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Robert
Ryan (F.P.)

MEMORANDUM

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AZ CORP COMM
DOCUMENT CONT

TO: Docket Control

FROM: Deborah R. Scott
Director
Utilities Division

Barbara Keene for

DATE: November 3, 2000

RE: STAFF REPORT ON THE APPLICATION OF ECLIPSE COMMUNICATIONS CORPORATION, NOW KNOWN AS WESTERN CLEC CORPORATION, FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY TO PROVIDE LOCAL COMPETITIVE SERVICES AND PETITION FOR COMPETITIVE CLASSIFICATION OF PROPOSED SERVICES WITHIN THE STATE OF ARIZONA. (DOCKET NO. T-03590A-98-0364)

Attached is the Staff Report for the above referenced application. The Applicant is applying for approval to provide the following services:

- Facilities-based local services
- Facilities-based interexchange services
- Resold local services
- Resold interexchange services
- Access services

Staff is recommending approval of the application following a hearing.

/rlm

Originator: Rodney Moore

Attachment: Original and Ten Copies

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ARIZ. CORPORATION COMMISSION

EXHIBIT
Admitted
S-1

STAFF REPORT

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

WESTERN CLEC CORPORATION

DOCKET NO. T-03590A-98-0364

APPLICATION FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY TO PROVIDE LOCAL COMPETITIVE SERVICES AND PETITION FOR COMPETITIVE CLASSIFICATION OF PROPOSED SERVICES WITHIN THE STATE OF ARIZONA

November 2000

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STAFF ACKNOWLEDGMENT

The Staff Report for Western CLEC Corporation, Docket No. T-03590A-98-0364, was the responsibility of the Staff member listed below. Rodney L. Moore was responsible for the review and analysis of the Applicant's application for a Certificate of Convenience and Necessity to provide facilities-based and resold interexchange services; facilities-based and resold local exchange services; access telecommunications service; and petition for a determination that its proposed services should be classified as competitive.

Rodney Moore

Rodney L. Moore
Auditor III

1. INTRODUCTION

On July 2, 1998, Eclipse Communications Corporation, now known as Western CLEC Corporation ("Western CLEC" or "Applicant"), filed an application for a Certificate of Convenience and Necessity ("CC&N") to provide facilities-based and resold interexchange services; facilities-based and resold local exchange services; and access service within the State of Arizona. Western CLEC petitioned the Arizona Corporation Commission ("Commission") for a determination that its proposed services should be classified as competitive.

Staff's review of this application addresses the overall fitness of the Applicant to receive a CC&N. Staff's analysis also considers whether the Applicant's services should be classified as competitive and if the Applicant's initial rates are just and reasonable.

2. WESTERN CLEC'S APPLICATION FOR A CERTIFICATE OF CONVENIENCE & NECESSITY

This section of the Staff Report contains descriptions of the geographic market to be served by Western CLEC, the requested services, and Western CLEC's technical and financial capability to provide the requested services. In addition, this section contains the Staff evaluation of Western CLEC's proposed rates and charges and Staff's recommendation thereon.

2.1 DESCRIPTION OF THE GEOGRAPHIC MARKET TO BE SERVED

Western CLEC seeks authority to provide telecommunications services throughout the service territory of USWC (now known as Qwest).

2.2 DESCRIPTION OF REQUESTED SERVICES

Western CLEC proposes to provide facilities-based and resold interexchange services; facilities-based and resold local exchange services; and switched and special access services. These services include, but are not limited to the following: directory assistance, telephone relay service, E911 service, CLASS services, and directory listings.

2.3 THE ORGANIZATION

Western CLEC is incorporated under the laws of the State of Delaware and has provided a copy of its approved Application for Authority to transact business in Arizona. Western CLEC's parent company is Western Wireless Corporation, a publicly traded company on the NASDAQ.

2.4 TECHNICAL CAPABILITY TO PROVIDE THE REQUESTED SERVICES

Western CLEC is currently offering facilities-based and resold local exchange and interexchange service in 13 states.

2.5 FINANCIAL CAPABILITY TO PROVIDE THE REQUESTED SERVICES

Western CLEC has submitted the following financial information of its parent company, Western Wireless Corporation, for the year ended December 31, 1999. These financial data list assets of $1.36 billion and a net income of $60.93 million on revenue of $567.34 million. Based upon this information, Staff believes that Western CLEC has sufficient financial strength to offer the requested telecommunications services in Arizona.

2.6 ESTABLISHING RATES AND CHARGES

Western CLEC would initially be providing service in areas where an incumbent local exchange carrier ("ILEC"), along with various competitive local exchange carriers ("CLECs") and interexchange carriers are providing telephone service. Therefore, Western CLEC would have to compete with those providers in order to obtain subscribers to its services. Western CLEC would be a new entrant and would face competition from both an incumbent provider and other competitive providers in offering service to its potential customers. Therefore, Western CLEC would generally not be able to exert market power. Thus, the competitive process should result in rates that are just and reasonable.

Both an initial rate (the actual rate to be charged) and a maximum rate must be listed for each competitive service offered, provided that the rate for the service is not less than the Company's total service long-run incremental cost of providing the service pursuant to A.A.C. R14-2-1109. Western CLEC has filed a tariff with rates and charges for its local exchange and interexchange services that Staff believes is in compliance with A.A.C. R14-2-1109.

3. LOCAL EXCHANGE CARRIER SPECIFIC ISSUES

Since Western CLEC intends to provide local exchange service, the issues related to the provision of that service are discussed below.

3.1 INTERCONNECTION

Western CLEC has applied for a CC&N to become a local exchange company. As such, Western CLEC will need to connect its network to other local exchange company networks in order to provide ubiquitous calling capabilities to its customers. The Commission approved the parameters under which interconnection between Western CLEC and other telephone service providers will take place (Decision No. 59761, dated July 22, 1996, in Docket No. RT-00000F-96-0001). The 1996 Telecommunications Act has set forth general guidelines for interconnection. Staff therefore recommends that, unless it provides services solely through the use of its own facilities, Western CLEC procure an Interconnection Agreement that is consistent with these guidelines before being allowed to offer local exchange service.

3.2 DIRECTORY LISTINGS AND DIRECTORY ASSISTANCE

Callers should be able to determine the telephone numbers belonging to customers of alternative local exchange companies, such as Western CLEC. There are three issues associated with the provision of Directory Assistance for subscribers to new local exchange company services, no matter what service provider the subscriber uses. These issues are:

1. Should there be one Directory Assistance database administrator?
2. If there is one Directory Assistance database administrator, what should the rates be for inclusion in the directories?
3. What should be included in the Directory Assistance database?

Staff recommends that Western CLEC indicate how it plans to have its customers' telephone numbers included in the incumbent's Directories and Directory Assistance databases before it begins providing local exchange service.

3.3 NUMBER PORTABILITY

Another issue associated with Western CLEC's proposal to become a competitive local exchange company relates to how telephone numbers should be administered. Local exchange competition may not be vigorous if customers, especially business customers, must change their telephone numbers to take advantage of a competitive local exchange carrier's service offerings. Staff recommends that Western CLEC pursue interim and permanent number portability arrangements with other local exchange carriers ("LECs") that are consistent with federal laws, federal rules and state rules.

3.4 PROVISION OF BASIC TELEPHONE SERVICE AND UNIVERSAL SERVICE

The Commission has adopted rules to address maintenance of universal telephone service during and after the transition to a competitive telecommunications services market. The rules contain the terms and conditions for contributions to and support received from telephone service subscribers to finance the Arizona Universal Service Fund ("AUSF"). Under the rules, Western CLEC will be required to participate in the financing of the AUSF and it may be eligible for AUSF support. Therefore, Staff recommends that approval of Western CLEC's application for a CC&N be conditioned upon Western CLEC's agreement to abide by and participate in the AUSF mechanism established by Decision No. 59623, dated April 24, 1996 (Docket No. RT-00000E-95-0498).

3.5 QUALITY OF SERVICE

Staff believes that Western CLEC should be ordered to abide by the quality of service standards that were approved by the Commission for USWC in Docket No. T-01051B-93-0183 (Decision No. 59421). Because the penalties that were developed in this docket were initiated only because USWC's level of service was not satisfactory, Staff does not recommend that those penalties apply to Western CLEC. In the competitive market that Western CLEC wishes to enter, Western CLEC generally will have no market power and will be forced to provide a satisfactory level of service or risk losing its customers. Therefore, Staff believes that it is unnecessary to subject Western CLEC to those penalties at this time.

3.6 ACCESS TO ALTERNATIVE LOCAL EXCHANGE SERVICE PROVIDERS

Staff expects that there will be new entrant providers of local exchange service who will install the plant necessary to provide telephone service to, for example, a residential subdivision or an industrial park much like existing local exchange companies do today. In those areas where Western CLEC installs the only local exchange service facilities, Western CLEC will be a monopoly service provider. In the interest of providing competitive alternatives to Western CLEC's local exchange service customers, Staff recommends that Western CLEC provide customers served in these areas with access to alternative local exchange service providers. In this way, a customer may be served by an alternative local exchange service provider if the customer so desires. With this requirement in place, Western CLEC will not be able to exert monopoly power over customers who are located in areas where Western CLEC is the only provider of facilities to serve the customer. Access to other providers should be provided pursuant to the provisions of the 1996 Telecommunications Act, the rules promulgated thereunder and Commission rules on interconnection and unbundling.

3.7 911 SERVICE

Western CLEC has not indicated in its application whether it will provide all customers with 911 and E911 service, where available, or will coordinate with ILECs and emergency service providers to provide the service. Staff believes that Western CLEC should be required to work cooperatively with local governments, public safety agencies, telephone companies, the National Emergency Number Association and all other concerned parties to establish a systematic process in the development of a universal emergency telephone number system. Staff recommends that Western CLEC be required to certify, through the 911 service provider in the area in which it intends to provide service, that all issues associated with the provision of 911 service have been resolved with the emergency service providers before it begins to provide local exchange service.

3.8 CUSTOM LOCAL AREA SIGNALING SERVICES

In its decisions related to USWC's proposal to offer Caller ID and other CLASS features in the State, the Commission addressed a number of issues regarding the appropriateness of offering these services and under what circumstances it would approve the proposals to offer them. The Commission concluded that Caller ID could be offered provided that per call and line blocking, with the capability to toggle between blocking and unblocking the transmission of the telephone number, should be provided as options to which customers could subscribe with no charge. The Commission also approved a Last Call Return service that will not return calls to telephone numbers that have the privacy indicator activated, which indicates that the number has been blocked. The Commission further required that USWC engage in education programs when introducing or providing the service(s).

Staff recommends that Western CLEC be required to abide by all the Commission decisions and policies regarding Caller ID and other CLASS services. However, Staff does not believe that it is necessary for Western CLEC to engage in the educational program that was ordered for USWC as long as customers in the areas where Western CLEC intends to serve have already been provided with educational material and are aware that they can have their numbers blocked on each call or at all times with line blocking.

3.9 EQUAL ACCESS FOR INTEREXCHANGE CARRIERS

Although Western CLEC did not indicate that its switch will be "fully equal access capable" (i.e. would provide equal access to interexchange companies), the Commission requires local exchange companies to provide 2-Primary Interexchange Carriers ("2-PIC") equal access. 2-PIC equal access allows customers to choose different carriers for interLATA and intraLATA toll service and would allow customers to originate intraLATA calls using the preferred carrier on a 1+ basis. Staff recommends that Western CLEC be required to provide 2-PIC equal access.

4. COMPETITIVE SERVICES ANALYSIS

Western CLEC has petitioned the Commission for a determination that the services it is seeking to provide should be classified as competitive. Western CLEC has published legal notice of the application in all counties in which it requests authorization to provide service. Western CLEC has certified that all notification requirements have been completed. Staff's analysis and recommendations are discussed below.

4.1 COMPETITIVE SERVICES ANALYSIS FOR WESTERN CLEC'S REQUESTED LOCAL EXCHANGE SERVICES

4.1.1 A description of the general economic conditions that exist which make the relevant market for the service one that is competitive.

The analysis of the market for local exchange service that Western CLEC seeks to enter must take into account the fact that there are two local exchange service submarkets. The first is the local exchange service market that consists of locations where ILECs currently provide service. The second local exchange service market consists of locations within ILECs' service territories where ILECs are authorized to provide local exchange service, but where they do not actually provide service.

The local exchange market that Western CLEC seeks to enter is one in which a number of new CLECs have been authorized to provide local exchange service. Nevertheless, ILECs hold a virtual monopoly in the local exchange service market. At locations where ILECs provide local exchange service, Western CLEC will be entering the market as an alternative provider of local exchange service and, as such, Western CLEC will have to compete with those companies in order to obtain customers. In areas where ILECs do not serve customers, Western CLEC may have to convince developers to allow it to provide service to their developments. Staff recommends that, in those instances where the Applicant provides the only facilities used to provide telecommunications service, that the Applicant be required to allow other local exchange companies to use those facilities to serve customers who wish to obtain service from an alternative provider pursuant to federal laws, federal rules and state rules.

4.1.2 The number of alternative providers of the service.

Qwest and various independent LECs are the primary providers of local exchange service in the State. Several CLECs and local exchange resellers are also providing local exchange service.

4.1.3 **The estimated market share held by each alternative provider of the service.**

Since Qwest and the independent LECs are the primary providers of local exchange service in the State, they have a large share of the market. Since the CLECs and local exchange resellers have only recently been authorized to offer service they have limited market share.

4.1.4 **The names and addresses of any alternative providers of the service that are also affiliates of the telecommunications Applicant, as defined in A.A.C. R14-2-801.**

None.

4.1.5 **The ability of alternative providers to make functionally equivalent or substitute services readily available at competitive rates, terms and conditions.**

ILECs have the ability to offer the same services that Western CLEC has requested in their respective service territories. Similarly many of the CLECs and local exchange resellers also offer substantially similar services.

4.1.6 **Other indicators of market power, which may include growth and shifts in market share, ease of entry and exit, and any affiliation between and among alternative providers of the service(s).**

The local exchange service market is:

a. One in which ILECs own networks that reach nearly every residence and business in their service territories and which provide them with a virtual monopoly over local exchange service. New entrants are also beginning to enter this market.

b. One in which new entrants will be dependent upon ILECs:

1. To terminate traffic to customers.
2. To provide essential local exchange service elements until the entrant's own network has been built.
3. For interconnection.

c. One in which ILECs have had an existing relationship with their customers that the new entrants will have to overcome if they want to compete in the market and one in which new entrants do not have a long history with any customers.

d. One in which Qwest provides a quality of service that has generated a significant number of complaints. These complaints led the Commission to adopt service quality rules that contain penalties if the service quality standards are not met. A provider of alternative service, such as Western CLEC, should provide Qwest--as well as other incumbents--with the incentive to produce higher quality service including service installation and repair on a timely basis.

e. One in which most customers have few, if any choices since there is generally only one provider of local exchange service in each service territory.

f. One in which Western CLEC will not have the capability to adversely affect prices or restrict output to the detriment of telephone service subscribers.

4.2 COMPETITIVE SERVICES ANALYSIS FOR WESTERN CLEC'S REQUESTED INTEREXCHANGE SERVICES

4.2.1 **A description of the general economic conditions that exist which make the relevant market for the service one that is competitive.**

The interexchange market that Western CLEC seeks to enter is one in which numerous facilities-based and resold interexchange carriers have been authorized to provide service throughout the State. Western CLEC will be a new entrant in this market and, as such, will have to compete with those companies in order to obtain customers.

4.2.2 **The number of alternative providers of the service.**

There are a large number of facilities-based and resold interexchange carriers providing both interLATA and intraLATA interexchange service throughout the State. In addition, various ILECs provide intraLATA interexchange service in many areas of the State.

4.2.3 **The estimated market share held by each alternative provider of the service.**

The large facilities-based interexchange carriers (AT&T, Sprint, MCI WorldCom, etc.) hold a majority of the interLATA interexchange market, and the ILECs provide a large portion of the intraLATA interexchange market. Numerous other interexchange carriers have a smaller part of the market.

4.2.4 **The names and addresses of any alternative providers of the service that are also affiliates of the telecommunications Applicant, as defined in A.A.C. R14-2-801.**

None.

4.2.5 **The ability of alternative providers to make functionally equivalent or substitute services readily available at competitive rates, terms and conditions.**

Both facilities-based and resold interexchange carriers have the ability to offer the same services that Western CLEC has requested in their respective service territories. Similarly many of the ILECs offer similar intraLATA toll services.

4.2.6 **Other indicators of market power, which may include growth and shifts in market share, ease of entry and exit, and any affiliation between and among alternative providers of the service(s).**

The interexchange service market is:

a. One with numerous competitors and limited barriers to entry.

b. One in which established interexchange carriers have had an existing relationship with their customers that the new entrants will have to overcome if they want to compete in the market and one in which new entrants do not have a long history with any customers.

c. One in which Western CLEC will not have the capability to adversely affect prices or restrict output to the detriment of telephone service subscribers.

4.3 COMPETITIVE SERVICES ANALYSIS FOR WESTERN CLEC'S REQUESTED ACCESS SERVICES

4.3.1 **A description of the general economic conditions that exist which make the relevant market for the service one that is competitive.**

The market for telecommunications service in which Western CLEC intends to provide access service is:

a. One in which ILECs are the main providers of intrastate access service.

b. One in which ILECs own networks that reach nearly every residence and business in their service territories, which provide them with a virtual monopoly over intrastate access service in their service territories.

c. One in which Western CLEC may be reliant upon ILECs to access customers in order to provide competitive access services.

4.3.2 **The number of alternative providers of the service.**

ILECs are still the main providers of access service in their territories. However, a number of new entrants are competing for intrastate access customers.

4.3.3 **The estimated market share held by each alternative provider of the service.**

Since ILECs have historically been the only providers of access service in their service territories, they have a majority of the market share in those territories. However, new entrants are gaining market share.

4.3.4 **The names and addresses of any alternative providers of the service that are also affiliates of the telecommunications applicant, as defined in A.A.C. R14-2-801.**

None.

4.3.5 **The ability of alternative providers to make functionally equivalent or substitute services readily available at competitive rates, terms and conditions.**

Each service that Western CLEC provides will have at least one alternative supplier.

4.3.6 **Other indicators of market power, which may include growth and shifts in market share, ease of entry and exit, and any affiliation between and among alternative providers of the service(s).**

The following represent other indications of ILECs' market power in the intrastate switched access service market:

a. The fact that ILECs, such as Qwest, are providing the majority of intrastate access. New entrants have been authorized to provide intrastate access and are beginning to establish a presence in the market.

b. Customer relationships with incumbent carriers, such as Qwest, that have existed over a number of years.

c. The fact that the ILECs, such as Qwest, have access to information about all of the customers located in their service territories that other providers do not (e.g. billing and calling pattern information).

d. The fact that the ILEC is often the first contact for customers entering an area.

5. RECOMMENDATIONS

The following sections contain the Staff recommendations on Western CLEC's Application for a CC&N and Western CLEC's Petition for a Commission Determination that its Proposed Services Should be Classified as Competitive.

5.1 RECOMMENDATIONS ON WESTERN CLEC'S APPLICATION FOR A CC&N

Western CLEC is incorporated under the laws of the State of Delaware. Western CLEC is currently offering facilities-based and resold local exchange and interexchange service in 13 states. Western CLEC has demonstrated that it has the capability to provide its proposed services, as requested, and the provision of these would merely be an extension of its current activities elsewhere. Therefore, Staff recommends that Western CLEC's application for a CC&N to provide intrastate telecommunications services, as listed in Section 2.2 of this Report, be granted subject to the following recommendations:

1. That, unless it provides services solely through the use of its own facilities, Western CLEC procure an Interconnection Agreement before being allowed to offer local exchange service;

2. That Western CLEC file with the Commission, within 30 days of an Order in this matter, its plan to have its customers' telephone numbers included in the incumbent's Directories and Directory Assistance databases;

3. That Western CLEC pursue permanent number portability arrangements with other LECs pursuant to Commission rules, federal laws and federal rules;

4. That Western CLEC agree to abide by and participate in the AUSF mechanism instituted in Decision No. 59623, dated April 24, 1996 (Docket No. RT-00000E-95-0498);

5. That Western CLEC abide by the quality of service standards that were approved by the Commission for USWC in Docket No. T-01051B-93-0183;

6. That in areas where Western CLEC is the sole provider of local exchange service facilities, Western CLEC will provide customers with access to alternative providers of service pursuant to the provisions of Commission rules, federal laws and federal rules;

7. That Western CLEC be required to certify, through the 911 service provider in the area in which it intends to provide service, that all issues associated with the provision of 911 service have been resolved with the emergency service providers within 30 days of an Order in this matter;

8. That Western CLEC be required to abide by all the Commission decisions and policies regarding CLASS services;

9. That Western CLEC be required to provide 2-PIC equal access;

10. That Western CLEC be required to certify that all notification requirements have been completed prior to a final determination in this proceeding;

11. That Western CLEC be required to notify the Commission immediately upon changes to Western CLEC's address or telephone number;

12. That Western CLEC comply with all Commission rules, orders, and other requirements relevant to the provision of intrastate telecommunications service;

13. That Western CLEC maintain its accounts and records as required by the Commission;

14. That Western CLEC file with the Commission all financial and other reports that the Commission may require, and in a form and at such times as the Commission may designate;

15. That Western CLEC maintain on file with the Commission all current tariffs and rates, and any service standards that the Commission may require;

16. That Western CLEC cooperate with Commission investigations of customer complaints; and

17. That Western CLEC participate in and contribute to a universal service fund, as required by the Commission.

Staff further recommends that Western CLEC's application for a CC&N to provide intrastate telecommunications services be granted subject to the condition: that Western CLEC file its tariffs in accordance with the Decision within 30 days of an Order in this matter or within 30 days of an Order approving its interconnection agreement, whichever is later.

5.2 RECOMMENDATION ON WESTERN CLEC'S PETITION TO HAVE ITS PROPOSED SERVICES CLASSIFIED AS COMPETITIVE

Staff believes that Western CLEC's proposed services should be classified as competitive. There are alternatives to Western CLEC's services. Western CLEC will have to convince customers to purchase its services, and Western CLEC has no ability to adversely affect the local exchange, access, or interexchange service markets. Therefore, Western CLEC currently has no market power in the local exchange, access, or interexchange service markets where alternative providers of telecommunications services exist. Staff therefore recommends that Western CLEC's proposed services be classified as competitive.

Staff further recommends that Western CLEC be subject to the Commission's rules governing interconnection and unbundling and the 1996 Telecommunications Act and the rules promulgated thereunder. In the event that Western CLEC provides essential services or facilities that potential competitors need in order to provide their services, Western CLEC should be required to offer those facilities or services to these providers on non-discriminatory terms and conditions pursuant to federal laws, federal rules, and state rules.

REQUEST FOR HEARING DATE

DKT_TYPE -NUMBER DIV -YEAR -MATTER	COMPANY and DBA	CASE_TYPE	ASSIGNMENTS	DATE TIME HEARING	CITY/LOCATION FOR HEARING
T - 03590A - 98 - 0364	Eclipse Communications Corporation	Local Exchange CC&N	STAFF Moore LEGAL Metli HEARING	 ESTIMATED TIME REQUIRED	

OTHER INFORMATION:

10/24/2000 HEARING, LEGAL, 3 COMMISSIONERS COPIED WITH APPLICATION

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DIVISION DIRECTOR Deborah R Scott (SIGNATURE) 11-2-00 (DATE)

DATE SENT TO LEGAL ______

LEGAL DIVISION ______ (SIGNATURE) ______ (DATE)

DATE SENT TO HEARING ______

HEARING DIVISION ______ (SIGNATURE) ______ (DATE)

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JAN 29 2001

BELL & WILMER, LLP

EXHIBIT
Admitted
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BEFORE THE ARIZONA CORPORATION COMMISSION

WILLIAM A. MUNDELL
Chairman
JIM IRVIN
Commissioner
MARC SPITZER
Commissioner

IN THE MATTER OF THE APPLICATION OF ECLIPSE COMMUNICATIONS CORPORATION, NOW KNOWN AS WESTERN CLEC CORPORATION, FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY TO PROVIDE LOCAL COMPETITIVE SERVICES AND PETITION FOR COMPETITIVE CLASSIFICATION OF PROPOSED SERVICES WITHIN THE STATE OF ARIZONA.	DOCKET NO. T-03590A-98-0364 **STAFF'S FAIR VALUE RATE BASE COMMENTS**

Eclipse Communications Corporation, now known as Western CLEC Corporation ("Western CLEC") did file a response to the November 29, 2000 Procedural Order's requirement that Western CLEC file Fair Value Rate Base ("FVRB") information in support of its application for a Certificate of Convenience and Necessity ("CC&N). Western CLEC is not currently providing service in Arizona. The November 29, 2000 Procedural Order ordered the Utilities Division Staff ("Staff") to file disagreements with the proposed FVRB and/or rates and charges within 30 days of Company filing its FVRB information.[1] Staff hereby files its comments as required by the November 29, 2000 Procedural Order.

Because Western CLEC did not file the ordered FVRB information, Staff has insufficient information for analysis and recommendation for a fair value finding in this case.

Staff recommends that Western CLEC should be required to file in this Docket, within 18 months of the date it first provides service following certification, sufficient information for Staff analysis and recommendation for a fair value finding, as well as for an analysis and recommendation for permanent tariff approval. Staff believes that this information must include, at a minimum, the following:

1 The November 29, 2000 Procedural Order also ordered Staff to review any FVRB information filed and ascertain that Western CLEC is utilizing the appropriate amount of depreciation and capital carrying costs in determining its total service long-run incremental costs.

1. A dollar amount representing the total revenue for the first twelve months of telecommunications service provided to Arizona customers by the Applicant following certification, adjusted to reflect the **maximum rates** that the Applicant has requested in its tariff. This adjusted total revenue figure could be calculated as the number of units sold for all services offered times the maximum charge per unit;

2. The total actual operating expenses for the first twelve months of telecommunications service provided to Arizona customers by the Applicant following certification; and

3. The value of **all assets,** listed by major category, used for the first twelve months of telecommunications service provided to Arizona customers by the Applicant following certification. Assets are not limited to plant and equipment. Items such as office equipment and office supplies should be included in this list.

Staff recommends that Western CLEC's proposed tariffs be approved on an interim basis pending its timely provision of the above-described data to the Commission, and that Western CLEC's failure to timely file sufficient information for Staff analysis and recommendation for a fair value finding and permanent tariffs should result in the expiration of Western CLEC's CC&N and interim tariffs. In addition, if there are any disagreements with any FVRB information Western CLEC files, the Order granting Western CLEC's CC&N should be stayed pending resolution of those disagreements.

RESPECTFULLY SUBMITTED this 26th day of January, 2001.

Robert J. Metli
Arizona Corporation Commission
Attorney, Legal Division
1200 West Washington Street
Phoenix, Arizona 85007
(602) 542-3402

The original and fifteen copies of the foregoing filed this 26th day of January, 2001, with:

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BEFORE THE ARIZONA CORPORATION COMMISSION

JIM IRVIN
Commissioner-Chairman
RENZ D. JENNINGS
Commissioner
CARL J. KUNASEK
Commissioner

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DOCUMENTS ARE SUBJECT TO REVIEW BEFORE ACCEPTANCE AS A DOCKETED ITEM.

APPLICATION OF ECLIPSE COMMUNICATIONS CORPORATION FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY TO PROVIDE COMPETITIVE INTRASTATE TELECOMMUNICATIONS SERVICES AS A RESELLER, LOCAL EXCHANGE SERVICES AS A RESELLER, AND FACILITIES-BASED LOCAL AND INTRASTATE INTER-EXCHANGE TELECOMMUNICATIONS SERVICES IN THE STATE OF ARIZONA	**DOCKET NO.** T-03590A-98-0364 **VERIFIED APPLICATION**

Snell & Wilmer
L.L.P.
LAW OFFICES
One Arizona Center
Phoenix, AZ 85004-0001
(602) 382-6000

Pursuant to the provisions of A.R.S. §§ 40-281 *et seq*., and A.A.C. R14-2-1101 *et seq*., Eclipse Communications Corporation, a Delaware corporation (the "Applicant"), through its legal counsel undersigned, respectfully requests that the Arizona Corporation Commission ("Commission") issue its order granting Applicant a Certificate of Convenience and Necessity ("CC&N") to provide (i) competitive intrastate interexchange telecommunications services statewide as a reseller; (ii) competitive local exchange services statewide as a reseller; (iii) competitive facilities-based intrastate interexchange telecommunications services statewide; and (iv) competitive facilities-based local exchange services within the existing service areas of U S WEST Communications ("U S WEST") in Arizona. In addition, Applicant respectfully requests that the Commission approve its initial tariff,[1] submitted herewith, to be effective as of the date of the Commission's order granting

[1] The tariff filed with this application does not contain pricing information since the Applicant has not yet negotiated an interconnection agreement with U S WEST or made a final decision regarding the interexchange carrier or carriers whose service will be resold. Applicant will file an amended tariff setting forth maximum prices and a pricing sheet setting forth effective prices for all services to be offered once an interconnection agreement has been executed and interexchange resale arrangements have been finalized.

EXHIBIT
Admitted
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tabbies

Applicant's CC&N. In support of this application, Applicant provides the following information:

SECTION I

Applicant is a "for-profit" corporation incorporated under the laws of the State of Delaware, and is a so-called "Subchapter C" corporation for federal income tax purposes. A copy of Applicant's Certificate of Incorporation is attached hereto as Exhibit "A" and incorporated herein by reference. A list of Applicant's officers and directors is attached hereto as Exhibit "B" and incorporated herein by reference.

Applicant is authorized to transact business in Arizona as a foreign corporation. Applicant does not do business under any name other than Eclipse Communications Corporation. Applicant's address and telephone number are:

ECLIPSE COMMUNICATIONS CORPORATION
3650 131st Avenue SE, Suite 400
Bellevue, Washington 98006
Phone: (425) 586-8700

SECTION II

The name, address, telephone number and facsimile number of Applicant's management contact are:

Christopher Johnson
Manager, Regulatory Affairs
ECLIPSE COMMUNICATIONS CORPORATION
3650 131st Avenue SE, Suite 400
Bellevue, Washington 98006
Phone: (425) 586-8056
Facsimile: (425) 586-8090

The name, address and telephone number of Applicant's complaint contact person are:

Gene DeJordy, Esq.
Director of Regulatory Affairs
ECLIPSE COMMUNICATIONS CORPORATION
3650 131st Avenue SE, Suite 400
Bellevue, Washington 98006
Phone: (425) 586-8055

Applicant's toll-free customer service telephone number is 1-800-635-0304.

Snell & Wilmer
L.L.P.
LAW OFFICES
One Arizona Center
Phoenix, AZ 85004-0001
(602) 382-6000

SECTION III

All correspondence, notices and inquiries regarding this Application should be addressed to Applicant's attorneys as follows:

Jeffrey W. Crockett, Esq.
SNELL & WILMER
One Arizona Center
Phoenix, Arizona 85004-0001
Phone: (602) 382-6234
Facsimile: (602) 382-6070

Melissa M. Smith, Esq.
KELLEY DRYE & WARREN LLP
1200 19th Street, Suite 500
Washington, D.C. 20036
Phone: (202) 955-9667
Facsimile: (202) 955-9792

With an additional copy sent to:

Christopher Johnson
Manager, Regulatory Affairs
ECLIPSE COMMUNICATIONS CORPORATION
3650 131st Avenue SE, Suite 400
Bellevue, Washington 98006

SECTION IV

Applicant is a wholly-owned subsidiary of Western Wireless Corporation, a Washington corporation ("Western Wireless"). Western Wireless is a leading wireless communications company in the United States, providing cellular, personal communications services, specialized mobile radio, and paging services to consumers in more than 22 states. Western Wireless is publicly owned and traded over the NASDAQ.

