and direct or indirect investments in certain joint ventures to fund similar expenditures.

In the event of a change in control or asset disposition of the Company as defined in the indentures, holders of the 10 $\frac{1}{4}$ % Senior Notes will have the right to require the Company to purchase their 10 $\frac{1}{4}$ % Senior Notes, in whole or in part, at a price equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, thereon to the date of purchase. The 10 $\frac{1}{4}$ % Senior 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.

PART I. FINANCIAL INFORMATION

Item 1(b). Financial Statements

**NEXTLINK Capital, Inc.
Balance Sheets
(Unaudited)**

	September 30,	
	<u>1998</u>	<u>1997</u>
ASSETS		
Cash in bank	\$ <u>100</u>	\$ <u>100</u>
SHAREHOLDER'S EQUITY		
Common stock, no par value, 1,000 shares authorized, issued and outstanding	\$ <u>100</u>	\$ <u>100</u>

Notes to Balance Sheets

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.

2. Basis of Presentation

The interim financial statements have been prepared without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Form 10-KSB as filed with the Securities and Exchange Commission on March 25, 1998.

PART I. FINANCIAL INFORMATION

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

OVERVIEW

Since its inception in 1994, the Company has executed a strategy of constructing and acquiring fiber optic networks and acquiring related telecommunications businesses. Over this period, the Company has pursued this strategy by constructing, acquiring, leasing fibers or capacity on, and entering into agreements to acquire local telecommunications networks.

The Company develops and operates high capacity, local fiber optic networks with broad market coverage in a growing number of markets across the United States. In its switched local service markets, the Company offers its customers a bundled package of local and long distance services and also offers dedicated transmission and competitive access services to long distance carriers and end users. The Company plans to acquire, build or develop networks in new areas, expand its current networks, and also explore the acquisition or licensing of additional enhanced communications services and other telecommunications service providers. These efforts should allow the Company to increase its presence in the marketplace, and facilitate providing a single source solution for the telecommunications needs of its customers.

The Company currently operates 19 facilities-based networks providing switched local and long distance services in 33 markets in 11 states. The Company serves larger markets including New York, Los Angeles, Chicago, Atlanta and the San Francisco Bay Area, medium-sized markets such as Salt Lake City and Nashville, and clusters of smaller markets in Orange County, California and central Pennsylvania. The Company anticipates developing additional new markets throughout a majority of the nation's top 30 markets which, together with its existing markets, are expected to have a total of approximately 27 million addressable business lines by the end of 2000. The Company plans to launch service in Dallas, Denver and Miami in the fourth quarter of 1998 and in San Diego, Washington, D.C. and Seattle in the first half of 1999. The Company is also developing a national network strategy to enable it to offer its customers complete, end-to-end voice and data communications services over NEXTLINK-owned facilities.

The table below provides selected key financial and operating data (dollars are in thousands):

	As of and For the Three Months Ended September 30,	
	1998	1997
Financial data:		
Gross property and equipment.....	\$ 511,204	\$ 214,320
EBITDA (1)	\$ (36,576)	\$ (19,844)
Operating data (2):		
Route miles (3)	2,150	1,757
Fiber miles (4)	158,987	124,399
On-net buildings connected (5)	736	479
Off-net buildings connected (6)	9,688	1,404
Switches installed	18	13
Access lines in service (7)	134,107	30,944
Employees	2,065	1,027

- (1) EBITDA represents net loss before interest expense, interest income, depreciation, amortization and deferred compensation expense. 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 the ability of the Company to meet future debt service, capital expenditure and working capital requirements.

- (2) The operating data includes 100% of the statistics of the Las Vegas network, which the Company manages and in which the Company has a 40% membership interest.
- (3) Route miles refers to the number of miles of the telecommunications path in which the Company-owned or leased fiber optic cables are installed.
- (4) Fiber miles refers to the number of route miles installed along a telecommunications path, multiplied by the Company's estimate of the number of fibers along that path.
- (5) Represents buildings physically connected to the Company's networks, excluding those connected by unbundled incumbent local exchange carrier (ILEC) facilities.
- (6) Represents buildings connected to the Company's networks through leased or unbundled ILEC facilities.
- (7) Represents the number of access lines in service, including those lines that are provided through resale of Centrex services, for which the Company is billing services. The Company serviced 3,312 resold access lines as of September 30, 1998. The Company defines an access line as a telephone connection between a customer purchasing local telephone services and NEXTLINK. This connection does not include the concept of access line equivalents (ALEs), and is a one-for-one relationship with no multipliers used for trunk ratios, except for those trunks over which primary rate interface (PRI) service is provided, which are counted as 23 access lines.

The Company builds its networks to encompass the significant business concentrations in each area it serves, focusing on direct connections to end-user locations and ILEC central offices. The Company employs a uniform technology platform for each of its local exchange networks that is based on the Nortel DMS 500 digital local and long distance combination switching platform and associated distribution technology. As of September 30, 1998, the Company had 16 operational Nortel DMS 500 switches, including one switch in its NEXTLAB facility, and currently plans to install three additional switches by the end of 1998. NEXTLAB is a fully functional model of one of the Company's networks, which serves as a testing facility for switch software and the Company's products and services and will serve as the Company's network operations control center.

The development of the Company's businesses and the construction, acquisition and expansion of its networks require significant expenditures, substantial portions of which are incurred before the realization of revenues. These expenditures, together with the associated early operating expenses, result in negative cash flow until an adequate customer base is established. However, as the customer base grows, the Company expects that incremental revenues can be generated with decreasing incremental operating expenses, which may provide positive contributions to cash flow. The Company has made the strategic decision to build high capacity networks with broad market coverage, which initially increases its level of capital expenditures and operating losses. The Company believes that over the long term this will enhance the Company's financial performance by increasing the traffic flow over the Company's networks. The Company has recently entered into leased dark fiber and fiber capacity arrangements which allow the Company, by installing one or more switches and related electronics, to enter a market prior to completing construction of its own fiber optic network.

RESULTS OF OPERATIONS

Revenue increased 182% to \$37.8 million during the third quarter of 1998, from \$13.4 million in the same period in 1997. Year to date revenue of \$96.4 million represented a 175% increase from the \$35.1 million reported for the comparable period in 1997. The increase was driven by 290% growth in revenues from bundled local and long distance services and dedicated services, as well as by the acquisitions of Start Technologies Corporation (Start) and Chadwick Telecommunications Corporation (Chadwick) in the fourth quarter of 1997. Revenues reported in the third quarter of 1998 included \$31.5 million derived from local and long distance, competitive access, dedicated line services and shared tenant services and \$6.3 million derived from enhanced communications services, primarily interactive voice response (IVR) services. The Company's IVR revenue comprised 16% and 28% of the Company's total revenues during the third quarter of 1998 and 1997, respectively.

The Company increased the number of customer access lines added during the quarter from 30,053 in the second quarter of 1998 to 31,220 during the third quarter of 1998. As of September 30, 1998, the Company had 134,107 access lines in service, compared to 50,131 as of December 31, 1997 and 30,944 as of September 30, 1997. Revenues from the provision of such services are expected to continue to increase as a component of total revenues

over future periods. Access lines in service includes those lines which are provided through resale of Centrex services, the number of which is decreasing over time as the Company converts those customers to its own network.

Operating expenses consist of costs directly related to providing facilities-based network and enhanced communications services and also include salaries and benefits and related costs of operations and engineering personnel. Operating expenses increased 136% in the third quarter of 1998 to \$32.8 million, an increase of \$18.9 million over the third quarter of 1997. For the nine months ended September 30, 1998, operating expenses rose \$49.6 million, or 138%, over the same period in 1997. These increases were attributed 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 the Company's switched local and long distance service businesses in its 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 over those in the third quarter of 1997.

Selling, general and administrative (SG&A) expenses include salaries and related personnel costs, facilities expenses, sales and marketing, information systems costs, consulting and legal fees and equity in loss of affiliates. SG&A expenses increased 115% and 126% in the three and nine-month periods ended September 30, 1998 as compared to the corresponding periods in 1997. The increases were due to the Company's increase in employees, as well as other costs associated with the expansion of the Company's switched local and long distance service businesses in its existing and planned markets.

Deferred compensation expense was recorded in connection with the Company's Equity Option Plan until April 1997, and in connection with the Company's 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 and were accounted for on a basis similar to that for stock appreciation rights. All options outstanding under the Equity Option Plan were regranted under the new Stock Option Plan with terms and conditions substantially the same as under the Equity Option Plan. As such, the Company continues to record deferred compensation expense for those compensatory stock options issued, as well as for compensatory stock options issued subsequent to the Plan conversion date. Compensation expense is recognized over the vesting periods based on the excess of the fair value of the stock options at the date of grant over the exercise price.

Depreciation expense increased primarily due to placement in service of additional telecommunications network assets, including switches, fiber optic cable, network electronics and related equipment. Amortization of intangible assets increased primarily as a result of the Start and Chadwick acquisitions in the fourth quarter of 1997.

Interest expense increased 248% in the third quarter of 1998 over the comparable period in the prior year due to an increase in the Company's average outstanding indebtedness over the respective periods. Interest expense will increase in future periods in conjunction with the sale of \$500.0 million in aggregate principal amount of 10% Senior Notes on November 12, 1998. See "—Liquidity and Capital Resources." Pursuant to Statement of Financial Accounting Standards No. 34, the Company capitalizes a portion of its interest costs as part of the construction cost of its communications networks. Capitalized interest during the first nine months of 1998 totaled \$3.0 million. Interest income results from investment of excess cash as well as certain securities that have been pledged as collateral for interest payments on the 12½% Senior Notes. The increase in interest income for the three and nine-month periods in 1998 over the same periods in 1997 corresponded to the increase in the Company's average outstanding cash balances.

LIQUIDITY AND CAPITAL RESOURCES

The competitive local telecommunications service business is a capital-intensive business. The Company's existing operations have required and will continue to require substantial capital investment for the acquisition and installation of fiber, electronics and related equipment in order to provide switched services in the Company's networks and the funding of operating losses during the start-up phase of each market. In addition, the Company's strategic plan calls for expansion into additional market areas. Such 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 during the start-up phase of each market. During the first nine months of 1998, the

Company used \$104.8 million in cash for operating activities, compared to \$59.2 million for the same period in the prior year. The increase was primarily due to a substantial increase in the Company's activities associated with the continued development and expansion of switched local and long distance service operations. During the first nine months of 1998, the Company invested an additional \$301.1 million in property and equipment and acquisitions of telecommunications assets. During the same period in 1997, the Company invested \$130.7 million in property and equipment, acquisitions of telecommunications assets and businesses and equity investments in telecommunications businesses.

In July 1998, the Company announced the formation of INTERNEXT L.L.C., which is beneficially owned 50% each by the Company and Eagle River Investments, L.L.C (Eagle River). INTERNEXT entered into an agreement with Level 3 Communications LLC (Level 3). Level 3 is constructing a national 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 fibers in a shared, filled conduit, one entire 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 by INTERNEXT, which is expected to occur substantially during 2000 and 2001. The Company has guaranteed 50% of the financial obligations of INTERNEXT under this agreement and, together with Eagle River, has also guaranteed the performance of certain other obligations of INTERNEXT thereunder. The Company anticipates that Nextel Communications, Inc. (Nextel) will acquire a one-third ownership interest in INTERNEXT, which would reduce the Company's beneficial ownership interest in and obligations with respect to INTERNEXT to one-third. The Company is in the process of defining its plans for implementation of a national network strategy, which will require additional capital expenditures.

In February 1998, the Company signed a definitive agreement with Metromedia Fiber Network for exclusive rights to multiple fibers and innerducts for 20 years, with two 10-year renewals. The route covered by the agreement extends from Manhattan to White Plains (NY), to Stamford (CT), to Newark (NJ) and south from Manhattan through Philadelphia, Wilmington (DE), Baltimore, and to Washington (DC). The route will offer frequent splice points within metropolitan areas and on routes between metropolitan areas, as well as provide access to ILEC central and tandem switching offices. The Company paid \$92.0 million in cash for this transaction, \$80.3 million of which was placed into escrow, to be released as segments of the route are constructed and delivered to the Company.

In January 1998, the Company and Nextel formed NEXTBAND, a joint venture that is owned 50% each by the Company and Nextel. NEXTBAND was the successful bidder in 42 markets in the FCC's local multipoint distribution service (LMDS) auctions. The Company's pro rata share of NEXTBAND's total bid in the LMDS auctions was \$67.4 million, which was paid in full in June 1998. The Company is in process of defining its operational and financial plans for implementation of an LMDS strategy, which will likely involve additional capital expenditures.

On March 3, 1998, the Company completed the sale of \$335.0 million in aggregate principal amount of 9% Senior Notes due March 15, 2008. Proceeds from the sale net of discounts, underwriting commissions, advisory fees and expenses totaled approximately \$326.5 million. Interest payments on the 9% Senior Notes are due semi-annually, beginning September 1998.

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 underwriting discounts, advisory fees and expenses of \$193.8 million. Each share of 6½% Preferred Stock is convertible, at the option of the holder, into 1.145 shares of the Company's Class A common stock (subject to adjustments in certain circumstances). Dividends on the 6½% Preferred Stock accrue from March 31, 1998 and are payable quarterly in cash, beginning on June 30, 1998.

On April 1, 1998, the Company completed the sale of 9.45% Senior Discount Notes (9.45% Notes), due April 15, 2008. The 9.45% Notes were issued at a discount from their principal amount to generate aggregate gross proceeds to the Company of approximately \$400.0 million. Proceeds net of underwriting commissions, advisory fees and expenses totaled \$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 Notes until April 15, 2003. Interest will become payable in cash semi-annually beginning on October 15, 2003.

On November 12, 1998, the Company completed the sale of \$500.0 million in aggregate principal amount of 10 $\frac{3}{4}$ % Senior Notes due November 15, 2008. Proceeds from the sale net of underwriting commissions, advisory fees and expenses totaled approximately \$488.5 million. Interest payments on the notes are due semi-annually, beginning May 1999. Pursuant to a covenant in the indenture under which the 10 $\frac{3}{4}$ % Senior Notes were issued, the Company has agreed to use the net proceeds from the sale for expenditures relating to the construction, improvement and acquisition of new and existing networks and services and direct or indirect investments in certain joint ventures (including NEXTBAND and INTERNEXT) to fund similar expenditures.

The Company will use the net proceeds from the sale of the 9% Senior Notes, the 6 $\frac{1}{2}$ % Preferred Stock, the 9.45% Notes, the 10 $\frac{3}{4}$ % Senior Notes (subject to the limitations described above) and existing unrestricted cash balances for expenditures relating to the development, construction, acquisition and operation of telecommunications networks and service providers and the offering of telecommunications services in those areas where the Company currently operates or intends to operate. Expenditures for the construction and operation of networks include (i) the purchase and installation of switches and related electronics in existing networks and in networks to be constructed or acquired in new or adjacent markets, (ii) the purchase and installation of fiber optic cable and electronics to expand existing networks and develop new networks, including the connection of new buildings, (iii) the development of its comprehensive information technology platform, (iv) the acquisition of LMDS spectrum purchased in the FCC's auction and the construction and deployment of associated facilities and (v) the funding of operating losses and working capital. The Company may also acquire or invest in businesses that consist of existing networks or companies engaged in businesses similar to those engaged in by the Company and its subsidiaries or other complementary businesses.

As of September 30, 1998, the Company had unrestricted cash and investments of \$1,176.8 million and \$1,665.3 million on a pro forma basis after giving effect to the sale of the 10 $\frac{3}{4}$ % Senior Notes. The Company's current plan contemplates an aggressive expansion into a number of new markets throughout the United States. The Company may pursue various alternatives for achieving its growth strategy, including: additional network construction; additional leases of network capacity from third party providers; acquisitions of existing networks; and spectrum that was purchased during the LMDS auction and associated facilities construction and deployment. The Company also anticipates that a substantial amount of additional capital expenditures will be made in 1999 and beyond. The funding of these capital expenditures is expected to be provided by existing cash balances, future vendor and/or credit facilities, future public or private sales of debt securities, future sales of public or private capital stock and joint ventures. There can be no assurance, however, that the Company will be successful in raising sufficient additional capital on terms that it will consider acceptable or that the Company's operations will produce positive consolidated cash flow in sufficient amounts to meet its interest and dividend obligations on its outstanding securities. Failure to raise and generate sufficient funds may require the Company to delay or abandon some of its planned future expansion or expenditures, which could have a material adverse effect on the Company's growth and its ability to compete in the telecommunications services industry.

In addition, the Company's operating flexibility with respect to certain business matters is, and will continue to be, limited by covenants associated with the 12 $\frac{1}{4}$ % Senior Notes, the 9 $\frac{5}{8}$ % Senior Notes, the 9% Senior Notes, the 9.45% Notes and the 10 $\frac{3}{4}$ % Senior Notes (collectively referred to as the Notes). Among other things, these covenants limit the ability of the Company and its subsidiaries 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. In addition, the terms of the 14% Senior Exchangeable Redeemable Preferred Shares (14% Preferred Shares) contain certain covenants that may limit the Company's operating flexibility with respect to the incurrence of indebtedness and issuance of additional preferred shares. There can be no assurance that such covenants will not adversely affect the Company's ability to finance its future operations or capital needs or to engage in other business activities that may be in the interest of the Company. The Company was in compliance with all covenants associated with the Notes and the 14% Preferred Shares as of September 30, 1998.

IMPACT OF YEAR 2000

Certain of the Company's 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. These errors or failures may have limited effects, or the effects may be widespread, depending on the computer chip, system, or software, and its location and function.

State of Readiness

The Company is currently assessing the impact of the Year 2000, and a formal Year 2000 plan (the "Plan") is expected to be completed and adopted by the Company by year-end 1998. The purpose of the Plan will be to develop and perform reasonable steps intended to prevent the Company's critical operational functions from being impaired due to the Year 2000 problem. The first phase of the Company's Year 2000 assessment, to be completed by December 1998, includes: 1) taking an inventory of Company-wide systems and equipment to determine the extent of testing required for Year 2000 compliance (generally defined as the ability of information systems to accurately process data from, into and between the twentieth and twenty-first centuries, including leap year calculations), 2) developing a strategy to manage vendors' and other outside entities' progress toward Year 2000 compliance, 3) designing a Company-wide Year 2000 communications plan, and 4) creating a risk assessment and impact analysis from which the Plan can be developed. The Company has engaged outside consultants to aid in formulating and implementing the Plan.

The Company's assessments to date have indicated that its major operational support systems, including its billing, order management, network management, and financial systems are Year 2000 compliant. In addition, the Company has received positive confirmation from its vendor that the Company's Nortel DMS 500 switches are also Year 2000 compliant.

As part of the Plan and ongoing Year 2000 assessment, the Company will continue its testing of existing telecommunications equipment and back office systems to assess the effects of the Year 2000 problem on those areas that would result in significant impairment to the Company's critical operations. Through its NEXTLAB facility, which operates separate and apart from the Company's operational switches, the Company has the means to test switch configurations without impacting its networks or customers, and the Company is using NEXTLAB to independently verify Year 2000 compliance of its network systems and equipment.

The Plan will also address the potential adverse effects to the Company in the event that the computer, telecommunications, and other systems of outside entities' (including vendors, customers, and local and interexchange carriers and Internet service providers with which the Company interchanges traffic) are not Year 2000 compatible. The Company does not have control of these outside entities or their systems. However, the Company's Plan will include ongoing identification of and contact with such outside entities whose systems may have a substantial effect on the Company's ability to continue to conduct the critical aspects of its operations without disruption from Year 2000 problems. In the event such outside systems are identified, the Company will work with the outside entities in a reasonable attempt to inventory, assess, analyze, test, and develop contingency plans for the Company's connections to these outside entities and their systems and to determine the extent to which they are, or can be made to be, Year 2000 compliant.

Costs to Address Year 2000 Issues

The Company has not incurred material historical costs for Year 2000 awareness, inventory, assessment, analysis, conversion, testing, or contingency planning. Further, the Company anticipates that its future costs for these purposes will not be material.

Year 2000 costs are difficult to estimate accurately because of unanticipated vendor delays, technical difficulties, the impact of tests of outside entities' systems, and similar events. Although management believes that its estimates are reasonable, there can be no assurance that the actual costs of implementing the Plan will not differ materially from the estimated costs or that the Company will not be materially adversely affected by Year 2000 issues. Furthermore, the estimated costs of implementing the Plan do not consider the costs, if any, that might be incurred as a result of Year 2000-related failures that occur despite the Company's implementation of the Plan.

Year 2000 Risk Factors

Between now and the year 2000 there will be increased competition for people with the technical and managerial skills necessary to deal with the Year 2000 problem. The Company believes it employs an adequate number personnel skilled in dealing with the Year 2000 problem and has retained outside consultants who bring additional skilled people to deal with the Year 2000 problem as it affects the Company. Nevertheless, the Company could face shortages of skilled personnel or other resources, such as Year 2000 compliant computer chips. These shortages might delay or otherwise impair the Company's ability to assure that its critical systems are Year 2000 compliant. Outside entities could face similar problems that could materially affect the Company. The Company believes that the possible impact of the shortage of skilled people and resources is not, and will not be, unique to the Company.

The Company believes that its critical systems will be Year 2000 compliant before January 1, 2000. However, there is no assurance that the Plan will succeed in accomplishing its purposes and unforeseen circumstances may arise during implementation of the Plan that would materially and adversely affect the Company.

The Company is taking reasonable steps to identify, assess, and, where appropriate, replace devices that contain embedded chips. Despite these reasonable efforts, the Company may not be able to find and remediate all embedded chips in all of the Company's systems. Further, outside entities on which the Company depends also may not be able to find and remediate all embedded chips in their systems. Some chips that are not Year 2000 compliant may create system disruptions or failures, which may, in turn, cause disruptions or failures in other systems. These cascading problems could impair the Company's ability to serve its customers and otherwise fulfill contractual and legal obligations. The Company believes that the possible adverse impact of the embedded chip problem is not, and will not be, unique to the Company.

The Company cannot ensure that suppliers upon which it depends for essential supplies and services will convert and test their critical systems and processes in a timely manner. Failure or delay by all or some of these entities, including federal, state, or local governments, to make their systems and processes Year 2000 compliant could create substantial disruptions having a material adverse effect on the Company's operations.

In a recent Securities and Exchange Commission release regarding Year 2000 disclosure, the Securities and Exchange Commission stated that public companies must disclose the most reasonably likely worst case Year 2000 scenario. Although it is not possible to assess the likelihood of any of the following events, each must be included in a consideration of worst case scenarios: widespread failure of electrical, gas, and similar supplies serving the Company; widespread disruption of the services provided by common communications carriers; similar disruption to the means and modes of transportation for the Company and its employees, contractors, suppliers, and customers; significant disruption to the Company's ability to gain access to, and remain working in, office buildings and other facilities; the failure of substantial numbers of the Company's critical computer hardware and software systems, including both internal business systems and systems controlling operational facilities such as electrical generation, transmission, and distribution systems; and the failure of outside entities' systems, including systems related to banking and finance. Among other things, the Company could face substantial claims by customers or loss of revenue due to service interruptions, inability to fulfill contractual obligations or to bill customers accurately and on a timely basis, and increased expenses associated with litigation, stabilization of operations following critical system failures, and the execution of contingency plans. The Company could also experience an inability by customers and others to pay, on a timely basis or at all, obligations owed to the Company. Under these circumstances, the adverse effects on the Company would be material, although not quantifiable at this time. Further, the cumulative effect of these failures could have a substantial adverse effect on the economy, domestically and internationally. The adverse

effect on the Company from a domestic or global recession or depression also could be material, although not quantifiable at this time.

The Company will continue to monitor business conditions to assess and quantify material adverse effects, if any, that may result from the Year 2000 problem.

Contingency Plans

As part of the Plan, the Company is developing contingency plans that deal with two aspects of the Year 2000 problem: 1) that the Company, despite its good faith and reasonable efforts, may not have satisfactorily addressed the Year 2000 problem with respect to its critical internal systems and 2) that outside entities' systems may not be Year 2000 ready. The Company's contingency plans will be designed to minimize the disruptions or other adverse effects resulting from Year 2000 incompatibilities with respect to critical functions or systems.

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

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

INFORMATION REGARDING FORWARD LOOKING STATEMENTS

The statements contained in this report and in associated prior filings by the Company with the Securities and Exchange Commission which are not historical facts are "forward-looking statements" (as such term is defined in the Private Securities Litigation Reform Act of 1995), which can be identified by the use of forward-looking terminology such as "believes", "expects", "may", "will", "should", or "anticipates" or the negative thereof or other variations thereon or comparable terminology, or by discussions of strategy that involve risks and uncertainties. Such forward-looking statements include, but are not limited to: the Company's plans to build, acquire or develop networks and offer services in new areas, expand its current networks and explore the acquisition or licensing of additional enhanced communications services and other telecommunications service providers (and the effects of such efforts); the Company's development of a national strategy for end-to-end communications services; the Company's presence in the marketplace and its ability to provide a single source solution for the telecommunications needs of its customers; the Company's anticipated development of and entry into new markets and market expansion (and timing thereof); its expected number of addressable business lines in markets where the Company operates and by the end of 2000; its plans to launch service in various cities; its plans to install additional switches by the end of 1998; its expectation regarding incremental revenues, incremental operating expenses and contributions to cash flow; the Company's belief regarding its financial performance and traffic flow over its networks; its expectations regarding revenue from access lines as a percentage of total revenues; increases in interest expense in future periods; its requirements for capital investment; its use of proceeds from various financings; its anticipated capital expenditures; its intentions regarding LMDS technology; matters related to the national network being constructed by Level 3, including network specifications, INTERNEXT's interest therein, the delivery of segments thereunder, and the cost thereof and the timing of payments for the network; the participation by other entities (including Nextel) in certain joint ventures and financial matters related thereto; and other statements contained herein regarding matters that are not historical facts. Management wishes to caution the reader that these forward-looking statements are only predictions. These statements are based on a number of assumptions that ultimately could prove inaccurate and, therefore, no assurance can be given that the future results will be achieved. Actual events or results may differ materially as a result of a number of factors, including those identified in the Company's annual report on Form 10-KSB (File No. 333-04603). Factors that could affect performance include: the level of the Company's future negative cash flows and operating losses incurred by the Company until it establishes an adequate revenue base and

generates substantial revenues from the provision of switched local and long distance services; successfully generating or raising on terms that the Company will consider acceptable sufficient capital to accommodate planned future expansion and expenditures; continued attraction and retention of qualified managerial, professional and technical personnel; timely installation of the required switches, fiber optic cable and associated electronics necessary to provide switched local service in a manner that will permit the resolution of technical problems; successfully negotiating new and, to the extent necessary, renegotiating existing interconnection agreements; successfully developing effective systems relating to ordering, provisioning and billing for telecommunications services; successfully offering, marketing and selling switched local services and other enhanced products and services in all of the Company's networks as quickly as practicable; sufficient access to the ILEC's networks and adequate cooperation therefrom to connect new customers to the Company's network on a timely basis; identifying, financing and completing suitable acquisitions; maintaining existing, and obtaining and maintaining new, franchises, permits and rights-of-way and any required governmental authorizations, franchises and permits on a timely basis; competition from incumbent providers and new entrants; the nature of regulatory, legislative and judicial developments; rapid and significant changes in technology; and risks related to the Company's national network and LMDS strategies. These are representative of factors that could affect the outcome of the forward-looking statements. In addition, such statements could be affected by general industry and market conditions and economic conditions including interest rate fluctuations.