Currently, Applicant has authority to provide facilities-based local exchange services, resold local exchange services, facilities-based interexchange services and/or resold interexchange services in California, Colorado, Hawaii, Idaho, Iowa, Kansas, Montana, North Dakota, Nebraska, Oklahoma, Oregon, South Dakota and Texas. Applicant also has an application pending in Minnesota.

Applicant has not been denied registration or certification in any state, nor has Applicant ever been granted authority subject to major conditions or restrictions. Applicant has never been granted authority that was subsequently revoked.

SECTION V

Applicant is not now nor has it ever been involved in any formal complaint proceeding before any state or federal regulatory commission. Applicant has not been involved in any civil or criminal investigation related to the delivery of telecommunications services, nor has Applicant had judgment entered against it in any civil matter or been convicted of criminal acts related to the delivery of telecommunications services.

SECTION VI

Applicant seeks authority to provide intraLATA toll and intrastate interLATA toll services to the public throughout the State of Arizona using a combination of its own facilities, leased facilities, and resale services obtained pursuant to contractual relationships with various interexchange carriers. Applicant intends to provide a full range of interexchange telecommunications services, including MTS, toll-free 800/888, calling card, debit card and operator-assisted services. Applicant has executed resale agreements with AT&T Communications of the Mountain States, MCI Telecommunications Corporation, Sprint Communications Company, Frontier Communication Services, Inc., and WorldCom, Inc. However, Applicant has not made a final decision regarding which carrier's or combination of carriers' services will be resold.

Applicant also seeks authority to provide resold and facilities-based local exchange services to consumers using a combination of its own facilities and leased facilities and services obtained from U S WEST pursuant to an interconnection agreement. Applicant intends to offer at least three categories of local service including local exchange service, exchange access service, and private line service. The specific types of services to be offered by Applicant include, but are not limited to:

Two-Way Lines/Trunks

Direct Inward/Outward Dialing Options

Local Calling

Operator-Assisted Services

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(602) 382-6000

Directory Assistance

Dual Party Relay and Other Special Needs Services

911 Emergency Services.

In the near future, Applicant will have negotiated an interconnection agreement with U S WEST for the exchange of local and intrastate interexchange toll traffic and the resale of local exchange services. Copies of this interconnection agreement will be filed with the Commission once it has been finalized and executed by the parties.

SECTION VII

Applicant does not provide any telecommunications services in Arizona at the present time, but plans to begin providing services on or about January 1, 1999.

SECTION VIII

Applicant will provide telecommunications service in Arizona pursuant to the terms and conditions of the proposed tariff attached hereto as Exhibit "C" and incorporated herein by reference. However, since Applicant has not yet finalized an interconnection agreement with U S WEST or made a final decision regarding intrastate interexchange resale arrangements, pricing information has been omitted from the draft tariff. Applicant will file a revised tariff and price sheet containing pricing information after interconnection and resale arrangements have been finalized. Applicant requests that the Commission approve its proposed tariff effective as of the date of the Commission's order granting Applicant's CC&N.

SECTION IX

Customers of Applicant may be required to make advance payments and/or deposits pursuant to the terms and conditions of Applicant's proposed tariff. The method by which such advance payments and deposits are to be calculated and applied are set forth in Section 2.5.4 (Sheet No. 34) and Section 2.5.5 (Sheet Nos. 35-36) of Applicant's proposed tariff.

SECTION X

Applicant will provide local and intrastate interexchange telecommunications services

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(602) 382-6000

to its customers through a combination of owned facilities (including central switching), leased facilities and resale agreements. Applicant intends to provide equal access which will enable customers to access alternative toll providers or resellers via 1+ or 10-10-XXX dialing in the unlikely event that Applicant's system becomes non-operational. Applicant will submit to the Commission a diagram of the basic call network used to complete Arizona intrastate telecommunications traffic before Applicant initiates service to any customer.

SECTION XI

Applicant is well qualified--financially, technically and managerially--to provide the services for which authority is requested in this Application. Applicant will draw heavily upon the strength and resources of its parent company, Western Wireless. A corporate profile of Western Wireless is attached hereto as Exhibit "D" and incorporated herein by reference. The officers and directors of Applicant and Western Wireless have extensive experience in the telecommunications industry with companies such as McCaw Cellular Communications, General Cellular Corporation, subsidiaries of Pacific Telesis, Inc., Pacific Northwest Cellular, Inc., LIN Broadcasting, and MARKETS Cellular Limited Partnership. The identities, titles and backgrounds of the officers and directors of Applicant and Western Wireless are set forth in above-cited corporate profile.

The officers and directors of Applicant and Western Wireless have developed significant technical expertise as demonstrated by Western Wireless' successful growth from 14,000 subscribers two years ago to over 500,000 subscribers today. Western Wireless has designed and constructed a state-of-the-art telecommunications system, which includes switches with advanced features such as common channel signaling (*i.e.*, SS7 or CCS) and database capabilities. Western Wireless has redundant Network Operations Control Centers ("NOCCs") that are staffed 24 hours-per-day. The NOCCs monitor the operations of the switches, transportation equipment and systems, all peripherals, and all network facilities on a continuous basis. The advanced technical capabilities of Western Wireless have contributed substantially to the company's successful growth, and will be brought to bear upon the provision of services by Applicant.

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Phoenix, AZ 85004-0001
(602) 382-6000

As a relatively new company, Applicant has no significant financial history of its own. However, Applicant, through the strength of its parent, Western Wireless, and its other affiliates, has access to ample capital resources to provide intrastate toll and local exchange telecommunications services throughout the State of Arizona. In 1997, Western Wireless reported total revenues of $380,578,000. A copy of Western Wireless' 1997 SEC Form 10-K filing (including audited financial statements) is attached hereto as Exhibit "E" and incorporated herein by reference. A copy of Western Wireless' written statement attesting that it will provide the necessary financial support for Applicant to establish telecommunications operations in Arizona is attached hereto as Exhibit "F" and incorporated herein by reference.

SECTION XII

Public notice of this Application will be provided in accordance with the Commission's rules, and an affidavit of publication will be filed with the Commission upon completion of the public notice.

SECTION XIII

A decision by the Commission to grant Applicant's requested CC&N to provide intrastate local and long distance telecommunications services will serve the public interest. Applicant is financially and technically qualified to operate as an intrastate interexchange and local exchange service provider in Arizona. Moreover, Applicant's participation in the Arizona telecommunications market will promote competition, which will lead to the development of new and better services and products. Thus, as a potential provider of competitive telecommunications services in Arizona, Applicant requests that the Commission expedite its application.

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Snell & Wilmer
L.L.P.
LAW OFFICES
One Arizona Center
Phoenix, AZ 85004-0001
(602) 382-6000

WHEREFORE, Eclipse Communications Corporation respectfully requests that the Commission issue its order granting it a CC&N to provide (i) competitive intrastate telecommunications services statewide as a reseller; (ii) local exchange services statewide as a reseller; (iii) competitive facilities-based intrastate interexchange telecommunications services; and (iv) competitive facilities-based local exchange service within the existing service areas of U S WEST in Arizona. In addition, Applicant respectfully requests that the Commission approve its initial tariff submitted herewith to be effective as of the date of the Commission's order granting Applicant's CC&N.

RESPECTFULLY SUBMITTED this 2nd day of July, 1998.

SNELL & WILMER

By: Jeffrey W. Crockett

Jeffrey W. Crockett, Esq.
One Arizona Center
Phoenix, AZ 85004-0001

and

Jonathan E. Canis, Esq.
Melissa M. Smith, Esq.
KELLEY DRYE & WARREN LLP
1200 19th Street, Suite 500
Washington, D.C. 20036

Attorneys for Eclipse Communications Corporation

ORIGINAL AND TEN (10)
copies of the foregoing Application
filed this 2nd day of July, 1998,
with:

Docket Control
Attention: Carmen Madrid
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007

Corinne Ball

Snell & Wilmer
L.L.P.
LAW OFFICES
One Arizona Center
Phoenix, AZ 85004-0001
(602) 382-6000

VERIFICATION

STATE OF WASHINGTON)
) ss:
County of KING)

I, CHRISTOPHER JOHNSON, in my capacity as Manager of Regulatory Affairs of Eclipse Communications Corporation, do solemnly swear or affirm that to the best of my information, knowledge and belief, the facts set out in the foregoing Application and all exhibits attached thereto are true and correct and that said facts and exhibits constitute a complete statement of the matters to which they relate.

Christopher Johnson
Manager of Regulatory Affairs
Eclipse Communications Corporation

SUBSCRIBED AND SWORN to before me this 1 day of July, 1998.

Notary Public

My Commission Expires:

12/15/99

LEE ANN TOSTEVIN
NOTARY PUBLIC
COMMISSION EXPIRES 12-15-99
STATE OF WASHINGTON

Snell & Wilmer
L.L.P.
LAW OFFICES
One Arizona Center
Phoenix, AZ 85004-0001
(602) 382-6000

EXHIBIT A

STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 09:00 AM 11/04/1992
923025265 - 2314854

CERTIFICATE OF INCORPORATION

OF

ECLIPSE COMMUNICATIONS CORPORATION

FIRST: The name of this corporation is Eclipse Communications Corporation.

SECOND: Its registered office in the state of Delaware is to be located at The Corporation Trust Center, 1209 Orange Street, County of New Castle, Wilmington, Delaware 19801. The registered agent in charge thereof is The Corporation Trust Company.

THIRD: The nature of the business and, the objects and purposes proposed to be transacted, promoted and carried on, are to do any or all the things herein mentioned, as fully and to the same extent as natural persons might or could do, and in any part of the world, viz:

The purpose of the corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

FOURTH: The amount of the total authorized capital stock of this corporation is 3,000 shares of no par value.

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

NAME	ADDRESS
Debra S. Blumhardt	1891 Woolner Avenue Fairfield, CA 94533

SIXTH: The powers of the incorporator are to terminate upon filing of the certificate of incorporation, and the name and address of the person who is to serve as the director until the first annual meeting of stockholders or until his successor is elected and qualified is as follows:

NAME	ADDRESS
Alan R. Bender	1891 Woolner Avenue Fairfield, CA 94533

SEVENTH: The Director shall have power to make and to alter or amend the By-Laws; to appoint an initial Board of Directors; to fix the amount to be reserved as working capital; and to authorize and cause to be executed, mortgages and liens without limit as to the amount, upon the property and franchise of the corporation.

With the consent in writing, and pursuant to a vote of the holders of a majority of the capital stock issued and outstanding, the Director shall have the authority to dispose, in any manner, of the whole property of this corporation.

The By-Laws shall determine whether and to what extent the accounts and books of this corporation, or any of them shall be open to the inspection of the stockholders; and no stockholder shall have any right of inspecting any account, or book or document of this corporation, except as conferred by the law or the By-Laws, or by resolution of the stockholders.

The stockholders and directors shall have power to hold their meetings and keep the books, documents and papers of the corporation outside of the state of Delaware, at such places as may be from time to time designated by the By-Laws or by resolution of the stockholders or directors, except as otherwise required by the laws of Delaware..

It is the intention that the objects, purposes, and powers specified in the Third paragraph hereof shall, except where otherwise specified in said paragraph, be nowise limited or restricted by reference to or inference from the terms of any other clause or paragraph in this certificate of incorporation, but that the objects, purposes and powers specified in the Third paragraph and in each of the clauses or paragraphs of this charter shall be regarded as independent objects, purposes and powers.

EIGHTH: Directors of the corporation shall not be liable to either the corporation or its stockholders for monetary damages for a breach of fiduciary duties unless the breach involves (1) a director's duty of loyalty to the corporation or its stockholders; (2) acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law; (3) liability for unlawful payments of dividends or unlawful stock purchases or redemption by the corporation; or (4) a transaction from which the director derived an improper personal benefit.

I, THE UNDERSIGNED, for the purpose of forming a corporation under the laws of the state of Delaware, does make, file and record this Certificate and does certify that the facts herein are true; and I have accordingly hereunto set my hand this 4th day of November, 1992.

Deb S. Blumhardt

Debra S. Blumhardt

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EXHIBIT B

ECLIPSE COMMUNICATIONS CORPORATION
A Delaware Corporation

Directors:

Name	Address
Alan R. Bender	2001 NW Sammamish Road, Suite 100 Issaquah, WA 98027
Cregg B. Baumbaugh	2001 NW Sammamish Road, Suite 100 Issaquah, WA 98027
Theresa E. Gillespie	2001 NW Sammamish Road, Suite 100 Issaquah, WA 98027

Officers:

Name	Title	Address
Robert R. Stapleton	President	2001 NW Sammamish Road, Suite 100 Issaquah, WA 98027
John W. Stanton	Chief Executive Officer	2001 NW Sammamish Road, Suite 100 Issaquah, WA 98027
Mikal J. Thomsen	Chief Operating Officer	2001 NW Sammamish Road, Suite 100 Issaquah, WA 98027
Theresa E. Gillespie	Chief Financial Officer	2001 NW Sammamish Road, Suite 100 Issaquah, WA 98027
Alan R. Bender	Senior Vice President, General Counsel, and Secretary	2001 NW Sammamish Road, Suite 100 Issaquah, WA 98027
Cregg B. Baumbaugh	Senior Vice President - Corporate Development	2001 NW Sammamish Road, Suite 100 Issaquah, WA 98027
David A. Miller	Vice President and Assistant Secretary	2001 NW Sammamish Road, Suite 100 Issaquah, WA 98027
Sasha Press	Vice President, Controller	2001 NW Sammamish Road, Suite 100 Issaquah, WA 98027
Don Guthrie	Vice president	2001 NW Sammamish Road, Suite 100 Issaquah, WA 98027
Jennifer B. Schlosstein	Assistant Vice President	2001 NW Sammamish Road, Suite 100 Issaquah, WA 98027
Christine Welch	Assistant Secretary	2001 NW Sammamish Road, Suite 100 Issaquah, WA 98027

EXHIBIT C

ARIZONA TARIFF

OF

ECLIPSE COMMUNICATIONS CORPORATION

THIS TARIFF FILED WITH THE ARIZONA CORPORATION COMMISSION, CONTAINS THE RATES, TERMS, AND CONDITIONS APPLICABLE TO NON-RESIDENTIAL TELECOMMUNICATIONS SERVICES PROVIDED BY ECLIPSE COMMUNICATIONS CORPORATION WITHIN THE STATE OF ARIZONA

Issued by: Gene DeJordy, Esq.
Director-Regulatory Affairs
Eclipse Communications Corporation
2001 NW Sammamish Road
Issaquah, WA 98027

CHECK SHEET

Page 1-81 inclusive of this tariff are effective as of the date shown. Original and revised pages, as named below, comprise all changes from the original tariff in effect on the date indicated.

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

The following symbols shall be used in this tariff for the purpose indicated below:

(C) - To signify changed conditions or regulation.

(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.

* The use of the symbol "O" shall be discretionary unless its use in the interest of clarity is evident or specifically requested by the Commission.

APPLICATION OF TARIFF

This tariff sets forth the service offerings, rates, terms and conditions applicable to the furnishing of intrastate telecommunications services by Eclipse Communications Corporation within the State of Arizona.

1. DEFINITIONS

Certain terms used generally throughout this tariff are defined below.

Advanced Payment: Payment of all or part of a charge required before the start of service.

Authorized User: A person, firm, corporation or other entity that either is authorized by the Customer to use local exchange telephone service or is placed in a position by the Customer, either through acts or omissions, to use local exchange telephone service.

Call Forward Busy: Automatically routes incoming calls to a designated answering point when the called line is busy.

Call Forward No Answer: Automatically routes incoming calls to a designated answering point when the called line does not answer within a pre-specified number of rings.

Call Forward Variable: Automatically routes incoming calls to a designated answering point, regardless of whether the user's Station is idle or busy.

Call Hold: Allows the User to hold one call for any length of time provided that neither party goes Off Hook.

Call Park: Allows a User to "park" a call against their directory number within the business group and "unpark" the call from any other directory number. A business group consists of a series of Customer-defined telephone numbers.

1. DEFINITIONS (Cont'd)

Call Pickup: Allows a User to answer incoming calls to another Station line within a defined call pickup group. Call Pickup is provided as either Group Call Pickup, where predesignated groups can pickup each other's calls by activating an access code or a feature key, or Directed Call Pickup, where any call can be retrieved by dialing a different access code followed by the extension number.

Call Transfer/Consultation/Conference: Provides the capability to transfer or add a third party, using the same line.

Call Waiting: Provides the User with a burst of tone to indicate that another call is waiting. The second call can either be answered by flashing the switchhook or hanging up the phone and being rung back by the caller.

Call Waiting Cancel: Allows a User to cancel the Call Waiting feature on a per call basis by dialing a specific two digit code.

Calling Number Delivery: Identifies the 10-digit number of the calling party.

Calling Name and Number Delivery: Identifies the name, as provided in the directory listing, as well as the 10-digit number of the calling party.

Calling Number Delivery Blocking: Blocks the delivery of the number to the called party on either a per call or per line basis.

Class of Service (COS): Used to prevent a Station for dialing certain codes and numbers.

Company: Eclipse Communications Corporation., a Delaware corporation, which is the issuer of this tariff.

Commission: The Arizona Corporation Commission.

Conference/Three-Way: The User can sequentially call up to five other people and add them together to make up a three-way call.

1. DEFINITIONS (Cont'd)

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

Customer Group Dialing Plan: A dialing scheme shared by the members of a Customer group, such as 4 digit internal dialing.

Dial Pulse (DP): The pulse type employed by rotary dial Station sets.

Direct Inward Dialing (DID): A service attribute that routes incoming calls directly to Stations, bypassing a central answering point.

Do Not Disturb: Allows the User to prevent incoming calls from ringing its line by diverting them to a tone or a recorded announcement that informs the caller that the User is not accepting calls at this time.

Dual Tone Multi-Frequency ("DTMF"): The pulse type employed by tone dial Station sets.

Exchange Carrier: Any individual, partnership, association, joint-stock company, trust governmental entity or corporation engaged in the provision of local exchange telephone service.

Hunting: Routes a call to an idle Station line. With Serial Hunting, calls to a member of a hunt group will search from that point to the end of the group and stop.

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

1. DEFINITIONS (Cont'd)

Joint User: A person, firm or corporation designated by the Customer as a user of local exchange service furnished to the Customer by the Company, and to whom a portion of the charges for such facilities are billed under a joint use arrangement.

LATA: A local access and transport area established pursuant to the Modification of Final Judgment entered by the United States District Court for the District of Columbia in Civil Actions No. 82-0192 for the provision and administration of communications services.

Least Idle Trunk Selection (LIDL): LIDL trunk selection occurs when a switching unit selects from a Trunk group the Trunk that has been idle for the shortest period of time.

Local Calling: A completed call or telephonic communications between a calling Station and any other station within the local service area of the calling Station.

Local Exchange Carrier: A company which furnishes exchange telephone service.

Mbps: Megabits, or millions of Bits, per second.

Message Waiting: This feature provides an indication to a Station User that a message is waiting. Indications may be visual (lamp) or audible (stuttered dialtone).

Most Idle Trunk Selection (MIDL): MIDL Trunk selection occurs when a switching unit selects from a Trunk group the Trunk that has been idle for the longest period of time.

Multiple Appearance Directory Numbers: A directory number that is assigned more than once to one or more Proprietary Business Sets.

Multi-Frequency ("MF"): An inter-machine pulse-type used for signaling between telephone switches, or between telephone switches and PBX/key systems.

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, for which the Customer becomes liable at the time the Service Order is executed.

Off-Hook: The term "off-hook" denotes the active condition of a telephone exchange service line.

On-Hook: The term "on-hook" denotes the idle condition of a telephone exchange service line.

Originating Off-Net: A call originating on and placed via non-Company owned or Company leased facilities.

Originating On-Net: A call originating on and placed via Company owned or Company 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 Commencement Date: The first day following the date on which the Company notifies the Customer that the requested service or facility is available for use, unless extended by the Customer's refusal to accept service which does not conform to standards set forth in the Service Order or this tariff, in which case the Service Commencement Date is the date of the Customer's acceptance of service. The parties may mutually agree on a substitute Service Commencement Date.

Service Order: The written request for local exchange services executed by the Customer and the Company in a format specified by the Company. The signing of a Service Order by the Customer and acceptance thereof by the Company initiates the respective obligations of the parties as set forth therein and pursuant to this tariff, but the duration of the service is calculated from the Service Commencement Date.

Service: The Company's telecommunications services offered on the Company's network.

Speed Call: Provides a User with the option to call selected directory numbers by dialing a one or two-digit code.

Station: Telephone equipment from or to which calls are placed.

Trunk: A communications path connecting two switching systems in a network, used in the establishment of an end-to-end connection.

User: A Customer or any other person authorized by the Customer to use service provided under this tariff.

2. REGULATIONS

2.1 Undertaking of the Company

2.1.1 Scope

The Company undertakes to furnish communications service in connection with one-way and/or two-way information transmission between points within the State of Arizona under the terms of this tariff.

Customers may use services and facilities provided under this tariff to obtain access to services offered by other service providers. The Company may act as the Customer's agent for ordering facilities or services provided by other carriers or entities as required in the Commission's rules and orders, when authorized by the Customer. The Company is responsible under this tariff only for the services and facilities provided herein, and it assumes no responsibility for any service provided by any other entity that purchases access to the Company's network in order to originate or terminate its own services, or to communicate with its own Customers. The Customer shall be responsible for all charges due for such service arrangements.

2.1.2 Shortage of Equipment of Facilities

2.1.2.1 The Company reserves the right to limit or 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.

2.1.2.2 The furnishing of service under this tariff is subject to the availability on a continuing basis of all the necessary facilities, and is limited to the capacity of the Company's facilities as well as facilities the Company may obtain from other carriers, from time to time, to furnish service as required at the sole discretion of the Company.

2. REGULATIONS (Cont'd)

2.1 Undertaking of the Company (Cont'd)

2.1.3 Terms and Conditions

2.1.3.1 Except as otherwise provided herein, service is provided and billed on the basis of a minimum period of at least one month, and shall continue to be provided until canceled by the Customer, in writing, on not less than 30 days notice. Unless otherwise specified herein, for the purpose of computing charges in this tariff, a month is considered to have 30 days. All calculations of dates set forth in this tariff shall be based on calendar days, unless otherwise specified herein.

2.1.3.2 Customers may be required to enter into written Service Orders which shall contain or reference the name of the Customer, a specific description of the service ordered, the rate to be charged, the duration of the services, and the terms and conditions in this tariff.

2.1.3.3 At the expiration of the initial term specified in each Service Order, or in any extension thereof, service shall continue on a month to month basis at the then current rates unless terminated by either party upon 30 days written notice. Any termination shall not relieve Customer of its obligation to pay any charges incurred under the Service Order and this tariff prior to termination. The rights and obligations which by their nature extend beyond the termination of the term of the Service Order shall survive such termination.

2. REGULATIONS (Cont'd)

2.1 Undertaking of the Company (Cont'd)

2.1.3 Terms and Conditions (Cont'd)

2.1.3.4 This tariff shall be interpreted and governed by the laws of the State of Arizona without regard of the State's choice of laws provision.

2.1.3.5 Another telephone company must not interfere with the right of any person or entity to obtain service directly from the Company.

2.1.3.6 The Customer has no property right to the telephone number or any other call number designation associated with services furnished by the Company. The Company reserves the right to change such numbers, or the central office designation associated with such numbers, or both, assigned to the Customer, whenever the Company deems it necessary to do so in the conduct of its business.

2.1.3.7 The Customer agrees to operate Company-provided equipment in accordance with instructions of the Company or the Company's agent. Failure to do so will void Company liability for interruption of service and may make the Customer responsible for damage to equipment pursuant to section 2.1.3.8 below.

2.1.3.8 The Customer agrees to return to the Company all Company-provided equipment delivered to Customer within five (5) days of termination of the service in connection with which the equipment was used. Said equipment shall be in the same condition as when delivered to Customer, normal wear and tear only excepted. Customer shall reimburse the Company, upon demand, for any costs incurred by the Company due to Customer's failure to comply with this provision.

2. REGULATIONS (Cont'd)

2.1 Undertaking of the Company (Cont'd)

2.1.4 Liability of the Company

Because the Customer has exclusive control of its communications over the services furnished by the Company, and because interruptions and errors incident to these services are unavoidable, the services the Company furnishes are subject to the terms, conditions, and limitations specified in this tariff and to such particular terms, conditions, and limitations as set forth in the special regulations applicable to the particular services and facilities furnished under this tariff.

2.1.4.1 The liability of the Company for damages arising out of the furnishing of these services, including but not limited to mistakes, omission, interruptions, delays, or errors, or other defects, representations, or use of these services or arising out of the failure to furnish the service, whether caused by acts of commission or omission, shall be limited to the extension of allowances for interruption. The extension of such allowances for interruption shall be the sole remedy of the Customer, authorized user, or joint user and the sole liability of the Company.

2.1.4.2 The Company shall not be liable or responsible for any special, consequential, exemplary, lost profits, or punitive damages, whether or not caused by the intentional acts or omissions or negligence of the Company's employees, agents or contractors.

2. REGULATIONS (Cont'd)

2.1 Undertaking of the Company (Cont'd)

2.1.4 Liability of the Company (Cont'd)

2.1.4.3 The Company shall not be liable for any failure of performance or equipment due to causes beyond its control, including but not limited to: acts of God, fire, flood or other catastrophes; any law, order, regulations, direction, action, or request of the United States Government, or of any other government, including state and local governments having or claiming jurisdiction over the Company, or of any department, agency commission, bureau, corporation, or other instrumentality of any one or more of these federal, state, or local governments, or any civil or military authority; national emergencies; insurrections; riots; wars; unavailability of rights-of-way or materials; or strikes, lock-outs, work stoppages, or other labor difficulties.

2.1.4.4 The Company shall not be liable for any act or omission of any entity furnishing to the Company or the Company's Customers facilities or equipment used for or with the services the Company offers.

2.1.4.5 The Company shall not be liable for any outages caused by the facilities or equipment of any carrier furnishing services to the Company.

2.1.4.6 The Company shall not be liable for any damages or losses due to the fault or negligence of the Customer or due to the failure or malfunction of Customer provided equipment or facilities.

2.1.4.7 The Company shall not be liable for the claims of vendors supplying equipment to Customers of the Company which may be installed at premises of the Company nor shall the Company be liable for the performance of said vendor or vendor's equipment.

2.1.4.8 The Company does not guarantee nor make any warranty with respect to installations it provides for use in an explosive atmosphere. The Customer indemnifies and holds the Company harmless from any and all loss, claims, demands, suits, or other action, or any liability whatsoever, whether suffered, made, instituted, or asserted by any other party or person(s), and for any loss, damage, or destruction of any property, 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, condition, location, or use of any installation so provided.

2. REGULATIONS (Cont'd)

2.1 Undertaking of the Company (Cont'd)

2.1.4 Liability of the Company (Cont'd)

2.1.4.9 The Company is not liable for any defacement of or damage to the premises of a Customer (or authorized or joint user) resulting from the furnishing of services or equipment on such premises or the installation or removal thereof, when such defacement or damage is not the result of negligence or willful misconduct on the part of the agents or employees of the Company.

2.1.4.10 The Company shall not be liable for any damages resulting from delays in meeting any service dates due to delays resulting from normal construction procedures. Such delays shall include, but not be limited to, delays in obtaining necessary regulatory approvals for construction, delays in obtaining right-of-way approvals and delays in actual construction work.

2.1.4.11 The Company shall not be liable for any damages whatsoever to property resulting from the installation, maintenance, repair of removal of equipment and associated wiring unless the damage is caused by the Company's willful misconduct or negligence.

2. REGULATIONS (Cont'd)

2.1 Undertaking of the Company (Cont'd)

2.1.4 Liability of the Company (Cont'd)

2.1.4.12 The Company shall not be liable for and damages whatsoever associated with service, facilities, or equipment which the Company does not furnish or for any act or omission of Customer or any other entity furnishing services, facilities or equipment used for or in conjunction with Eclipse Arizona service.

2.1.4.13 The Company shall not incur any liability, direct or indirect, to any person who dials or attempts to dial the digits "9-1-1" or to any other person who may be affected by the dialing of the digits "9-1-1".

2.1.4.14 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, or in the event that payment has been made and service has been discontinued, to a refund of the amount erroneously billed.

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

2. REGULATIONS (Cont'd)

2.1 Undertaking of the Company (Cont'd)

2.1.5 Notification of Service-Affecting Activities

The Company will provide the Customer reasonable notification of service-affecting activities that may occur in normal operation of its business. Such activities may include, but are not limited to, equipment or facilities additions, removals or rearrangements and routine preventative maintenance. Generally, such activities are not specific to an individual Customer but affect many Customers' services. No specific advance notification period is applicable to all service activities. The Company will work cooperatively with the Customer to determine the reasonable notifications requirements. With some emergency or unplanned service-affecting conditions, such as outage resulting from cable damage, notification to the Customer may not be possible.

2.1.6 Provision of Equipment and Facilities

2.1.6.1 The Company shall use reasonable efforts to make available services to a Customer on or before a particular date, subject to the provisions of and compliance by the Customer with, the regulations contained in this tariff. The Company does not guarantee availability by any such date and shall not be liable for any delays in commencing service to any Customer.

2.1.6.2 The Company shall use reasonable efforts to maintain facilities that it furnishes to the Customer. The Customer may not, nor may the Customer permit others to, rearrange, disconnect, remove, attempt to repair or otherwise interfere with any of the facilities installed by the Company, except upon the written consent of the Company.

2. REGULATIONS (Cont'd)

2.1 Undertaking of the Company (Cont'd)

2.1.6 Provision of Equipment and Facilities (Cont'd)

2.1.6.3 Equipment installed at the Customer Premises for use in connections with the services the Company offers shall not be used for any purpose other than that for which the Company provided it.

2.1.6.4 The Company shall not be responsible for the installation, operation, or maintenance of any Customer provided communications equipment. Where such equipment is connected to the facilities furnished pursuant to this tariff, the responsibility of the Company shall be limited to the furnishing of facilities offered under this tariff and to the maintenance and operation of such facilities. Beyond this responsibility, the Company shall not be responsible for:

(a) the transmission of signals by Customer provided equipment or for the quality of, or defects in, such transmission; or
(b) the reception of signals by Customer provided equipment; or
(c) network control signaling where such signaling is performed by Customer-provided network control signaling equipment.

2. REGULATIONS (Cont'd)

2.1 Undertaking of the Company (Cont'd)

2.1.7 Non-routine Installation

At the Customer's request, installation and/or maintenance may be performed outside the Company's regular business hours or in hazardous locations in accordance with the provisions of 2.3.1(e). In such cases, charges based on cost of the actual labor, material, or other costs incurred by or charged to the Company will apply. If installation is started during regular business hours but, at the Customer's request, extends beyond regular business hours into time periods including, but not limited to, weekends, holidays, and/or night hours, additional charges may apply.

2.1.8 Ownership of Facilities

Title to all facilities provided in accordance with this tariff remains with the Company, its agents or contractors.

2.1.9 Telecommunications Service Priority

The Telecommunications Service Priority System is the regulatory, administrative and operational system authorizing and providing for priority treatment, to provide and restore National Security Emergency Preparedness Telecommunications service. Under the rules of the Telecommunications Service Priority System, The Telephone Company is authorized and required to provide and restore services with Telecommunications Service Priority assignments before services without such assignments. The provision and restoration of Telecommunications Service Priority System services shall be in compliance with Part 64, Appendix A, of the Federal Communications Commission's Rules and Regulations, the guidelines set forth in Telecommunications Service Priority for National Security Emergency Preparedness Service User Manual and Service Vendor Handbook.