NEW ACCOUNTING STANDARD

In April 1998, the AICPA released Statement of Position 98-5, "Reporting on the Costs of Start-Up Activities" (SOP 98-5). The new standard requires that all entities expense costs of start-up activities as those costs are incurred. SOP 98-5 defines "start-up costs" as those costs directly related to pre-operating, pre-opening, and organization activities. This standard must be adopted in fiscal years beginning after December 15, 1998. The adoption of SOP 98-5 will not have a material impact the Company's financial position.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company is not currently a party to any legal proceedings, other than regulatory and other proceedings that are in the normal course of its business.

Item 2. Changes in Securities and Use of Proceeds

The Company filed a registration statement on Form S-1 (File No. 333-32001) which became effective on September 26, 1997, whereby 15,200,000 shares of Class A common stock, \$.02 par value per share, were sold in an initial public offering (IPO) at a price of \$17 per share. Of the 15,200,000 shares of Class A common stock sold, 12,000,000 were sold by the Company and 3,200,000 were sold by a selling shareholder. The Company did not receive any of the proceeds from the sale of shares by the selling shareholder. In addition, the underwriters of the IPO, led by Salomon Brothers Inc, exercised an option to purchase 2,280,000 additional shares of Class A common stock at the same price per share. Net proceeds to the Company from the initial public offering totaled approximately \$226.8 million, after deducting underwriting discounts, advisory fees and expenses aggregating approximately \$16.0 million. The Company intends to use substantially all of the net proceeds from the initial public offering for expenditures relating to the expansion of existing networks and services, the development and acquisition of new networks and services and the funding of operating losses and working capital. None of the proceeds from this offering had been used as of September 30, 1998.

The Company filed a registration statement on Form S-1 (File No. 333-32003) which became effective on September 26, 1997, whereby the Company sold \$400.0 million aggregate principal amount of 9 5/8% Senior Notes. The offering was led by Salomon Brothers Inc. Net proceeds from the sale of the 9 5/8% Senior Notes totaled approximately \$388.5 million, after deducting issuance costs aggregating approximately \$11.5 million, relating to underwriting discounts, advisory fees and expenses. The use of proceeds from the debt offering is expected to be substantially the same as the Company's initial public offering. Approximately \$349.8 million of the proceeds from this offering had been used as of September 30, 1998, \$209.1 million of which was used for the purchase of property and equipment, \$20.5 million for the network lease agreement entered into in February 1998, and the remainder was used to fund the Company's operations and working capital requirements.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

None.

Item 5. Other Information

None.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

- 3.1 Certificate of Incorporation of NEXTLINK Communications, Inc. (1)
- 3.2 By-laws of NEXTLINK Communications, Inc. (1)

PART II. OTHER INFORMATION

- 3.3 Articles of Incorporation of NEXTLINK Capital, Inc. (2)
- 3.4 By-laws of NEXTLINK Capital, Inc. (2)
- 4.1 Form of Exchange Note Indenture, by and among NEXTLINK Communications, Inc. and United States Trust Company of New York, as Trustee, relating to the Exchange Notes, including form of Exchange Notes. (3)
- 4.2 Certificate of Designations 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. (1)
- 4.3 Form of stock certificate of 14% Senior Exchangeable Redeemable Preferred Shares. (3)
- 4.4 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. (2)
- 4.5 First Supplemental Indenture, dated as of January 31, 1997, by and among NEXTLINK Communications, Inc., NEXTLINK Communications, L.L.C., NEXTLINK Capital and United States Trust Company of New York, as Trustee. (3)
- 4.6 Form of Indenture between United States Trust Company, as Trustee and NEXTLINK Communications, Inc., relating to the 9 5/8% Senior Notes due 2007. (4)
- 4.7 Indenture, dated March 3, 1998, between United States Trust Company, as Trustee and NEXTLINK Communications, Inc., relating to the 9% Senior Notes due 2008. (5)
- 4.8 Certificate of Designations of the Powers, Preferences and Relative, Participating, Optional and Other Special Rights of 6¼% Cumulative Convertible Preferred Stock and Qualifications, Limitations and Restrictions Thereof. (1)
- 4.9 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. (6)
- 4.10 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. (1)
- 4.11 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. (1)
- 4.12 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. (1)

PART II. OTHER INFORMATION

- 4.13 Cost Sharing and IRU Agreement dated July 18, 1998, between Level 3 Communications, LLC and INTERNEXT LLC. (7)
- 10.1 Stock Option Plan of NEXTLINK Communications, Inc., as amended. (1)
- 10.2 Employee Stock Purchase Plan of NEXTLINK Communications, Inc. (1)
- 10.3 Registration Rights Agreement dated as of January 15, 1997, between the predecessor of NEXTLINK Communications, Inc. and the signatories listed therein. (3)
- 10.4 Preferred Exchange and Registration Rights Agreement, dated as of January 31, 1997, by and among the predecessor of NEXTLINK Communications, Inc. and the Initial Purchasers. (3)
- 10.5 Fiber Lease and Innerduct Use Agreement, dated as of February 23, 1998, by and between NEXTLINK Communications, Inc. and Metromedia Fiber Network, Inc. (5)
- 10.6 Amendment No. 1 to Fiber Lease and Innerduct Use Agreement, dated as of March 4, 1998, by and between NEXTLINK Communications, Inc. and Metromedia Fiber Network, Inc. (5)
- 10.7 Guaranty Agreement, dated July 18, 1998, between NEXTLINK Communications, Inc. and Level 3 Communications, LLC.
- 10.8 Cost Sharing and IRU Agreement, dated July 18, 1998, between Level 3 Communications, LLC and INTERNEXT LLC. (7)
- 27 Financial Data Schedule

-
- (1) Incorporated herein by reference to the exhibit filed with the Registration Statement on Form S-4 of NEXTLINK Communications, Inc. and NEXTLINK Capital, Inc. (Commission File No. 333-53975).
 - (2) Incorporated herein by reference to the exhibit 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) Incorporated herein by reference to the exhibit filed with the Annual Report on Form 10-KSB for the year ended December 31, 1996 of NEXTLINK Communications, Inc. and NEXTLINK Capital, Inc. (Commission File Nos. 333-04603 and 333-04603-01).
 - (4) Incorporated herein by reference to the exhibit filed with the Registration Statement on Form S-1 of NEXTLINK Communications, Inc. (Commission File No. 333-32003).
 - (5) Incorporated herein by reference to the exhibit filed with the Annual Report on Form 10-KSB for the year ended December 31, 1997 of NEXTLINK Communications, Inc. and NEXTLINK Capital, Inc. (Commission File Nos. 333-04603 and 333-04603-01).
 - (6) Incorporated herein by reference to the exhibit 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. (Commission File No. 000-22939).
 - (7) Portions of this exhibit were omitted and filed separately with the Secretary of the Commission pursuant to NEXTLINK Communications, Inc.'s Application Requesting Confidential Treatment under Rule 24(b)-2 of the Securities Exchange Act of 1934.

PART II. OTHER INFORMATION

(b) Reports on Form 8-K

Current report on Form 8-K, filed July 20, 1998, regarding the announcement by James Voelker of his resignation as President and a director of the Company and the appointment of George Tronsrue as President of the Company.

Current report on Form 8-K, filed July 22, 1998, regarding INTERNEXT L.L.C., of which each of the Company and Eagle River Investments L.L.C. beneficially owns a one-half interest, entering into a Cost Sharing and IRU Agreement with Level 3 Communications, LLC.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrants have duly caused this report to be signed on their behalf by the undersigned thereunto duly authorized.

NEXTLINK Communications, Inc.

Date: November 16, 1998

By: /s/ Kathleen H. Iskra

Kathleen H. Iskra
Vice President, Chief Financial Officer and
Treasurer
(Principal financial and accounting officer)

NEXTLINK Capital, Inc.

Date: November 16, 1998

By: /s/ Kathleen H. Iskra

Kathleen H. Iskra
Vice President, Chief Financial Officer and
Treasurer
(Principal financial and accounting officer)

INTEREXCHANGE SERVICES TARIFF

NEXTLINK Long Distance Services, Inc.

dba

NEXTLINK or NEXTLINK Long Distance

Regulations, Descriptions, and Rates'

Applicable to Furnishing

Interexchange Services

with the State of Missouri

ISSUED: September 27, 1999

EFFECTIVE: November 12, 1999

Douglas W. Kinkoph
NEXTLINK Long Distance Services, Inc.
Two Easton Oval
Columbus, OH 43219

 INTEREXCHANGE SERVICES TARIFF

CHECK SHEET

The Title Page through Page 67 inclusive of this tariff are effective on the date shown. Original and Revised Pages as named below contain all changes from the original tariff that are in effect on the date shown.

<u>PAGE</u>	<u>NUMBER OF REVISION</u> <u>(except as indicated)</u>	<u>EFFECTIVE</u> <u>DATE</u>
Title	Original	
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 Two Easton Oval
 Columbus, OH 43219

INTEREXCHANGE SERVICES TARIFF

<u>PAGE</u>	<u>NUMBER OF REVISION</u> <u>(except as indicated)</u>	<u>EFFECTIVE</u> <u>DATE</u>
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INTEREXCHANGE SERVICES TARIFF

TARIFF FORMAT

- A. Sheet Numbering** – page numbers appear in the upper right corner of the page. pages are numbered sequentially. When a new page is added between pages already in affect, a decimal is added. For example, a new page added between pages 14 and 15 would be 14.1.
- B. Sheet Revision Numbers** – Revision numbers also appear in the upper right corner of each page. These numbers are used to determine the most current page version on file with the Public Service Commission of the State of Missouri. For example, the 4th revised page 14 cancels the 3rd revised page 14. Consult the Check Page for the page currently in effect.
- C. Paragraph Numbering Sequence** – There are nine levels of paragraph coding. Each level of coding is subservient to the next higher level:
- 2.
 - 2.1
 - 2.1.1
 - 2.1.1.A.
 - 2.1.1.A.1.
 - 2.1.1.A.1. (a)
 - 2.1.1.A.1. (a) .I.
 - 2.1.1.A.1. (a) .I. (i).
 - 2.1.1.A.1. (a) .I. (i). (1).
- D. Check Sheets** – When a tariff filing is made with the Public Service Commission of the State of Missouri, an updated Check Sheet accompanies the tariff filing. The Check Sheet lists the pages contained in the tariff, with a cross reference to the current revision number. When new pages are added, the Check Sheet is changed to reflect the revision. All revisions made in a given filing are designated by an asterisk (*). There will be no other symbols used on this page if these are the only changes made to it (i.e., the format, etc. remain the same, just revised revision levels on some pages.)

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Two Easton Oval
Columbus, OH 43219

INTEREXCHANGE SERVICES TARIFF

APPLICATION OF TARIFF

This tariff contains the regulations and rates applicable to the provision of intrastate interexchange services by NEXTLINK Long Distance Services, Inc. (hereafter the "Company") from its operating locations throughout the state of Missouri service is furnished by means of wire, terrestrial microwave radio, optical, fibers, satellite circuits or a combination thereof. Service is subject to transmission, atmospheric conditions and like conditions.

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INTEREXCHANGE SERVICES TARIFF

CONCURRING CARRIERS

No Concurring Carriers

CONNECTING CARRIERS

No Connecting Carriers

OTHER PARTICIPATING CARRIERS

No Other Participating Carriers

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INTEREXCHANGE SERVICES TARIFF

EXPLANATION OF SYMBOLS, REFERENCE MARKS, AND ABBREVIATIONS OF TECHNICAL TERMS USED IN THIS TARIFF.

Revisions of this tariff are coded through the use of symbols. These symbols appear in the right margin of the sheet. The symbols and their meanings are:

- (C) To signify changed conditions or regulations.
- (D) To signify discontinued rate, regulation, or condition.
- (I) To signify increase.
- (K) To signify that material has been transferred to another sheet or place in the tariff.
- (M) To signify that material has been transferred from another sheet or place in the tariff.
- (N) To signify a new rate, regulation, condition, or sheet.
- (O) To signify no change.
- (R) To signify reduction.
- (T) To signify a change in text for clarification.

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INTEREXCHANGE SERVICES TARIFF

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INTEREXCHANGE SERVICES TARIFF

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INTEREXCHANGE SERVICES TARIFF

1. Definitions

Advance Payment: Part or all of a payment required before the start of service.

Authorized User: A person, firm or corporation which is authorized by the Customer or joint user to be connected to the service of the Customer or joint user.

Company: NEXTLINK Long Distance Services, Inc., the issuer of this tariff, which is a Washington corporation, or any of its affiliates which concur in this tariff.

Company Calling Card: A telephone calling card issued by the Company at the Customer's request which enables the Customer or User(s) authorized by the Customer to place telephone calls and to have the charges for such calls billed to the Customer's account.

Customer: The person, firm, or corporation which orders service and is responsible for the payment of charges and compliance with the Company's regulations.

Individual Case Basis (ICB): A service arrangement in which the regulations, rates and charges are developed based on the specific circumstances of the Customer's situation.

IntraLATA Service: Service which originates and terminates within the same Local Access and Transport Area (LATA).

InterLATA Service: Service which originates in one Local Access and Transport Area (LATA) and terminates in a different LATA.

M/M: Month to month.

MOU: Minutes of use.

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INTEREXCHANGE SERVICES TARIFF

1. Definitions (cont'd)

Non-recurring Charges: The one-time initial charges for services or facilities, including but not limited to charges for construction, installation, or special fees which the Customer becomes liable at the time the Service Order is executed.

Primary InterLATA Carrier ("PIC"): Long distance carrier designated by a telephone subscriber to provide the Customer with interLATA service without having to dial a special access code..

Originating Off-net: A call originating on and placed via non-company owned facilities or a combination of non-company owned and leased facilities.

Originating On-Net: A call originating on and placed via company-owned facilities or a combination of company owned and leased facilities.

Recurring Charges: The monthly charges to the Customer for services, facilities and equipment which continue for the agreed upon duration of the service.

Service Order: The written request for communications services executed by the Customer and the Company in the format devised by the Company. The signing of a Service Order by the Customer and the acceptance by the Company initiates the respective obligations of the parties as set forth therein and pursuant to this tariff.

Station: Denotes the network control signaling unit and any other equipment provided at the Customer's premises which enables a Customer to establish communications connections and to effect communications through such connections.

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INTEREXCHANGE SERVICES TARIFF

1. Definitions (cont'd)

Station-to-Station: Service where the person originating the call from other than a public or semi-public coin telephone dials the telephone desired and the call is completed without the assistance of a Company operator and the call is not billed to a number other than the originating number.

Two Point Message Toll Service: Furnishing of facilities for telecommunications between different local calling areas in accordance with the regulations and schedule of rates specified in this tariff. The rates specified in this tariff are for payment for all services furnished between the calling and called stations.

United States: The 48 contiguous states and the District of Columbia, Hawaii, Alaska, Puerto Rico, the U.S. Virgin Islands, as well as the off-shore areas outside the boundaries of the coastal states of the 48 contiguous states to the extent that such areas appertain to and are subject to the jurisdiction and control of the United States.

User or End User: Any person or entity that obtains the Company's services provided under this tariff, regardless of whether such person or entity is so authorized by the Customer.

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INTEREXCHANGE SERVICES TARIFF

2. Undertaking of the Company

2.1 Limitations on Service

2.1.1 Service is offered to the availability of facilities and the provisions of the tariff. The Company reserves the right to limit or to allocate the use of existing facilities, or of additional facilities offered by the Company, when necessary because of lack of facilities, or due to some other cause beyond the Company's control.

The furnishing of service under this tariff is subject to the availability on a continuing basis of all the necessary facilities, including facilities the Company may obtain from other carriers, to furnish service.

2.1.2 The Company reserves the right to immediately discontinue furnishing services or billing options when the manner in which the Customer uses the Company's service results, or may result, in network blockage or other service degradation which adversely affects service to the calling party, the customer, or other customers of the Company. The Company also reserves the right to immediately discontinue furnishing services or billings options, when the Customer is using the service in violation of the provisions of this tariff or in violation of the law. The customer will be responsible for all charges incurred as well as any access charges the Company may incur as a result of such customer actions.

2.1.3 Service may be discontinued by the Company, at any time and without notice to its Customers, by blocking traffic to or from certain countries, cities, NXX exchanges, or individual telephone stations, by blocking call origination for Company services, or by blocking calls using certain customer authorization codes and/or access codes when the Company deems it necessary to take such action to prevent unlawful and/or unauthorized use of its services. In addition, the Company may take any of the foregoing actions, in the case of actual or anticipated non-payment for its service. In order to control fraud, the Company may refuse to accept Calling Card, Collect Calling, and/or Third Party calls which it reasonably believes to be unauthorized or invalid and/or may limit the use of these billing options to or from certain countries or areas including, without limitation, all or part of the United States, Puerto Rico, and/or the U.S. Virgin Islands.

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INTEREXCHANGE SERVICES TARIFF

2. Undertaking of the Company (cont'd)**2.1 Limitations on Service (cont'd)**

- 2.1.4 A Customer shall not: (a) use any service mark of trade mark either of the Company or any of its affiliated companies or of which the Company or any of its affiliated companies is a licensee, or (b) refer to the Company or any of its affiliated companies in connection with any service, product, equipment offering, promotion, or publication of the customer, without the prior written consent of the Company.
- 2.1.5 Title to all facilities provided by the Company under these regulations remains with the Company.
- 2.1.6 To the extent applicable, Company service will be subject to the most recent conditions set forth in the Truth in Lending Act, Reg. Z, 12 C.F.R. Section 226.
- 2.1.7 If the Company disconnects a Customer's service for non-payment of past due amounts, the Customer's service will remain disconnected until such time as the Company receives payment for all past due amounts and confirms the availability of sufficient funds to satisfy the amount of payment.
- 2.1.8 The Company assumes no responsibility for the availability or performance of any cable or satellite systems or related facilities under the control of other entities, or for other facilities provided by other entities used for service to the Customer, even if the Company has acted as the Customer's agent in arranging for such facilities or services. Such facilities are provided subject to such degree of protection or non-preemptability as may be provided by the other entities.
- 2.1.9 The Company makes no warranties or representations, express or implied either in fact or by operation of law, statutory, or otherwise, including warranties of merchantability or fitness for a particular use, except those expressly set forth herein.

ISSUED: September 27, 1999**EFFECTIVE: November 12, 1999**

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NEXTLINK Long Distance Services, Inc.
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INTEREXCHANGE SERVICES TARIFF

3. Rules and Regulations**3.1 Terms and Conditions**

- 3.1.1 Company services are provided and billed on the basis of a minimum period of at least one month, beginning on the date that billing becomes effective and continues to be provided until canceled by the Customer in writing on not less than 30 days notice from the date of postmark on the letter giving notice of cancellation.
- 3.1.2 The name(s), address(es), and telephone number(s) of the Customers desiring to use the service must be stipulated in the application for service.
- 3.1.3 The Customer agrees to operate the Company-provided equipment in accordance with the instructions of the Company or an agent of the Company.
- 3.1.4 The Customer agrees within five (5) days of termination of the service in connection with which the equipment was used to return to the Company all Company-provided equipment delivered which was delivered to the Customer. Said equipment shall be in the same condition as when delivered to the Customer, normal wear and tear excepted. Customers shall reimburse the Company, upon demand, for any costs incurred by the Company due to the Customers failure to comply with this provision.

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3. Rules and Regulations (cont'd)**3.2 Liability**

3.2.1 Except for granting allowances for interruptions of service as provided for in Section 3.22 and other sections of this tariff, the Company shall not be liable for any failure of performance due to: causes beyond its control, including, but not limited to, acts of God, fires, floods or other catastrophe, national emergencies, insurrections, riots or wars, strikes, lockouts, work stoppages or other labor difficulties; other preemption of existing services to restore service in compliance with Part 64, Subpart D, Appendix A, of the FCC's Rules and Regulations; or any law, order, or action of any governing authority or agency thereof.

3.2.2 The Company's liability, if any, with regard to the delayed installation of Company facilities or commencement of services shall not be liable to a Customer or third party for any direct, indirect, special, incidental, reliance, consequential, exemplary, or punitive damages, including, but not limited to, loss of revenue or profits, for any reason whatsoever, including, but not limited to, any act or omission, failure to perform ordering (including the reservation of any specific number for use with a service), installation (including delays thereof), offered under this tariff, and subject to the provisions of Section 3.2, following the Company's liability, if any shall be limited as follows:

- (1) With respect to any Dedicated leased Line Service offered by the Company, the Company's liability amount is equal to the proportionate monthly recurring charge or charges for the service for the period during which the service was affected.
- (2) With respect to any service provided by the Company which involves dedicated access, shared interexchange transmission, and/or shared information, the Company's liability shall not exceed an amount equal to the proportionate monthly recurring charges—including any service charges, minimum monthly charges, basic feature package charges monthly charges for optional features, charges for dedicated access facilities and any other monthly charges—for the period during which the service was affected or, if only a transmission using the shared interexchange facilities is interrupted, an amount equal to the charge applicable to a one-minute call to the called station at the time the affected call was made. Where any claim arises out of

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3. Rules and Regulations (cont'd)**3.2 Liability (cont'd)****3.2.2 (cont'd)****(2) (cont'd)**

the Company's acting as a Resp Org, or performing SMS Res Org changes, or where any claim arises out of any and all failing by the Company in connection with the provision of 800/888/877 (and future toll-free prefixes) service is not made available on the date committed to the customer, or cannot otherwise be made available after the Company's acceptance of the Customer order, or is provided with a number or numbers other than the one(s) committed by the Company to the Customer, or the number or numbers are not included in 800/888/877 Service Directory Assistance or are included in an incorrect form, and any such failure or failures is due solely to the negligence of the Company, in such cases the Company's liability, if any, will be limited to the lesser of: (a) the actual monetary damages incurred and proven by the Customer as the direct result of such failure to failures; or (b) the sum of \$1000.00. With respect to Resp Org and SMS Resp Org Changes, the customer will indemnify and hold the Company harmless against any third party claims arising out of the execution of changes requested by the Customer, including those changes made by an 800/888/877 Subscriber. Where the Resp Org Service Customer is a Customer acting on behalf of an 800/888/877 Subscriber, the Customer represents that it has the authority to act on the 800/888/877 Subscribers behalf in choosing a Resp Org and otherwise utilizing the Company's Resp Org Service. The Company shall not be liable at all for the use, misuse, or abuse of a Customer's 800/888/877 Service by third parties including, without limitation, the Customers' employees or members of the public who dial the Customers' 800/888/877 number by mistake. Compensation for any injury the Customer may suffer due to the fault of people or entities other than the Company must be sought from other such parties.

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3. Rules and Regulations (cont'd)**3.2 Liability (cont'd)****3.2.2 (cont'd)**

- (3) With respect to any service provided by the Company which involves shared access, shared interexchange transmission, and/or shared termination. The Company's liability shall not exceed an amount equal to the charge applicable to a one(1) minute call to the called station at the time the affect call was made.
- (4) With respect to any service provided by the Company's which involves dedicated access, shared interexchange transmission, and/or dedicated termination, the Company's liability shall not exceed an amount equal to the charge applicable to a one (1) minute call to the called station at the time the affected call was made.
- (5) With respect to the routing of calls by the Company to public safety answering points or municipal emergency service providers, the Company's liability, if any, will be limited to the lessor of: a) the actual monetary damages incurred and proved by the customer as the direct result of the Company's action, or failure to act, in routing the call; or b) the sum of \$1000.00.
- (6) With respect to the Company's offering of Telecommunications Relay Service (TRS), any service provided by LCI which involves receiving, translating, or delivering messages by telephone, text telephone, a Telecommunications Device for the Deaf, or any other instrument over the facilities of the Company or any connecting carriers or through any TRS centers operated by the Company or its agents, the Company's liability shall not exceed an amount equal to the Company's charge for a one (1) minute call to the station at the time affected call was made.

The liability provided for above, shall in each case, be in addition to any amounts that may otherwise be due to the Customer under this tariff as a credit allowance for the interruption of service.

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INTEREXCHANGE SERVICES TARIFF

3. Rules and Regulations (cont'd)**3.2 Liability (cont'd)**

3.2.3 The Company shall be indemnified, defended, and held harmless by the Customer or by others authorized to use the service against all claims of loss or damage arising from the use of service furnished under this tariff, including:

- (a) Claims for libel, slander, invasion of privacy, or infringement of copyright arising out of the material, data, information, or other content transmitted via Company service;
- (b) patent infringement claims arising from combining or connecting Company service with apparatus and systems furnished by the Customer or others; and
- (c) all other claims arising out of any act or omission of the Customer or others including those relating to Section 3.2.4 below, in connection with any service provided by the Company.

3.2.4 The Company shall not be liable for any act or omission of any other company or companies furnishing a portion of the service, or for damages associated with service, circuits, or equipment that it does not furnish, or for damages which result from the operation of customer-provided systems, equipment, facilities or services which are interconnected with Company services.

3.2.5 The Company does not guarantee, nor make any warranty with respect to, service installations at locations at which there is present an atmosphere that is explosive, prone to fire, dangerous or otherwise unsuitable for such installations. The Customer and user shall indemnify and hold the Company harmless from any and all loss, claims, demands, suits or other actions, or any liability whatsoever, whether suffered, made instituted or asserted by the Customer by any other party, for any personal injury to, whether owned by the Customer or others, caused or claimed to have been caused, directly or indirectly, by the installation, operation, failure to operate, maintenance, removal, presence, furnished by the Company at such locations.

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3. Rules and Regulations (cont'd)**3.2 Liability (cont'd)**

- 3.2.6 The Company is not liable for any defacement of, or damages to, the premises of a Customer resulting from the furnishing of service, or the attachment of any instruments, apparatus associated wiring on such Customer premises or from the installation or removal thereof, when such defacement or damage is not the result of Company negligence.
- 3.2.7 The Company shall not be liable for the Customers failure to fulfill its obligations to take all necessary steps including, without limitation, obtaining, installing and maintaining all necessary equipment, materials, and supplies, for interconnecting the terminal equipment or communications system of the Customer, or any third party acting as its agent, to the Company's network. The Customer shall secure all licenses, permits, approvals, rights-of-way, and other arrangements necessary for such interconnection. In addition, the Customer shall ensure that its equipment and/or system or that of its agent is properly interfaced with the Company's service, that the signals emitted into the Company's network are of the proper mode, bandwidth, power, data speed, and signal level for the intended use of the Customer and in compliance with the criteria set forth in the following, and that such do not damage the Company's equipment or network or injure Company personnel or degrade service to other Customers. If the Federal Communications Commission or some other appropriate certifying body certifies terminal equipment as being technically acceptable for direct electrical connection with interstate communications service, the Company will permit such equipment to be connected with its services without the use of protective interfaces devices. If the Customer or its agent fails to maintain and operate its equipment and/or system or that of its agent properly, with resulting imminent harm to Company equipment, network, personnel, or the quality of service to other Customers, the Company may, upon notice, require the use of protective equipment at the Customers expense. If this fails to produce satisfactory quality and safety, the Company may, upon written notice, terminate the Customers service without liability or obligation.
- 3.2.8 With respect to the Company's prepaid Calling Card Service, the Company makes no warranty, guarantee, or representation, either express or implied, regarding the merchantability, accuracy, reliability, condition, or fitness of the information provided in connection with the use of the card.