2. REGULATIONS (Cont'd)

2.2 Prohibited Uses

2.2.1 The service the Company offers shall not be used for any unlawful purpose or for any use as to which the Customer has not obtained all required governmental approvals, authorizations, licenses, consents and permits.

2.2.2 The Company may require a Customer to immediately shut down its transmission of signals if said transmission is causing interference to others.

2. REGULATIONS (Cont'd)

2.3 Obligations of the Customer

2.3.1 General

The Customer shall be responsible for:

(a) the payment of all applicable charges pursuant to this tariff;

(b) reimbursing the Company for damage to, or loss of, the Company's facilities or equipment caused by the acts or omissions of the Customer; or the noncompliance by the Customer, with these regulations; or by fire or theft or other casualty on the Customer's premises, unless caused by the negligence or willful misconduct of the employees or agents of the Company. The Company will, upon reimbursement for damages, cooperate with the Customer in prosecuting a claim against the person causing such damage and the Customer shall be subrogated to the Company's right of recovery of damages to the extent of such payment.

(c) providing at no charge, as specified from time to time by the Company, any needed personnel, equipment, space and power to operate Company facilities and equipment installed on the premises of the Customer, and the level of heating and air conditioning necessary to maintain the proper operating environment on such premises;

(d) Obtaining, maintaining, and otherwise having full responsibility for all rights-of-way, rooftop rights, and conduit necessary for installation of equipment used to provide local exchange service to the Customer from the cable building entrance or property line to the location of the equipment space described in 2.3.1(c). Any costs associated with the obtaining and maintaining the rights-of-way described herein, including the costs of altering the structure to permit installation of the Company-provided facilities, shall be borne entirely by, or may be charged by the Company to, the Customer. The Company may require the Customer to demonstrate its compliance with this section prior to accepting an order for service:

2. REGULATIONS (Cont'd)

2.3 Obligations of the Customer (Cont'd)

2.3.1 General (Cont'd)

(e) providing a safe place to work and complying with all laws and regulations regarding the working conditions on the premises which Company employees and agents shall be installing or maintaining the Company's facilities and equipment. The Customer may be required to install and maintain Company facilities and equipment within a hazardous area if, in the Company's opinion, injury or damage to the Company's employees or property might result from installation or maintenance by the Company. The Customer shall be responsible for identifying, monitoring, removing and disposing of any hazardous material prior to any construction or installation work;

(f) complying with all laws and regulations applicable to, and obtaining all consents, approvals, licenses and permits as may be required with respect to the location of Company facilities and equipment in any Customer premises or the rights-of-way for which Customer is responsible under Section 2.3.1(d) above; and granting or obtaining permission for Company agents or employees to enter the premises of the Customer at any time for the purpose of installing, inspecting, maintaining, repairing, or upon termination of service as stated herein, removing the facilities or equipment of the Company;

(g) not creating or allowing to be placed or maintained any liens or other encumbrances on the Company's equipment or facilities; and

(h) making Company facilities and equipment available periodically for maintenance purposes at a time agreeable to both the Company and the Customer. No allowance for interruptions in service will be made for the period during which service is interrupted for such purposes.

2. REGULATIONS (Cont'd)

2.3 Obligations of the Customer (Cont'd)

2.3.2 Claims

With respect to any service or facility provided by the Company, Customer shall indemnify, defend and hold harmless the Company from all claims, actions, damages, liabilities, costs and expenses, including reasonable attorney's fees for:

(a) any loss, destruction or damage to property of the Company or any third party, or the death of or injury to persons, including, but not limited to, employees or invitees of either the Company or the Customer, to the extent caused by or resulting from the negligent or intentional act or omission of the Customer, its employees, agents, representatives or invitees; or

(b) any claim, loss damage, expense or liability for infringement of any copyright, patent, trade secret, or any proprietary or intellectual property right of any third party, arising from any act or omission by the Customer, including, without limitation, use of the Company's services and facilities in a name not contemplated by the agreement between the Customer and the Company.

2. REGULATIONS (Cont'd)

2.4 Customer Equipment and Channel

2.4.1 General

A Customer may transmit or receive information or signals via the facilities of the Company.

2.4.2 Station Equipment

2.4.2.1 The Customer is responsible for providing and maintaining any terminal equipment on the Customer premises. The electric power consumed by such equipment shall be provided by, and maintained at the expense of the Customer. All such terminal equipment must be registered with the FCC under 47 C.F.R., Part 68 and all wiring must be installed and maintained in compliance with those regulations. The Company will, where practicable, notify the Customer that temporary discontinuance of the use of a service may be required; however, where prior notice is not practicable, nothing contained herein shall be deemed to impair the Company's right to discontinue forthwith the use of a service temporarily if such action is reasonable under the circumstances. In case of such temporary discontinuance, the Customer will be promptly notified and afforded the opportunity to correct the condition which gave rise to the temporary discontinuance. During such period of temporary discontinuance, credit allowance for service interruptions as set forth in Section 2.6 following is not applicable.

2. REGULATIONS (Cont'd)

2.4 Customer Equipment and Channel (Cont'd)

2.4.2 Station Equipment (Cont'd)

2.4.2.2 The Customer is responsible for ensuring that Customer-provided equipment connected to Company equipment and facilities is compatible with such equipment and facilities. The magnitude and character of the voltages and currents impressed on Company-provided equipment and wiring by the connection, operation, or maintenance of such equipment and wiring shall be such as not to cause damage to the Company-provided equipment and wiring or injury to the Company's employees or other persons. Any additional protective equipment required to prevent such damage or injury shall be provided by the Company at the Customer's expense.

2.4.3 Interconnection of Facilities

2.4.3.1 Any special interface equipment necessary to achieve compatibility between the facilities and equipment of the Company used for furnishing local exchange service and the channels, facilities, or equipment of others may be provided at the Customer's expense.

2.4.3.2 Local Service may be connected to the services or facilities of other communications carriers only when authorized by, and in accordance with, the terms and conditions of the tariffs of the other communications carriers which are applicable to such connections.

2.4.3.3 Facilities furnished under this tariff may be connected to Customer provided terminal equipment in accordance with the provisions of this tariff.

2. REGULATIONS (Cont'd)

2.4 Customer Equipment and Channel (Cont'd)

2.4.4 Inspections

2.4.4.1 Upon reasonable notification to the Customer, and at a reasonable time, the Company may make such tests and inspections as may be necessary to determine that the Customer is complying with the requirements set forth in Section 2.4.2.2 for the installation, operation, and maintenance of Customer-provided facilities and equipment to Company-owned facilities and equipment. No credit will be allowed for any interruptions occurring during such inspections.

2.4.4.2 If the protective requirements for Customer-provided equipment are not being complied with, the Company may take such action as it deems necessary to protect its facilities, equipment, and personnel. The Company will notify the Customer promptly if there is any need for further corrective action. Within ten days of receiving this notice the Customer must take this corrective action and notify the Company of the action taken. If the Customer fails to do this, the Company may take whatever additional action is deemed necessary, including the suspension of service, to protect its facilities, equipment and personnel from harm. The Company will, upon request 24 hours in advance, provide the Customer with a statement of technical parameters that the Customer's equipment must meet.

2. REGULATIONS (Cont'd)

2.5 Payment Arrangements

2.5.1 Payment for Service

The Customer is responsible for payment of all charges for service and facilities furnished by the Company to the Customer or its Joint or Authorized Users. Objections must be received by the Company within 30 days after statement of account is rendered, or the charges shall be deemed correct and binding upon the Customer. If an entity other than the Company imposes charges on the Company, in addition to its own internal costs, in connection with a service for which a Company Non-Recurring Charge is specified, those charges may be passed on to the Customer.

2.5.1.1 Taxes: The Customer is responsible for the payment of any sales, use, gross receipts, excise, access or other local, state and federal taxes, charges, user fees, or surcharges (however designated) excluding taxes on the Company's net income imposed on or based upon the provision of Local Exchange Services, all of which shall be separately designated on the Company's invoices. Any taxes imposed by a local jurisdiction (e.g., County and municipal taxes) will only be recovered from those Customers residing in the affected jurisdictions. It shall be the responsibility of the Customer to pay any such taxes that subsequently become applicable retroactively.

2. REGULATIONS (Cont'd)

2.5 Payment Arrangements (Cont'd)

2.5.1 Payment for Service (Cont'd)

2.5.1.2 A surcharge is imposed on all charges for service originating at addresses in states which levy, or assert a claim of right to levy, a gross receipt 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 state taxes imposed directly or indirectly upon the Company by virtue of, and measured by, the gross receipts or revenues of the Company in that state and/or payment of interstate access charges in that state. The surcharge will be shown as a separate line item on the Customer's monthly invoice.

2. Regulations (Cont'd)

2.5 Payment Arrangements (Cont'd)

2.5.2 Billing and Collection of Charges

Bills will be rendered monthly to Customer.

2.5.2.1 All service, installation, monthly Recurring Charges and Non-Recurring Charges are due and payable upon receipt. Interest at the maximum rate allowed by law may be applied to any unpaid amount commencing 20 days after the statement date.

2.5.2.2 The Company shall present bills for Recurring and Usage Charges monthly to the Customer, in arrears of the month for which service is provided.

2.5.2.3 For new Customers or existing Customers whose service is disconnected, the charge for the fraction of the month in which service was furnished will be calculated on a pro-rata basis. For this purpose, every month is considered to have 30 days.

2.5.2.4 Amounts not paid within 20 days after the date of invoice are considered past due.

2.5.2.5 A $15.00 charge will be assessed for all checks returned for insufficient or uncollected funds or non-existing or closed accounts, apparent tampering, missing signature or endorsement, or any other insufficiency or discrepancy necessitating return of the instrument at the discretion of the drawee bank.

2.5.2.6 In the event that legal action is instituted by the Company to recover any sums then due, and the Company prevails, the Company shall be entitled to recover any sums due, attorneys fees and expenses, and any other relief allowed by law.

2. REGULATIONS (Cont'd)

2.5 Payment Arrangements (Cont'd)

2.5.3 Disputed Bills

The Customer shall notify the Company of any disputed items on a bill within 30 days of receipt of the bill. Upon receipt of a billing inquiry, charges involved in the disputed element(s) of the invoice will be temporarily suspended pending resolution of the dispute. The Customer, however, remains responsible for the timely payment of the non-disputed elements of the invoice. Customer is responsible to pay any amount determined in the resolution to be due and owing, including a late payment charge, from the date the charges were originally due and owing to the Company.

If the Customer and the Company are unable to resolve the dispute to their mutual satisfaction, the Customer may file a complaint with the Commission in accordance with the Commission's rules of procedure.

2.5.3.1 The date of the dispute shall be the date the Company received sufficient documentation to enable it to investigate the dispute.

2.5.3.2 The date of the resolution is the date the Company completes its investigation and notifies the Customer of the disposition of the dispute.

2.5.4 Advance Payments

To safeguard its interests, the Company may require a Customer to make an Advance Payment before services and facilities are furnished. The Advance Payment will not exceed an amount equal to the Non-Recurring Charge(s) and three months' charges for the service of facility. In addition, where special construction in involved, the Advance Payment may also include an amount equal to the estimated Non-Recurring Charges for the special construction and Recurring Charges (if any) for a period to be set between the Company and the Customer. The Advance Payment will be credited to the Customer's initial bill. An advance Payment may be required in addition to a deposit.

2. REGULATIONS (Cont'd)

2.5 Payment Arrangements (Cont'd)

2.5.5 Deposits

2.5.5.1 Applicants for service or existing Customer's 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. The deposit requested will be in cash or the equivalent of cash, and will be held as a guarantee for the payment of charges. A deposit does not relieve the Customer of the responsibility for the prompt payment of bills on presentation. The deposit will not exceed an amount equal to:

(a) two month's actual or estimated charges for local exchange and/or long distance services or facilities which have a minimum payment period of one month; or

(b) one-sixth (1/6) of the charges that would apply for the minimum payment period for a service or facility which has a minimum payment period of more than one month; except that the deposit may include an additional amount in event that a termination charge is applicable. 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. At the Company's option, such deposit may be refunded to the Customer's account at any time. Also, the Company 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.

2.5.5.2 A deposit may be required in addition to an advance payment.

2. REGULATIONS (Cont'd)

2.5 Payment Arrangements (Cont'd)

2.5.5 Deposits (Cont'd)

2.5.5.3 When a service or facility is discontinued, the amount of a deposit, if any, will be applied to the Customer's account and any credit balance remaining will be refunded. Before the service or facility is discontinued, the Company may, at its option, return the deposit or credit it to the Customer's account.

2.5.5.4 Deposits held will accrue interests based upon a simple average of the effective interest rate for new issues on one year Treasury Bills, computed from December 1 of each year, continuing through November 30 of the following year. Deposits would earn interest during January 1 through December 31 of the subsequent year.

2.5.6 Discontinuance of Service

Eclipse may refuse, discontinue or suspend service, without incurring any liability, under the following conditions provided that, unless otherwise stated, the Customer shall be given prior written notice in accordance with the Commission's rules:

2.5.6.1 Upon nonpayment of any charges, including deposits for security of payment of service in accordance with Section 2.5.5., owing to the Company.

2.5.6.2 Upon nonpayment of bills fifteen (15) or more days past due.

2.5.6.3 Upon violation of any of the other material terms or conditions for furnishing service if such violation continues during the notice period.

2.5.6.4 Upon condemnation of any material portion of the facilities used by the Company to provide service to a Customer or if a casualty renders all or any material portion of such facilities inoperable beyond feasible repair, the Company, by notice to the Customer, may discontinue or suspend service without incurring any liability.

2. REGULATIONS (Cont'd)

2.5 Payment Arrangements (Cont'd)

2.5.6 Discontinuance of Service (Cont'd)

2.5.6.5 Upon the Customer's insolvency, assignment for the benefit of creditors, filing for bankruptcy or reorganization, failing to discharge an involuntary petition within the time permitted by law, or abandonment of service, the Company may, with prior notice to Customer, immediately discontinue or suspend service without incurring any liability.

2.5.6.6 Upon any governmental prohibition, or required alteration of the services to be provided or any violation of any applicable law or regulation, the Company may immediately discontinue or suspend service without incurring any liability.

2.5.6.7 For non-compliance with or violation of any State, municipal, or Federal law, ordinance or regulation pertaining to telephone service.

2.5.6.8 For noncompliance with or violation of Department regulation.

2.5.6.9 For use of telephone service for any other property or purpose than that described in the application.

2.5.6.10 For neglect or refusal to provide reasonable access to Eclipse or its agents for the purpose of inspection and maintenance of equipment owned by Eclipse or its agents.

2.5.6.11 For noncompliance with any provision of this tariff if the noncompliance is not corrected within the notice period.

2.5.6.12 Immediately and without notice if the Company deems 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 sub-section 2.5.6.12 (a-f) in the event of:

(a) refusal to furnish information to the Company regarding the Customer's credit-worthiness, its past or current use of common carrier communications services or its planned use of service(s); or

(b) provision of false information to the Company regarding the Customer's identity, address, credit-worthiness, past or current use of common carrier communications services, or its planned use of the Company's service(s); or

(c) ten (10) days written notice by the Company of any past due amount (which remains unpaid in whole or in part) for any of the Company's other common carrier communications services to which the Customer either subscribes or had subscribed or used; or

2. REGULATIONS (Cont'd)

2.5 Payment Arrangements (Cont'd)

2.5.6 Discontinuance of Service (Cont'd)

(d) use, or attempted use, of the service with the intent to avoid payment either in whole or in part, of the tariffed charges for the service by:

(d.1) Using or attempting to use service by rearranging, tampering with, or making connections to the Company's service not authorized by this tariff.

(d.2) Using tricks, schemes, false or invalid numbers, false credit devices, electronic devices; or

(d.3) Any other fraudulent means or devices; or

(e) Use of service or equipment in such a manner as to adversely affect or interfere with Eclipse's equipment or the service of other users; or

(f) Unauthorized or fraudulent use of service. Whenever service is discontinued for fraudulent use of service, Eclipse may, before restoring service, require the Customer to make, at his or her own expense, all changes in facilities or equipment necessary to eliminate illegal use and to pay an amount reasonably estimated as the loss in revenue resulting from such fraudulent use.

(g) Without notice by reason for any order or decision of a court or other government authority having jurisdiction which prohibits Carrier from furnishing such services.

2. REGULATIONS (Cont'd)

2.5 Payment Arrangements (Cont'd)

2.5.6 Discontinuance of Service (Cont'd)

2.5.6.13 The suspension or 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 due and owing for service(s) furnished during the time of or up to suspension or discontinuance.

2.5.6.14 Upon the Company's discontinuance of service to the Customer under Section 2.5.6.1, 2.5.6.2, or 2.5.6.3., all applicable charges, including termination charges, shall become due. This is in addition to all other remedies that may be available to the Company at law or in equity or under any other provision of this tariff.

2.6 Allowances for Interruptions of Service

2.6.1 Credit for Interruptions:

2.6.1.1 When the use of service or facilities furnished by the Company is interrupted, except as specified in Section 2.6.2. below, a pro rata adjustment of the monthly Recurring Charges subject to interruption will be allowed for the service and facilities rendered useless and inoperative by reason of the interruption whenever said interruption continues for a period of 24 hours or more from the time the interruption is reported to or known to exist by the Company, except as otherwise specified in the Company's tariffs. A service is interrupted when it becomes inoperative to the Customer, e.g., the Customer is unable to transmit or receive, because of a failure of a component furnished by the Company under this tariff.

2.6.1.2 If the Customer reports a service, facility or circuit to be inoperative but declines to release it for testing and repair, it is considered to be impaired, but not interrupted. No credit allowances will be made for a service, facility or circuit considered by the Company to be impaired.

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

2. REGULATIONS (Cont'd)

2.6 Allowances for Interruptions of Service (Cont'd)

2.6.1 Credit for Interruptions (Cont'd)

2.6.1.4 For calculating credit allowances, every month is considered to have 30 days. A credit allowance is applied on a pro rata basis against the monthly Recurring Charges specified hereunder for Basic Access or Local Trunk Service and is dependent upon the length of the interruption. Only those facilities on the interrupted portion of the circuit will receive a credit.

2.6.1.5 Credit allowances for service outages that exceed 24 hours in duration but are less than 72 hours in duration will be credited as follows:

Length of Interruption	Interruption Period To Be Credited
Up to but not including 3 hours	1/10 Day
3 hours up to but not including 6 hours	1/5 Day
6 hours up to but not including 9 hours	2/5 Day
9 hours up to but not including 12 hours	3/5 Day
12 hours up to but not including 15 hours	4/5 Day
15 hours up to but not including 24 hours	One Day

2.6.1.6 Interruptions over 72 hours will be rounded up to the next whole 24 hours.

2.6.2 Limitations on Allowances

No credit allowance will be made for:

(a) interruptions due to the negligence of, or noncompliance with the provisions of the tariff by, the Customer, Authorized User, Joint-User, or other common carrier providing service connected to the service of Company;

2. REGULATIONS (Cont'd)

2.6 Allowances for Interruptions of Service (Cont'd)

2.6.2 Limitations on Allowances (Cont'd)

(b) interruptions due to the negligence of any person other than the Company, including, but not limited to, the Customer or other common carriers connected to the Company's facilities;

(c) interruptions due to the failure or malfunction of facilities, systems, power, connections, services or equipment not provided by the Company;

(d) interruptions of service during any period in which the Company is not given full and free access to its facilities and equipment for the purpose of investigating and correcting interruptions;

2. REGULATIONS (Cont'd)

2.6 Allowances for Interruptions of Service (Cont'd)

2.6.2 Limitations on Allowances

(e) interruptions of service during a period in which the Customer continues to use the service on an impaired basis;

(f) interruptions of service during any period when the Customer has released service to the Company for maintenance purposes or for implementation of a Customer order for a change in service arrangements;

(g) interruption of service due to circumstances or causes beyond the control of the Company.

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

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

2.6.3 Use of Alternative Service by the Company: Should the Customer elect to use an alternative service provided by the Company during the period that a service is interrupted, the Customer must pay the tariffed rates and charges for the alternative service used.

2.7 Cancellation of Service

2.7.1 Cancellation of Application for Service

2.7.1.1 Applications for service are noncancellable unless the Company otherwise agrees. Where the Company permits Customer to cancel an application for service prior to the start of service or prior to any special construction, no charges will be imposed except for those specified below.

2.7.1.2 Where, prior to cancellation by the Customer, the Company incurs any expenses in installing the service or in preparing to install the service that it otherwise would not have incurred, a charge equal to the costs the Company incurred shall apply, but in no case shall this charge exceed the sum of the charge for the minimum period of service ordered, including installation charges, and all charges others levy against the Company that would have been chargeable to the Customer had service begun.

2.7.1.3 The special charges described in 2.7.1.1 and 2.7.1.2 will be calculated and applied on a case-by-case basis.

2. REGULATIONS (Cont'd)

2.7 Cancellation of Service (Cont'd)

2.7.2 Cancellation of Service by the Customer

If a Customer cancels a Service Order or terminates services before the completion of the term for any reason whatsoever other than a service interruption (as defined in 2.6.1 and 2.6.2 above), Customer agrees to pay to Company the following sums which shall become due and owing as of the effective date of the cancellation or termination and be payable within the period set forth in 2.5.2:

2.7.2.1 All costs, fees and expenses reasonably incurred in connection with

(1) All Non-Recurring Charges reasonably expended by Company to establish service to Customer, plus

(2) any disconnection, early cancellation or termination charges reasonably incurred and paid to third parties by Company on behalf of Customer, plus

(3) all Recurring Charges specified in the applicable Service Order tariff for the balance of the then current term.

2.7.2.2 In cases where there is a minimum service period, the Customer terminates service prior to expiration of that period, Customer shall be liable for the number of months or portion of a month remaining within the minimum service period.

2. REGULATIONS (Cont'd)

2.8 Customer Liability for Unauthorized Use of The Network

2.8.1 Unauthorized Use of the Network

2.8.1.A Unauthorized use of the Network occurs when: (1) a person or entity that does not have actual, apparent or implied authority to use the Network, obtains the Company's services provided under this Tariff; or (2) a person or entity that otherwise has actual, apparent or implied authority to use the Network, makes fraudulent use of the Network to obtain the Company's services provided under this Tariff, or uses specific services that are not authorized.

2.8.1.B The following activities constitute fraudulent use:

(1) Using the Network to transmit a message, locate a person or otherwise give or obtain information, without payment for the service;

(2) Using or attempting to use the Network with the intent to avoid payment, either in whole or in part, of any of the Company's tariffed charges by either rearranging, tampering with, or making connections not authorized by this Tariff to any service components used to furnish the Company's services or using fraudulent means or devices, tricks, schemes, false or invalid numbers, false credit devices or electronic devices;

(3) 800 callers using the Network with the intent of gaining access to a Customer's outbound calling capabilities on an unauthorized basis; and

(4) Using fraudulent means or devices, tricks, schemes, false or invalid numbers, false credit devices or electronic devices to defraud or mislead callers.

2.8.1.C Customers are advised that use of telecommunications equipment and services, including that provided under this Tariff, carries a risk of various forms of telecommunications fraud (including, but not limited to, toll and PBX fraud perpetrated by Users who gain access to a Customer's facilities, account numbers, security or authorization codes, etc.). Customers should take all necessary steps to restrict access to their facilities, including the equipment and services provided hereunder, and to detect and prevent unauthorized use of the equipment and services provided by the Company under this Tariff.

2. REGULATIONS (Cont'd)

2.8 Customer Liability for Unauthorized Use of the Network, cont'd

2.8.2 Liability for Unauthorized Use

2.8.2.A Except as provided for elsewhere in this Tariff, the Customer is responsible for payment of all charges for services provided under this Tariff furnished to the Customer or User. This responsibility is not changed due to any use, misuse or abuse of the Customer's service or Customer-provided equipment by Users or other third parties, the Customer's employees, or the public.

2.8.2.B The Customer is responsible for payment of all outbound call charges arising from calls placed to a Customer's 800 service number, whether or not such calls are authorized or fraudulent, where the User gains access to the Customer's outbound calling equipment and services.

2.8.2.C The Customer is liable for all costs incurred as a result of unauthorized use of the Network, including service charges and any direct, indirect, special, incidental, reliance, consequential, exemplary or punitive damages.

2.8.2.D The Customer is responsible for payment of any charges related to the suspension and/or termination of service, and any charges for reconnection of service, incurred as a result of unauthorized use of the Network.

2.8.3 Liability for Calling Card Fraud

2.8.3.A The Customer is liable for the unauthorized use of the Network obtained through the fraudulent use of a Company Calling Card, provided that the unauthorized use occurs before the Company has been notified.

2.8.3.B The Customer must give the Company notice that unauthorized use of a Company Calling Card has occurred or may occur as a result of loss, theft or other reasons. For the purposes of this section, "notice" occurs when the Company receives written confirmation that unauthorized use of a Company Calling Card has occurred or may occur as a result of loss, theft or other reasons.

2. REGULATIONS (Cont'd)

2.8 Customer Liability for Unauthorized Use of the Network, cont'd

2.8.4 Liability for Credit Card Fraud

2.8.4.A The Customer is liable for the unauthorized use of the Network obtained through the fraudulent use of a Credit Card, provided: (1) the Credit Card is an accepted credit card, and (2) the unauthorized use occurs before the Company has been notified.

2.8.4.B An accepted credit card is any credit card that a cardholder has requested or applied for and received, or has signed, used, or authorized another person to use to obtain credit. Any credit card issued as a renewal or substitute in accordance with this paragraph is an accepted credit card when received by the cardholder.

2.8.4.C The liability of the Customer for unauthorized use of the Network by Credit Card Fraud will not exceed the lesser of $50 of the amount of money, property, labor or services obtained by the unauthorized user before notification to the Company.

2.8.4.D The Customer must give the Company notice that unauthorized use of a Credit Card has occurred or may occur as a result of loss, theft or other reasons. For the purposes of this section, "notice" occurs when the Company receives written confirmation that unauthorized use of a Credit Card has occurred or may occur as a result of loss, theft or other reasons.

2.9 Restoration of Service

A non-recurring restoration charge of $25.00 applies to the restoration of suspended service and facilities because of nonpayment of bills and is payable at the time that the restoration of the suspended service and facilities is arranged. The restoration charge does not apply when, after disconnection of service, service is later re-installed.

2. REGULATIONS (Cont'd)

2.10 Transfer of Assignment

Neither the Company nor the Customer may assign or transfer its rights or duties in connection with the services and facilities provided by the Company without the written consent of the other party, except that the Company may assign its rights and duties (a) to any subsidiary, parent Company or affiliate of the Company; (b) pursuant to any sale or transfer of substantially all the assets of the Company; or (c) pursuant to any financing, merger or reorganization of the Company.

2.11 Notices and Communications

2.11.1 The Customer shall designate on the Service Order an address to which the Company shall mail or deliver all notices and other communications, except that Customer may also designate a separate address to which the Company's bills for service shall be mailed.

2.11.2 The Company shall designate on the Service Order and address to which the Customer shall mail or deliver all notices and other communications, except that Company may designate a separate address on each bill for service to which the Customer shall mail payment on that bill.

2. REGULATIONS (Cont'd)

2.11 Notices and Communications (Cont'd)

2.11.3 All notices or other communications required to be given pursuant to this tariff will be in writing. Notices and other communications of either party, and all bills mailed by the Company, shall be presumed to have been delivered to the other party on the third business day following deposit of the notice, communication or bill with the U.S. Mail or a private delivery service, prepaid and properly addressed, or when actually received or refused by the addressee, whichever occurs first.

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

3. Service Descriptions

3.1 Local Exchange Service: The Company's Local Telephone Service provides a Customer with the ability to connect to the Company's switching network which enables the Customer to:

- place or receive calls to any calling Station in the local calling area, as defined herein;
- place or receive interLATA calls;
- place or receive intraLATA calls;
- access enhanced 911 Emergency Service where available;
- access Operator Services;
- access Directory Assistance;
- place or receive calls to 800 telephone numbers;
- access Telecommunication Relay Service.

The Company's service cannot be used to originate calls to other telephone companies caller-paid information services (e.g., 900, 976). Calls to those numbers and other numbers used for caller-paid information services will be blocked by the Company's switch.

3.1.1 Local Exchange Service Areas: Local Exchange services are provided in limited geographic areas. Where facilities are available, local exchange services may be offered in the service territory of U.S. West.

3.1.2 Local Calling Areas: Exchanges and zones included in the local calling areas, including EAS areas, are the same as those set forth in the U.S. West tariff currently on file with the Commission. NXX's associated with each particular exchange or zone may be found in the telephone directory published by U.S. West in the Customer's exchange area.

3. SERVICE DESCRIPTIONS (Cont'd)

3.1 Local Exchange Service (Cont'd)

3.1.3 Basic Access: Basic Access provides the Customer with a single, voice-grade communications channel from a Customer's location to the Eclipse central office and gives the Customer the ability to complete local calls. Each Basic Access will include a telephone number.

3.1.3.1 Basic Access Service is available in the following offerings:

a. Eclipse Basic Service: Basic Access service includes the following standard features at no additional charge:

Touchtone
Calling Number Delivery Blocking (Per Call)

b. RESERVED FOR FUTURE USE

3. SERVICE DESCRIPTIONS (Cont'd)

3.1 Local Exchange Service (Cont'd)

3.1.3 Basic Access (Cont'd)

3.1.3.2 Optional Features: A Eclipse Basic Customer may order, in addition to the standard features included in each service, the following optional features, at the rates specified in Section 3.1.3.3.2.

Calling Number Delivery
Calling Name and Number Delivery
Calling Number Delivery Blocking (Per Line)
Call Waiting
Call Waiting - Cancel
Speed Dial
Call Forward, Variable
Call Forward, No Answer
Call Forward, Busy
Call Transfer, Consultation and Conference
Conference Call Three-way
Hunting

3.1.3.3 Basic Access Rates and Charges: A Basic Access Customer will be charged applicable Non-Recurring Charges, monthly Recurring Charges and Message charges as specified in Sections 3.1.3.3.1, 3.1.3.3.2, and 3.1.3.3.4, respectively.

3.1.3.3.1 Non-Recurring Charges

Line Connection Charge (per line)	$ TBD
Conversion Charge	$ TBD
Subsequent Account Changes (Changes, Additions per order)	$ TBD
Presubscription Change (Changes, per line)	$ TBD

NOTE:

Non-recurring account change charges will not apply during the initial 10 day period following completion of a service order.

3. SERVICE DESCRIPTIONS (Cont'd)

3.1 Local Exchange Service (Cont'd)

3.1.3 Basic Access (Cont'd)

3.1.3.3.1 Non-Recurring Charges (Cont'd)

Line Restoral	$	TBD
Suspension of Service Charge	$	TBD

(Applies for line restoral after temporary interruption of service initiated by the Company. If service is temporarily interrupted and payment is not received within 10 days following the interruption, the Company reserves the right to discontinue service. Also applies to the restoral of service after a Customer-initiated suspension.

Optional Features:

No additional charge applies if ordered at time of service initiation. If ordered subsequent, the subsequent account charge applies as specified in above.

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3. SERVICE DESCRIPTIONS (Cont'd)

3.1 Local Exchange Service (Cont'd)

3.1.3 Basic Access (Cont'd)

3.1.3.3.2 Recurring Charges

	Monthly
Eclipse Basic Access - Line Charge	
1-4 access lines	$ TBD
5+ access lines	$ TBD

Volume and Term discounts may apply on an individual case basis for access lines greater than 5.