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3. Rules and Regulations (cont'd)**3.2 Liability (cont'd)****3.2.9 Use and Sale of Telephone Subscriber Information**

3.2.9.1 With respect to the use and sale of telephone subscriber information provided pursuant to Automatic Number Identification ("ANI") or charge number services, the Company shall permit the Customer to use the telephone number and billing information or billing and collection, routing, screening and completion of the originating telephone subscriber's call or transaction, or for services directly related to the originating telephone subscriber's call or transaction. The Customer is prohibited from reusing or selling the telephone number or billing information without first:

- (a) notifying the originating telephone subscriber and:
- (b) obtaining the affirmative consent of each subscriber for such reuse or resale. Additionally, the Customer is prohibited from disclosing, except as permitted above, any information derived from the Automatic Number Identification ("ANI") or charge number service for any purpose other than:
 - (i) performing the services or transactions that are the subject of the origination telephone subscriber's call;
 - (ii) ensuring network performance security, and the effectiveness of call delivery;
 - (iii) compiling, using, and disclosing aggregate information; and
 - (iv) complying with applicable law or legal process.

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3. Rules and Regulations (cont'd)

3.2 Liability (cont'd)

3.2.9 Use and Sale of Telephone Subscriber Information (cont'd)

3.2.9.2 The requirements imposed under Section 3.2.9.1 shall not prevent a person to whom automatic number identification, or charge number services are provided from using:

- (i) the telephone number and billing information provided pursuant to this service; and
- (ii) any information derived from the automatic number identification or charge number service, or from the analysis of the characteristics of a telecommunications transmission, to offer a product or service that is directly related to the products or services previously acquired by that Customer from such person.

3.3 Cancellation of Service by a Customer

3.3.1 If a Customer cancels an order for service before the service begins, before completion of the minimum period, or before completion of some other period mutually agreed upon by the Customer and the Company, a charge will be levied upon the Customer for the non-recoverable portions of expenditures or liabilities incurred expressly on behalf of the Customer by the Company and not fully reimbursed by installation and monthly charges. If based on an order by a Customer, and construction has either begun or been completed, but no services provided, the non-recoverable cost of such construction shall be borne by the Customer.

3.3.2 Except as otherwise provided in this tariff, if an order for installation is delayed for more than thirty (30) days beyond the due date, and such delay is not requested or caused by the Customer, the Customer may cancel the order without incurring cancellation charges.

INTEREXCHANGE SERVICES TARIFF

3. Rules and Regulations (cont'd)

3.4 Use of Service

3.4.1 Service furnished by the Company may be used for one or more of the following:

- (a) for the transmission of communications by the Customer;
- (b) for the transmission of communications to or from an authorized user or joint user;
- (c) for the transmission of communications to or from a Customer of another common carrier, which has subscribed to the Company's communications service for purposes of resale.

3.4.2 Service furnished by the Company may be arranged for joint use or authorized use. The joint user or authorized user shall be permitted to use such service in the same manner as the Customer, but subject to the following:

- (a) One joint user or authorized user must be designated as the Customer. The designated Customer does not necessarily have to have communications requirements of its own. The Customer must specifically name all joint users or authorized users in the application for service. Orders that involve the start, rearrangement, or discontinuance of joint use or authorized use service will be accepted by the Company only from that Customer and will be subject to all provisions of this tariff.
- (b) All charges for the service will be computed as if the service were to be billed to one Customer. The joint user or authorized user that has been designated as the Customer will be billed for all components of the service and will be responsible for all payments to the Company. In the event that the designated

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3. Rules and Regulations (cont'd)**3.4 Use of Service (cont'd)****3.4.2 (b) (cont'd)**

Customer fails to pay the Company each joint user or authorized user shall be liable to the Company for all charges incurred as a result of its use of the Company's service. Each joint or authorized user must submit to the designated Customer a letter accepting contingent liability for its portion of all charges billed by the Company to the designated Customer. This letter must specify that the joint or authorized user understands that the Company will receive a copy of the guaranty from the designated Customer. Unless supportive services are provided, the Customer shall be responsible for allocating charges to each joint user or authorized user.

3.5 Directory Assistance

3.5.1 Directory Assistance is available for all services. The Directory Assistance charge will be applied to each call for information as to any telephone number in the United States, Puerto Rico, and the U.S. Virgin Islands. The Directory Assistance charge applies to each call regardless of whether the requested Directory Assistance telephone number is furnished. In addition, Directory Assistance calls will not count toward, nor be calculated as part of, the Customers service volume discounts unless otherwise indicated. Directory Assistance customer calls may be placed with the assistance of an operator, and they may be billed to commercial credit cards.

3.5.2 A credit allowance will be given or the charge that would otherwise apply will be waived when:

- (a) the Customer experiences poor transmission or is cut-off during the call to Directory Assistance;
- (b) the Customer is given an incorrect telephone number by the Directory Assistance operator;
- (c) the Customer has inadvertently misdialed and has reached Directory Assistance for the wrong area code. To obtain such a credit/waiver, the Customer must notify a Company customer service representative with twenty-four (24) hours.

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3. Rules and Regulations (cont'd)**3.5 Directory Assistance (cont'd)**

- 3.5.3 Customers who are presubscribed to Company service and have been certified in writing to be unable to access or use a manual directory because of a visual or other physical impairment are eligible to receive a credit that will be applied against the per-call charge and any applicable operator-assistance surcharges specified in this tariff for domestic Directory Assistance calls made by dialing area code +555+1212. This certification must be made by a licensed physician, optometrist, appropriate federal or state agency, or appropriate approved private agency.

The written certification of visual or other physical impairment must be provided to a Company Customer Service Representative, or at the Company's election, proof of certification, as defined above, may be provided to, and maintained on file with, the Customer's Local Exchange Carrier.

Credits may be used by: (I) the visually or otherwise physically impaired customer: (ii) an organization established specifically for the purpose of assisting the visually or otherwise physically impaired; or (iii) a business where all owner(s) and/or employees of the business on the premises at which a call originates have been certified as visually or otherwise physically impaired. Credits will apply only to Directory Assistance calls made by dialing area code+555+1212, that originate from and are billed to the telephone number of the certified visually or otherwise physically impaired person or organization. Only one telephone number per location is entitled to this credit. A maximum of fifty (50) Directory Assistance calls, including operator-assistance surcharges, per monthly billing period will be eligible for the credit.

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3. Rules and Regulations (cont'd)**3.6 Toll Free Service**

- 3.6.1 A call begins when call termination is received by or passes through customer premises equipment. It is the Customer's responsibility to pass appropriate answer supervision back to the Company point of connection.
- 3.6.2 If a Customer of the Company Toll Free service is found to be non-compliant in passing back appropriate answer supervision. The Company reserves the right to suspend and/or deny service. The Company shall give the Customer three (3) days notice of intent to suspend or deny service due to such non-compliance.
- 3.6.3 The Customer shall be liable for all costs and toll charges associated with their 800/888/877 service, including unauthorized calls associated with the use of 800/888/877 service obtained from the Company, including, but not limited to, calls made using Toll Free Service when such calls are in any way routed through the Customer's location. Customers shall maintain sole responsibility for the security of 800/888/877 number(s) issued to them.
- 3.6.4 Nothing in this section, or, in any other provision of this tariff, or in any marketing materials issued by the Company, shall give any Customers who have reserved 800/888/877 telephone numbers hereunder or Customer who subscribe to and use Toll Free Service, or their transferees or assignees, any ownership interest or proprietary right in any particular 800/888/877 telephone number.
- 3.6.5 Customers (including carrier customers) are prohibited from using any telephone numbers beginning with an 800/888/8/77 service code, or any other number advertised or widely understood to be Toll Free, in a manner that would result in; (a) the calling party or the subscriber originating line being assessed any fee or charge by virtue of completing the call; (b) the calling party being connected to a pay-per-call service; (c) the calling party being charged for information conveyed during the call unless the calling party has a presubscription or comparable arrangement; or (d) the calling party being call back collect for the provision of audio or data information services, simultaneous voice conversation services, or products. The Customer shall be afforded a period of no less than seven (7) days and no more than fourteen (14) days during which a violation may be brought into compliance. 800/888/877

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service no in compliance with the above regulations at the expiration of such period may be terminated immediately.

3. Rules and Regulations (cont'd)

3.6 Toll Free Service (cont'd)

- 3.6.6 The Customer must obtain an adequate number of access lines associated with Toll Free service(s) to handle the Customer's expected demand in order to prevent interference or impairment of this service, or any other service provided by the Company, taking into account (1) call volume (2) average call duration; (3) time-of-day characteristics; and (4) peak calling periods. The Company, without incurring any liability, may disconnect or refuse to furnish Toll Free services to any Customer that fails to comply with these conditions. In case of disconnection, the Customer will be notified at least (5) days in advance of the disconnect. The Customer will be responsible for all charges incurred as well as any access charges the Company may incur as a result of the Customer failure to comply within the above conditions.
- 3.6.7 A Customer is responsible for all charges for network arising from calls placed to the Customer's Toll Free service. An applicant for Toll Free service may be required to supply the following information when requesting service: an initial traffic forecast, identification of its geographical marketing target areas, and a schedule of marketing and promotional activities. A new tariff forecast shall be submitted quarterly after service is initiated. Customers of Toll Free service may not use Automatic Number Identification (ANI), provided by the Company incidental to the furnishing of Toll Free service, to invoice, either directly or indirectly their Customer in connection with their furnishing of other than common carrier services.
- 3.6.8 All new 800/888/877 and future toll free prefixes, for the purpose of this tariff, apply to all Company existing 800/888/877 services, rates, and rules and regulations that governs all Company Toll Free service.

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3. Rules and Regulations (cont'd)

3.6 Toll Free Service (cont'd)

3.6.9 Reservation and Administration, Ownership, Use, and Assignment of Telephone Numbers for NEXTLINK 800

3.6.9.1 The Company will accept a prospective Customer's request for a particular 800/888/877 service telephone number. Up to a total of ten (10) such requested numbers may be requested. The Company will accommodate each request to the possible extent. If a requested number(s) can be assigned to a prospective Customer, the Company will notify the Customer and will reserve it for the Customer's use for a fifty-nine (59) day period. If, at the end of the fifty-nine (59) day period, the prospective Customer has not subscribed to the Company 800/888/877 services using a reserved number(s), the Company, in accordance with its procedures, may make the reserved number available for use by another Customer.

3.6.9.2 In its capacity as Resp Org, the Company will reserve, assign, activate, or change, upon receipt of a verified request, 800/888/877 numbers for a Customer or prospective Customer and will administrator 800/888/877 numbers, in accordance with customary industry standards and practices, the terms of this tariff, and the effective procedures of the 800/888/877 Service Management System (SMS) database administration. Customers may request, reserve, assign or activate 800/888/877 numbers on their own behalf, or a Customer that resells Company inbound transmission services may request, reserve, assign, or activate 800/888/877 numbers on behalf of a Customer or prospective Customer of such reseller. A Customer who resells Company inbound transmission services must provide to any Customer or potential Customer, upon reasonable request therefore, information concerning the status of a particular 800/888/877 number or number(s) in which the Customer or potential Customer has interest and, if applicable and available the identity of the Resp Org(s) for the 800/888/877 number(s), the Customer must notify the Company within forth-eight (48) hours so the Company may release the 800/888/877 numbers to the pool of numbers for assignment in accordance with industry practice and standards.

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3. Rules and Regulations (cont'd)**3.6 Toll Free Service (cont'd)****3.6.9 Reservation and Administration, Ownership, Use, and Assignment of Telephone Numbers for NEXTLINK 800 (cont'd)**

3.6.9.3 800/888/877 numbers are incidental to the inbound calling service with which they are associated and, as such, may not be sold, transferred, or otherwise conveyed independent of inbound transmission. The assignment of an 800/888/877 telephone number(s) for use with company-provided inbound transmission service confers of the Customer no proprietary interest what so ever in the number(s) assigned. It shall be a violation of this tariff if the Customer seeks to acquire, or does acquire, any 800/888/877 associated with inbound service provided by the Company for the primary purpose of selling, brokering bartering, or releasing for a fee (or other consideration) to another party that 800/888/877 number, independent of the Company service with which it is associated. In any instance in which the Company learns that a Customer or prospective Customer is attempting to sell or otherwise transfer or assign an 800/888/877 number to another person, in violation of this tariff, the Company may immediately and without notice release the number from reserved status, or it may immediately upon written notice to the Customer discontinue the furnishing of service, or it may immediately upon written notice to the Customer discontinue the furnishing of service via the 800/888/877 number. The Company telephone number forfeited as a result of the impermissible or reassigned to the undertaking will not be reserved for the prospective Customer or reassigned to the Customer under any condition or circumstances by the Company.

3.6.9.4 Each 800/888/877 service telephone number must be placed in actual and substantial use by the Customer.

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INTEREXCHANGE SERVICES TARIFF

3. Rules and Regulations (cont'd)**3.7 Recording Conversations**

- 3.7.1 Company services are not adapted to the use of recording devices to record two-way telephone conversations, or for other purposes, do so at their own risk. As used in this section, a two-way conversation is a telephone conversation between or among two or more parties. A Customer may use a recording only if the Customer is able to connect or disconnect the recording, or turn the recording device on or off, at will.
- 3.7.2 A Customer may record a two-way conversation only when the recording is:
- (a) preceded by verbal or written consent of all parties to the conversation;
 - (b) preceded by verbal notification of the recording of the conversation, which notification is recorded at the beginning, and as a part of, the call; or
 - (c) accompanied by a distinctive recorder tone, repeated at intervals of approximately fifteen (15) seconds, to alert all parties to the conversation that a recording device is in use.

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3. Rules and Regulations (cont'd)**3.7 Recording Conversations (cont'd)**

3.7.3 Broadcast licenses are exempt from the restrictions set forth in Section 3.7 when the licensee is recording the two-way conversation for broadcast and:

- (a) the licensee informs each party to the conversation that the licensee intends to broadcast the conversation;
- (b) each party to the conversation is aware that the conversation will be broadcast; or
- (c) the other party or parties to the conversation may be presumed to be aware, from the circumstances of the conversation, that the conversation is likely to be broadcast; provided that such awareness may be presumed only when the other party to the conversation is associated with the licensee (such as an employee or part-time reporter) or the other party or parties to the conversation originate(s) and the conversation is obviously in connection with a program during which the licensee customarily broadcasts telephone conversations.

3.7.4 A Customer is exempt from the restrictions set forth in Section 3.7 when:

- (a) recording incoming calls made to telephone numbers publicized for emergencies (such as 911) and outgoing calls made in immediate response to these incoming calls (including calls made to and from Department of Defense Command Centers and the Operations Center of the Nuclear Regulatory Commission);
- (b) recording calls made for patently unlawful purposes (such as bomb threats, kidnap ransom requests, and obscene calls) and outgoing calls made in immediate response to these calls (including calls referred to the U.S. Secret Service that threaten the safety and security of the President of the United States, his or her immediate family, or the White House); or
- (c) recording calls pursuant to an explicit and lawful order of a court issued to 18 U.S.C. Section 2516, as amended, or any equivalent successor provision.

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3. Rules and Regulations (cont'd)**3.8 Operator Services**

3.8.1 A Customer acquiring operator service from the Company which, in the ordinary course of its operations, makes telephone calls, must:

- (a) post on or near the telephone instrument, in plain view of consumers: the name address and toll-free telephone number of the provider of operator services;
- (b) a written disclosure that the rates for all operator-assisted calls are available on request, and that consumers have a right to obtain access to the interstate common carrier of their choice; and that Customers may contact their preferred interstate common carriers for information on accessing that carrier service using the telephone; and the name and address of the enforcement of the Common Carrier Bureau of the Federal Communications Commission, to which the consumer may direct complaints regarding operator services; ensure that each of its telephones presubscribed to a provider of operator services allows consumers to use 800/888/877 and 950 access code numbers or any other carrier identification code (1010XXX) to obtain access to the provider of operator service desired by the consumer;
- (c) ensure that no charge by such Customer to the consumer for using an 800/888/877 and 950 access code, or any other access code number, is greater than the amount the aggregator charges for calls placed using the Customers presubscribed provided of operator services. Payment (on a location-by-location basis) of any compensation to the Customer, including commissions, shall be in violation of Section 3.8.1 (b) and shall not be made until such time as the blocking ceases.

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3. Rules and Regulations (cont'd)**3.9 Information Provider Data**

A Service Bureau shall promptly furnish to the Company, and keep current on a continuing basis, the name, address, and Customer Service telephone number(s) of the Information Providers to whom it provides service. Where an Information Provider directly subscribes top Company service, it shall promptly furnish to the Company, and keep current on a continuing basis, its name, address, and Customer Service Telephone number(s).

3.10 Line Service

No provider of pay-per-call services subscribing to the Company's service in this tariff shall use automatic dialing devices which deliver a recorded message to the called party unless the device releases that called party's telephone line promptly but in no event longer than current industry standards.

3.11 Answer Supervision

Answer supervision must be provided when a Company service offering is connected to switching equipment or a Customer-provided communications system. The Customers equipment or system must provide answer supervision so that the measure of chargeable time that begins upon the delivery of the Customer's call to the switching equipment or to the equipment connected to the communications system and ends upon termination of the call by the calling party. If a Customer's communications system fails to promptly return to Company an idle (on-hook) state upon completion of the call, the Customer will be held responsible for all charges that result up until the time the Customer's communication system signals the Company's network that the call has been terminated or until such a time that the Company's own system terminates the call.

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3. Rules and Regulations (cont'd)**3.12 Restrictions**

Providers of pay-per-call services subscribing to Company transmission services, including 900 service, must comply with all requirements of (a) Title I and II of the Telephone Disclosure and Dispute Resolution Act (Pub.L No. 102-556) (TDDRA); and (b) all requirements of: the regulations prescribed by the Federal Communications Commission and Federal Trade Commission pursuant to those Titles. The Company shall terminate programs which utilize 900 service if the programs are not in compliance, following written notice to the provider. The provider shall be afforded a period of no less than seven (7) days and no more than fourteen (14) days during which a program may be brought into compliance. Programs not in compliance at the expiration of such period shall be terminated immediately.

3.13 Payment Arrangements

3.13.1 The Customer is responsible for payment of all charges for service furnished to the Customer or its joint or authorized users. This responsibility is not changed by virtue of any use, misuse, or abuse of the Customer service or Customer provided systems, equipment, facilities, or services interconnected to the Customer's service, which use, misuse, or abuse may be occasioned by third parties, including, without limitation, the Customers' employees or other members of the public. The Company is not liable for any damages, including toll usage charges, the subscriber may incur as a result of the unauthorized use of its telephone facilities. This unauthorized use if the subscriber's facilities includes, but is not limited to, the placement of calls from the subscriber's premises, and the placement of calls through subscriber-provided equipment which are transmitted or carriers on the Company network. The Company security department may work with subscribers to recommend possible solutions to reduce unauthorized use of its facilities. However, the Company does not warrant or guarantee that its recommendations will prevent all unauthorized use, and the subscriber is

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3. Rules and Regulations (cont'd)**3.13 Payment Arrangements (con't)****3.13.1 (cont'd)**

responsible for controlling access to, and use of, its own telephone facilities. Non-recurring charges are payable when the service for which they are applied has been made available. If an entity other than the Company (e.g. another carrier or supplier) imposes charges on the Company, in addition to its own internal costs, those charges will be passed onto the Customer. Recurring charges which are fixed in amount and not dependent on usage are billed in advance. Except for usage charges the rate or volume discount level applicable to a Customer for a particular service or services shall be the rate or volume discount level in effect at the end of the monthly billing period applicable to the Customer for the particular service or service. The Customer agrees to pay the Carrier for all charges billed as a result of any use of the Customer's authorization code(s), whether such use is by Customer or by a third party in connection with a lost, stolen or misappropriated authorization code, or otherwise. It is the Customer's responsibility to inform the Company that an authorization code(s) has been stolen or lost.

3.13.2 Service is provided and billed on a monthly(30-day) basis, beginning on the date that service becomes effective.

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3. Rules and Regulations (cont'd)

3.13 Payment Arrangements (cont'd)

- 3.13.3 Payment will be due upon receipt. Interest may be applied in accordance with Company-standard credit policy to any unpaid amount commencing thirty (30) days after the statement date.
- 3.13.4 If a Customer accumulates more that \$500.00 of unpaid or disputed Toll Free service charges, the Company Resp Org reserves the right not to honor that Customer's request for a Resp Org change until such dispute is resolved or undisputed charges are paid in full.
- 3.13.5 In the event the Company incurs fees or expenses, including attorney's fees in collecting or attempting to collect any charges owed the Company, the Customer will be liable to the Company for the payment of all such fees and expenses reasonably incurred.
- 3.13.6 The Company's bills are payable upon receipt, unless the Company indicates on the invoice or a billing insert that the sum shown as due need not be paid, because of the smallness of the amount, until the balance reaches some specified amount; or the Company may deal with Customers whose accounts show very small balances by withholding the issuance of an invoice until the amount due from the Customer reaches a level, which, in the Company's sole discretion, is deemed large enough to justify initiating the billing and collection process; or the Company may invoice low usage Customers every other month unless a Customer invoiced in such a manner requests monthly billing. When a bill is issued, amounts not paid within thirty (30) days after the date of invoice will be considered past due. If the Company becomes concerned at any time about the ability of a Customer to pay its bills, the Company, in its sole discretion, may require that such a Customer pay its bills within a specified number of days and to make such payments in cash or the equivalent of cash.

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3. Rules and Regulations (cont'd)**3.13 Payment Arrangements (cont'd)**

3.13.7 Applicants for service or existing Customers whose financial condition is not acceptable to the Company, or is not a matter of general knowledge, may be required at any time to provide the Company a security deposit as a condition of service. The deposit requested will be in cash or the equivalent of cash, up to an amount equal to the applicable installation charges, if any, and/or up to three month's actual or estimated usage charges for service to be provided. Any applicant or Customer may also be required, at any time, whether before or after the commencement of service, to provide such other assurances of, or security for, the payment of the Company's charges for services to be provided as the Company deems necessary including, without limitation, advance payments for service, third party guarantees of payment, pledges, or other grants of security interest in the Customers' assets, and similar arrangements. The required deposit or other security may be increased or decreased by the Company as it deems appropriate in light of changing conditions and Customers usage pattern. In addition, the Company shall be entitled to require such an applicant or Customer to pay all its bills within a specified period of time, and to make such payments in cash or the equivalent of cash. Simple interest at the rate of six percent (6%) annually will be paid for the period during which the deposit is held by the Company, unless a different rate has been established by the appropriate legal authority in the jurisdiction in which the Company service in question is provided. At the Company's option, such deposit may be refunded to the Customer's account at any time. The Company also reserves the right to cease accepting and processing service orders after it has requested a security deposit and prior to the Customer's compliance with this request.

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3. Rules and Regulations (cont'd)**3.13 Payment Arrangements (cont'd)**

- 3.13.8 For the purpose of billing, the start of service date is the activation date. The end of service date is the last day of the minimum notification period as described in Section 3.1.1.
- 3.13.9 If a Customer does not give the Company written notice of a dispute within sixty (60) days from the date the invoice was rendered, such invoice shall be deemed to be correct and binding on the Customer.
- 3.13.10 The charges set forth in this tariff contemplate installations made in normal locations and under normal working conditions. Any installations to be made under other circumstances are subject to additional charges.
- 3.13.11 Promotional and other credits offered by the Company in the marketing of its service cannot be assigned, but must be used by the person to whom they were offered and who earned them in strict accordance with the terms of the offers. In the event that a customer has been awarded a promotional credit for subscribing to the Company and does not use the service within twelve (12) months following the date of the Customer's service order, the Company may cancel the credit from the Customer's account unless otherwise stated in the specific promotion.
- 3.13.12 All charges for service are exclusive of applicable federal, state, local taxes, and tax-related surcharges.

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3. Rules and Regulations (cont'd)**3.13 Payment Arrangements (cont'd)**

3.13.13 If a Customer whose account has been closed has a credit balance showing, the Company will transfer the credit to another account of the Customer, if there is one, or will mail a check for the balance to the Customer if it believes it has a valid and current address. If the Company is not certain that it has a valid and current address, it will include a notice with the final invoice, which will be mailed to the Customer's last known address, asking the Customer to verify the address so that it can make a refund, or it will write to the Customer at that address and request verification. Such verification can be made by calling a designated telephone number or by writing to a specified address. Upon receiving verification, a check for the balance will be mailed. If the final invoice or the notification letter is returned by the post office as undeliverable, or if no response is received within thirty (30) days of mailing, the Company as its option may begin applying a closed account maintenance charge of \$2.50 per month in the second monthly billing period following the month in which the account was closed, and will continue to apply that charge until the Customer requests a refund in writing or the balance is exhausted.

3.13.14 From time to time, the Company will grant credits against usage or recurring charges in an amount not to exceed \$1000.00 per Customer or account, per monthly billing period, whenever the Company determine, in its sole discretion, that such a credit is warranted due to consideration or disputes involving the delivery of past service to the Customer or account receiving the credit.

3.13.15 In lieu of the Customer receiving applicable volume discounts and/or promotional credits on a monthly invoice, the Company may, in its sole discretion, utilize other forms of payment.

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3. Rules and Regulations (cont'd)**3.13 Payment Arrangements (cont'd)**

3.13.16 In the event payment is made by check and the Customer's check is not honored by the institution on which it was drawn, the Company will impose, and the Customer will be required to pay, a \$15.00 fee, in addition to other tariff, legal, and equitable remedies available to the Company.

3.13.17 If the Company disconnects a Customer's service for non-payment of past due amounts, the Customer's service will remain disconnected until such time as the Company receive payment for all past due amounts and confirms the availability of sufficient funds to satisfy the amount of payment.

3.13.18 The liability of the Company for errors in billing that result in overpayment by the Customer shall be limited to a credit equal to the dollar amount erroneously billed.