Optional Features:

Call Waiting	$ TBD
Call Waiting - Cancel	$ TBD
Calling Number Delivery	$ TBD
Calling Name and Number Delivery	$ TBD
Calling Number Deliver Blocking (per line)	$ TBD
Speed Dial	$ TBD
Call Forward, Variable	$ TBD
Call Forward, No Answer	$ TBD
Call Forward, Busy	$ TBD
Call Transfer, Consultation and Conference	$ TBD
Conference Call Three-way	$ TBD
Hunting	$ TBD

All charges in this section are on a per line basis

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3. SERVICE DESCRIPTIONS (Cont'd)

3.1 Local Exchange Service (Cont'd)

3.1.4 Private Branch Exchange (PBX) Service: PBX Trunk(s) provide Customer with voice-grade communication channel(s) to connect a PBX or Hybrid Key System with Eclipse's central office. This service provides Customers with unlimited local calling and carrier access. Local Trunks can be provisioned as either analog or digital and will be provided in the following manner:

3.1.4.1 PBX Trunk: A Local Trunk can be used to carry one-way outbound traffic, one-way inbound or two-way traffic.

3.1.4.1.1 One-Way Outbound: Provides the Customer with a single analog connection which is restricted to carry outbound traffic only.

3.1.4.1.2 One-Way Inbound or Two-Way: Provides the Customer with a single analog connection which can carry one-way inbound or two-way traffic.

3.1.4.1.2.1 Features: The following features are available:

Hunting
Touch Tone (applies only to DOD)
Presubscription
One Directory Listing (per trunk)

3. SERVICE DESCRIPTIONS (Cont'd)

3.1 Local Exchange Service (Cont'd)

3.1.4 Private Branch Exchange (PBX) Service (Cont'd)

3.1.4.1.3 PBX Trunk Rates and Charges: A PBX Trunk Customer will be charged applicable Non-Recurring Charges, monthly Recurring Charges and usage charges as specified in Sections 3.1.4.1.3.1., 3.1.4.1.3.2, and 3.1.4.1.3.3, respectively.

3.1.4.1.3.1 Non-Recurring Charges

Line Connection Charges (per Trunk)	$ TBD
Conversion Charge	$ TBD
Subsequent Account Changes (Changes, Additions per order)	$ TBD
Presubscription Change Charge (Per change, per trunk)	$ TBD

NOTE:

Non-recurring account change charges will not apply during the initial 10-day period following completion of a service order.

3. SERVICE DESCRIPTIONS (Cont'd)

3.1 Local Exchange Service (Cont'd)

3.1.4 Private Branch Exchange (PBX) Service (Cont'd)

3.1.4.1.3 PBX Trunk Rates and Charges (Cont'd)

3.1.4.1.3.1 Non-Recurring Charges (Cont'd)

Line Restoral or Suspension of Service Charge	$ TBD

(Applies for line restoral after temporary interruption of service initiated by the Company. If service is temporarily interrupted and payment is not received within 10 days following interruption, the Company reserves the right to discontinue service. Also applies to the restoral of service after a Customer-initiated suspension.

3. SERVICE DESCRIPTIONS (Cont'd)

3.1 Local Exchange Service (Cont'd)

3.1.4 Private Branch Exchange (PBX) Service (Cont'd)

3.1.4.1.3 PBX Trunk Rates and Charges (Cont'd)

3.1.4.1.3.2 Monthly Recurring Charges

PBX Trunk Charge	$ TBD

Optional Features:

Calling Name and Number Delivery	$ TBD
Calling Number Delivery	$ TBD
Calling Number Delivery Blocking (per line)	$ TBD
Hunting	$ TBD

All charges are on a per line basis.

3. SERVICE DESCRIPTIONS (Cont'd)

3.1 Local Exchange Service (Cont'd)

3.1.4 Private Branch Exchange (PBX) Service (Cont'd)

3.1.4.2 PBX Trunk - Direct Inward Dialing (DID); DID service is an optional feature which can be purchased in conjunction with Company-provided PBX Trunks. DID service transmits the dialed digits for all incoming calls allowing the Customer's PBX to route incoming calls directly to individual stations corresponding to each individual DID number. Charges for DID capability and DID number blocks apply in addition to charges specified for Basic Trunks in Section 3.1.4.1. One additive charge applies for each DID-equipped PBX Trunk or channel. Customer is required to purchase at least one DID number block for each DID equipped trunk or trunk group, or DID-equipped channel or group. The Company reserves the right to limit the amount of DID numbers constituting a block of telephone numbers in a group. Blocks of number groups will be determined at the sole discretion of the Company's resources. In addition, the Company reserves the right to review vacant DID stations or stations not in use to determine efficient telephone number utilization. Should the Company determine, based on its own discretion, that there is inefficient number utilization, the Company may reassign the DID numbers.

The Customer has no property right to the telephone number or any other call number destination associated with DID service furnished by the Company, and no right to the continuance of service through any particular end office. The Company reserves the right to change such numbers, or the end office designation associated with such numbers, or both, assigned to the Customer, whenever the Company deems it necessary to do so in the conduct of its business.

3.1.4.2.1 Direct Inward Dialing Numbers: Telephone numbers can be obtained individually. Additionally monthly charges will apply, as specified in Section 3.1.4.2.2.1

3.1.4.2.2 Direct Inward Dialing Rates and Charges: A Customer who orders a PBX Trunk - DID trunk will be charged applicable Non-Recurring Charges and monthly Recurring Charges as specified in Section 3.1.4.2.2.1 and 3.1.4.2.2.2.

3. SERVICE DESCRIPTIONS (Cont'd)

3.1 Local Exchange Service (Cont'd)

3.1.4 Private Branch Exchange (PBX) Service (Cont'd)

3.1.4.2 PBX Trunk - (DID); (Cont'd)

3.1.4.2.2 Direct Inward Dialing Rates and Charges: (Cont'd)

3.1.4.2.2.1 Non-Recurring Charges

Installation: Per DID Number	$ TBD
Conversion Charge, per trunk	$ TBD
Line Connection (Per DID Trunk)	$ TBD
Subsequent Account Changes (Changes, Additions per order)	$ TBD

NOTE:

Non-recurring account change charges will not apply during the initial 10 day period following on of a service order.

3. SERVICE DESCRIPTIONS (Cont'd)

3.1 Local Exchange Service (Cont'd)

3.1.4 Private Branch Exchange (PBX) Service (Cont'd)

3.1.4.2 PBX Trunk - (DID); (Cont'd)

3.1.4.2.2 Direct Inward Dialing Rates and Charges: (Cont'd)

3.1.4.2.2.1 Non-Recurring Charges (Cont'd)

Line Restoral or Suspension of Service Charge	$ TBD

(Applies for line restoral after temporary interruption of service initiated by the Company. If service is temporarily interrupted and payment is not received within 10 days following the interruption, the Company reserves the right to discontinue service. Also applies to the restoral of service after a Customer-initiated suspension).

3.1.4.2.2.2 Monthly Recurring Charges

	Monthly
PBX Trunk - DID Charge (per trunk)	$ TBD
DID number charge, per number	$ TBD

Rates for a volume of numbers greater than 500 will be provided on an Individual Case Basis. Company reserves the right to reclaim any numbers not actively used within one year.

3. SERVICE DESCRIPTIONS (Cont'd)

3.1 Local Exchange Service (Cont'd)

3.1.4 Private Branch Exchange (PBX) Service (Cont'd)

3.1.4.3 PBX Trunk - (Digital Interface); Digital Interface provides a DS-1 digital transmission facility operating at 1.544 Mbps and time division multiplexed into 24 channels for the connection of Basic or DID Trunks to the Customer's PBX or trunk-cable Key System. Digital Interface can be used to carry one-way outbound traffic, one-way inbound or two-way traffic, Direct Inward Dialing, or a combination thereof.

3.1.4.3.1 One-Way Outbound: Provides the Customer with individual channels which are restricted to carry outbound traffic only.

3.1.4.3.2 One- Way Inbound or Two-Way: Provides the Customer with individual channels which are used to carry one-way inbound or two-way traffic. One common telephone number will be provided per trunk group.

3. SERVICE DESCRIPTIONS (Cont'd)

3.1 Local Exchange Service (Cont'd)

3.1.4 Private Branch Exchange (PBX) Service (Cont'd)

3.1.4.3 PBX Trunk - (Digital Interface); (Cont'd)

3.1.4.3.2.1 Features: The following feature is available:

Least idle or Most idle Trunk Selection

3.1.4.3.3 Direct Inward Dialing (DID): Provides the Customer with individual channels which can carry one-way inbound traffic. The number of digits to be outpulsed must be specified by the Customer.

3.1.4.3.4 PBX Trunk - Digital Interface Rates and Charges

3.1.4.3.4.1 Non-Recurring Charges

Digital Interface ICB

Installation: PBX Trunk (per channel)	$	TBD
PBX Trunk - DID (per channel)	$	TBD
Subsequent Account Changes (Changes, Additions per charge)	$	TBD

NOTE:

Non-recurring account change charges will not apply during the initial 10 day period following completion of a service order.

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3. SERVICE DESCRIPTIONS (Cont'd)

3.1 Local Exchange Service (Cont'd)

3.1.4 Private Branch Exchange (PBX) Service (Cont'd)

3.1.4.3 PBX Trunk - (Digital Interface); (Cont'd)

3.1.4.3.4 PBX Trunk - Digital Interface Rates and Charges: (Cont'd)

3.1.4.3.4.2 Monthly Recurring Charges

PBX Trunk - Digital Interface (per DSI)	ICB
PBX Trunk (per channel)	$ TBD
PBX Trunk - DID (per channel)	$ TBD
DID Number charge, per number	$ TBD

Rates for a volume of Numbers greater than 500 will be provided on an Individual Case Basis. Company reserves the right to reclaim numbers not in active use within one year.

In addition to the above charges, applicable rates for usage will apply, as specified in Section 3.1.4.

3. SERVICE DESCRIPTIONS (Cont'd)

3.2 Intrastate Long Distance Calling Service: The Company's Long Distance Calling Service provides a Customer with the ability to originate a call between points within different local calling areas within the State of Arizona.

3.2.1 Direct Dial Outbound Long Distance

The Carrier offers direct dial outbound long distance telecommunications services. Intrastate service is provided in conjunction with Eclipse's companion interstate offerings. Descriptions and rates contained in this tariff apply to the intrastate portion of the Carrier's services. Unless otherwise stated, no-nonrecurring charges apply.

3.2.1.1 Direct Dial Outbound Plan A

Direct Dial Outbound Plan A service permits direct dialed outbound calling at a single per minute rate. Service is provided from presubscribed, dedicated or shared use access lines. Calls are billed in six second increments, with six second minimum call duration. No monthly recurring charges or minimum monthly billing requirements apply. All standard features are available with this service at no charges.

3.2.1.2 Direct Dial Outbound Plan B

Direct Dial Outbound Plan B service offers direct dialed outbound calling at rates that vary in accordance with time of day. Service is provided from presubscribed, dedicated or shared use access lines. Calls are billed in six second increments, with a six second minimum call duration. No monthly recurring charges apply. A $10.00 minimum monthly billing requirement applies. Customers whose monthly usage is less than the minimum will be billed the minimum amount. All standard features are available with this service at no charge.

3.2.1.3 Direct Dial Outbound Plan C

$10.00 minimum monthly billing requirement applies. Customers whose monthly usage is less that the minimum will be billed the minimum amount. All standard features are available with this service at no charge.

Direct Dial Outbound Plan C Service offers direct dialed outbound calling at rates that vary in accordance with time of day. Service is provided from presubscribed, dedicated or shared use access lines. Calls are billed in six second increments, with a six second minimum. No monthly recurring charges or minimum monthly billing requirements apply. All standard features are available with this service at no charge. Accounting codes are also provided to Direct Dial Outbound Plan C Service Customers at no additional charge.

3. SERVICE DESCRIPTIONS (Cont'd)

3.2.1.4 Rates

3.2.1.4.1 Direct Dial Outbound Plan A

Each 6 seconds: $ TBD

3.2.1.4.2 Direct Dial Outbound Plan B

	Each 6 Seconds
Day	$ TBD
Evening	$ TBD
Night/Weekend	$ TBD

3. SERVICE DESCRIPTIONS (Cont'd)

3.2.1.4 Rates (Cont'd)

3.2.1.4.3 Direct Dial Outbound Plan C

	Each 6 Seconds
Day	$ TBD
Evening	$ TBD
Night/Weekend	$ TBD

3.2.2 800 (Inbound) Long Distance Services

The Carrier offers 800 (Inbound) long distance telecommunications services. Intrastate service is provided in conjunction with Eclipse's companion interstate offerings. Descriptions and rates contained in this tariff apply to the intrastate portion of the Carrier's services. Unless otherwise stated, no non-recurring charges apply.

3.2.2.1 800 (Inbound) Plan A

800 (Inbound) Plan A is offered to business Customers for toll free calling. Callers dial a six digit Personal Identification Number (PIN) in addition to regular 800 numbers. The service permits inbound 800 calling at a single per minute rate. Service is provided from presubscribed, dedicated or shared use access lines. Calls are billed in six second increments, with a six second minimum call duration. No monthly recurring charges or minimum monthly billing requirements apply. All standard features are available with this service at no charge.

3.2.2.2 Rates

3.2.2.2.1 800 (Inbound) Plan A

Each 6 Seconds: $ TBD

3. SERVICE DESCRIPTIONS (Cont'd)

3.2.3 Combined Inbound/Outbound Services

The Carrier offers Combined 800 (Inbound) and Direct Dialed Outbound long distance telecommunications services. Intrastate service is provided in conjunction with Eclipse's companion interstate offerings. Descriptions and rates contained in this tariff apply to the intrastate portion of the Carrier's services. Unless otherwise stated, non non-recurring charges apply.

3.2.3.1 Combined Inbound/Outbound Plan A

Combined Inbound/Outbound Plan A Service is an inbound and outbound long distance service offered to business Customers. The service permits direct dialed outbound and inbound "800" calling at a singled per minute rate, with billing to the same account. Service is provided from presubscribed, dedicated or shared use access lines. Calls are billed in six second increments, with a six second minimum call duration. No monthly recurring charges or minimum monthly billing requirements apply. All standard features are available with this service at no charge.

3.2.3.2 Combined Inbound/Outbound Plan B

Combined Inbound/Outbound Plan B Service is an inbound and outbound long distance service offered to Customers. The service permits direct dialed outbound and inbound "800" calling at a single per minute rate, with billing to the same account. Service is provided from presubscribed, dedicated or shared use access lines. Calls are billed in six second increments, with a six second minimum call duration. No monthly recurring charges apply. A $10.00 minimum monthly billing requirement applies. Customers whose monthly usage is less than the minimum will be billed the minimum amount. All standard features are available with this service at no charge.

3. SERVICE DESCRIPTIONS (Cont'd)

3.2.3.3 Combined Inbound/Outbound Plan C

The Company's T-1 Combined Inbound/Outbound Plan C service is a dedicated service offered to business Customers. The service permits dedicated inbound "800" and outbound calling for a single per minute rate, with billing to the same account. Volume discounts apply. Service is provided from dedicated and/or shared use access lines. An initial term contract of one year is required, with $2500 term liability if cancelled by the Customer prior to expiration. A monthly minimum of $2500 applies, and Customers whose monthly usage is less than the minimum will be billed the minimum amount. Monthly recurring T-1 port charges also apply. All standard features are available with this service at no charge. Where applicable, volume discounts apply retroactively to dollar one. Monthly inbound and outbound use is combined to determine discount level.

3. SERVICE DESCRIPTIONS (Cont'd)

3.2.3.4 Rates

3.2.3.4.1 Combined Inbound/Outbound Plan A

Each 6 seconds: $ TBD

3.2.3.4.2 Combined Inbound/Outbound Plan B

Each 6 seconds: $ TBD

3.2.3.4.3. Combined Inbound/Outbound Plan C

Each minute: $ TBD

Volume Discounts:

Volume	Base Rate Discount	Net.	Eff. Rate
$2500 - $4999.99	$ TBD	------	$ TBD
$5000 - $7499.99	$ TBD	TBD%	$ TBD
$7500 - $9999.99	$ TBD	TBD%	$ TBD
$10,000+	$ TBD	TBD%	$ TBD

T-1 Port Charge: $ TBD per month

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3. SERVICE DESCRIPTIONS (Cont'd)

3.2.4 Calling Card Services

3.2.4.1 Plan A Calling Card Service

Plan A Calling Card Service is offered to Customers for intrastate and interstate calling. Intrastate rates are specified in this tariff. Rates are not time of day or mileage sensitive. Calls are billed in one (1) minute increments after the initial minimum period of one (1) minute. There are no nonrecurring or monthly recurring charges. No calling card surcharge applies. Project Account Codes are provided to Plan A calling Card Service Customers at no additional charge.

3.2.4.2 Plan B Calling Card Service

Plan B calling card service is offered to Customers who subscribe to the calling plans described in Section 3.2.1. This service permits subscribers utilizing the Carrier's calling card to make calls at the presubscribed direct dial rates specified in Sections 3.2.1.4

3. SERVICE DESCRIPTIONS (Cont'd)

3.2.4.2 Plan B Calling Card Service (Cont'd)

below. Calls are billed in one (1) minutes increments after the initial minimum period of one (1) minute. There are no nonrecurring or monthly recurring charges. No calling card surcharge applies. Project Account Codes are provided to Plan B Calling Card Service Customers at no additional charge.

3.2.4.3 Rates

3.2.4.3.1 Plan A Calling Card Service

Each Minute: $ TBD

3.2.4.3.2 Plan B Calling Card Service

Rates for Network Saver caller cards are as specified at Sections 3.2.1. - 3.2.4 and Section 3.2.6 for applicable presubscribed plans.

3.2.5 Standard Features

Standard Features referred to in the preceding sections of this tariff refer to the following, all of which are provided at no additional charge:

3.2.5.1 Speed Dialing Codes - A three digit code dialed after the Authorization Code which permits the Customer to reach a commonly called long distance number without dialing the long distance number.

3. SERVICE DESCRIPTIONS (Cont'd)

3.2.5.2 Additional Authorization Codes - Five (5) digit code used, usually, in areas that are still not equipped for equal access, to enable Company to identify the use of the service on the Customer's account.

3.2.5.3 Generic Project Codes - A two (2), three (3), or four (4) digit code assigned by the Customer and dialed after the long distance number. Project "Verified Project Codes." Project codes are printed on the Customer bill as part of the call detail record.

3.2.5.4 Project Code Report - A report which consists of the complete call detail for the current month, sorted and subtotaled by project code.

3.2.5.5 Verified Project Codes - A group of 2, 3, or 4 digit project codes within which a predesignated quantity of codes are valid. Assignment of valid codes is random. Calls placed with the remaining invalid codes will not be completed. Validation is accomplished by Eclipse's network switch.

3.2.5.6 AT&T Comparison Cost Report - A report prepared at the time of monthly billing which lists all calls and equivalent AT&T cost, according to current AT&T tariffs on file, and approved by the appropriate regulatory body.

3.2.5.7 Potential Call Abuse Report - A report prepared at the time of monthly billing which can list the 20 longest calls made during a billing cycle, or all calls placed during the Evening/Weekend time periods during a billing cycle. A combination of both reports can also be provided on request by a Customer.

Issued by: Gene DeJordy, Esq.
Director-Regulatory Affairs
Eclipse Communications Corporation
2001 NW Sammamish Road
Issaquah, WA 98027

3. SERVICE DESCRIPTIONS (Cont'd)

3.2.5.8 Automatic Dialer Equipment - A device installed by Eclipse at the Customer's premise which when activated, performs most or all of the "pre destination number." Automated Dialers are generally not provided where Equal Access is available.

3.2.6 Rate Periods and Holidays

Unless otherwise specified in Section 4 of this tariff, the following rate periods apply for time-of-day sensitive services:

	MON	TUES	WEDS	THUR	FRI	SAT	SUN
8:00 AM TO 5:00 PM*	DAYTIME RATE PERIOD (PEAK)						
5:00 PM TO 11:00 PM	EVENING RATE PERIOD (0FF PEAK)						EVE
11:00 PM* TO 8:00 AM	NIGHT/WEEKEND RATE PERIOD (OFF PEAK)						

* to, but not including

3. SERVICE DESCRIPTIONS (Cont'd)

3.2.6 Rate Periods and Holidays, cont'd

Calls are billed based on the rate in effect for the actual time period(s) during which the call occurs. Calls that cross rate period boundaries are billed the rates in effect in that boundary for each portion of the call, based on the time of day at the Customer location. For services subject to holiday discounts, the Evening Rate Period rates apply on the following Company recognized holidays, unless a lower rate would normally apply:

New Year's Day	....	January 1
Memorial Day	....	As Federally Observed
Independence Day	....	July 4
Labor Day	....	As Federally Observed
Thanksgiving Day	....	As Federally Observed
Christmas Day	....	December 25

3. SERVICE DESCRIPTIONS (Cont'd)

3.3 Directory Assistance

A Customer may obtain Directory Assistance in determining telephone numbers within the Customer's local calling area within the state of Arizona at the rate specified below by calling the Directory Assistance operator.

Directory Assistance, per call	$ TBD

3.4 Operator Assistance

A Customer may obtain the assistance of a local operator to complete local exchange telephone calls in the following manner. In addition to the rates specified in Section 3.1, surcharges as specified in Section 3.4.1. will apply:

Third Number Billing: Provides the Customer with the capability to charge a local call to a third number which is different from the called or calling party. The Party answering at the third number has the option to refuse acceptance of the charges in advance or when queried by the operator.

Collect Calls: Provides the Customer with the capability to charge a call to the called party. On the operator announcement of a collect call, the called party has the option to refuse acceptance of charges in advance or when queried by the operator.

Calling Cards: Provides the Customer with the capability to place a call to the called party. On the operator announcement of a collect call, the called party has the option to refuse acceptance of charges in advance or when queried by the operator.

Person to Person: Calls completed with the assistance of an operator to a particular Station and person specified by the caller. The call may be billed to the called party.

Station to Station: Calls completed with the assistance of an operator to a particular Station. The call may be billed to the called party.

General Assistance: The Customer has the option to request general information from the operator, such as dialing instructions, country or city codes, area code information and Customer Service 800 telephone numbers, but does not request the operator to complete the Call.

3. SERVICE DESCRIPTIONS (Cont'd)

3.4 Operator Assistance (Cont'd)

3.4.1. Operator Assisted Surcharges: The following surcharges will be applied on a per call basis.

Calling Card	$ TBD
Third Number Billing	$ TBD
Collect Calling	$ TBD
Person to Person	$ TBD
Station to Station	$ TBD
General Assistance	N/C

3.4.2 Busy Line Verification and Interrupt Service: Busy Line Verification and Interrupt Service, which is furnished where and to the extent that facilities permit, provides the Customer with the following-options:

3.4.2.1 Busy Line Verification: Upon request of the calling party, the Company will determine if the line is clear or in use and report to the calling party.

3.4.2.2. Busy Line Verification with Interrupt: The operator will interrupt the call on the called line only if the calling party indicates an emergency and requests interruption.

3. SERVICE DESCRIPTIONS (Cont'd)

3.4 Operator Assistance (Cont'd)

3.4.2 Busy Line Verification and Interrupt Service:

3.4.2.3 Rates: Rates for Busy Line Verification and Interrupt Service, as specified below, will apply under the following circumstances:

3.4.2.3.1 The operator verifies that the line is busy with a call in progress.

3.4.2.3.2 The operator verifies that the line is available for incoming calls.

3.4.2.3.3 The operator verifies that the called number is busy with a call in progress and the Customer requests interruption. The operator will then interrupt the call, advising the called party the name of the calling party. One charge will apply for both verification and interruption.

	Per Request
Busy Line Verification	$ TBD
Busy Line Interrupt	$ TBD

3. SERVICE DESCRIPTIONS (Cont'd)

3.5 Directory Listings

The Company shall provide a single directory listing, termed and primary listing, in the telephone directory published by the local exchange provider in the Customer's exchange area of the Station number which is designed as the Customer's main billing number. Directory listing of additional Company Station numbers, other than the Customer's main billing number, associated with a Customer's service will be provided for an additional monthly recurring charge per listing.

3.5.1 The Company reserves the right to limit the length of any listing in the directory by the use of abbreviations when, in its judgment, the clearness of the listing or the identification of the Customer is not impaired thereby. When more than one line is required to properly list the Customer, no additional charge is made.

3.5.2 The Company may refuse a listing which is known not to constitute a legally authorized or adopted name, contains obscenities in the name, or any listing which, in the opinion of the Company, is likely to mislead or deceive calling persons as to the identity of the listed party, or is a contrived name used for advertising purposes or to secure a preferential position in the directory or is more elaborate than is reasonably necessary to identify the listed party. The Company, upon notification to the Customer, will withdraw any listing which is found to be in violation of its rules with respect thereto.

3.5.3 Each listing must be designated Government, Business or Residence to be placed in the appropriate section of the directory. In order to aid the use of the directory, and to avoid misleading or deceiving the calling party as to the identity of the listed party, only business listings may be placed in the Business Section and only residential listings in the Residential Section. The Company, upon notification to the Customer, will withdraw any listing which is found to be in violation of its rules with respect thereto.

3. SERVICE DESCRIPTIONS (Cont'd)

3.5 Directory Listings (Cont'd)

3.5.4 In order for listing to appear in an upcoming directory, the Customer must furnish the listing to the Company in time to meet the directory publishing schedule.

3.5.5 Directory listings are provided in connection with each Customer service as specified herein.

3.5.5.1. Primary Listing: A primary listing contains the name of the Customer, or the name under which a business is regularly conducted, as well as the address and telephone number of the Customer.

3.5.5.2 Additional Listings: In connection with local exchange service, additional listings are available only in the name of Authorized Users of the Customer's service, as defined herein. Rates for additional listings are specified in Section 3.5.5.8 and 3.5.5.9.

3.5.5.3 Nonpublished Listings: Listings that are not printed in directories nor available from Directory Assistance.

A Nonpublished Telephone Service will be furnished, at the Customer's request providing the omission or deletion of the Customer's telephone listing from the telephone directory and, in addition, the Customer's telephone listing will be omitted or deleted from the directory assistance records, subject to the provisions set forth in Section 2.1.4. Rates for Nonpublished Listings are specified in Sections 3.5.5.8 and 3.5.5.9.

3. SERVICE DESCRIPTIONS (Cont'd)

3.5 Directory Listings (Cont'd)

3.5.5.4 Nonlisted Numbers: A Nonlisted number will be furnished at the Customer's request, providing for the omission or deletion of the Customer's listing from the telephone directory. Such listings will be carried in the Company's directory assistance and other records will be given to any calling party. Rates for Nonlisted Numbers are specified in Sections 3.5.5.8 and 3.5.5.9.

3.5.5.5 Foreign Listings: Where available, a listing in a phone directory which is not in the Customer's immediate calling area. The Customer will be charged the rates specified in the tariff published by the specific exchange carrier providing the Foreign Listings.

3.5.5.6 Alternate Call Listings: Where available, a listing which references a telephone umber which is not the primary listing for the Customer. The Customer must provide written verification that the alternate telephone number is authorized to accept calls.

3.5.5.7 Reference Listing: A listing including additional telephone numbers of the same or another Customer to be called in the event that is not an answer from the Customer's telephone. Charges for reference listings are specified in Section 3.5.5.8 and 3.5.5.9.

Issued by: Gene DeJordy, Esq.
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3. SERVICE DESCRIPTIONS (Cont'd)

3.5 Directory Listings (Cont'd)

3.5.5.8 Non-Recurring Charges: There will be no Non-Recurring charge if requested as a part of the order initiating service. After the initial service order the following charges will apply:

	Per Listing or Per Number Charge
Primary Listing	$ TBD
Additional Listing	$ TBD
Reference Listing	$ TBD
Non-Listed Number	$ TBD
Non-Published Number	$ TBD

3.5.5.9 Recurring Charges: Monthly Recurring Charges associated with Directory Listings are as follows:

	Per Listing or Per Number Charge
Primary Listing	$ TBD
Additional Listing	$ TBD
Reference Listing	$ TBD
Non-Listed Number	$ TBD
Non-Published Number	$ TBD

3.6 Vanity Telephone Numbers: At the request of the Customer, the Company may assign a telephone number with the last four digits selected by the Customer. The assignment is subject to availability of a particular number and subject to the terms and conditions set forth in Section 2.1.3. There will be no charge for Vanity Telephone Numbers.

4. PROMOTIONAL OFFERINGS

4.1 Promotional Offerings: The Company, from time to time, may make promotional offerings of its services which may include waiving or reducing the applicable charges for the promoted service. The promotional offerings may be limited as to the duration, the date and times of the offerings and the locations where the offerings are made. Promotions will be filed with the Commission for approval on one day's notice.

4.2 Trial Service Offering (TSO)

4.2.1 In the normal course of business the Company, at its discretion, may elect to offer certain services to Customer on a "trial basis". These trial offerings do not obligate the Company to continue the trial beyond a stated period or to offer said service as general tariffed offering in the future.

5. INDIVIDUAL CASE BASIS (ICB) ARRANGEMENTS

Arrangements will be developed on a case-by-case basis in response to a bonafide request from a Customer or prospective Customer to develop a competitive bid for a service offered under this tariff. Rates quoted in response to such competitive request may be different than those specified for such service in this tariff. ICB rates will be offered to the Customer in writing and on a non-discriminatory basis.

EXHIBIT D

western wireless

Corporate Profile

Company Description: Western Wireless Corporation (NASDAQ: WWCA) is a leading provider of wireless communications services in the western United States. The company owns and operates wireless cellular phone systems marketed under the Cellular One® national brand name in 15 states west of the Mississippi River. Western Wireless also owns seven licenses auctioned by the Federal Communications Commission in 1995 to provide personal communications services (PCS). These licenses extend the company's geographic footprint to 22 states and enable Western Wireless to offer high-quality, digital, two-way wireless communications services under the VoiceStream℠ Wireless brand name.

Headquarters: Issaquah, Washington

Executive Team:
John Stanton, Chairman and Chief Executive Officer
Don Guthrie, Vice Chairman
Bob Stapleton, President
Mikal Thomsen, Chief Operating Officer
Theresa Gillespie, Chief Financial Officer
Cregg Baumbaugh, Senior Vice President, Corporate Development
Alan Bender, Senior Vice President and General Counsel

Markets: Western Wireless owns cellular and PCS licenses covering about 25 million people and 41 percent of the land in the continental United States. It owns and operates cellular systems in 57 Rural Service Areas (RSAs) and 16 Metropolitan Statistical Areas (MSAs) with a combined population of about 6 million. The company also owns licenses to provide PCS in seven Major Trading Areas (MTAs) – Albuquerque-El Paso, Denver, Des Moines-Quad Cities, Honolulu, Portland, Oklahoma City and Salt Lake City – with a population of about 19.5 million.

History: Western Wireless was formed in July 1994 through the combination of Pacific Northwest Cellular and General Cellular Corporation. In the last two years, the company has grown from about 320 employees and less than 14,000 subscribers to more than 2,000 employees and 270,000 subscribers. In May 1996, the company completed an initial public offering of 12.65 million shares of common stock and a public bond offering. The two offerings raised nearly $430 million to continue the development of Western Wireless' cellular and PCS businesses.

Industry Statistics: The cellular industry is 12 years old. More than 40 million (one in eight) Americans own a cellular phone. The Personal Communications Industry Association predicts that new personal communications services will combine with existing wireless services such as cellular and paging to fundamentally change the way Americans communicate. Industry analysts forecast wireless communications services subscriptions totaling 197 million by 2005.

western wireless

Western Wireless: Redefining How People Communicate

Western Wireless has been the first to offer PCS service in its markets – a strong competitive advantage.

In an increasingly mobile society, wireless communications has become one of the fastest growing segments of the communications industry. More than 40 million (one in eight) people currently enjoy the benefits of untethered communication that cellular service provides.

With the introduction of personal communications services (PCS), the rapid rate at which businesses and consumers are adopting wireless communications is expected to continue. This explosive growth can be attributed to the fundamental need that wireless communication addresses — people want to feel empowered over their communications and are looking for solutions that offer quality, value and reliability. In short, wireless communication is redefining how people communicate.