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3. Rules and Regulations (cont'd)

3.13 Payment Arrangements (cont'd)

3.13.19 A surcharge will be imposed on all Customer's charges for outbound service originating at, or inbound service terminating at, addresses in states which levy, or assert a claim of right to levy: a) gross receipts tax on the Company's operations in any such state; or b) a tax on interstate access charges incurred by the Company for access to telephone exchanges in that state; or c) an ad valorem tax on the Company's interstate property located in that state. This surcharge is based, respectively, on the Company's: a) gross receipts or revenues in that state; and/or, b) payment of interstate access charges in that state; and/or, c) property located in that state and used by the Company to provide interstate service. The surcharge for (c) is derived by using the ratio of interstate revenue in that state to total revenue, multiplied by total ad valorem taxes imposed during the current calendar year and are listed below. The surcharge will be shown as a separate line item on the Customer's invoice. The surcharge will be the following:

MO	0.5000%	(N)
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3. Rules and Regulations (cont'd)

3.14 Special Access Surcharge (cont'd)

3.14.1 A monthly special access surcharge, required by the Local Exchange Carrier (LEC), applies to each local channel termination associated with Channel Service and Foreign Exchange Service Capability. This monthly surcharge is applicable when the local channel is connected to a PBX or equivalent device which is capable of interconnecting the Channel Service or Foreign Exchange Service Capability with local exchange service. When analog or digital high capacity facilities interconnect with the local exchange network, the special access surcharge is applied on a per voice grade equivalent circuit basis as shown in the following example:

<u>Basic Digital Facility</u>		<u>Voice Grade Equivalent</u>		<u>Monthly Surcharge</u>
Circuits	X	\$25		Per Circuit
Group		12 X \$25	=	\$300.00
DS1		24 X \$25	=	\$600.00

3.14.2 The special access surcharge applies on each local channel termination installed whether the interconnection capability exists in the Customer's premise equipment or in a Centrex CO type switch.

3.14.3 The Customer may be exempt from the monthly special access surcharge if:

- (a) The Customer certifies in writing that the local channel terminated is a device not capable of interconnecting the service with the local exchange network; or
- (b) The Customer certifies that the local channel termination, by nature of its operating characteristics, could not make use of LEC common lines; or
- (c) The Customer certifies that the local channel is connected to a LECs switched access service that is subject to carrier line charges.

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3. Rules and Regulations (cont'd)

3.14 Special Access Surcharge

3.14.4 The certification will be in the form of a written notification to the Company. The notification may be provided:

- (a) At the time the service is ordered;
- (b) At such time as the service is re-terminated to a device not capable of interconnecting to the local exchange network; or
- (c) At such time as the local channel becomes associated with a switched access service that is subject to carrier common line charges.

3.14.5 If a written certification is not received at the time an order for new service is placed, the special access surcharge will be applied. The Company will cease billing the special access surcharge and the exempt status will become effective on the date the certification is received by the Company on services in place. If the Company charged the Customer prior to the receipt of the exemption certification, the Company will credit the Customer's account, not to exceed ninety (90) days, based on the effective date of the change specified by the Customer in the letter of certification.

3.15 Gross Receipts and Other Taxes

A surcharge will be imposed on all charges for outbound service originating at, or inbound service terminating at, addresses in states which levy, or assert as claim if right to levy, a gross receipts tax on the Company's operations in any such state, or a tax on interstate access charges incurred by the Company for originating access to telephone exchanges in that state. This surcharge is based on the particular state's receipts tax and other states receipts taxes imposed directly or indirectly upon the Company by virtue of and measured by the gross receipts or revenues in that state and/or payment of interstate access charges in that state. The surcharges will be shown as a separate line item on the Customer's notice.

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3. Rules and Regulations (cont'd)**3.16 Telecommunications Service Priority Provisioning and Restoration of Service**

The provisioning and restoration of service in emergencies shall be in accordance with Part 64, Subpart D, Appendix A of the Federal Communications Commission's Rules and Regulations which specifies the prioritization for such activities.

3.17 Inspection

The Company may, upon reasonable notice, make such tests and inspections, as may be necessary to determine that the requirements of this tariff are being complied with in the installation, operation, or maintenance of the Customer's service. The Company may interrupt the type service at any time, without penalty to the Company, because of departure from any of these requirements.

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INTEREXCHANGE SERVICES TARIFF

3. Rules and Regulations (cont'd)**3.18 Cancellation for Cause by the Company (See Section 3.3 for cancellation by customer)**

- 3.18.1 The Company may discontinue the furnishing of any and/or all service(s) to a Customer, without incurring any liability, immediately and without notice if the Company deems, in its sole discretion, that such action is necessary to prevent or to protect against fraud or to otherwise protect its personnel, agents, facilities or services. The Company may discontinue service pursuant to this subsection if:
- (a) The Customer refuses to furnish information to the Company regarding the Customer's creditworthiness, its past or current use of common carrier services, or its planned use of service(s);
 - (b) The Customer provided false information for the Company regarding the Customer's identity, address, creditworthiness, past or current use of common carrier communications services, or its planned use of Company service(s);
 - (c) The Customer states that it will not comply with a request by the Company for security for the payment for service(s) in accordance with Section 3.13.7 above or either the Customer has been given written notice by the Company of any past due amount (which remains unpaid in whole or in part) for any of the Company's services to which the Customer subscribes or had subscribed or used;
 - (d) The Customer either a) accesses the Company service by dialing the Company's Carrier Identification Code (CIC), or b) having presubscribed to the Company's service has had its account(s) canceled and has been removed from the Company's billing system and is being billed for its subsequent use of the Company's network by the local exchange carrier, and either refuses to pay when billed for the Company service(s) or indicates to the Company or its billing agent that it will not pay for Company service(s) used by it; or

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3. Rules and Regulations (cont'd)

3.18 Cancellation for Cause by the Company (cont'd)

3.18.1 (cont'd)

- (e) A subscriber to the Company who accesses the service by use of an authorization code has not used the service (with the exception of calls to Directory Assistance) for ninety (90) days;
- (f) Upon written notice to the Customer's billing address or notice to the Customer who is a subscriber to the Company's Calling Card service who has not used the service (with the exception of calls to Directory Assistance) for one-hundred eighty (180) days. In such case, the Company may deactivate the Customer's card to reduce the risk of unauthorized use. If the Customer wishes to renew usage of the service (e.g. upon returning from a vacation home), the Company will promptly supply a new card;
- (g) The Customer uses service to transmit a message, locate a person or otherwise give or obtain information without payment for the service:
- (h) The Customer uses, or attempts to use, service with the intent to avoid the payment, either in whole or in part, of the tariff charges for the service:
 - (1) Using or attempting to use service by rearranging, tampering with, or making connections to the Company's service not authorized by this tariff;
 - (2) Using tricks, schemes, false or invalid numbers, false credit devices, electronic devices, or any other fraudulent means or devices.

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3. Rules and Regulations (cont'd)**3.18 Cancellation for Cause by the Company (cont'd)**

- 3.18.2 Upon written notice to the Customer of any sum thirty (30) days past due, the Company may immediately cancel service pursuant to this section; or
- 3.18.3 Immediately upon written notice to the Customer, after failure of the Customer to comply with a request by the Company for security for the payment of service in accordance with Section 3.13.7 above for five (5) days after sending the Customer written notice of noncompliance with any provision of this tariff if the noncompliance is not corrected within that five (5) day period, the Company may immediately cancel service pursuant to this section; or
- 3.18.4 The Company may, without notice, cancel service pursuant to this section without notice, if the Customer's account has shown no usage for six (6) consecutive months;
- 3.18.5 The discontinuance of service(s) by the Company pursuant to this Section does not relieve the Customer of any obligation to pay the Company for charges, dues and owings for service(s) furnished up to the time of discontinuance. In the event the Company cancels the Customer's service for cause, and the Customer is committed to a term or other plan for which charges apply the Customer will be obligated to pay, as though it had terminated service early for its own convenience.

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3. Rules and Regulations (cont'd)

3.19 Testing and Adjusting

Upon reasonable notice, the service provided by the Company shall be made available to the Company for such tests and adjustments as the Company deems necessary to maintain it in satisfactory condition.

3.20 Terminal Equipment

3.20.1 Terminal equipment, such as teleprinters, handsets, or data sets at the premises of the Customer and between such premises and the Company terminals, shall be furnished by and maintained at the expense of the Customer, except as otherwise provided.

3.20.2 The characteristics of equipment at either end of the channel shall be such that its connection to the channel complies with the minimum protection criteria set forth below, and does not interfere with services furnished to other Customers. Additional protective equipment, where required, shall be provided and maintained at the Customer's expense.

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3. Rules and Regulations (cont'd)**3.20 Terminal Equipment (cont'd)**

3.20.3 When services using local exchange carrier voice grade facilities are terminated in Customer-provided terminal equipment, channel derivation devices, or communications systems, the Customer shall comply with the minimum protective criteria set forth below.

3.20.3.1 When the facilities furnished under this tariff are used in common with local exchange carrier services, it is necessary, in order to prevent excessive noise and crosstalk, that the power of the signal applied to local exchange lines be limited. A single valued limit for all applications cannot be specified. Therefore, the power of the signal in the band above 300 Hertz which may be applied by the Customer-provided equipment at the point of termination will be specified by the Company for each application.

3.20.3.2 To protect the telecommunications services from interference at frequencies which are above the band of service provided, the Company will specify the acceptable signal power in the following bands to be applied by the Customer-provided equipment or communications systems at the point of termination to insure that the input to local exchange carrier facilities does not exceed the limits indicated:

- (a) The power in the band from 3995 Hertz to 4005 Hertz shall be at least 18 dB below the power of the signal as specified in Section 3.20.4
- (b) The power in the band from 4000 Hertz to 10,000 Hertz shall not exceed 16 dB below one milliwatt.
- (c) The power in the band from 10,000 Hertz to 25,000 Hertz shall not exceed 24 dB below one milliwatt.
- (d) The power in the band from 25,000 Hertz to 40,000 Hertz shall not exceed 36 dB below one milliwatt.
- (e) The power in the band above 40,000 Hertz shall not exceed 50 dB below one milliwatt.

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3. Rules and Regulations (cont'd)**3.20 Terminal Equipment (cont'd)**

3.20.4 Where in connection via Customer-provided terminal equipment or communications systems to a Message Telecommunications Service or a WATS service, to prevent the interruption or disconnection of a call, or interference with network control signaling, it is necessary that the signal applied by the Customer-provided equipment to the interface at no time have energy solely in the 2450 Hertz to 2750 Hertz. If signal is in the 2450 to 2750 Hertz, it must not exceed the power present at the same time in the 800 to 2450 Hertz Band.

3.20.5 Where such Customer-provided equipment or communications systems applies signals having components in the spectrum 300 Hertz, excluding ringing signals, the currents and voltages (including all harmonics and spurious) at the interface shall not exceed the limits indicated in Sections 3.20.5.1 through 3.20.5.4 following:

3.20.5.1 The maximum rms. (root-means-square) value, including DC and AC components, of the current per conductor will not exceed .035 ampere.

3.20.5.2 The magnitude of the peak of the conductor or ground voltage shall not exceed 70 volts.

3.20.5.3 The conductor voltage shall be such that the conductor ground voltage limit in .10 preceding is not exceeded. If the signal source is not grounded, the voltage limit in .0342 preceding applies to the conductor to conductor voltage.

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3. Rules and Regulations (cont'd)

3.20 Terminal Equipment (cont'd)

3.20.5 (cont'd)

3.20.5.4 The total weighted rms. Voltage within the band from 50 Hertz to 300 Hertz shall not exceed 100 volts. The total weight rms. Is the square root of the sum of the products times the square of the rms. Voltage of the individual frequency components.

3.20.5.5 The weighting factors are as indicated:

<u>For Frequencies Between</u>	<u>Weight Factor</u>
50 Hertz and 100 Hertz	f 2/104
100 Hertz and 300 Hertz	f33/106.6

3.20.5.6 The Customer is responsible for all costs, which may include the expenses of Customer personnel, electrical power, etc. at the Customer's premises in the provision of the service described herein.

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3. Rules and Regulations (cont'd)**3.21 Systems Security (cont'd)**

3.21.1 Where Customers are permitted access to the Company's computer systems and data for the purpose of managing and maintaining their telecommunications services, they will comply with the following:

- (a) Customers may access the Company's systems only to the extent required by an incident to administer and manage the Customer's telecommunications systems.
- (b) Customers may not disclose or use information which may be learned as a consequence of access to Company systems except as may be directly required to ensure the proper operations of the Customer's telecommunications systems. Customers must take all reasonable precautions to prevent any other person or entity who does not have a need to know from acquiring such information.
- (c) Customers shall not in any manner or form disclose, provide, or otherwise make available, in whole or in part, Company documentation, any related material or any other confidential material except to those who have a need to know incident to the use of Company services. All documentation shall remain the property of the Company and may not be copied, reproduced, or otherwise disseminated without the prior written permission of the Company.
- (d) Customers shall take all responsible precautions to maintain the confidentiality of all Company documents. Such precautions shall include the use of Personal Identifications Numbers (PINs) and passwords selected by and known only to the Customer's individual authorized users. Company telephone numbers and dial-up access number(s) assigned to Customers by the Company, PINs, or any aspect of access and sign-on methodology shall not be posted or shared with others under any circumstances. Customers shall follow normal logoff procedures prior to leaving a terminal unattended. Customers should report any known or suspected attempt by others to gain unauthorized access.

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3. Rules and Regulations (cont'd)**3.21 Systems Security**

3.21.2 In the event that a security access device assigned to a Customer for dial-up access is lost, stolen, or misplaced, the Customer must notify the Company immediately. Access to information beyond that authorized may result in civil and/or criminal penalties.