Western Wireless Corporation has emerged as one of the leading wireless communication service providers with its unique combination of cellular and PCS licenses and more than 270,000 subscribers throughout the western United States. The company's strategy is to offer the optimum technology for a particular geographic area – concentrating on rural and small metropolitan areas for its cellular service and more densely populated areas for its PCS service. The company owns cellular and PCS licenses covering about 25 million people and 41 percent of the continental United States.

The key to Western Wireless' success has been its focus on high-quality enhanced service offerings and an aggressive growth strategy. Western Wireless has been the first to offer PCS service in its markets – a move the company believes provides a strong competitive advantage. In February 1996, the company launched its PCS service under its proprietary VoiceStream^SM^ Wireless brand in Honolulu, followed by the summer 1996 launches of its PCS service in Salt Lake City, Albuquerque and Portland. The company is slated to roll out service in the Des Moines/Quad Cities and Oklahoma City markets by the end of 1996 and in Denver in early 1997.

The company's cellular service, marketed under the Cellular One® name in 15 western states, has grown from less than 14,000 subscribers and $18.4 million in revenues in 1993 to more than 270,000 subscribers and $135.1 million in revenues. By concentrating on rural and small metropolitan areas for its cellular service, Western Wireless can cover large geographic areas with relatively few cell sites, thus providing cost-efficient wireless service. In addition, because cellular operations in rural and small urban markets were licensed and developed later than major markets, cellular penetration is presently lower and subscriber growth rates are significantly higher than in the larger urban markets.

By taking advantage of the existing business infrastructure established for its cellular operations – including centralized management, marketing, billing and customer service functions – Western Wireless has been able to offer PCS services and features not currently provided by cellular operators.

Western Wireless is committed to becoming the premier wireless communication service provider with a focus on:

Quality:	Providing high-quality technical, sales, administrative and service expertise.
Growth:	Dedication to expanding the business through superior systems, aggressive selling, prudent acquisitions and excellent customer care.
Profitability:	Commitment to delivering an outstanding return on investment to shareholders by providing superior products to its customers, earning customer loyalty and operating with an entrepreneurial spirit.

Western Wireless owns cellular systems in 57 rural service areas and 16 metropolitan statistical areas, and PCS systems in 7 major trading areas.

Company History

Based in Issaquah, Wash., Western Wireless was formed in July 1994 through the combination of MARKETS Cellular Limited Partnership, which operated as Pacific Northwest Cellular, and General Cellular Corporation. Western Wireless owns and operates cellular communications systems in 57 rural service areas (RSAs) and 16 metropolitan statistical areas (MSAs) in 15 states — California, Colorado, Idaho, Iowa, Kansas, Minnesota, Missouri, Montana, Nebraska, Nevada, New Mexico, North Dakota, South Dakota, Texas and Wyoming — with an aggregate population of about 6 million. In 1995, through the Federal Communications Commission (FCC) auction of broadband PCS licenses, Western Wireless acquired licenses to provide PCS in six major trading areas (MTAs) — Albuquerque/El Paso, Des Moines/Quad Cities, Honolulu, Oklahoma City, Portland and Salt Lake City. Western Wireless purchased the Denver MTA in June 1996.

Western Wireless' management team comprises some of the early pioneers in the wireless industry, including John Stanton, chairman and CEO, who was a founder and COO of former industry giant McCaw Cellular. The other team members – Donald Guthrie, vice chairman; Robert Stapleton, president; Mikal Thomsen, COO; Theresa Gillespie, CFO; Cregg Baumbaugh, senior vice president; and Alan Bender, senior vice president and general counsel – share Stanton's entrepreneurial spirit and long, successful track record in building a thriving wireless communication business.

western wireless

Since its founding, Western Wireless has grown to more than 2,000 employees throughout its headquarters and 70 local sales offices. The company raised nearly $430 million through an initial public offering and a concurrent debt offering in May 1996, which was underwritten by Goldman, Sachs & Co.; Donaldson, Lufkin & Jenrette Securities Corp.; Merrill Lynch & Co. and Salomon Brothers Inc. The company is traded on NASDAQ under the symbol "WWCA."

The Wireless Communications Industry

Many industry experts predict that wireless communications will become the preferred method of voice communications.

Broadly defined, the wireless communications industry includes one-way radio applications, such as paging, and two-way radio applications, such as cellular telephone, PCS and enhanced specialized mobile radio (ESMR), which use a variety of radio frequencies to transmit voice and data. Since its introduction in 1983, cellular service has grown dramatically and now dominates the wireless communications market with more than 40 million subscribers.

It is estimated that about 2 percent of all phone calls are originated or terminated on a wireless phone. However, this percentage is expected to grow significantly, as carriers boost capacity and coverage and add enhanced services. Industry experts predict that PCS will play a critical role in the expansion of the wireless market into new demand segments. The additional spectrum, lower prices and increased pace of service-innovation generated by the addition of new PCS carriers are expected to contribute to rapid market development.

Because wireless devices are fundamentally a more efficient and effective way to communicate by offering consumers increased mobility, many industry experts predict that wireless communications will soon be the preferred method of voice communications. Consumers are demanding more control over their communication, and wireless service is a cost-effective means to meet that need.

Cellular and Personal Communications Services

The FCC licenses two principal services for transmitting voice and data signals - cellular and personal communications service. Cellular service provides high-quality, high-capacity service to and from mobile, portable and stationary telephones. Cellular handsets are affordable and easy-to-use, and offer importan benefits to both business and residential consumers. Fully equipped, multi-cell cellular systems are capable of handling thousands of calls and can provide service to hundreds of thousands of subscribers in a given market.

Many cellular systems today are limited in their capacity due to their use of analog-based radio transmissions, although many carriers are currently in the process of upgrading to digital technology. Digital systems convert voice or data signals into a stream of digits that is compressed before transmission, enabling a single radio channel to carry multiple simultaneous signal transmissions. An all-digital system will provide customers with enhanced capacity, greater call quality and advanced data-communication features.

PCS is a term commonly used to describe a portion of radio spectrum (1850-1990 MHz) used to provide wireless communications services. PCS will initially compete directly with existing cellular telephone, paging and specialized mobile radio services, but will also include features that are not generally offered by cellular providers, such as data transmissions to and from portable computers, advanced two-way paging services and facsimile services. Western Wireless aims to be the first direct wireless competitor to cellular providers and the first to offer mass-market, all-digital mobile networks.

While PCS and cellular systems use similar technologies and hardware, each operates on different frequencies and may use different technical and network standards. The most common digital standards to be implemented by PCS carriers are GSM (Global System for Mobile Communications), CDMA (code division multiple access) and TDMA (time division multiple access). Western Wireless has adopted GSM technology – the only digital technology in widespread use around the world, serving 20 million customers in more than 98 countries. As a result, handsets and network equipment are far less expensive than for other digital standards, and are more reliable and more widely available.

Western Wireless Service Offerings

***VoiceStream*[SM] *Wireless Personal Communications Services*.** With VoiceStream Wireless, subscribers can stay "Ahead of the Current"™ with such enhanced features as answering service and two-way text and numeric messaging, caller ID, call waiting and call hold, digital encryption to prevent fraud and eavesdropping, "smart card" technology, wireless data transmission and extended battery performance. VoiceStream service comes with a wireless digital phone equipped with a built-in answering machine and pager that can link subscribers to their computers to allow them to fax, read their e-mail and access the Internet. The phone, which is smaller and more feature-rich than most cellular handsets, also allows subscribers to read messages right off of the display – with increased clarity and privacy. Monthly service packages range from $20 with 30 free minutes of airtime to $210 with 1,000 free minutes of airtime. Optional features, such as "weekends free," call forwarding and enhanced voice mail service, also are available.

western wireless

Cellular One®. Western Wireless markets its cellular products and services under the name Cellular One, the first national brand name in the cellular industry that is currently used by a national coalition of 507 cellular licensees in all 50 states. Western Wireless offers its subscribers high-quality cellular communications, as well as several customer calling services, including call forwarding, call waiting, conference calling, voice message storage and retrieval, and no-answer transfer. In addition, subscribers can access local government emergency services from their cellular handsets – free of charge – by dialing 911. Monthly service plans range from $29.99 with 80 minutes of free local airtime to $229.99 with 1,000 minutes of free local airtime. Voice messaging service also is available.

Executive Team

Western Wireless' management team includes industry pioneers who share an entrepreneurial spirit and drive.

John Stanton, Chairman, Director and Chief Executive Officer

Stanton has spent much of his career in the wireless industry. Prior to helping form Western Wireless in 1994, Stanton was CEO and chairman of the board of General Cellular Corporation. He also has served as chairman of the board and CEO of Pacific Northwest Cellular, Inc., and as director of McCaw Cellular Communications and LIN Broadcasting. From 1983 to 1991, Stanton served in various capacities with McCaw, serving as vice chairman of the board from 1988 to 1991 and as chief operating officer from 1985 to 1988. He also is a member of the board of directors of Interpoint, Inc. and SmarTone in Hong Kong. He is a trustee of Whitman College and a director of the Cellular Telecommunications Industry Association.

Donald Guthrie, Vice Chairman

Guthrie came to Western Wireless from McCaw Cellular, where he served as senior vice president and treasurer. Guthrie also served as senior vice president-finance for LIN Broadcasting.

Robert Stapleton, President

Stapleton served as president of General Cellular Corporation prior to Western Wireless' formation. From 1989 to 1992, he served in various positions with General Cellular, including chief operating officer and vice president of operations. Stapleton previously was employed by mobile communications subsidiaries of Pacific Telesis, Inc., which now are affiliated with AirTouch Communications.

western wireless

Mikal Thomsen, Chief Operating Officer

Thomsen was a director and chief operating officer of MARKETS Cellular Limited Partnership prior to joining Western Wireless. From 1983 to 1991, Thomsen held various positions at McCaw Cellular, serving as general manager of its international division from 1990 to 1991 and as general manager of its West Florida region from 1987 to 1990.

Theresa Gillespie, Chief Financial Officer

Gillespie was CFO of MARKETS Cellular Limited Partnership prior to the formation of Western Wireless and previously served as CFO of certain entities controlled by Stanton and Gillespie. She also served as senior vice president and controller of McCaw Cellular.

Cregg Baumbaugh, Senior Vice President - Corporate Development

Prior to the formation of Western Wireless, Baumbaugh served in various positions with General Cellular Corporation, including vice president of business development. He previously was employed by The First Boston Corporation.

Alan Bender, Senior Vice President and General Counsel

Bender joined General Cellular Corporation in April 1990 as senior counsel and was named secretary in June 1990, general counsel in August 1990 and vice president in March 1992. From 1988 to 1990, Bender was vice president and senior counsel of Equitec Financial Group, a subsidiary of PacificCorp, Inc.

EXHIBIT E

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

Form 10-K

[X] Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 1997

Or

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from ______________ to

Commission File Number 000-28160

WESTERN WIRELESS CORPORATION
(Exact name of registrant as specified in its charter)

Washington	**91-1638901**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
2001 NW Sammamish Road Issaquah, Washington	**98027**
(Address of principal executive offices)	(Zip Code)

(425) 313-5200
(Registrant's telephone number, including area code)

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

Securities registered pursuant to Section 12(g) of the Act: Class A Common Stock

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

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

The aggregate market value of the voting stock held by nonaffiliates of the registrant, computed by reference to the last sale of such stock as of the close of trading on March 2, 1998, was $517,174,730.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Title	Shares Outstanding as of March 2, 1998
Class A Common Stock, no par value	22,846,192
Class B Common Stock, no par value	52,963,811

Documents Incorporated By Reference

Portions of the following documents are incorporated by reference into the indicated parts of this Form 10-K:
1997 Annual Report - Part II.
1998 Proxy Statement - Part III.

Western Wireless Corporation
Form 10-K
For the Year Ended December 31, 1997

Table of Contents

Cautionary statement for purposes of the "Safe Harbor" provisions of the Pri:.ate Litigation Reform Act of 1995. *Statements contained or incorporated by reference in this document that are not based on historical fact are "forward-looking statements" within the meaning of the Private Securities Reform Act of 1995. Forward-looking statements may be identified by use of forward-looking terminology such as "believe," "intends," "may," "will," "expect," "estimate," "anticipate," "continue," or similar terms, variations of those terms or the negative of those terms.*

PART I

Item 1. BUSINESS

Introduction

Western Wireless Corporation (the "Company" or "Western Wireless") provides wireless communications services in the western United States. The Company owns an aggregate of 199 cellular and personal communications services ("PCS") licenses for a geographic area covering approximately 68.0 million persons (counting only once those persons that may be served by either cellular or PCS systems owned by the Company). In addition, Western Wireless is a partner in ventures owning 21 PCS licenses covering 13.0 million persons, some of which overlap licenses owned by the Company. Western Wireless' combined cellular and PCS licenses, together with the ventures in which it is a partner, cover approximately 59% of the land in the continental United States. In its consolidated cellular and wholly-owned PCS markets, the Company served 648,600 subscribers at December 31, 1997.

The Company operates its cellular systems under the CELLULAR ONE® brand name and operates its PCS markets under its proprietary VoiceStream® brand name. It owns and operates cellular systems in 72 Rural Service Areas ("RSAs") and 16 Metropolitan Statistical Areas ("MSAs") with an aggregate population of approximately 7.3 million persons. The Company holds 7 Major Trading Area ("MTA") broadband PCS licenses and 104 Basic Trading Area ("BTA") broadband PCS licenses covering approximately 64.2 million persons. Each of the Company's operational PCS systems utilizes Global System for Mobile Communications ("GSM") technology as the network standard. GSM is the leading digital wireless standard worldwide, with systems operating in approximately 109 countries, including the United States, and serving over 66 million subscribers.

Western Wireless is also engaged in activities related to its principal wireless communications business. The Company has interests in entities which own wireless licenses in certain foreign countries, including Ghana, Haiti, Iceland, and the Republics of Latvia and Georgia. In addition, the Company has interests in entities which have made wireless license applications in certain other foreign countries. During 1997, two of these ventures commenced operations. In addition, since their acquisition in February 1996, the Company has operated paging systems in eight western states and served 31,900 customers at December 31, 1997.

Western Wireless Corporation was formed in July 1994 as the result of a business combination (the "Business Combination") among various companies, including Markets Cellular Limited Partnership d/b/a Pacific Northwest Cellular, a Delaware limited partnership ("MCLP"), and General Cellular Corporation, a Delaware corporation ("GCC"). GCC commenced operations in 1989 and MCLP was formed in 1992. As a result of the Business Combination and a series of related transactions, Western Wireless Corporation became the owner of all of the assets of MCLP. Accordingly, all financial data relating to the Company herein with respect to periods after the date of the Business Combination reflect the operations of GCC and MCLP and all such data with respect to prior periods reflect only the operations of GCC, which, for accounting purposes, is considered Western Wireless Corporation's predecessor.

Year of 1997

The Company has grown rapidly over the years with an average of 84% growth in revenues each year from 1994 through 1997. The Company continued its strong growth in 1997 as evidenced by the following landmarks. In January, the Company was the high bidder on 100 PCS licenses in the Federal Communication Commission's ("FCC") D and E Block auctions; all such licenses were granted and paid for in 1997. In May, Western Wireless commenced operations in Denver, the last of the Company's MTA licenses from the FCC's A block auction. In June, Cook Inlet Western Wireless PV/SS PCS, LP ("Cook Inlets PCS"), in which the Company holds a 49.9% interest, launched VoiceStream service in the Tulsa BTA, thus becoming the first C Block licensee to become operational in a major market. In October, Western Wireless acquired the business and assets of another wireless provider with operations contiguous to that of the Company. The acquisition added 12 cellular licenses, 8 PCS licenses and 58,500 cellular subscribers. In November, an affiliate of Hutchison Telecommunications Limited ("HTL") acquired $74 million of the Company's common stock in a private placement. During the fourth quarter, the Company also announced joint ventures that will further expand the VoiceStream brand name in PCS markets in the western United States. The Company anticipates continued growth in 1998. In February 1998, the Company and HTL completed a transaction whereby HTL acquired a 19.9% interest in the Company's subsidiary which owns and operates its PCS licenses and markets for approximately $248 million.

Strategy

Historically, the Company has focused on the acquisition and operation of cellular communications systems in RSAs and small MSAs in the western United States. The Company's acquisition of PCS licenses enables it to significantly expand both its customer base and geographic coverage and to offer enhanced wireless communications services. The Company's initial focus with its PCS licenses has been, and will continue to be, to commence operations in the most densely populated areas within its PCS systems. The Company believes that cellular is the optimum technology for rural, less densely populated areas because they are less susceptible to competition and have a greater capacity for future growth than most major markets, and that PCS is the optimum technology for more densely populated urban areas where analog cellular systems are more expensive to deploy and face potential capacity constraints. The Company has entered markets at a relatively low cost, having purchased cellular licenses for an average of $45.68 per pop overall, excluding the effect of licenses acquired through business acquisitions. The Company's PCS MTA licenses were purchased at an average of $10.81 per pop and the PCS BTA licenses were purchased at an average of $3.13 per pop, including the Company's ownership percentage in Cook Inlet PCS's licenses. "Pops" refers to the number of persons in a licensed area multiplied by the Company's ownership interest in the license for such licensed area.

The Company's operating strategy has been to (i) construct and commence operations with high quality systems and extensive coverage in rural areas with its cellular systems and in urban areas with its PCS systems; (ii) continue to expand its operations through increased subscriber growth and usage; (iii) utilize its centralized management and back office functions to support the needs of its cellular and PCS subscribers, thereby further improving operating efficiencies and generating greater economies of scale; and (iv) selectively acquire cellular and PCS properties primarily in contiguous markets. The Company is implementing its strategy by continuing to build its PCS systems, offering a wide range of products and services at competitive prices, continually upgrading the quality of its network, establishing strong brand recognition, creating a strong sales and marketing program tailored to local markets and providing a superior level of customer service.

The Company plans to continue to take advantage of opportunities to enter new markets at a relatively low cost, including international ventures.

The Wireless Communications Industry

Overview

Wireless communications systems use a variety of radio frequencies to transmit voice and data. Broadly defined, the wireless communications industry includes one-way radio applications, such as paging or beeper services, and two-way radio applications, such as cellular, PCS and Enhanced Specialized Mobilized Radio ("ESMR") networks. Historically, each application has been licensed and operates in a distinct radio frequency block.

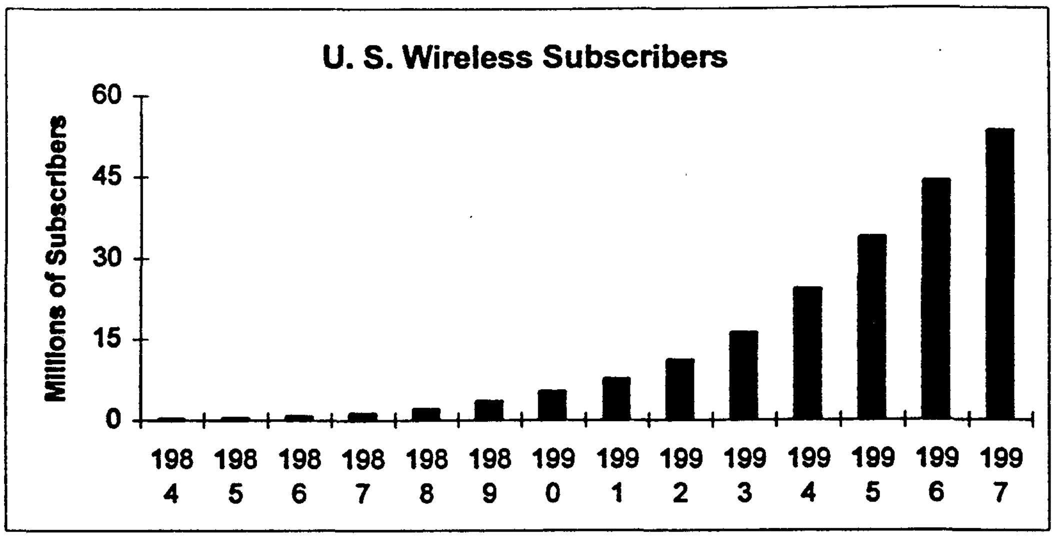
Since its introduction in 1983, wireless service has grown dramatically. As of June 30, 1997, according to Cellular Telecommunications Industry Association ("CTIA") there were over 48.7 million wireless subscribers in the United States, representing a penetration rate of 18% and a growth of 10.6% from December 31, 1996.

The following table sets forth certain domestic wireless industry statistics derived from the data survey results published semi-annually by CTIA:

	Year Ended December 31,				
	1993	1994	1995	1996	1997
Total Service Revenues (in billions)	$ 10.9	$ 14.2	$ 19.0	$ 23.6	$ 27.6
Ending Wireless Subscribers (in millions)	16.0	24.1	33.8	44.0	53.4
Subscriber Growth	45.1%	50.8%	40.0%	30.4%	21.4%
Average Monthly Service Revenue per Subscriber	$ 67.13	$ 59.08	$ 54.90	$ 50.61	$ 47.23
Average Monthly Subscriber Revenue per Subscriber	$ 58.74	$ 51.48	$ 47.59	$ 44.66	$ 42.09
Ending Penetration	6.2%	9.4%	13.0%	17.0%	19.6%

These statistics represent results for the industry as a whole. Average Monthly Service Revenue per Subscriber reflects per subscriber revenue including roaming revenue, and Average Monthly Subscriber Revenue per Subscriber reflects per subscriber revenue excluding roaming revenue.

The following chart illustrates the growth in United States wireless subscribers through December 31, 1997 (subscribers at December 31, 1997, were derived from the data survey results published semi-annually by CTIA):



Source: Cellular Telecommunications Industry Association

In the wireless communications industry, there are two principal services licensed by the FCC for transmitting voice and data signals, "cellular services" and "PCS." Cellular service is the predominant form of wireless voice communications service currently available. The FCC has made available for cellular service a portion of the radio spectrum from 830-870 MHz. Cellular service is capable of providing high quality, high capacity service to and from mobile, portable and stationary telephones. Cellular handsets are affordable and easy to use and offer important benefits to both business and residential consumers. Fully equipped, multi-cell cellular systems are capable of handling thousands of calls at any given time and thus are capable of providing service to hundreds of thousands of subscribers in a given market. See "—Products and Services."

Cellular systems are primarily analog based systems, although digital technology has been introduced in certain markets. Analog technology currently has several limitations, including lack of privacy and limited capacity. Digital systems convert voice or data signals into a stream of digits that is compressed before transmission, enabling a single radio channel to carry multiple simultaneous signal transmissions. This enhanced capacity, along with improvements in digital signaling, allows digital-based wireless technologies to offer new and enhanced services, such as greater call privacy, and robust data transmission features, such as "mobile office" applications (including facsimile, electronic mail and wireless connections to computer/data networks, including the Internet). See "—Operation of Wireless Communications Systems."

PCS is a term commonly used in the United States to describe a portion of radio spectrum (1850-1990 MHz). PCS spectrum was auctioned by the FCC beginning with the A and B Blocks, which were auctioned by the FCC in late 1994 and 1995. In late 1995 and in 1996 the C Block was auctioned and the FCC concluded simultaneous auctions of the D, E and F Blocks in 1997. This portion of radio spectrum is to be used by PCS licensees to provide wireless communications services. PCS competes directly with existing cellular telephone, paging and specialized mobile radio services. PCS also includes features that are not generally offered by cellular providers, such as data transmissions to and from portable computers, advanced paging services and facsimile services. In addition, wireless providers may offer mass market wireless local loop applications in competition with wired local communications services. See "—Governmental Regulation" for a discussion of the FCC auction process and allocation of wireless licenses.

The Company, and the wireless communications industry in general, have historically experienced significant subscriber growth during the fourth calendar quarter. The Company has historically experienced highest usage and revenue per subscriber during the summer months. The Company expects these trends to continue.

Operation of Wireless Communications Systems

Wireless communications system service areas, whether cellular or PCS, are divided into multiple cells. Due to the frequencies in which they operate, cellular cells generally have a wider transmission radius than PCS cells. In both cellular and PCS systems, each cell contains a transmitter, a receiver and signaling equipment (the "Cell Site"). The Cell Site is connected by microwave or landline telephone lines to a switch that uses computers to control the operation of the cellular communications system for the entire service area. The system controls the transfer of calls from cell to cell as a subscriber's handset travels, coordinates calls to and from handsets, allocates calls among the cells within the system and connects calls to the local landline telephone system or to a long distance telephone carrier. Wireless communications providers establish interconnection agreements with local exchange carriers and interexchange carriers, thereby integrating their system with the existing landline communications system.

Because the signal strength of a transmission between a handset and a Cell Site declines as the handset moves away from the Cell Site, the switching office and the Cell Site monitor the signal strength of calls in progress. When the signal strength of a call declines to a predetermined level, the switching office may "hand off" the call to another Cell Site where the signal strength is stronger. If a handset leaves the service area of a cellular or PCS system, the call is disconnected unless there is a technical connection with the adjacent system.

Analog cellular handsets are functionally compatible with cellular systems in all markets within the United States. As a result, analog cellular handsets may be used wherever a subscriber is located, as long as a cellular system is operational in the area. Cellular system operators normally agree to provide service to subscribers from other cellular systems who are temporarily located in or traveling through their service areas. Agreements among system operators provide that the carrier that normally provides services to the roaming subscriber pays the serving carrier at rates prescribed by the serving carrier.

Although PCS and cellular systems utilize similar technologies and hardware, they operate on different frequencies and use different technical and network standards. As a result, and as discussed further below, it is often not possible for users of one type of system to "roam" on a different type of system outside of their service area, or to hand off calls from one type of system to another. This is also true for PCS subscribers seeking to roam in a PCS service area served by operators using different technical standards.

PCS systems operate under one of three principal digital signal transmission technologies, or standards, that have been proposed by various operators and vendors for use in PCS systems: GSM, Code Division Multiple Access ("CDMA") or Time Division Multiple Access ("TDMA"). GSM and TDMA are both "time division-based" standards but are incompatible with each other and with CDMA. Accordingly, a subscriber of a system that utilizes GSM technology is currently unable to use a GSM handset when traveling in an area not served by GSM-based PCS operators, unless the subscriber carries a dual-mode handset that permits the subscriber to use the analog cellular system in that area.

Cellular Operations

The Company operates cellular systems in 72 RSAs and 16 smaller MSAs, and generally owns 100% of each of its cellular licenses. In these rural and small urban markets, the Company's cellular systems cover large geographic areas with relatively few Cell Sites, incorporating cost efficient technology.

The Company's experience is that several inherent attributes of RSAs and small MSAs make such markets attractive. Such attributes include high subscriber growth rates, population bases of customers with substantial needs for wireless communications, the ability to cover larger geographic areas with fewer Cell Sites than is possible in urban areas, less intense competitive environments and less vulnerability to PCS competition.

See the financial results of the Company's cellular operations in the footnotes to the consolidated financial statements located in Part II of the Form 10-K.

Cellular Markets and Systems

The Company owns FCC licenses to provide wireless cellular communications services in 88 separate markets. The Company's pops by cellular market are as follows.

Cellular Markets (1)	Population (2)	Ownership Percentage	The Company's Population (2)
California			
Mono (CA-6)	29,000	100	29,000
California Total	29,000		29,000
Colorado			
Pueblo	134,000	100	134,000
Elbert (CO-5)	34,000	100	34,000
Saguache (CO-7)	50,000	100	50,000
Kiowa (CO-8)	48,000	100	48,000
Costilla (CO-9)	30,000	100	30,000
Colorado Total	296,000		296,000
Idaho			
Idaho (ID-2) (3)	80,000	100	80,000
Idaho Total	80,000		80,000
Iowa			
Sioux City	123,000	100	123,000
Monona (IA-8)	55,000	100	55,000
Iowa Total	178,000		178,000
Kansas			
Jewell (KS-3)	54,000	100	54,000
Marshall (KS-4)	137,000	100	137,000
Ellsworth (KS-8)	131,000	100	131,000
Morris (KS-9)	59,000	100	59,000
Franklin (KS-10)	110,000	100	110,000
Reno (KS-14)	177,000	100	177,000
Kansas Total	668,000		668,000
Minnesota			
Kittson (MN-1)	49,000	100	49,000
Lake of the Woods (MN-2-A1)	26,000	100	26,000
Chippewa (MN-7)	172,000	100	172,000
Lac qui Parie (MN-8)	68,000	100	68,000
Pipestone (MN-9)	133,000	100	133,000
Minnesota Total	448,000		448,000
Missouri			
Bates (MO-9)	81,000	100	81,000
Missouri Total	81,000		81,000
Montana			
Billings	131,000	98	128,000
Great Falls	82,000	100	82,000
Lincoln (MT-1)	158,000	100	158,000
Toole (MT-2)	37,000	100	37,000
Malta (MT-3)	16,000	100	16,000
Daniels (MT-4)	41,000	100	41,000
Mineral (MT-5)	194,000	100	194,000
Deer Lodge (MT-6)	66,000	100	66,000
Fergus (MT-7)	31,000	100	31,000
Beaverhead (MT-8)	96,000	100	96,000
Carbon (MT-9)	34,000	100	34,000
Prairie (MT-10)	20,000	100	20,000
Montana Total	906,000		903,000

Cellular Markets (1)	Population (2)	Ownership Percentage	The Company's Population (2)
Nevada			
Humbolt (NV-1)	44,000	100	44,000
Lander (NV-2)	50,000	100	50,000
Mineral (NV-4)	38,000	100	38,000
White Pine (NV-5)	14,000	100	14,000
Nevada Total	146,000		146,000
New Mexico			
Lincoln (NM-6)	255,000	100	255,000
New Mexico Total	255,000		255,000
North Dakota			
Bismarck	95,000	100	95,000
Fargo	171,000	100	171,000
Grand Forks	106,000	100	106,000
Divide (ND-1)	106,000	100	106,000
Bottineau (ND-2)	62,000	100	62,000
McKenzie (ND-4)	63,000	100	63,000
Kidder (ND-5)	48,000	100	48,000
North Dakota Total	651,000		651,000
Oklahoma			
Beckham (OK-7)	133,000	100	133,000
Jackson (OK-8)	99,000	100	99,000
Oklahoma Total	232,000		232,000
South Dakota			
Rapid City	114,000	100	114,000
Sioux Falls	142,000	99	141,000
Harding (SD-1)	38,000	100	38,000
Corson (SD-2)	23,000	100	23,000
McPherson (SD-3)	54,000	100	54,000
Marshall (SD-4)	71,000	100	71,000
Custer (SD-5)	27,000	100	27,000
Haakon (SD-6)	41,000	100	41,000
Sully (SD-7)	67,000	100	67,000
Kingsbury (SD-8)	74,000	100	74,000
Harrison (SD-9)	100,000	100	100,000
South Dakota Total	751,000		750,000
Texas			
Abilene	157,000	100	157,000
Lubbock	237,000	100	237,000
Midland	121,000	96	116,000
Odessa	125,000	96	120,000
San Angelo	103,000	100	103,000
Dallam (TX-1)	56,000	100	56,000
Hansford (TX-2)	89,000	100	89,000
Parmer (TX-3)	139,000	100	139,000
Briscoe (TX-4)	40,000	100	40,000
Hardeman (TX-5)	77,000	100	77,000
Gaines (TX-8)	136,000	100	136,000
Hudspeth (TX-12)	27,000	100	27,000
Reeves (TX-13)	33,000	100	33,000
Loving (TX-14)	45,000	100	45,000
Texas Total	1,385,000		1,375,000

Cellular Markets (1)	Population (2)	Ownership Percentage	The Company's Population (2)	Cellular Markets (1)	Population (2)	Ownership Percentage	The Company's Population (2)
Nebraska				*Utah*			
Lincoln	237,000	100	237,000	Juab (UT-3)	58,000	100	58,000
Cherry (NE-2)	31,000	100	31,000	Beaver (UT-4)	119,000	100	119,000
Knox (NE-3)	120,000	100	120,000	Piute (UT-6)	30,000	100	30,000
Grant (NE-4)	36,000	100	36,000	Utah Total	207,000		207,000
Columbus (NE-5) (4)	149,000	100	149,000				
Keith (NE-6)	110,000	100	110,000	*Wyoming*			
Hall (NE-7)	94,000	100	94,000	Casper	66,000	100	66,000
Chase (NE-8)	58,000	100	58,000	Sheridan (WY-2)	80,000	100	80,000
Adams (NE-9)	82,000	100	82,000	Douglas (WY-5)	13,000	49	6,000
Cass (NE-10)	88,000	100	88,000	*Wyoming Total*	159,000		152,000
Nebraska Total	1,005,000		1,005,000				
				Cellular Total	7,477,000		7,456,000

(1) Excludes two markets containing a population of 226,000 in which the Company operates under an Interim Operating Authority ("IOA").

(2) Estimated 1998 populations are based on 1997 estimates by Equifax adjusted by the Company by a growth factor based upon Equifax's growth factors from 1995 to 1997.

(3) The population for Idaho 2 includes 5,000 persons in Idaho 3 which the Company has construction permits to build Cell Sites under its Idaho 2 license.

(4) The Company has entered into a definitive purchase agreement for this market. The transaction is expected to close during the third quarter of 1998. The Company previously operated this market under an IOA.

PCS Operations

The Company owns 111 PCS licenses, covering approximately 64.2 million persons. The Company operates PCS systems in the Honolulu, Salt Lake City, El Paso/Albuquerque, Portland, Oklahoma City, Des Moines/Quad Cities and Denver MTAs, and is constructing the initial phase of its PCS systems in the Seattle, Phoenix and Tucson BTAs. The Company has not yet finalized its construction plans for all of the licenses purchased in the D and E Block auctions. Cook Inlet PCS provides service in the Tulsa, Oklahoma BTA utilizing the VoiceStream brand name. Through joint ventures, PCS services are offered or will be offered under the VoiceStream brand name in the Wichita, Kansas BTA and certain BTAs in Iowa.

The Company believes its PCS service offerings are broader than those generally offered by cellular systems in the Company's PCS markets. PCS service offerings initially include [illegible] the services typically provided by cellular systems, as well as paging, caller identification, text messaging, smart cards, voice mail, over-the-air activation and over-the-air subscriber profile management.

The Company's goal is to achieve significant market penetration by aggressively marketing competitively priced PCS services under its proprietary VoiceStream brand name, offering enhanced services not generally provided by cellular operators and providing superior customer service. In addition, the Company is structured to be a low-cost provider of PCS services by taking advantage of the existing business infrastructure and business experience established in connection with its cellular operations, including centralized management, marketing, billing and customer service functions, and by focusing on efficient customer acquisition and retention. See "—Products and Services."

The Company's experience is that PCS technology is better suited to urban areas than rural areas and has cost advantages relative to cellular technology in urban areas. PCS Cell Sites operate at a higher frequency and lower power than cellular Cell Sites and, therefore, typically have a smaller coverage area. Unlike rural areas, wireless systems in urban areas require substantial frequency "reuse" to provide high capacity. The coverage advantage that cellular frequencies and analog technology enjoy in rural areas is not present in urban areas because analog cellular technology does not provide efficient frequency reuse. As a result, the higher frequency, lower power, digital PCS systems are likely to provide greater capacity in urban areas.

The Company has selected GSM as the digital standard for its PCS system because the Company believes it has significant advantages over the other competing digital standards, including the experience of years of proven operability in Europe and Asia, enhanced features and an open system architecture that will allow the Company to choose from a variety of equipment options and providers. GSM is the leading digital wireless standard in the world, with over 66 million customers in 109 countries.

The Company has entered into roaming agreements or letters of intent with substantially all of the licensees which have chosen to deploy the GSM standard in their PCS markets in the United States which will provide for roaming by the Company's PCS subscribers into these carriers' PCS markets, and vice versa, when such systems are operational. The Company also has over 70 reciprocal roaming agreements or letters of intent with a variety of international carriers who have chosen to deploy the GSM standard. The Company anticipates entering into similar agreements with other domestic and international carriers who deploy the GSM standard and with other cellular carriers.

See the financial results of the Company's PCS operations in the footnotes to the consolidated financial statements located in Part II of the Form 10-K.

PCS Markets and Systems

The Company owns 111 FCC licenses to provide wireless PCS communications services in the markets listed below. The MTA licenses owned by the Company are 30 MHz blocks in the A and B Blocks and the BTA licenses are 10 MHz blocks in the D and E Blocks. See—"Governmental Regulation - Licensing of PCS Systems."

PCS MTA Markets	PCS BTA Markets	Population(1)
Honolulu		1,198,000
Portland		3,561,000
Salt Lake City		3,120,000
	St. George	130,000
Denver		4,641,000
El Paso/Albuquerque		2,540,000
Oklahoma City		2,009,000
	Enid	87,000
	Oklahoma City	1,416,000
	Ponca City	47,000
	Stillwater	77,000
Des Moines/Quad Cities (2) (4)		3,124,000
Seattle		
	Seattle-Tacoma	2,988,000
	Olympia-Centralia	323,000
Phoenix		
	Phoenix	3,013,000
	Tucson	812,000
	Yuma	142,000
	Prescott	149,000
	Flagstaff	115,000
	Sierra Vista-Douglas	117,000
	Nogales	39,000
San Antonio		
	San Antonio	1,783,000
	Corpus Christi	559,000
	McAllen	582,000
	Brownsville-Harlingen	352,000
	Laredo	213,000

PCS MTA Markets	PCS BTA Markets	Population(1)
San Francisco		
	San Francisco	6,843,000
Spokane		
	Billings	325,000
	Great Falls	167,000
	Walla Walla-Pendleton	168,000
	Kennewick-Pasco-Richland	188,000
	Missoula	171,000
	Lewiston-Moscow	124,000
	Butte	68,000
	Bozeman	80,000
	Kalispell	75,000
	Helena	69,000
Wichita		
	Wichita	637,000
	Salina	147,000
	Hutchinson	127,000
Tulsa		
	Coffeyville	63,000
Omaha		
	Lincoln	335,000
	Grand Island-Kearney	149,000
	Norfolk	115,000
	North Platte	86,000
	Hastings	74,000
	McCook	35,000
Kansas City		
	Manhattan-Junction City	124,000

PCS MTA Markets	PCS BTA Markets	Population(1)
Dallas		
	Austin	1,171,000
	Amarillo	399,000
	Abilene	261,000
	Odessa (3)	220,000
	San Angelo	164,000
	Midland (3)	126,000
	Paris	92,000
	Clovis	81,000
	Brownwood	63,000
	Hobbs	58,000
	Big Spring	35,000
	Lubbock	405,000
St. Louis		
	St. Louis	2,852,000
	Carbondale-Marion	218,000
	Columbia	208,000
	Cape Girardeau-Sikeston	188,000
	Quincy-Hannibal	182,000
	Poplar Bluff	154,000
	Jefferson City	154,000
	Mount Vernon-Centralia	125,000
	Rolla	93,000
	West Plains	77,000
	Kirksville	57,000
Milwaukee		
	Milwaukee	1,808,000
Cleveland		
	Cleveland-Akron	2,968,000
	Canton-New Philadelphia	533,000
	Youngstown-Warren	487,000
	Erie	280,000
	Mansfield	230,000
	Sandusky	139,000
	Sharon	122,000
	East Liverpool-Salem	113,000
	Ashtabula	104,000
	Meadville	91,000

PCS MTA Markets	PCS BTA Markets	Population(1)
Minneapolis		
	Fargo	314,000
	Grand Forks	214,000
	Sioux Falls	233,000
	Bismarck	131,000
	Aberdeen	88,000
	Mitchell	85,000
	Watertown	78,000
	Bemidji	64,000
	Huron	55,000
	Willmar-Marshall	83,000
	Worthington	96,000
Chicago		
	Jacksonville	71,000
Little Rock		
	Little Rock	944,000
	Fort Smith	315,000
	Fayetteville-Springdale-Rogers	292,000
	Jonesboro-Paragould	176,000
	Pine Bluff	151,000
	Hot Springs	136,000
	Russellville	96,000
	Harrison	90,000
Cincinnati		
	Dayton-Springfield	1,225,000
Richmond		
	Norfolk-VA Beach	1,761,000
	Richmond-Petersburg	1,179,000
	Danville	168,000
	Lynchburg	157,000
	Staunton-Waynesboro	106,000
	Martinsville	88,000
	PCS Total (5)	64,204,000

(1) Estimated 1998 populations are based on 1997 estimates by Equifax adjusted by the Company by a growth factor based upon Equifax's growth factors from 1995 to 1997.
(2) "Quad Cities" refers to the cities of Moline and Rock Island, Illinois, and Bettendorf and Davenport, Iowa.
(3) The Company was the high bidder on two 10 MHz licenses in these BTAs.
(4) The Company owns a license for the Des Moines/Quad Cities MTA consisting of the following: 30 MHz in seven urban counties within the Des Moines BTA, which is part of the Des Moines/Quad Cities MTA, and 10 MHz in all the other counties within the Des Moines/Quad Cities MTA. The Company contributed the other 20 MHz in the Des Moines/Quad Cities MTA to a joint venture that will operate such markets utilizing the VoiceStream brand name. The population of the markets to be served by this joint venture is 2,556,000.
(5) Total PCS pops reflected here are net of the Oklahoma BTA markets which overlap the Oklahoma MTA markets and the Salt Lake City BTA markets which overlap the Salt Lake City MTA markets.

Cook Inlet PCS is a Delaware limited partnership ultimately controlled by Cook Inlet Region, Inc., an Alaska Native Regional Corporation, which qualifies Cook Inlet PCS for additional benefits available to a small business. The Company has a 49.9% partnership interest in Cook Inlet PCS. Cook Inlet PCS began operations in the Tulsa BTA in June of 1997. Cook Inlet PCS has not yet finalized its construction plans for the other licenses it owns.

Cook Inlet PCS owns FCC licenses to provide wireless PCS communications services in 21 separate BTA markets. The licenses owned by Cook Inlet PCS are 30 MHz blocks in the C Block except as noted below. See —"Governmental Regulation - Licensing of PCS Systems."

PCS MTA Markets	PCS BTA Markets	Population (1)
Seattle		
	Seattle-Tacoma (2)	2,988,000
	Yakima	249,000
	Bremerton	239,000
	Wenatchee	199,000
	Aberdeen	89,000
	Port Angeles	89,000
	Bellingham (2)	155,000
Spokane		
	Spokane	729,000
	Walla Walla-Pendleton	168,000
Phoenix		
	Phoenix (2)	3,013,000
	Tucson (2)	812,000
Dallas		
	Temple-Killeen (2)	361,000
	Wichita Falls	216,000
	Sherman-Denison	162,000
Tulsa		
	Tulsa	905,000
	Muskogee	161,000
	Coffeyville	63,000
	Bartlesville	47,000
Kansas City		
	Pittsburg-Parsons (2)	92,000
Minneapolis		
	Worthington (3)	96,000
Cincinnati		
	Cincinnati (2)	2,136,000
	Total	12,969,000

(1) Estimated 1998 populations are based on 1997 estimates by Equifax adjusted by the Company by a growth factor based upon Equifax's growth factors from 1995 to 1997.

(2) Represents a 10 MHz license obtained in the F Block auctions. See —"Governmental Regulation - Licensing of PCS Systems."

(3) Cook Inlet PCS has entered into an agreement to sell this license to a third party. This transaction is anticipated to close during the second quarter of 1998.

Products and Services

The Company provides a variety of wireless products and services designed to match a range of needs for business and personal use.

Cellular

The Company offers its subscribers high quality cellular communications, as well as several custom calling services, such as call forwarding, call waiting, conference calling, voice message storage and retrieval and no-answer transfer. In addition, all subscribers can access local government emergency services from their cellular handsets (with no air time charge) by dialing 911. The Company will continue to evaluate new products and services that may be complementary to its wireless operations. The Company has designed several pricing options to meet the varied needs of its customer base. Most options consist of a fixed monthly charge (with varying allotments of included minutes, in some cases), plus additional variable charges per minute of use. In addition, in most cases the Company separately charges for its custom calling features.

The Company provides extended regional and national service to cellular subscribers in its markets, through its membership in North American Cellular Network ("NACN") and other regional networking arrangements, thereby allowing them to make and receive calls while in other cellular service areas without dialing special access codes. NACN is the largest wireless telephone network system in the world, linking non-wireline cellular operators throughout the United States, Canada, Puerto Rico and the Virgin Islands. The Company also has special roaming arrangements with certain cellular carriers in areas adjacent to the Company's markets that provide the Company's customers attractive rates when roaming in these surrounding areas.

PCS

The Company currently offers several distinct services and features in its PCS systems, including:

Enhanced Features—The Company's PCS systems offer caller identification, call hold, voice mail and numeric paging, as well as custom calling features such as call waiting, conference calling and call forwarding.

Messaging and Wireless Data Transmission—Digital networks offer voice and data communications, including text messaging, through a single handset. The Company believes that, as data transmission services develop, a number of uses for such services will emerge.

Call Security and Privacy—Sophisticated encryption algorithms provide increased call security, encouraging users to make private, business and personal calls with significantly lower risk of eavesdropping than on analog-based systems.

Smart Card—"Smart" cards, programmed with the user's billing information and a specified service package, allow subscribers to obtain PCS connectivity automatically, simply by inserting their smart cards into compatible PCS handsets.

Over-the-Air Activation and Over-the-Air Subscriber Profile Management—The Company is able to transmit changes in the subscriber's feature package, including mobile number assignment and personal directory numbers, directly to the subscriber's handset.

Extended Battery Performance—Digital handsets are capable of entering into a "sleep" mode when not in use, significantly extending the handset's battery performance. In addition, because the Company's PCS systems utilize tightly spaced, low power transmitters, less power is required to transmit calls, thereby further extending battery performance.

Roaming—Subscribers are able to roam in substantial portions of the United States, either on other GSM-based PCS systems operated by current licensees or by using dual-mode handsets that can be used on existing cellular systems. The Company has entered into roaming agreements which allow its PCS customers to roam on cellular systems. The Company has been advised by the manufacturers of dual-mode handsets that such handsets will be commercially available in significant quantities in the first half of 1998 and it has entered into agreements with suppliers to acquire dual-mode handsets when available.

Marketing, Sales and Customer Service

The Company's sales and marketing strategy is to generate continued net subscriber growth and increased subscriber revenues. In addition, the Company targets a customer base which it believes is likely to generate higher monthly service revenues, while attempting to achieve a low cost of adding new subscribers. The Company markets its services under nationally recognized and proprietary brand names, and sells its products and services through a combination of direct and indirect distribution channels.

Marketing

The Company markets its cellular products and services in all markets principally under the name CELLULAR ONE. CELLULAR ONE, the first national brand name in the cellular industry, is currently utilized by a national coalition of cellular licensees in the 50 states with a combined estimated population of over 191 million. The national advertising campaign conducted by the Cellular One Group enhances the Company's advertising exposure at a lesser cost than what could be achieved by the Company alone.

The Company markets its PCS products and services under its proprietary VoiceStream brand name. The Company's objective is to develop brand recognition of VoiceStream through substantial advertising and direct marketing in each of its PCS markets. In marketing its PCS services, the Company intends to emphasize the enhanced features, privacy and competitive pricing of such services. Initially, the Company intends to concentrate its PCS marketing efforts primarily on businesses and individuals "on-the-go," which would benefit from integrated mobile voice, messaging and wireless data transmission capabilities, and subscribers with substantial needs for wireless communications, who would benefit from enhanced features and services.

Sales

The Company sells its products and services through a combination of direct and indirect channels. The Company operates 234 local sales offices (which also serve as retail sales locations), including 149 under the CELLULAR ONE brand name, 14 under the CelluarOne Express brand name and 71 under the VoiceStream brand name, and utilizes a direct sales force of over 1,150 persons based out of these offices, who are trained to educate new customers on the features of its products. Sales commissions generally are linked both to subscriber revenue and subscriber retention, as well as activation levels.

The Company believes that its local sales offices provide the physical presence in local markets necessary to position the Company as a quality local service provider, and give the Company greater control over both its costs and the sales process. The Company also utilizes indirect sales through an extensive network of national and local merchant and specialty retailers. The Company intends to continue to use a combination of direct and indirect sales channels, with the mix depending on the demographics of each particular market.

In addition, the Company acts as a retail distributor of handsets and maintains inventories of handsets. Although subscribers generally are responsible for purchasing or otherwise obtaining their own handsets, the Company has historically sold handsets below cost to respond to competition and in accordance with general industry practice.

Customer Service

Customer service is a significant element of the Company's operating philosophy. The Company is committed to attracting and retaining subscribers by providing consistently superior customer service. At its headquarters in Issaquah, Washington, the Company maintains a highly sophisticated monitoring and control system, a staff of customer service personnel and a well-trained technical staff to handle both routine and complex questions as they arise, 24 hours a day, 365 days a year.

The Company implements credit check procedures at the time of sale and continuously monitors customer churn (the rate of subscriber attrition). The Company believes that it helps manage its churn through an outreach program by its sales force and customer service personnel. This program not only enhances subscriber loyalty, but also increases add-on sales and customer referrals. The outreach program allows the sales staff to check customer satisfaction, as well as to offer additional calling features, such as voice mail, call waiting and call forwarding.

The Company opened a customer call center in Albuquerque, New Mexico, during the second half of 1997. This facility, along with the Company's customer call center in Issaquah, Washington, will support the Company's current cellular and PCS customers and will be able to support the Company's expected subscriber growth for the foreseeable future. As these customer call centers are in different regions of the country, they will also provide backup for one another in case of natural disaster, which will allow the Company to maintain continuous customer service.

Suppliers and Equipment Vendors

The Company does not manufacture any of the handsets or Cell Site equipment used in the Company's operations. The high degree of compatibility among different manufacturer's models of handsets and Cell Site equipment allows the Company to design, supply and operate its systems without being dependent upon any single source of such equipment. The handsets and Cell Site equipment used in the Company's operations are available for purchase from multiple sources, and the Company anticipates that such equipment will continue to be available in the foreseeable future. The Company currently purchases handsets primarily from Motorola, Inc., Ericsson Inc. and Nokia Telecommunications, Inc. The Company currently purchases Cell Site and switching equipment primarily from Northern Telecom, Inc., Lucent Technologies, Inc. and Nokia Telecommunications, Inc.

Competition

Competition for subscribers among wireless licensees is based principally upon the services and features offered, the technical quality of the wireless system, customer service, system coverage, capacity and price. Such competition may increase to the extent that licenses are transferred from smaller, stand-alone operators to larger, better capitalized and more experienced wireless communications operators who may be able to offer subscribers certain network advantages similar to those offered by the Company.

Under current FCC rules, there may be up to six PCS licenses in each geographic area in addition to the two existing cellular licenses. Also, the FCC has licensed Specialized Mobile Radio ("SMR") dispatch system operators to construct digital mobile communications systems on existing SMR frequencies, referred to as Enhanced Specialized Mobile Radio ("ESMR"), in many cities throughout the United States, including some of the markets in which the Company operates. The Company has one cellular competitor in each of its cellular markets including AirTouch Cellular Communications, Inc. ("AirTouch"), Aliant Communications, Inc., CommNet Cellular Inc., Kansas Cellular, Southwestern Bell Mobile Systems and United States Cellular Corporation ("US Cellular"), and there may be as many as six PCS licensees in each of its markets. Currently, the Company's principal competitors in its PCS business are PCS PrimeCo L.P., Sprint Spectrum L.P., and AT&T Wireless Services Inc. ("AT&T Wireless"), as well as the two existing cellular providers in its PCS markets. ESMR systems, including those operated by Nextel Communications, Inc., are competitive with the Company's cellular and PCS systems. The Company also competes with paging, dispatch and conventional mobile telephone companies, resellers and landline telephone service providers in its cellular and PCS markets. Potential users of cellular systems may, however, find their communications needs satisfied by other current and developing technologies. One or two-way paging or beeper services that feature voice messaging and data display as well as tone only service may be adequate for potential subscribers who do not need to speak to the caller. In the future, cellular service may also compete more directly with traditional landline telephone service providers.

The Company's PCS business directly competes with existing cellular service providers in its PCS markets, many of which have been operational for a number of years and have significantly greater financial and technical resources than those available to the Company and who may upgrade their systems to provide comparable services in competition with the Company's PCS systems. These cellular competitors include AT&T Wireless, AirTouch and US Cellular.

The FCC requires all cellular and PCS licensees to provide service to "resellers." A reseller provides wireless service to customers but does not hold an FCC license or own facilities. Instead, the reseller buys blocks of wireless telephone numbers and capacity from a licensed carrier and resells service through its own distribution network to the public. Thus, a reseller is both a customer of a wireless licensee's services and also a competitor of that licensee. Several small resellers currently operate in competition with the Company's systems. With respect to PCS licensees, the resale obligations terminate five years after the last group of initial licenses of currently allotted PCS spectrum is awarded.

In the future, the Company expects to face increased competition from entities providing similar services using other communications technologies, including satellite-based telecommunications systems. While some of these technologies and services are currently operational, others are being developed or may be developed in the future.

The Company recognizes that technological advances and changing regulations have led to rapid evolution of the wireless telecommunications industry. At the end of 1996, the FCC, as required by the Omnibus Budget Reconciliation Act of 1993, transferred 200 MHz of spectrum previously allocated to Federal Government use to the private sector. In April of 1997, the FCC auctioned 30 MHz of spectrum for Wireless Communications Services, which can provide fixed or mobile telecommunications service. In late 1997, the FCC also auctioned 10 MHz of spectrum for Specialized Mobile Radio service, another potential competitor with PCS and cellular service. Moreover, in 1998, the FCC commenced the auction of more than 1000 MHz of spectrum for the Local Multipoint Distribution Service, in which the Company is participating. It also plans 1998 to auction in 25 MHz of spectrum for the General Wireless Communications Service, plus additional spectrum in the 220 MHz and 39 GHz bands. The Company cannot foresee how technological progress or economic incentive will affect competition from these new services. In all instances, the FCC reserves the right to amend or repeal its service regulations and auction schedule.

Governmental Regulation

The FCC regulates the licensing, construction, operation, acquisition and sale of cellular and PCS systems in the United States pursuant to the Communications Act of 1934 (the "Communications Act"), as amended from time to time, and the rules, regulations and policies promulgated by the FCC thereunder.

Licensing of Cellular Communications Systems

A cellular communications system operates under a protected geographic service area license granted by the FCC for a particular market on one of two frequency blocks allocated for cellular service. One license for each market was initially awarded to a company or group that was affiliated with a local landline telephone carrier in such market and is called the wireline or "B" band license and the other license is called the non-wireline or "A" band license. Following notice of completion of construction, a cellular operator obtains initial operating authority. Cellular authorizations are generally issued for a 10-year term beginning on the date of the initial notification of construction by a cellular carrier. Under FCC rules, the authorized service area of a cellular provider in each of its markets is referred to as the Cellular Geographic Service Area or CGSA. A cellular licensee has the exclusive right to serve the entire area that falls within the licensee's MSA or RSA for a period of five years after grant of the licensee's construction permit. At the end of the five-year period, however, the licensee's exclusive CGSA rights become limited to the area actually served by the licensee as of that time, as determined pursuant to a formula adopted by the FCC. After the five-year period any entity may apply to serve portions of the MSA or RSA not being served by the licensee. The five year exclusivity period has expired for most licensees and parties have filed unserved area applications, including some in the Company's markets.

Near the conclusion of the 10-year license term, licensees must file applications for renewal of licenses. The FCC has adopted specific standards to apply to cellular renewals, under which standard the FCC will award a renewal expectancy to a cellular licensee that (i) has provided substantial service during its past license term and (ii) has substantially complied with applicable FCC rules and policies and the Communications Act. Violations of the Communications Act or the FCC's rules could result in license revocations, forfeitures or fines. The Company has approximately 35 cellular licenses which will be subject to renewal in the next three years. While the Company believes that each of its cellular licenses will be renewed, there can be no assurance that all of the licenses will be renewed.

Cellular radio service providers must also satisfy a variety of FCC requirements relating to technical and reporting matters. One such requirement is the coordination of proposed frequency usage with adjacent cellular users, permittees and licensees in order to avoid electrical interference between adjacent systems. In addition, the height and power of base station transmitting facilities and the type of signals they emit must fall within specified parameters. The FCC has also provided guidelines respecting cellular service resale and roaming practices and the terms under which certain ancillary services may be provided through cellular facilities.

Cellular and PCS systems are subject to certain FAA regulations respecting the location, lighting and construction of transmitter towers and antennae and may be subject to regulation under the National Environmental Policy Act and the environmental regulations of the FCC. State or local zoning and land use regulations also apply to the Company's activities. The Company uses, among other facilities, common carrier point to point microwave facilities to connect Cell Sites and to link them to the main switching office. These facilities are separately licensed by the FCC and are subject to regulation as to technical parameters and service.

The Communications Act preempts state and local regulation of the entry of, or the rates charged by, any provider of commercial mobile radio service ("CMRS") or any private mobile radio service ("PMRS"), which CMRS includes cellular (and PCS) service.

Transfers and Assignments of Cellular Licenses

The Communications Act and FCC rules require the FCC's prior approval of the assignment or transfer of control of a construction permit or license for a cellular system (proforma transfer of control does not require prior FCC approval). Subject to FCC approval, a license or permit may be transferred from a nonwireline entity to a wireline entity, or vice versa. Non-controlling interests in an entity that holds a cellular license or cellular system generally may be bought or sold without prior FCC approval. Any acquisition or sale by the Company of cellular interests may also require the prior approval of the Federal Trade Commission and the Department of Justice, if over a certain size, as well as any state or local regulatory authorities having competent jurisdiction.

In addition, the FCC's rules prohibit the alienation of any ownership interest in an RSA application, or an entity holding such an application, prior to the grant of a construction permit. For unserved cellular areas, no change of control may take place until after the FCC has granted both a construction permit and a license and the licensee has provided service to the public for at least one year. These restrictions affect the ability of prospective purchasers, including the Company, to enter into agreements for RSA and unserved area acquisitions prior to the lapse of the applicable transfer restriction periods. The restriction on sales of interests in RSA and unserved area applications and on agreements for such sales should not have a greater effect on the Company than on any other prospective buyer.

Licensing of PCS Systems

In order to increase competition in wireless communications, promote improved quality and service and make available the widest possible range of wireless services, federal legislation was enacted directing the FCC to allocate radio frequency spectrum for PCS by competitive bidding. A PCS system operates under a protected geographic service area license granted by the FCC for a particular market on one of six frequency blocks allocated for broadband PCS service. The FCC has divided the United States and its possessions and territories into PCS markets made up of 493 BTAs and 51 MTAs. Each MTA consists of at least two BTAs. As many as six licensees will compete in each PCS service area. The FCC has allocated 120 MHz of radio spectrum in the 2 GHz band for licensed broadband PCS services. The FCC divided the 120 MHz of spectrum into six individual blocks, each of which is allocated to serve either MTAs or BTAs. The spectrum allocation includes two 30 MHz blocks (A and B Blocks) licensed for each of the 51 MTAs, one 30 MHz block (C Block) licensed for each of the 493 BTAs, and three 10 MHz blocks (D, E and F Blocks) licensed for each of the 493 BTAs. A PCS license will be awarded for each MTA or BTA in every block, for a total of more than 2,000 licenses. During 1997, the last of these auctions was completed; however, a reauction of certain C Block licenses is currently scheduled for the second half of 1998.

Under the FCC's current rules specifying spectrum aggregation limits affecting broadband PCS licensees, no entity may hold licenses for more than 45 MHz of PCS, cellular and SMR services regulated as CMRS where there is significant overlap in any geographic area (significant overlap will occur when at least ten percent of the population of the PCS licensed service area is within the CGSA(s) and/or SMR service area(s)).

The Company owns cellular licenses serving markets that are wholly or partially within the Denver MTA and the Oklahoma City MTA, resulting in the Company exceeding the FCC's current 45 MHz CMRS crossownership restriction described above. The Company has filed waiver requests with the FCC with respect to both MTAs, both of which are pending, and has been allowed to delay compliance with the ownership restriction until the FCC rules on the waiver requests. In the event that this restriction is not waived or the rule itself revised, the Company will be obligated to divest sufficient portions of its Denver and Oklahoma City PCS markets or its cellular holdings to come into compliance with the rules. The Company does not believe such restriction or any actions the Company is required to take to comply therewith will have a material adverse effect on the Company.

All PCS licenses will be granted for a ten year term, at the end of which they must be renewed. The FCC has adopted specific standards to apply to PCS renewals, under which the FCC will award a renewal expectancy to a PCS licensee that (i) has provided substantial service during its past license term and (ii) has substantially complied with applicable FCC rules and policies and the Communications Act. All 30 MHz PCS licensees, including the Company, must construct facilities that offer coverage to one-third of the population of their service area within five years of their initial license grants and to two-thirds of the population within ten years. Licensees that fail to meet the coverage requirements may be subject to forfeiture of the license.

FCC rules restrict the voluntary assignments or transfers of control of C and F Block licenses. During the first five years of the license term, assignments or transfers affecting control are permitted only to assignees or transferees that meet the eligibility criteria for participation in the entrepreneur block auction at the time the application for assignment or transfer of control is filed, or if the proposed assignee or transferee holds other licenses for C and F Blocks and, at the time of receipt of such licenses, met the same eligibility criteria. Any transfers or assignments during the entire ten year initial license term are subject to unjust enrichment penalties, i.e., forfeiture of any bidding credits and acceleration of any installment payment plans should the assignee or transferee not qualify for the same benefits. In the case of the C and F Blocks, the FCC will conduct random audits to ensure that licensees are in compliance with the FCC's eligibility rules. Violations of the Communications Act or the FCC's rules could result in license revocations, forfeitures or fines.

For a period of up to ten years after the grant of a PCS license (subject to extension), a PCS licensee will share spectrum with existing licensees that operate certain fixed microwave systems within its license area. To secure a sufficient amount of unencumbered spectrum to operate its PCS systems efficiently and with adequate population coverage, the Company will need to relocate many of these incumbent licensees. In an effort to balance the competing interests of existing microwave users and newly authorized PCS licensees, the FCC has adopted (i) a transition plan to relocate such microwave operators to other spectrum blocks and (ii) a cost sharing plan so that if the relocation of an incumbent benefits more than one PCS licensee, the benefiting PCS licensees will share the cost of the relocation. Initially, this transition plan allowed most microwave users to operate in the PCS spectrum for a two-year voluntary negotiation period and an additional one-year mandatory negotiation period. The FCC has shortened the voluntary negotiation period by one year (without lengthening the mandatory negotiation period) for PCS licensees in the C, D, E and F Blocks. For public safety entities dedicating a majority of their system communications for police, fire or emergency medical services operations, the voluntary negotiation period is three years, with an additional two year mandatory negotiation period. Parties unable to reach agreement within these time periods may refer the matter to the FCC for resolution, but the incumbent microwave user is permitted to continue its operations until final FCC resolution of the matter. The transition and cost sharing plans expire on April 4, 2005, at which time remaining incumbents in the PCS spectrum will be responsible for their costs to relocate to alternate spectrum locations.

Transfers and Assignments of PCS Licenses

The Communications Act and FCC rules require the FCC's prior approval of the assignment or transfer of control of a license for a PCS system (proforma transfer of control does not require prior FCC approval). In addition, the FCC has established transfer disclosure requirements that require licensees who transfer control of or assign a PCS license within the first three years of their license term to file associated contracts for sale, option agreements, management agreements or other documents disclosing the total consideration that the licensee would receive in return for the transfer or assignment of its license. Non-controlling interests in an entity that holds a PCS license or PCS system generally may be bought or sold without FCC approval. Any acquisition or sale by the Company of PCS interests may also require the prior approval of the Federal Trade Commission and the Department of Justice, if over a certain size, as well as state or local regulatory authorities having competent jurisdiction.