3.22 Allowance for Interruptions

3.22.1 Except as provided for in Section 3.5 above, which pertain to Directory Assistance, the following credit allowances for interruptions of Company services will be made:

- (a) Except as provided, for elsewhere in this tariff, credit allowances will be made for interruptions associated with those Company services for which charges are specified on the basis of per minute of use, or on usage of a fraction of a minute, and in which there may be interruption of an individual call, due to a condition in the Company's shared interexchange facilities or in shared access or termination facilities provided by other carriers, where the interruption can be remedied by redialing the calls. A credit allowance will be made for that portion of a call which is interrupted due to poor transmission (e.g. noisy circuit) quality, one-way transmission (one party is unable to hear the other) or involuntary disconnection caused by deficiencies in the Company's service. A Customer may also be granted credit for reaching a wrong number. To receive a credit, the Customer must notify a Company Customer Service Representative and furnish information, including the called number, the service subscribed to, the difficulty experienced, and the approximate time the call was placed. Credit allowances will not be made for a) interruptions not reported to the Company within twenty-four (24) hours, or b) interruptions that are due to the failure of power, equipment, systems, or services not provided by the Company. If the Customer elects to use another means of communications after one of the above interruptions, or during a period when he or she is unable to place a call over the Company, the Customer must pay the charges for the alternative service used.

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3. Rules and Regulations (cont'd)3.22 Allowance for Interruptions (cont'd)

3.22.1 (cont'd)

- (b) An interruption period begins when the Customer reports to the Company that the service has been interrupted and releases it for testing and repair. An interruption period ends when the service is operative again. If the Customer reports the service to be inoperative but declines to release it for testing and repairs, the service is deemed to be impaired, but not interrupted. The Company may deny a Customer's request for credit where notification of alleged inferior, or inadequate service has not been received by the Company's Customer Service Department within twenty-four (24) hours of the occurrence. Credit will be allowed only for disabled portions of the service.

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3. Rules and Regulations (cont'd)**3.22 Allowance for Interruptions (cont'd)****3.22.1 (cont'd)**

- (c) Where a call has been disconnected, the Customer will be given a credit allowance equivalent to the charge for the initial minute of the call made to reestablish communications with the other party. Where a call has been interrupted by poor transmission or one-way transmission, the Customer will be given a credit allowance equivalent to the charge for the initial minute of a call made to continue communicating with the other party to the interrupted call. A Customer who has reached a wrong number will be given a credit allowance to the charge for the initial minute of the wrong number if he or she reports the situation, within twenty-four (24) hours to a Company Customer Service Representative.

- (d) For all of the Company's services which involve dedicated access, dedicated interexchange transmission and/or dedicated termination, for which monthly recurring charges are applied, which are interrupted for more than an individual call and cannot be remedied by redialing the call except as provided in Section 3.24 below, the Customer will be given a credit allowance for an interruption of two consecutive hours or more, in accordance with the following:

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3. Rules and Regulations (cont'd)**3.23 Outage Credit**

- 3.23.1 For the purpose of this tariff, all months contain thirty (30) days. Services offered by the Company are on a twenty-four (24) hours per day, seven (7) days per week basis unless specifically stated otherwise.
- 3.23.2 For purposes of credit computations, every month shall be considered to have seven hundred twenty (720) hours.
- 3.23.3 The Customer shall be credited for an interruption of service on a prorated basis for the facilities affected for each period of two (2) hours or additional major fraction thereof. The prorated credit will be based on the monthly recurring charge of the affected Company circuit(s).
- 3.23.4 No credit allowance will be made for:
- a) Interruptions by the negligence of the Customer or others authorized by the Customer to use the Customer's service.
 - b) Interruptions due to the failure of power, equipment, systems, or service not provided by the Company.
 - c) Interruptions during any period during which the Company or its agents are not afforded access to the premises where access lines are associated with the Customer's service are terminated.
 - d) Interruptions during any period when the Customer or user has released the service to the Company for maintenance or rearrangement purpose, or for the installation of a Customer order.
 - e) Interruptions during the period when the Customer elects not to release the service for testing or repair and continues to use it on an impaired basis.
 - f) Non-completion of calls due to network busy conditions or interruptions not reported to the Company.

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3. Rules and Regulations (cont'd)

3.24 Interconnection with Other Carriers

- 3.24.1 Service furnished by the Company may be connected with services or facilities of another participating carrier. Such interconnection may be made at a Company terminal or entrance site, at a terminal of another participating carrier, or at the premises of a Customer, joint user, or authorized user. Service furnished by the Company is not part of a joint undertaking with other such carriers.
- 3.24.2 Any special interface equipment or facilities necessary to achieve compatibility between the facilities of the Company and other participating carriers shall be provided at the Customer's expense. Upon Customer request and acting as the Customer's authorized agent, the Company, in its discretion, may attempt to make the necessary arrangements for such interconnections.
- 3.24.3 Service furnished by the Company may be connected with our facilities or services of other participating carriers under the terms and conditions of the other participating carriers' tariffs applicable to such connections.

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3. Rules and Regulations (cont'd)**3.25 Special Construction**

Subject to the arrangement of the Company and to all of the regulations contained in this tariff, special construction of facilities may be undertaken on a reasonable effort basis at the request of the Customer. Special construction is that construction undertaken that:

- (a) where facilities are not presently available, and there is no other requirement for the facilities so constructed;
- (b) of a type other than that which the Company would normally utilize in the furnishing of its services;
- (c) over a route other than that which the Company would normally utilize in the furnishing of its services;
- (d) in a quantity greater than that which the Company would normally construct;
- (e) on an expedited basis;
- (f) on a temporary basis until permanent facilities are available;
- (g) involving abnormal costs; or
- (h) in advance of its normal construction.

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3. Rules and Regulations (cont'd)

3.26 Third Party Marketing Promotion

3.26.1 The Company may from time to time enter into agreements with third parties to market Company services. Subsequent to entering into such agreements, the Company may pay commission to the third party marketing entity for qualifying monthly usage revenues generated by the Company Customers to whom the third party has marketed Company service(s). The actual level of commissions to be paid will be dependent on the nature and extent of activities engaged in by the third party on the Company's behalf, including, without limitation, initial sales efforts, order coordination and processing, customer service, service problem determination and resolution, billing coordination, billing dispute resolution, and the collection or guarantee of collection of the amounts billed to the Company Customers enrolled by the third party. The commission payments may be remitted by the third party, in whole or in part, and in its sole discretion, to Customers to whom it has marketed Company service(s).

3.26.2 Within a Third Party Marketing Promotion, the Company may waive its portion of installation charges on voice and data basic digital service and switched services until such time as the Customers DAL services is installed and made available.

3.27 Dedicated Service

3.27.1 Upon request and signing up for one of the Company's dedicated access line services (DAL), the DAL Customer will have the option of utilizing one of the Company's switched services until such time as the Customer's DAL service is installed and made available.

3.27.2 The Company will then credit the Customer the difference between the switched product rates and the applicable DAL rates after the DAL service is installed and in billing. The credit would only be for the period beginning with the first date the Customer is willing to accept installation of the DAL and the actual date the DAL is installed. The credit will be given on the Customer's second month's DAL bill received from the Company.

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3. Rules and Regulations (cont'd)**3.28 Schools and Libraries Discount Program****3.28.1 General**

The Schools and Libraries Discount Program permits eligible schools (public and private, grades Kindergarten through 12) and libraries to purchase the Company services offered in this tariff at a discounted rate, in accordance with the Rules adopted by the Federal Communications Commission (FCC) in its Universal Service Order 97-157, issued May 8, 1997. The Rules are codified at 37 Code of Federal Regulation (C.F.R.) 54.500 et. seq.

As indicated in the Rules, the discounts will be between 20 and 90 percent of the pre-discount price, which is the price of services to schools and libraries prior to application of a discount. The level of discount will be based on an eligible school or library's level of economic disadvantage and by its location in either an urban or rural area. A school's level of economic disadvantage will be determined by the percentage of its students eligible for participation in the national school lunch program, and a library's level of economic disadvantage will be calculated on the basis of school lunch eligibility in the public school district in which the library is located. A non-public school may use either eligibility for the national school lunch program or other federally approved alternative measures to determine its level of economic disadvantage. To be eligible for the discount, schools and libraries will be required to comply with the terms and conditions set forth in the Rules. Discounts are available only to the extent that they are funded by the federal universal service fund. Schools and libraries may aggregate demand with other eligible entities to create a consortium.

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3. Rules and Regulations (cont'd)

3.28 Schools and Libraries Discount Program (cont'd)

3.28.2 Regulations

Obligation of eligible schools and libraries:

3.28.2.1 Requests for service:

- (a) Schools and libraries and consortia shall participate in a competitive bidding process for all services eligible for discounts, in accordance with any state and local procurement rules.
- (b) Schools and libraries and consortia shall submit requests for services to the Schools and Libraries Corporation, as designated by the FCC, and follow established procedures.
- (c) Services requested will be used for educational purposes.
- (d) Services will not be sold, resold or transferred in consideration for money or any other thing of value.

3.28.2.2 Obligations of the Company:

- (a) The Company will offer discounts to eligible schools and libraries on commercially available telecommunications services contained in this tariff.
- (b) The Company will offer services to eligible schools, libraries, and consortia at prices no higher than the lowest price it charges to similarly situated non-residential Customers for similar services (lowest corresponding price).
- (c) In competitive bidding situations, the Company may offer flexible pricing or rates other than in this tariff, where flexible pricing arrangements are allowed.

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3. Rules and Regulations (cont'd)

3.28 Schools and Libraries Discount Program (cont'd)

3.28.3 Discounted Rates for Schools and Libraries

3.28.3.1 Discounts for eligible schools and libraries and consortia shall be set as a percentage from the pre-discount price, which is the price of services to schools and libraries prior to the application of a discount.

3.28.3.2 The discount rate will be applied to all commercially available telecommunications services purchased by eligible schools, libraries or consortia.

3.28.3.3 The discount rate is based on each school or library's level of economic disadvantage as determined in accordance with the FCC Order or other federally approved alternative measures (as permitted by the Rules) and by its location in either urban or rural area.

3.28.3.4 The discount matrix for eligible schools, libraries, and consortia can be found below in Section 3.28.4 of this tariff.

3.28.4 Schools and Libraries Discount Matrix

<u>% Of Students Eligible For National School Lunch Program</u>	<u>% Of US Schools</u>	<u>Urban Discount</u>	<u>Rural Discount</u>
<1%	3%	20%	25%
1% - 19%	31%	40%	50%
20% - 34%	19%	50%	60%
35% - 49%	15%	60%	70%
50% - 74%	16%	80%	80%
75% - 100%	16%	90%	90%

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4. Domestic Services

4.1 1+ Outbound

4.1.1 Switched Access

Switched access service is available to Customers for their use in furnishing their services to end users, provides a two-point communications path between a Customer's premises and an end user's premises. It provides for the use of common terminating, switching and transport facilities. Switched access service provides the ability to originate calls from an end user's premises location to an end user's premises.

Rates and charges are will be provided at a later date.

4.2 Toll Free Service

4.2.1 Switched Access

4.2.2 Dedicated Access

4.3 Saved for future use

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4. Domestic Services (cont'd)

4.4 Prepaid Calling Card

Prepaid Cards allow customers to acquire cards that are used to originate outbound direct dial calls via NEXTLINK toll-free numbers. Prepaid cards are available in various dollar denominations at the per minute rates set forth below. To use the card, callers must dial an access number. When the call is acknowledged, the caller then enters the PIN. At this point, the caller is notified of the dollar value remaining on the card. The caller then enters the telephone number to be called.

NEXTLINK will offer consumers the ability to purchase its prepaid cards in various dollar denominations. Each prepaid card will remain active until such time as the charges (as set forth below) equal the dollar value of the prepaid card purchased by the end-use or until the card expires (as set forth below).

4.4.1 Rate Per Minute Use:

The following per minute of use rates will apply in addition to the charges set forth in 4.4.2 through 4.4.3 below (as applicable).

	<u>Option A</u>	<u>Option B</u>	<u>Option C</u>
Rate Per Minute of Use	\$0.039	\$0.049	\$0.079

4.4.2 Per Call Surcharge:

The following surcharge will be assessed on each call made (regardless of the length of the call or location from which the call is made) using a NEXTLINK prepaid card under Options A, B or C which originates in the contiguous United States and the following non-contiguous U.S. regions; including Alaska, Hawaii, Puerto Rico, U.S. Virgin Islands, Guam, Northern Marianas and American Samoa.

	<u>Option A</u>	<u>Option B</u>	<u>Option C</u>
Each Call	\$0.49	\$0.49	\$0.59

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4. Domestic Services (cont'd)

4.4 Prepaid Calling Card (cont'd)

4.4.3 Payphone Surcharge:

The following surcharge will be assessed on each call made (regardless of the length of the call) from a payphone using a NEXTLINK prepaid card under Options A, B or C which originates in the contiguous United States and the following non-contiguous U.S. regions; including Alaska, Hawaii, Puerto Rico, U.S. Virgin Islands, Guam, Northern Marianas and American Samoa

	<u>Option A</u>	<u>Option B</u>	<u>Option C</u>
Each Call	\$0.30	\$0.30	\$0.30

4.4.4 Expiration of Prepaid Cards

NEXTLINK's prepaid cards will expire on the date specified on the card or package in which the card is included.

4.4.5 Directory Assistance

A charge of \$1.25 will be assessed for each call requesting Directory Assistance.

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4. Domestic Services (cont'd)

4.4 Prepaid Calling Card (cont'd)

4.4.6 Conditions of Service

- A. Only the entity in whose name the original qualifying purchase was made shall be deemed to be the Customer. Related entities, such as affiliates and subsidiaries, spouses and relatives, shall not be treated as the customer.
- B. Calls to 500, 700, 800, 877, 888, 900 and 950 numbers will not be completed using the NEXTLINK prepaid card.
- C. Neither NEXTLINK nor any of its authorized agents or contractors shall be liable or responsible for theft, loss or unauthorized use of any NEXTLINK prepaid cards or card numbers. NEXTLINK will not refund or issue credit for any unused value on any NEXTLINK prepaid card.

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