Foreign Ownership

Under the Communications Act, no more than 25% of an FCC licensee's capital stock may be indirectly owned or voted by non-U.S. citizens or their representatives, by a foreign government, or by a foreign corporation, absent a FCC finding that a higher level of alien ownership is not inconsistent with the public interest. In November 1997, the FCC adopted new rules, effective in February 1998, in anticipation of implementation of the World Trade Organization Basic Telecom Agreement ("WTO Agreement"). Formerly, potential licensees had to demonstrate that their markets offered effective competitive opportunities in order to obtain authorization to exceed the 25% indirect foreign ownership threshold. Under the new rules, this showing now only applies to non-WTO members. Applicants from WTO Agreement signatories have an "open entry" standard: they are presumed to offer effective competitive opportunities. However, the FCC reserves the right to attach additional conditions to a grant of authority, and, in the exceptional case in which an application poses a very high risk to competition, to deny the application. The limitation on direct foreign ownership in an FCC licensee remains fixed at 20%, with no opportunity to increase the percentage, and is unaffected by the FCC's new rules.

The WTO Agreement also obligates signatories to open their domestic telecommunications markets to foreign investment and foreign corporations. The WTO Agreement will increase investment and competition in the United States, potentially leading to lower prices, enhanced innovation and better service. At the same time, market access commitments from WTO Agreement signatories will provide U.S. service suppliers opportunities to expand abroad.

Telecommunications Act of 1996 and Other Recent Industry Developments

On February 8, 1996, the Telecommunications Act of 1996 (the "Telecommunications Act") was signed into law, substantially revising the regulation of communications. The goal of the Telecommunications Act is to enhance competition and remove barriers to market entry, while deregulating the communications industry to the greatest extent possible. To this end, local and long-distance communications providers will, for the first time, be able to compete in the other's market, and telephone and cable companies will likewise be able to compete in each other's markets. To facilitate the entry of new carriers into existing markets, the Telecommunications Act imposes certain interconnection requirements on incumbent carriers. Additionally, all telecommunications providers are required to make an equitable and nondiscriminatory contribution to the preservation and advancement of universal service. The Company cannot predict the outcome of the FCC's rulemaking proceedings to promulgate regulations to implement the new law or the effect of the new regulations on cellular service or PCS, and there can be no assurance that such regulations will not adversely affect the Company's business or financial condition.

At present, cellular providers, other than the regional Bell operating companies, have the option of using only one designated long distance carrier. The Telecommunications Act codifies the policy that CMRS providers will not be required to provide equal access to long distance carriers. The FCC, however, may require CMRS carriers to offer unblocked access (i.e., implemented by the subscriber's use of a carrier identification code or other mechanisms at the time of placing a call) to the long distance provider of a subscriber's choice. The FCC has terminated its inquiry into the imposition of equal access requirements on CMRS providers.

On July 26, 1996, the FCC released a Report and Order establishing timetables for making emergency 911 services available by cellular, PCS and other mobile service providers, including "enhanced 911" services that provide the caller's telephone number, location and other useful information. Cellular and PCS providers must be able to process and transmit 911 calls (without call validation), including those from callers with speech or hearing disabilities. If a cost recovery mechanism is in place and a Public Service Answering Point ("PSAP") requests and is capable of processing the caller's telephone number and location information, cellular, PCS, and other mobile service provider must relay a caller's automatic number identification and Cell Site location, and by 2001 they must be able to identify the location of a 911 caller within 125 meters in 67% of all cases. State actions incompatible with the FCC rules are subject to preemption. On December 1, 1997, the FCC required wireless carriers to transmit all 911 calls without regard to validation procedures intended to identify and intercept calls from non-subscribers.

On August 1, 1996, the FCC released a Report and Order expanding the flexibility of cellular, PCS and other CMRS providers to provide fixed as well as mobile services. Such fixed services include, but need not be limited to, "wireless local loop" services, e.g., to apartment and office buildings, and wireless backup to PBXs and local area networks, to be used in the event of interruptions due to weather or other emergencies. The FCC has not yet decided how such fixed services should be regulated, but it has proposed a presumption that they be regulated as CMRS services.

On August 8, 1996, the FCC released its order implementing the interconnection provisions of the Telecommunications Act. The FCC's decision is lengthy and complex and is subject to petitions for reconsideration and judicial review (as described below), and its precise impact is difficult to predict with certainty. However, the FCC's order concludes that CMRS providers are entitled to reciprocal compensation arrangements with local exchange carriers ("LECs") and prohibits LECs from charging CMRS providers for terminating LEC-originated traffic. Under the rules adopted by the FCC, states must set arbitrated rates for interconnection and access to unbundled elements based upon the LECs' long-run incremental costs, plus a reasonable share of forward-looking joint and common costs. In lieu of such cost-based rates, the FCC has established proxy rates to be used by states to set interim interconnection rates pending the establishment of cost-based rates. The FCC has also permitted states to impose "bill and keep" arrangements, under which CMRS providers would make no payments for LEC termination of calls where LECs and CMRS providers have symmetrical termination costs and roughly balanced traffic flows. However, the FCC has found no evidence that these conditions presently exist. The relationship of these charges to the payment of access charges and universal service contributions has not yet been resolved by the FCC. LECs and state regulators filed appeals of the interconnection order, which have been consolidated in the US Court of Appeals for the Eighth Circuit. The Court has vacated many of the rules adopted by the FCC, including those rules governing the pricing of interconnection services, but specifically affirmed the FCC rules governing interconnection with CMRS providers. In January 1998, the U.S. Supreme Court agreed to review the Eighth Circuit decision.

In its implementation of the Telecommunications Act, the FCC recently established new federal universal service rules, under which wireless service providers for the first time are eligible to receive universal service subsidies, but also are required to contribute to both federal and state universal service funds. For the first quarter of 1998, the FCC's universal service assessments amount to 0.72% of interstate and intrastate telecommunications revenues for schools, libraries and rural healthcare support mechanisms and an additional 3.19% of interstate telecommunications revenues for high cost and low income support mechanisms. Various parties have challenged the FCC's universal service rules, and the cases have been consolidated in the U.S. Court of Appeals for the Fifth Circuit. The Company cannot predict the outcome of this proceeding.

The FCC has adopted rules on telephone number portability which will enable subscribers to migrate their landline and cellular telephone numbers to a PCS carrier and from a PCS carrier to another service provider. Various parties have challenged the number portability requirements as they apply to CMRS providers. These challenges are still pending at the FCC and in the courts. The Company can not predict the outcome of such challenges.

Intellectual Property

CELLULAR ONE is a service mark registered with the United States Patent and Trademark Office. The service mark is owned by Cellular One Group, a Delaware general partnership comprised of Cellular One Marketing, Inc., a subsidiary of Southwestern Bell Mobile Systems, together with Cellular One Development, Inc., a subsidiary of AT&T and Vanguard Cellular Systems, Inc. The Company uses the CELLULAR ONE service mark to identify and promote its cellular telephone service pursuant to licensing agreements with Cellular One Group. The licensing agreements require the Company to provide high-quality cellular telephone service to its customers, and to maintain a certain minimum overall customer satisfaction rating in surveys commissioned by Cellular One Group. The licensing agreements that the Company has entered into are for original five-year terms expiring on various dates. Assuming compliance by the Company with the provisions of the agreements, each of these agreements may be renewed at the Company's option for three additional five-year terms.

Western Wireless and VoiceStream are service marks owned by the Company and registered with the United States Patent and Trademark Office. "Tele-Waves," a service mark owned by one of the Company's subsidiaries, is registered with the United States Patent and Trademark Office and is the service mark under which the Company provides its paging services.

Employees and Labor Relations

The Company considers its labor relations to be good and, to the Company's knowledge, none of its employees is covered by a collective bargaining agreement. As of December 31, 1997, the Company employed a total of approximately 3,210 people in the following areas:

Category	Number of Employees
Sales and marketing	1,670
Engineering	390
General and administration, including customer service	1,150

Item 2. PROPERTIES

In addition to the direct and attributable interests in cellular, PCS and paging licenses and other similar assets discussed previously, the Company leases its principal executive offices located primarily in Issaquah and Bellevue, Washington. The Company and its subsidiaries and affiliates also lease and own locations for inventory storage, microwave, Cell Site and switching equipment and local sales and administrative offices. The Company is currently seeking additional space in or near Issaquah to support the growth of its principal executive offices.

The Company leases a distribution center in Denver, which stores and distributes handset inventory for all of the Company's cellular and PCS operations. The facility has adequate space to support the growth of the Company's distribution network which will grow with the expansion of the Company's PCS markets.

The Company leases from the City of Albuquerque a customer call center in Albuquerque, New Mexico. This facility is approximately 65,000 square feet and, along with the Company's current customer call center in Issaquah, Washington, is expected to support the Company's anticipated subscriber growth for the foreseeable future.

Item 3. LEGAL PROCEEDINGS

A subsidiary of the Company received a Civil Investigative Demand (the "Demand") from the U.S. Department of Justice Antitrust Division (the "Antitrust Division") requiring the Company to produce certain documents and answer certain interrogatories in connection with the Antitrust Division's investigation of possible bid rigging and market allocation for licenses auctioned by the FCC for broadband PCS frequency blocks. The Company has cooperated with the Antitrust Division's requests. On March 16, 1998, the same subsidiary of the Company received a Notice of Apparent Liability for Forfeiture ("NALF") from the FCC in the amount of $1.2 million. This NALF was issued by the FCC in connection with its investigation of compliance by auction participants with FCC PCS auction rules. The Company has thoroughly cooperated with the FCC investigation and will continue to do so. The Company believes its conduct was consistent with FCC rules and regulations pertaining to the auction. The Company will promptly file its opposition to the NALF and believes the Company will prevail. The amount of the NALF, if upheld, is not material to the financial position of the Company.

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

None.

Executive Officers of the Registrant

The names, ages and positions of the executive officers and key personnel of the Company are listed below along with their business experience during the past five years. The business address of all officers of the Company is 2001 NW Sammamish Road, Issaquah, Washington 98027. All of these individuals are citizens of the United States. Executive officers of the Company are appointed by the Board of Directors. No family relationships exist among any of the executive officers of the Company, except for Mr. Stanton and Ms. Gillespie, who are married to each other.

Name	Age	Position
John W. Stanton	42	Chairman, Director and Chief Executive Officer
Donald Guthrie	42	Vice Chairman and Chief Financial Officer
Robert A. Stapleton	39	President
Mikal J. Thomsen	41	Chief Operating Officer
Theresa E. Gillespie	45	Senior Vice President
Alan R. Bender	43	Senior Vice President, General Counsel, and Secretary
Cregg B. Baumbaugh	41	Senior Vice President - Corporate Development
Timothy R. Wong	42	Vice President - Engineering
Robert P. Dotson	37	Vice President - Marketing
Bradley J. Horwitz	42	Vice President - International
Patricia L. Miller	35	Controller and Principal Accounting Officer

John W. Stanton has been a director, Chairman of the Board and Chief Executive Officer of the Company since its formation in July 1994. Mr. Stanton has been Chief Executive Officer of GCC since March 1992, and was Chairman of the Board of GCC from March 1992 to December 1995. Mr. Stanton has served as Chairman of the Board and Chief Executive Officer of PN Cellular, Inc. ("PN Cellular"), the former General Partner of MCLP since its formation in October 1992. Mr. Stanton served as a director of McCaw Cellular Communications, Inc. ("McCaw") from 1986 to 1994, and as a director of LIN Broadcasting Corporation ("LIN Broadcasting") from 1990 to 1994, during which time it was a publicly traded company. From 1983 to 1991, Mr. Stanton served in various capacities with McCaw, serving as Vice-Chairman of the Board of McCaw from 1988 to September 1991 and as Chief Operating Officer of McCaw from 1985 to 1988. Mr. Stanton is also a member of the Board of Directors of Advanced Digital Information Corporation, Columbia Sportswear, Inc. and SmarTone (Hong Kong). In addition, Mr. Stanton is a trustee of Whitman College, a private college. Mr. Stanton is currently Second Vice Chairman of the Cellular Telephone Industry Association ("CTIA").

Donald Guthrie has been Vice Chairman of the Company since November 1995 and Chief Financial Officer of the Company since February 1997. From 1986 to October 1995 he served as Senior Vice President and Treasurer of McCaw and, from 1990 to October 1995 he served as Senior Vice President—Finance of LIN Broadcasting.

Robert A. Stapleton has been President of the Company since its formation in July 1994. Effective April 1998, Mr. Stapleton will be responsible for all PCS operations of the Company. Mr. Stapleton was President of GCC from November 1992 until the formation of the Company. From August 1989 to November 1992, he served in various positions with GCC, including Chief Operating Officer and Vice President of Operations. From 1984 to 1989, Mr. Stapleton was employed by mobile communications subsidiaries of Pacific Telesis, Inc., which now are affiliated with AirTouch Communications.

Mikal J. Thomsen has been Chief Operating Officer of the Company since its formation in July 1994. Effective April 1998, Mr. Thomsen will be responsible for all cellular operations of the Company. Mr. Thomsen was a director and Chief Operating Officer of MCLP and its predecessor from its inception in 1991 until the Company's formation in July 1994. From 1983 to 1991, Mr. Thomsen held various positions at McCaw, serving as General Manager of its International Division from 1990 to 1991 and as General Manager of its West Florida Region from 1987 to 1990.

Theresa E. Gillespie has been Senior Vice President of the Company since February 1997. Prior to that, Ms. Gillespie was Chief Financial Officer of the Company since its formation in July 1994. Ms. Gillespie was Chief Financial Officer of MCLP and its predecessor since its inception in 1991 until the Company's formation in July 1994. Ms. Gillespie has been Chief Financial Officer of certain entities controlled by Mr. Stanton and Ms. Gillespie since 1988. From 1986 to 1987, Ms. Gillespie was Senior Vice President and Controller of McCaw. From 1975 to 1986 she was employed by a national public accounting firm.

Alan R. Bender has been Senior Vice President, General Counsel, and Secretary of the Company since its formation in July 1994. Mr. Bender joined GCC in April 1990, as Senior Counsel, and was named Secretary in June 1990, General Counsel in August 1990 and Vice President in March 1992. From 1988 to 1990, Mr. Bender was Vice President and Senior Counsel of a subsidiary of PacifiCorp Inc.

Cregg B. Baumbaugh has been Senior Vice President—Corporate Development of the Company since its formation in July 1994. From November 1989 through the present, he has served in various positions with GCC, including Vice President—Business Development. From 1986 to 1989, Mr. Baumbaugh was employed by The First Boston Corporation.

Timothy R. Wong has been Vice President—Engineering of the Company since January 1996. From 1990 to 1995, Mr. Wong held various positions at U S WEST Cellular, serving as Executive Director—Engineering and Operations from 1994 to 1995, Director of Wireless Systems Engineering in 1993, Manager of International Wireless Engineering in 1992, and Manager—Systems Design from 1990 to 1991.

Robert P. Dotson has been Vice President—Marketing of the Company since May 1996. Previously, Mr. Dotson held various marketing positions with PepsiCo's KFC restaurant group, serving as Senior Director of Concept Development from 1994 to 1996, Director of International Marketing from 1993 to 1994, Divisional Marketing Director from 1991 to 1993 and Manager of New Product Development and Base Business Marketing from 1989 through 1991.

Bradley J. Horwitz has been Vice President—International of the Company and President of Western Wireless International Corporation, a subsidiary of the Company, since November 1995. From 1983 to 1995, Mr. Horwitz held various positions at McCaw, serving as Vice President—International Operations from 1992 to 1995, Director—Business Development from 1990 to 1992 and Director of Paging Operations from 1986 to 1990. Mr. Horwitz is currently a member of the Board of Directors of SmarTone (Hong Kong).

Patricia L. Miller has been Controller and Principal Accounting Officer of the Company since January 1998. From 1993 to 1997, Ms. Miller held various accounting positions with the Company. Prior to 1993, Ms. Miller held various accounting positions with a subsidiary of Weyerhaeuser Company.

PART II

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

The information required by this item is incorporated by reference to the Company's 1997 Annual Report to Stockholders. As of March 2, 1998, there were approximately 251 and 113 shareholders of record of the Company's Class A and Class B Common Stock, respectively.

The table below sets forth the sales of unregistered equity securities made by the registrant in 1997:

Title and Amount of Security	Date of Sale	Exemption
1,600,000 shares of Class A Common Stock	October 1997	Reg D (1)

(1) Issued to Stockholders of Triad Investment Minnesota, Inc. ("TIM") in consideration of all of the issued and outstanding stock of TIM.

Item 6. SELECTED FINANCIAL DATA

The information required by this item is incorporated by reference to the information included under the caption "Selected Financial Data" in the Company's 1997 Annual Report to Stockholders.

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

The information required by this item is incorporated by reference to the information included under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's 1997 Annual Report to Stockholders.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this item is incorporated by reference to the information included under the captions "Consolidated Statements of Operations", "Consolidated Balance Sheets", "Consolidated Statements of Cash Flows", "Consolidated Statements of Stockholders' Equity", "Notes to Consolidated Financial Statement" and "Report of Independent Auditors" in the Company's 1997 Annual Report to Stockholders.

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

None.

PART III

Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information on directors of the registrant called for by this Item is incorporated by reference to the section entitled "Election of Directors and Management Information" in the Company's Proxy Statement for its 1998 annual shareholders meeting to be filed with the United States Securities and Exchange Commission. The information on executive officers of the registrant called for by this Item is included herein in the section entitled "Executive Officers of the Registrant."

Item 11. EXECUTIVE COMPENSATION

The information called for by this Item is incorporated by reference to the section entitled "Executive Compensation" in the Company's Proxy Statement for its 1998 annual shareholders meeting to be filed with the United States Securities and Exchange Commission.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information called for by this Item is incorporated by reference to the section entitled "Security Ownership of Certain Beneficial Owners and Management" in the Company's Proxy Statement for its 1998 annual shareholders meeting to be filed with the United States Securities and Exchange Commission.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information called for by this Item is incorporated by reference to the section entitled "Certain Relationships and Related Transactions" in the Company's Proxy Statement for its 1998 annual shareholders meeting to be filed with the United States Securities and Exchange Commission.

PART IV

Item 14. EXHIBITS, FINANCIAL STATEMENTS, SCHEDULES AND REPORTS ON FORM 8-K

(A) Financial Statements and Schedule

The financial statements and schedules are incorporated herein by reference to the Company's 1997 Annual Report to Stockholders.

The Company's 1997 Annual Report to Stockholders is not deemed filed as part of this report except for those parts specifically incorporated herein by reference.

(B) Reports on Form 8-K

A Form 8-K was filed on October 14, 1997, reporting a proposed investment by Hutchison Telecommunications Limited ("HTL") in the Company and by a subsidiary of HTL, Hutchison Telecommunications PCS (USA) Limited, in Western PCS Corporation.

A Form 8-K was filed on December 8, 1997, reporting the close of the initial investment by HTL in the Company.

(C) Exhibits

Exhibit	Description
3.1[1]	Amended and Restated Articles of Incorporation of the Registrant
3.2[1]	Bylaws of the Registrant
4.1[2]	Indenture between Western Wireless Corporation and Harris Trust Company of California, dated May 22, 1996
4.2[3]	Indenture between Western Wireless Corporation and Harris Trust Company of California, dated October 24, 1996
4.3[6]	Form of Supplemental Indenture to be entered into between Western Wireless Corporation and Harris Trust Company of California, relating to the 10 1/2% Senior Subordinated Notes Due 2007
4.4[6]	Form of Supplemental Indenture to be entered into between Western Wireless Corporation and Harris Trust Company of California, relating to the 10 1/2% Senior Subordinated Notes Due 2006
10.1[1]	Loan Agreement between Western PCS II Corporation and Northern Telecom Inc., dated June 30, 1995
10.2[1]	PCS 1900 Project and Supply Agreement between Western PCS Corporation and Northern Telecom Inc., dated June 30, 1995
10.3[1]	Purchase Agreement between Motorola Nortel Communications Co. and General Cellular Corporation, dated July 29, 1993
10.4[1]	Loan Agreement among Western Wireless Corporation and The Toronto-Dominion Bank, Barclays Bank, PLC, and Morgan Guaranty Trust Company of New York, as Managing Agents for the Various Lenders, dated June 30, 1995
10.5[1]	First Amendment to Loan Agreement by and among Western Wireless Corporation, The Toronto-Dominion Bank, Barclays Bank, PLC, and Morgan Guaranty Trust Company of New York, as Managing Agents for the Various Lenders, dated January 11, 1996
10.6[1]	Supply Contract by and between Western PCS Corporation and Nokia Telecommunications Inc., dated December 14, 1995
10.7[1]	Purchase and Sale Agreement, Nokia Mobile Phones, Inc. and Western Wireless Corporation, dated November 10, 1995

Exhibit	Description
10.8[(1)]	Western Wireless Corporation, 1994 Management Incentive Stock Option Plan, approved, as adopted and amended, by Shareholders November 16, 1995 together with form of Stock Option Agreement for offers thereunder
10.9[(1)]	Stockholders Agreement by and among Western Wireless Corporation and certain of its shareholders, dated July 29, 1994
10.10[(1)]	First Amendment to Stockholders Agreement by and among Western Wireless Corporation and certain of its shareholders, Adding as a Party Western PCS Corporation, dated November 30, 1994
10.11[(1)]	Waiver Agreement by and among Western Wireless Corporation, Western PCS Corporation and certain of Western Wireless Corporation's shareholders, dated November 30, 1994
10.12[(1)]	Waiver Agreement by and among Western Wireless Corporation, Western PCS Corporation and certain of Western Wireless Corporation's shareholders, dated February 15, 1996
10.13[(1)]	Voting Agreement by and among Western Wireless Corporation and certain of its shareholders, dated July 29, 1994
10.14[(1)]	Voting Agreement by and among Western Wireless Corporation and certain of its shareholders
10.15[(1)]	Lease Agreement by and between WWC Holding Co., Inc., successor in interest to MARKETS Cellular Limited Partnership, and WRC Properties, Inc., dated May 1, 1994
10.16[(1)]	Lease Agreement by and between Western Wireless Corporation and Department of Natural Resources, dated August 25, 1995
10.17[(1)]	First Amendment to Lease Agreement by and between Western Wireless Corporation and Department of Natural Resources, dated February 28, 1996
10.18[(1)]	Form of Cellular One Group License Agreement
10.19[(1)]	Asset Purchase Agreement between Western PCS III License Corporation as Buyer and GTE Mobilnet Incorporated as Seller, dated January 16, 1996
10.20[(1)]	Purchase and Sale Agreement by and between Robert O. Tyler, Esq., as Trustee, Seller, and GCC License Corporation, Purchaser, dated December 22, 1995
10.21[(1)]	Agreement for Purchase and Sale of Autoplex Cellular Equipment, Software and Services by and among American Telephone and Telegraph Company, WWC Holding Co., Inc., successor to MARKETS Cellular Limited Partnership and MCII General Partnership, dated March 17, 1993
10.22[(1)]	Agreement and Plan of Reorganization by and among Palouse Paging, Inc., the Shareholders of 100% of the Stock of Palouse Paging, Inc., Western Paging I Corporation and Western Wireless Corporation, dated February 5, 1996
10.23[(1)]	First Amendment to Agreement and Plan of Reorganization by and among Western Paging I Corporation, the former Shareholders of 100% of the Stock of Palouse Paging, Inc. and Western Wireless Corporation
10.24[(1)]	Agreement and Plan of Reorganization by and among Sawtooth Paging, Inc., the Shareholders of 52.93% of the Stock of Sawtooth Paging, Inc., Western Paging II Corporation and Western Wireless Corporation, dated February 5, 1996
10.25[(1)]	Employment Agreement by and between John W. Stanton and Western Wireless Corporation, dated March 12, 1996
10.26[(1)]	Employment Agreement by and between Robert A. Stapleton and Western Wireless Corporation, dated March 12, 1996
10.27[(1)]	Employment Agreement by and between Mikal J. Thomsen and Western Wireless Corporation, dated March 12, 1996
10.28[(1)]	Employment Agreement by and between Theresa E. Gillespie and Western Wireless Corporation, dated March 12, 1996

Exhibit	Description
10.29[1]	Employment Agreement by and between Alan R. Bender and Western Wireless Corporation, dated March 12, 1996
10.30[1]	Employment Agreement by and between Cregg B. Baumbaugh and Western Wireless Corporation, dated March 12, 1996
10.31[7]	Employment Agreement by and between Donald Guthrie and Western Wireless Corporation, dated March 12, 1996
10.32[1]	Form of Registrant's Restrictive Covenant and Confidentiality Agreement
10.33[1]	Form of Director and Officer Indemnification Agreement
10.34[1]	Western PCS Corporation Series A Preferred Stock Purchase Agreement among Western Wireless Corporation, Western PCS Corporation and the Purchasers listed therein, dated April 10, 1995
10.35[1]	PCS Block "C" Organization and Financing Agreement by and among Western PCSBTA I Corporation, Western Wireless Corporation, Cook Inlet PV/SS PCS Partners, L.P., Cook Inlet Telecommunications, Inc., SSPCS Corporation and Providence Media Partners L.P. dated as of November 5, 1995
10.36[1]	Limited Partnership Agreement by and between Cook Inlet PV/SS PCS Partners, L.P. and Western PCS BTA I Corporation dated as of November 5, 1995
10.37[1]	First Amendment to Block "C" Organization and Financing Agreement and Cook Inlet Western Wireless PV/SS PCS, L.P. Limited Partnership Agreement by and among Western PCS BTA I Corporation, Western Wireless Corporation, Cook Inlet PV/SS PCS Partners, L.P., Cook Inlet Telecommunications, Inc., SSPCS Corporation and Providence Media Partners L.P. dated as of April 8, 1996
10.38[1]	Amended and Restated Loan Agreement among Western Wireless Corporation and The Toronto-Dominion Bank, Barclays Bank, PLC, and Morgan Guaranty Trust Company of New York, as Managing Agents for the Various Lenders, dated May 6, 1996
10.39[3]	Second Amendment to Block "C" Organization and Financing Agreement and Cook Inlet Western Wireless PV/SS PCS, L.P. Limited Partnership Agreement by and among Western PCS BTA I Corporation, Western Wireless Corporation, Cook Inlet PV/SS PCS Partners, L.P., Cook Inlet Telecommunications, Inc., SSPCS Corporation and Providence Media Partners L.P. dated as of June 27, 1996
10.40[3]	Third Amendment to Block "C" Organization and Financing Agreement and Cook Inlet Western Wireless PV/SS PCS, L.P. Limited Partnership Agreement and First Amendment to Technical Services Agreement by and among Western PCS BTA I Corporation, Western Wireless Corporation, Cook Inlet PV/SS PCS Partners, L.P., Cook Inlet Telecommunications, Inc., SSPCS Corporation, Providence Media Partners L.P. and Cook Inlet Western Wireless PV/SS PCS, L.P., dated July 30, 1996
10.41[3]	General Agreement for Purchase of Cellular Systems between Lucent Technologies Inc. and Western Wireless Corporation, dated September 16, 1996
10.42[3]	Amendment No. 1 to PCS 1900 Supply Agreement between Western PCS Corporation and Northern Telecom Inc., dated July 25, 1996
10.43[3]	Amendment No. 2 to PCS 1900 Supply Agreement between Western PCS Corporation and Northern Telecom Inc., dated July 25, 1996
10.44[7]	Amendment No. 3 to PCS Supply Agreement between Western PCS Corporation and Northern Telecom Inc., dated October 14, 1996
10.45[4]	Western Wireless Corporation 1996 Employee Stock Purchase Plan
10.46[5]	Western Wireless Corporation 1997 Executive Restricted Stock Plan
10.47[5]	Form of First Amendment to Amended and Restated Loan Agreement among Western Wireless Corporation and The Toronto Dominion Bank, Barclays Bank, PLC, and Morgan Guaranty Trust Company of New York, as Managing Agents for the various lenders, dated March 27, 1997
10.48[5]	Purchase Agreement, dated April 24, 1997, by and among Western Wireless Corporation, Triad Texas, L.P., Triad Utah, L.P., Triad Oklahoma, L.P., Triad Cellular Corporation and Triad Cellular L.P.

Exhibit	Description
10.49[5]	Purchase Agreement, dated April 24, 1997, by and between Western Wireless Corporation and Triad Cellular Corporation.
10.50[5]	Agreement and Plan of Merger, dated April 24, 1997, by and among Western Wireless Corporation, Minnesota Cellular Corporation, Triad Investment Minnesota, Inc., Barry B. Lewis, Craig W. Viehweg, Terry E. Purvis, Triad Cellular Corporation, Triad Cellular L.P., and Triad Minnesota, L.P.
10.51[5]	Purchase Agreement, dated April 24, 1997, by and between Western Wireless Corporation and Triad Cellular, L.P.
10.52[8]	First Amendment to Loan Agreement, dated as of March 6, 1997, among Western PCS II Corporation, Northern Telecom Inc., NTFC Capital Corporation and Export Development Corporation
10.53[8]	Second Amendment to Loan Agreement, dated as of April 15, 1997, among Western PCS II Corporation, Northern Telecom Inc., NTFC Capital Corporation and Export Development Corporation
10.54[9]	Second Amendment to Amended and Restated Loan Agreement by and among Western Wireless Corporation, various financial institutions, and The Toronto-Dominion Bank, Barclays Bank PLC and Morgan Guaranty Trust Company of New York as Managing Agents dated May 28, 1997.
10.55[10]	Stock Subscription Agreement by and among Western Wireless Corporation, Hutchison Telecommunications Limited and Hutchison Telecommunications Holdings (USA) Limited dated October 14, 1997.
10.56[10]	Purchase Agreement by and among Western PCS Corporation, Western Wireless Corporation, Hutchison Telecommunications Limited and Hutchison Telecommunications PCS (USA) Limited dated October 14, 1997.
10.57[10]	Form of Cash Management Agreement by and between Western Wireless Corporation and Western PCS Corporation.
10.58[10]	Form of Roaming Agreement by and between Western Wireless Corporation and Western PCS Corporation.
10.59[10]	Form of Services Agreement by and between Western Wireless Corporation and Western PCS Corporation.
10.60[10]	Form of Shareholders Agreement by and among Western Wireless Corporation, Hutchison Telecommunications PCS (USA) Limited and Western PCS Corporation.
10.61[10]	Form of Tax Sharing Agreement by and between Western Wireless Corporation and Western PCS Corporation.
10.62[10]	Agreement to Form Limited Partnership dated September 30, 1997, by and among Western PCS I Iowa Corporation, a Delaware corporation, INS Wireless, Inc., an Iowa corporation, Western PCS I Corporation, a Delaware corporation, and Iowa Network Services, Inc., an Iowa corporation.
10.63[10]	Iowa Wireless Services, L.P. Limited Partnership Agreement dated as of September 30, 1997, by and between INS Wireless, Inc., as General Partner, and Western PCS I Iowa Corporation, as Limited Partner.
10.64[11]	Software License Maintenance and Subscriber Billing Services Agreement dated June 1997.
10.65[11]	First Amendment to Software License, Maintenance and Subscriber Billing Services Agreement dated December 1997, between CSC Intelicom, Inc., and Western Wireless Corporation.
10.66[11]	Letter agreement dated December 16, 1997 between Western Wireless Corporation and Intelicom Services Inc. to provide products and services pursuant to the Software License Maintenance and Subscriber Billing Services Agreements and First Amendment thereto.
13.1	Market for Registrant's Common Equity and Related Stockholder Matters.
13.2	Selected Financial Data
13.3	Management's Discussion and Analysis of Financial condition and Results of Operations
13.4	Financial Statements and Supplementary Data
21.1[1]	Subsidiaries of the Registrant
23.1	Consent of Arthur Andersen LLP

Exhibit	Description
27.1	*Financial Data Schedule*
99.1[9]	Report on Form 8-K dated June 19, 1997

(1) Incorporated herein by reference to the exhibit filed with the Company's Registration Statement on Form S-1 (Securities and Exchange Commission (the "Commission") File No. 333-2432).

(2) Incorporated herein by reference to the exhibit filed with the Company's Registration Statement on Form S-1 (Commission File No. 333-2688).

(3) Incorporated herein by reference to the exhibit filed with the Company's Registration Statement on Form S-4 (Commission File No. 333-14859).

(4) Incorporated herein by reference to the exhibit filed with the Company's Registration Statement on Form S-8 (Commission File No. 333-18137).

(5) Incorporated herein by reference to the exhibit filed with the Company's Registration Statement on Form S-1 (Commission File No. 333-14859)

(6) *Incorporated herein by reference to the exhibit filed with the Company's Registration Statement on Form S-3 (Commission File No. 333-14859)*

(7) Incorporated herein by reference to the exhibit filed with the Company's Form 10-K for the year ended 12/31/96.

(8) Incorporated herein by reference to the exhibit filed with the Company's Form 10-Q for the quarter ended 3/31/97.

(9) Incorporated herein by reference to the exhibit filed with the Company's Form 10-Q for the quarter ended 6/30/97.

(10) Incorporated herein by reference to the exhibit filed with the Company's Form 10-Q for the quarter ended 9/30/97.

(11) Portions of this exhibit have been omitted and filed separately with the Secretary of the Commission pursuant to the Registrant's Application Requesting Confidential Treatment under Rule 246-2 of the Securities Exchange Act of 1934.

SIGNATURES

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

Date: March 27, 1998

WESTERN WIRELESS CORPORATION

By /s/
John W. Stanton
Chairman of the Board and
Chief Executive Officer

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

Signatures	Title	
/s/ John W. Stanton	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	Date: March 27, 1998
/s/ Donald Guthrie	Vice Chairman and Chief Financial Officer (Principal Financial Officer)	Date: March 27, 1998
/s/ Patricia L. Miller	Controller (Principal Accounting Officer)	Date: March 27, 1998
/s/ John L. Bunce, Jr.	Director	Date: March 27, 1998
/s/ Mitchell R. Cohen	Director	Date: March 27, 1998
/s/ Daniel J. Evans	Director	Date: March 27, 1998
/s/ Jonathan M. Nelson	Director	Date: March 27, 1998
/s/ Terence O'Toole	Director	Date: March 27, 1998

EXHIBIT INDEX

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10.29[1]	Employment Agreement by and between Alan R. Bender and Western Wireless Corporation, dated March 12, 1996
10.30[1]	Employment Agreement by and between Cregg B. Baumbaugh and Western Wireless Corporation, dated March 12, 1996
10.31[7]	Employment Agreement by and between Donald Guthrie and Western Wireless Corporation, dated March 12, 1996
10.32[1]	Form of Registrant's Restrictive Covenant and Confidentiality Agreement
10.33[1]	Form of Director and Officer Indemnification Agreement
10.34[1]	Western PCS Corporation Series A Preferred Stock Purchase Agreement among Western Wireless Corporation, Western PCS Corporation and the Purchasers listed therein, dated April 10, 1995
10.35[1]	PCS Block "C" Organization and Financing Agreement by and among Western PCSBTA I Corporation, Western Wireless Corporation, Cook Inlet PV/SS PCS Partners, L.P., Cook Inlet Telecommunications, Inc., SSPCS Corporation and Providence Media Partners L.P. dated as of November 5, 1995
10.36[1]	Limited Partnership Agreement by and between Cook Inlet PV/SS PCS Partners, L.P. and Western PCS BTA I Corporation dated as of November 5, 1995
10.37[1]	First Amendment to Block "C" Organization and Financing Agreement and Cook Inlet Western Wireless PV/SS PCS, L.P. Limited Partnership Agreement by and among Western PCS BTA I Corporation, Western Wireless Corporation, Cook Inlet PV/SS PCS Partners, L.P., Cook Inlet Telecommunications, Inc., SSPCS Corporation and Providence Media Partners L.P. dated as of April 8, 1996

Exhibit	Description
10.38[1]	Amended and Restated Loan Agreement among Western Wireless Corporation and The Toronto-Dominion Bank, Barclays Bank, PLC, and Morgan Guaranty Trust Company of New York, as Managing Agents for the Various Lenders, dated May 6, 1996
10.39[3]	Second Amendment to Block "C" Organization and Financing Agreement and Cook Inlet Western Wireless PV/SS PCS, L.P. Limited Partnership Agreement by and among Western PCS BTA I Corporation, Western Wireless Corporation, Cook Inlet PV/SS PCS Partners, L.P., Cook Inlet Telecommunications, Inc., SSPCS Corporation and Providence Media Partners L.P. dated as of June 27, 1996
10.40[3]	Third Amendment to Block "C" Organization and Financing Agreement and Cook Inlet Western Wireless PV/SS PCS, L.P. Limited Partnership Agreement and First Amendment to Technical Services Agreement by and among Western PCS BTA I Corporation, Western Wireless Corporation, Cook Inlet PV/SS PCS Partners, L.P., Cook Inlet Telecommunications, Inc., SSPCS Corporation, Providence Media Partners L.P. and Cook Inlet Western Wireless PV/SS PCS, L.P., dated July 30, 1996
10.41[3]	General Agreement for Purchase of Cellular Systems between Lucent Technologies Inc. and Western Wireless Corporation, dated September 16, 1996
10.42[3]	Amendment No. 1 to PCS 1900 Supply Agreement between Western PCS Corporation and Northern Telecom Inc., dated July 25, 1996
10.43[3]	Amendment No. 2 to PCS 1900 Supply Agreement between Western PCS Corporation and Northern Telecom Inc., dated July 25, 1996
10.44[7]	Amendment No. 3 to PCS Supply Agreement between Western PCS Corporation and Northern Telecom Inc., dated October 14, 1996
10.45[4]	Western Wireless Corporation 1996 Employee Stock Purchase Plan
10.46[5]	Western Wireless Corporation 1997 Executive Restricted Stock Plan
10.47[5]	Form of First Amendment to Amended and Restated Loan Agreement among Western Wireless Corporation and The Toronto Dominion Bank, Barclays Bank, PLC, and Morgan Guaranty Trust Company of New York, as Managing Agents for the various lenders, dated March 27, 1997
10.48[5]	Purchase Agreement, dated April 24, 1997, by and among Western Wireless Corporation, Triad Texas, L.P., Triad Utah, L.P., Triad Oklahoma, L.P., Triad Cellular Corporation and Triad Cellular L.P.
10.49[5]	Purchase Agreement, dated April 24, 1997, by and between Western Wireless Corporation and Triad Cellular Corporation.
10.50[5]	Agreement and Plan of Merger, dated April 24, 1997, by and among Western Wireless Corporation, Minnesota Cellular Corporation, Triad Investment Minnesota, Inc., Barry B. Lewis, Craig W. Viehweg, Terry E. Purvis, Triad Cellular Corporation, Triad Cellular L.P., and Triad Minnesota, L.P.
10.51[5]	Purchase Agreement, dated April 24, 1997, by and between Western Wireless Corporation and Triad Cellular, L.P.
10.52[8]	First Amendment to Loan Agreement, dated as of March 6, 1997, among Western PCS II Corporation, Northern Telecom Inc., NTFC Capital Corporation and Export Development Corporation
10.53[8]	Second Amendment to Loan Agreement, dated as of April 15, 1997, among Western PCS II Corporation, Northern Telecom Inc., NTFC Capital Corporation and Export Development Corporation
10.54[9]	Second Amendment to Amended and Restated Loan Agreement by and among Western Wireless Corporation, various financial institutions, and The Toronto-Dominion Bank, Barclays Bank PLC and Morgan Guaranty Trust Company of New York as Managing Agents dated May 28, 1997.
10.55[10]	Stock Subscription Agreement by and among Western Wireless Corporation, Hutchison Telecommunications Limited and Hutchison Telecommunications Holdings (USA) Limited dated October 14, 1997.
10.56[10]	Purchase Agreement by and among Western PCS Corporation, Western Wireless Corporation, Hutchison Telecommunications Limited and Hutchison Telecommunications PCS (USA) Limited dated October 14, 1997.

Exhibit	Description
10.57[10]	Form of Cash Management Agreement by and between Western Wireless Corporation and Western PCS Corporation.
10.58[10]	Form of Roaming Agreement by and between Western Wireless Corporation and Western PCS Corporation.
10.59[10]	Form of Services Agreement by and between Western Wireless Corporation and Western PCS Corporation.
10.60[10]	Form of Shareholders Agreement by and among Western Wireless Corporation, Hutchison Telecommunications PCS (USA) Limited and Western PCS Corporation.
10.61[10]	Form of Tax Sharing Agreement by and between Western Wireless Corporation and Western PCS Corporation.
10.62[10]	Agreement to Form Limited Partnership dated September 30, 1997, by and among Western PCS I Iowa Corporation, a Delaware corporation, INS Wireless, Inc., an Iowa corporation, Western PCS I Corporation, a Delaware corporation, and Iowa Network Services, Inc., an Iowa corporation.
10.63[10]	Iowa Wireless Services, L.P. Limited Partnership Agreement dated as of September 30, 1997, by and between INS Wireless, Inc., as General Partner, and Western PCS I Iowa Corporation, as Limited Partner.
10.64[11]	Software License Maintenance and Subscriber Billing Services Agreement dated June 1997.
10.65[11]	First Amendment to Software License, Maintenance and Subscriber Billing Services Agreement dated December 1997, between CSC Intelicom, Inc., and Western Wireless Corporation.
10.66[11]	Letter agreement dated December 16, 1997 between Western Wireless Corporation and Intelicom Services Inc. to provide products and services pursuant to the Software License Maintenance and Subscriber Billing Services Agreements and First Amendment thereto.
13.1	Market for Registrant's Common Equity and Related Stockholder Matters.
13.2	Selected Financial Data
13.3	Management's Discussion and Analysis of Financial condition and Results of Operations
13.4	Financial Statements and Supplementary Data
21.1[1]	Subsidiaries of the Registrant
23.1	Cor[illegible] of Arthur Andersen LLP
27.1	Financial Data Schedule
99.1[9]	Report on Form 8-K dated June 19, 1997

(1) Incorporated herein by reference to the exhibit filed with the Company's Registration Statement on Form S-1 (Securities and Exchange Commission (the "Commission") File No. 333-2432).

(2) Incorporated herein by reference to the exhibit filed with the Company's Registration Statement on Form S-1 (Commission File No. 333-2688).

(3) Incorporated herein by reference to the exhibit filed with the Company's Registration Statement on Form S-4 (Commission File No. 333-14859).

(4) Incorporated herein by reference to the exhibit filed with the Company's Registration Statement on Form S-8 (Commission File No. 333-18137).

(5) Incorporated herein by reference to the exhibit filed with the Company's Registration Statement on Form S-1 (Commission File No. 333-14859)

(6) Incorporated herein by reference to the exhibit filed with the Company's Registration Statement on Form S-3 (Commission File No. 333-14859)

(7) Incorporated herein by reference to the exhibit filed with the Company's Form 10-K for the year ended 12/31/96.

(8) Incorporated herein by reference to the exhibit filed with the Company's Form 10-Q for the quarter ended 3/31/97.

(9) Incorporated herein by reference to the exhibit filed with the Company's Form 10-Q for the quarter ended 6/30/97.

(10) Incorporated herein by reference to the exhibit filed with the Company's Form 10-Q for the quarter ended 9/30/97.

(11) Portions of this exhibit have been omitted and filed separately with the Secretary of the Commission pursuant to the Registrant's Application Requesting Confidential Treatment under Rule 246-2 of the Securities Exchange Act of 1934.

Exhibit 13.1 MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company commenced its initial public offering on May 22, 1996, at a price to the public of $23.50 per share. Since that date, the Company's Class A Common Stock has been traded on the NASDAQ Stock Market under the symbol WWCA. There currently is no established public trading market for the Company's Class B Common Stock. The following table sets forth the quarterly high and low bid quotations for the Class A Common Stock on the NASDAQ Stock Market. These quotations reflect the inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

1997	High	Low
First quarter	$16 1/8	$12
Second quarter	$16 7/8	$10
Third quarter	$19 1/8	$13 5/8
Fourth quarter	$22 1/4	$16 1/2

The Company has never declared or paid dividends on its Common Stock and does not anticipate paying dividends in the foreseeable future. In addition, certain provisions of the Senior Secured Facilities (as described in "Management's Discussion and Analysis of Results of Operations and Financial Condition - Liquidity and Capital Resources") and the indentures of its public debt offerings contain restrictions on the Company's ability to declare and pay dividends on its Common Stock.

Exhibit 13.2 SELECTED FINANCIAL DATA

The following table sets forth certain selected consolidated financial and operating data for the Company as of and for each of the five years in the period ended December 31, 1997, which was derived from the Company's consolidated financial statements and notes thereto that have been audited by Arthur Andersen LLP, independent public accountants. All of the data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Company's consolidated financial statements and notes thereto.

(Dollars in thousands, except per share data)	Year Ended December 31, 1997	1996	1995	1994	1993
Consolidated Statements of Operations Data:					
Revenues	$ 380,578	$ 243,085	$ 146,555	$ 63,108	$ 20,734
Operating Expenses	540,239	329,971	170,490	86,676	25,596
Operating loss	(159,661)	(86,886)	(23,935)	(23,568)	(4,862)
Other income (expense)	(105,873)	(43,219)	(25,374)	(2,392)	8,191
Income (loss) before extraordinary item	(265,534)	(130,105)	(49,309)	(25,960)	3,329
Extraordinary item			(6,645)		
Net income (loss)	$ (265,534)	$ (130,105)	$ (55,954)	$ (25,960)	$ 3,329
Share data (1):					
Basic income (loss) per common share before extraordinary item	$ (3.76)	$ (2.00)	$ (0.87)	$ (0.59)	$ 0.10
Per common share effect of extraordinary item			(0.12)		
Basic income (loss) per common share	$ (3.76)	$ (2.00)	$ (0.99)	$ (0.59)	$ 0.10
Weighted average common shares used in computing basic income/loss per common share	70,692,000	65,196,000	56,470,000	43,949,000	32,253,000
Other Data:					
EBITDA (2)	$ (26,191)	$ (7,145)	$ 25,521	$ 2,102	$ 537

(1) The number of shares outstanding has been calculated based on the requirements of Statement of Financial Accounting Standards No. 128.

(2) EBITDA represents operating loss before depreciation and amortization. EBITDA is a measure commonly used in the industry but is not prepared in accordance with United States generally accepted accounting principals ("GAAP") and should not be considered as a measurement of net cash flows from operating activities. In 1994, the Company recorded provisions for restructuring costs of $2.5 million. EBITDA before such provisions for restructuring costs would have been $4.6 million.

(Dollars in thousands)	December 31, 1997	1996	1995	1994	1993
Consolidated Balance Sheets Data:					
Current assets	$ 138,752	$ 149,790	$ 37,508	$ 36,769	$ 14,686
Property and equipment, net	699,129	538,617	193,692	120,648	48,591
Licensing costs and other intangible assets, net	807,409	540,482	417,971	211,309	86,270
Other assets	74,683	12,814	9,857	1,468	6,219
Total assets	$ 1,719,973	$ 1,241,703	$ 659,028	$ 370,194	$ 155,766
Current liabilities	$ 130,545	$ 144,454	$ 55,936	$ 39,214	$ 16,447
Total long-term debt and other liabilities, net of current portion	1,395,000	743,000	362,487	200,587	53,430
Minority interests in equity of consolidated subsidiary				3,376	
Shareholders' equity	194,428	354,249	240,605	127,017	85,889
Total liabilities and shareholders' equity	$ 1,719,973	$ 1,241,703	$ 659,028	$ 370,194	$ 155,766
Other Data:					
Cellular subscribers	520,000	324,200	209,500	112,800	30,000
PCS subscribers	128,600	35,500			

(Dollars in thousands)	Year Ended December 31, 1997	1996	1995	1994	1993
Consolidated Statements of Cash Flows Data:					
Cash flows provided by (used in)					
Operating activities	$ (114,498)	$ (61,333)	$ (745)	$ (998)	$ (255)
Investing activities	$ (652,304)	$ (489,086)	$ (293,579)	$ (70,190)	$ (32,535)
Financing activities	$ 727,376	$ 596,732	$ 295,109	$ (70,777)	$ 36,212

Exhibit 13.3 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is a discussion and analysis of the consolidated financial condition and results of operations of the Company and should be read in conjunction with the Company's consolidated financial statements and notes thereto and other financial information included herein. As a result of acquisitions, the Company's operating results for prior periods may not be indicative of future performance.

Overview

The Company provides wireless communications services in the western United States through the ownership and operation of cellular communications systems in 88 Rural Service Areas ("RSA") and Metropolitan Statistical Areas including 12 RSAs acquired from Triad Cellular Corporation, Triad Cellular L.P. and certain of their affiliates (collectively "Triad") in October 1997. The Company owns broadband personal communications services ("PCS") licenses in seven Major Trading Areas ("MTA"), each of which has commenced commercial operations. During 1997, the Company was granted 100 additional PCS licenses in the Federal Communication Commission's ("FCC") D and E Block auctions and acquired eight PCS licenses as part of its acquisition of Triad in October 1997. Cook Inlet Western Wireless PV/SS PCS, LP ("Cook Inlet PCS"), a partnership in which the Company holds a 49.9% limited partnership interest, owns broadband PCS licenses in 21 Basic Trading Areas ("BTA") including seven that were acquired in the FCC F Block auction during the first quarter of 1997. The first of these BTAs commenced commercial operations in June 1997.

The Company's revenues consist primarily of subscriber revenues (including access charges and usage charges), roamer revenues (fees charged for providing services to subscribers of other cellular communications systems when such subscribers, or "roamers," place or receive a phone call within one of the Company's service areas) and equipment sales. The majority of the Company's revenues are derived from subscriber revenues. The Company had no revenues from its paging or PCS systems prior to February 1, 1996, and February 29, 1996, respectively. Revenues from paging systems are included in other revenue. The Company expects to continue to sell cellular and PCS handsets below cost and regards these losses as a cost of building its subscriber base. As used herein, "service revenues" include subscriber, roamer and other revenue.

Cost of service consists of the cost of providing wireless service to subscribers, primarily including costs to access local exchange and long distance carrier facilities and maintain the Company's wireless network. General and administrative expenses include the costs associated with billing a subscriber and the administrative cost associated with maintaining subscribers, including customer service, accounting and other centralized functions. General and administrative expenses also include provisions for unbillable fraudulent roaming charges and subscriber bad debt. Sales and marketing costs include costs associated with acquiring a subscriber, including direct and indirect sales commissions, salaries, all costs of sales offices and retail locations, advertising and promotional expenses. Depreciation and amortization includes primarily depreciation expense associated with the Company's property and equipment in service and amortization associated with its wireless licenses for operational markets.

Certain centralized general and administrative costs, including customer service, accounting and other centralized functions, benefit all of the Company's operations. These costs are allocated to those operations in a manner which reflects management's judgment as to the nature of the activity causing those costs to be incurred.

As used herein, "EBITDA" represents operating loss before depreciation and amortization. EBITDA is a measure commonly used in the industry and should not be construed as an alternative to operating income (loss) (as determined in accordance with United States generally accepted accounting principles, "GAAP"), as an alternative to cash flows from operating activities (as determined in accordance with GAAP), or as a measure of liquidity. Cellular EBITDA represents EBITDA from the Company's cellular operations and PCS EBITDA represents EBITDA from the Company's PCS operations.

In the comparisons that follow, the Company has separately set forth certain information relating to cellular operations (including paging) and PCS operations. The Company believes that this is appropriate because its cellular systems have been operating for a number of years and operate in rural markets while its PCS systems did not commence operations until 1996 and operate in urban markets.

Results of Operations for the Years Ended December 31, 1997, 1996, and 1995

Cellular Operations

The Company had 520,000 cellular subscribers at December 31, 1997, representing an increase of 195,800 or 60.4% during 1997. At December 31, 1996 and 1995, the Company had 324,200 and 209,500 cellular subscribers, respectively, representing an increase of 54.7% during 1996 and 85.7% during 1995. In 1997, 1996, and 1995 the net number of subscribers added through system acquisitions was approximately 58,500, 4,900 and 3,300, respectively. Removing the effect of the Triad subscribers acquired in October 1997, the subscriber growth would have been 42.4% during 1997.

During the fourth quarter of 1997, the Company purchased from Triad the cellular business and assets of 12 RSAs in Texas, Utah, Oklahoma and Minnesota. This purchase was consummated on October 31, 1997, thus the operating results of the Company's cellular business for the twelve months ended December 31, 1997, may not be indicative of future performance.

The following table sets forth certain financial data as it relates to the Company's cellular operations:

(Dollars in thousands)	Year Ended December 31,				
	1997	% change	1996	% change	1995
Cellular revenues:					
Subscriber revenues	$ 245,364	40.5%	$ 174,647	65.7%	$ 105,430
Roamer revenues	39,750	16.7%	34,065	14.9%	29,660
Equipment sales and other revenues	17,734	5.3%	16,834	46.8%	11,465
Total revenues	$ 302,848		$ 225,546		$ 146,555
Cellular operating expenses:					
Cost of service	$ 47,001	14.3%	$ 41,130	48.6%	$ 27,686
Cost of equipment sales	29,698	16.4%	25,516	23.2%	20,705
General and administrative	60,865	31.0%	46,464	64.9%	28,184
Sales and marketing	61,409	17.8%	52,147	27.0%	41,051
Depreciation and amortization	66,595	1.9%	65,346	32.9%	49,187
Total operating expenses	$ 265,568		$ 230,603		$ 166,813

Cellular Revenues

Subscriber revenues have increased over the past three years due to the growth in the number of subscribers offset slightly by a decrease in the average monthly cellular subscriber revenue per subscriber. Average monthly cellular subscriber revenue per subscriber was $51.13 in 1997, a 7.0% decline from $54.96 in 1996, which was a 4.0% decline from $57.25 in 1995. The Company anticipates this downward trend will continue in 1998. Over the past few years the cellular industry as a whole has also shown a decline in the average monthly cellular subscriber revenue per subscriber. Removing the effect of the Triad subscribers acquired in October 1997, the average monthly cellular subscriber revenue per subscriber was $51.38 in 1997.

The increase in roamer revenues over the past three years was caused by an increase in roaming traffic and partially offset by decreases in the rates charged between carriers. While the Company expects total roamer minutes to continue to increase, the decline in the rates charged between carriers will limit the growth of roamer revenues.

Cellular equipment sales, which consist primarily of handset sales, decreased in 1997 primarily due to the decrease in the average cellular handset sales price despite the increase in net subscriber additions.

Cellular Operating Expenses

The increase in cost of service is primarily attributable to the increased number of subscribers. While cost of service increased in total dollars, it decreased as a percentage of service revenues to 16.2% in 1997 from 19.3% in 1996 and 20.5% in 1995 due primarily to efficiencies gained from the growing subscriber base.

The Company's general and administrative costs are principally considered to be variable costs, that is costs that will vary with the level of subscribers. The increases in total dollars are primarily attributable to the increase in costs associated with supporting the increased subscriber base. However, the general and administrative cost per average subscriber continues to decrease as a result of efficiencies gained from the growing subscriber base. The general and administrative cost per average subscriber decreased to $12.60 in 1997 from $14.58 in 1996 and $15.08 in 1995. While the Company has not incurred material fraud or bad debt expenses to date and continues to develop and invest in measures to minimize such expenses, there can be no assurance that such expenses will not increase in the future.

Increases in sales and marketing costs are primarily due to the increase in net subscriber additions over the past three years. Although sales and marketing costs have increased, sales and marketing cost per net subscriber added, including the loss on equipment sales, declined to $574 in 1997 from $593 in 1996. This decrease is a result of strategically reduced advertising costs and is partially offset by an increase in the churn rate. Sales and marketing cost per net subscriber added increased to $593 in 1996 from $546 in 1995 largely due to an increase in the number of disconnected subscribers relative to the number of gross subscriber additions. Removing the effect of the Triad properties acquired in October 1997, sales and marketing costs would have been approximately $59.8 million in 1997 and the cost per net subscriber added, including the loss on equipment sales, would have been $578.

Cost of equipment sales increased primarily due to the increase in the number of handsets sold in 1997 as compared to 1996 and 1995. Offsetting this increase is a decrease caused by the decline in the average cost of handsets sold.

Increases in depreciation and amortization expense over the past three years are primarily due to the purchase of additional wireless communications system assets by the Company. In 1997, the increase in depreciation and amortization expense caused by the purchase of additional assets, including the acquisition of the Triad properties, was offset by the change in the life by which cellular licenses are amortized. Effective January 1, 1997, the Company prospectively changed its amortization period for cellular licensing costs from 15 years to 40 years to conform more closely with industry practices. The effect of this change in 1997 was to decrease net loss by approximately $15 million and decrease the basic loss per share by $0.21.

PCS Operations

The Company's PCS business did not commence operations in any of its markets until February 1996. From that date through the end of 1996 six of the original seven MTA licenses purchased by the Company launched service at various times. The last of the original seven MTA licenses, Denver, became operational in May of 1997. Due to the varying dates at which each of the MTAs became operational, the expenses and revenues incurred may not be representative of future operations. Additionally, during each period being discussed a portion of the operating expenses incurred in the Company's PCS operations were related to start-up costs incurred prior to the commencement of operations in each of the systems. Exclusive of depreciation and amortization expense, which was not material, approximately $5.4 million and $17.0 million of start-up costs were incurred in 1997 and 1996, respectively.

The Company had 128,600 PCS subscribers at December 31, 1997, representing an increase of 262.3% during 1997. At December 31, 1996, the Company had 35,500 PCS subscribers.

The following table sets forth certain financial data as it relates to the Company's PCS operations:

(Dollars in thousands)	Year Ended December 31,				
	1997	% change	1996	% change	1995
PCS revenues:					
Service revenues	$ 52,587	574.7%	$ 7,794		
Equipment revenues	25,143	158.0%	9,745		
Total revenues	$ 77,730		$ 17,539		
PCS operating expenses:					
Cost of service	$ 43,183	246.3%	$ 12,470		
Cost of equipment sales	53,469	157.2%	20,789		
General and administrative	51,678	155.7%	20,209	N.M.	$ 3,069
Sales and marketing	59,466	88.8%	31,505	N.M.	339
Depreciation and amortization	66,875	364.6%	14,395	N.M.	269
Total operating expenses	$ 274,671		$ 99,368		$ 3,677

PCS Revenues

PCS service revenues grew in 1997 primarily because all seven of the original MTAs were operational during the majority of 1997 while these same MTAs were only operational during a portion of 1996. Average monthly PCS subscriber revenue per subscriber was $57.48 for 1997 as compared to $62.85 for 1996. As the Company's PCS operations only began generating revenue during 1996, the year over year trend is not necessarily representative of future trends.

PCS equipment sales increased as a result of commercial operations in six of the Company's PCS MTAs during the entire twelve months of 1997 and the Denver MTA for eight months of 1997 as compared to only six MTAs having operations of various lengths throughout 1996. The Company anticipates continued growth in equipment sales as a result of increases in PCS subscriber additions and the commencement of commercial operations in other PCS markets.

PCS Operating Expenses

Cost of service expenses, cost of equipment sales, and depreciation and amortization expenses largely represent the expenses incurred by the operational PCS systems. Six of the PCS MTAs were operational during the entire twelve months in 1997 and the Denver MTA was operational for eight months of that period. Six of the PCS MTAs became operational during various times throughout 1996. Accordingly, cost of service expenses, cost of equipment sales, and depreciation and amortization expenses increased in 1997 over 1996. Similarly, general and administrative costs increased due to the costs associated with supporting the additional markets in which the Company has operations and sales and marketing costs increased as a result of the effort to increase net subscriber additions and promote the Company's PCS brand name. As the Company's PCS systems only commenced operations during 1996, the year over year trend is not necessarily representative of future trends.

Other Income (Expense); Extraordinary Loss; Net Operating Loss Carryforwards

Interest and financing expense, net of capitalized interest, increased in 1997 from 1996 and 1995 due to the increase in long-term debt. Long-term debt was incurred primarily to fund the Company's capital expenditures associated with the build-out of the Company's PCS systems. Interest expense will continue to increase in 1998 as a result of increased borrowings the Company has incurred, and will continue to incur, to fund this expansion. The weighted average interest rate, before the effect of capitalized interest, was 10.2%, 9.8% and 9.2% in 1997, 1996 and 1995, respectively.

Extraordinary loss on early extinguishment of debt of $6.6 million in 1995 represents the charge for the unamortized portion of financing costs incurred in connection with the refinancing of the Company's then outstanding credit facility.

The Company had available at December 31, 1997, net operating loss carryforwards ("NOLs") of approximately $640 million which will expire in the years 2002 through 2012. The Company may be limited in its ability to use these carryforwards in any one year due to ownership changes that preceded the business combination that formed the Company in July 1994. Approximately $17 million of such NOLs are subject to such limitations. Any amount of NOLs subject to such limitation that the Company is not able to use in any one year may be used in subsequent years prior to the expiration thereof. There is currently no limitation on the remaining NOLs of $623 million. Management believes that, based on a number of factors, there is sufficient uncertainty regarding the utilization of all of the Company's NOLs. See Note 9 of the Company's Notes to the consolidated financial statements.

EBITDA

Consolidated EBITDA declined to negative $26.2 million in 1997 from negative $7.1 million in 1996 and $25.5 million in 1995 primarily due to the negative $130.1 million and negative $67.4 million EBITDA in 1997 and 1996, respectively, attributable to PCS operations offset by an increase in cellular EBITDA. Cellular EBITDA increased to $103.9 million in 1997 from $60.3 million in 1996 and $28.9 million in 1995, primarily as a result of increased revenues due to the increased subscriber base and the related cost efficiencies gained. As a result, cellular operating margin (cellular EBITDA as a percentage of cellular service revenues) increased to 35.8% in 1997 from 28.3% in 1996 and 21.4% in 1995.

Liquidity and Capital Resources

The Company has a credit facility (the "Credit Facility") with a consortium of lenders providing for $750 million of revolving credit and a $200 million term loan. A subsidiary of the Company also has a credit facility (the "PCS Vendor Facility" and, together with the Credit Facility, the "Senior Secured Facilities") with a consortium of lenders providing for $300 million of revolving credit. As of December 31, 1997, $695 million and $300 million were outstanding under the Credit Facility and the PCS Vendor Facility, respectively. Amounts available for borrowing under the Credit Facility, which is limited by certain financial covenants, was $239 million. Indebtedness under the Credit Facility and the PCS Vendor Facility matures on March 31, 2006, and December 31, 2003, respectively, and bears interest at variable rates. Substantially all the assets of the Company are pledged as security for such indebtedness. The terms of the PCS Vendor Facility restrict, among other things, the sale of assets, distribution of dividends or other distributions and loans by the subsidiary of the Company.

In October 1997, the Company entered into an agreement with Hutchison Telecommunications Limited ("HTL") and a subsidiary of HTL pursuant to which the HTL subsidiary agreed to purchase approximately 5% of the outstanding capital stock of the Company for a purchase price of $74.3 million. This transaction closed in November 1997. The proceeds from the sale of the stock were used to reduce the revolving Credit Facility. The Company and its subsidiary, Western PCS Corporation ("Western PCS"), also entered into an agreement with HTL and another HTL subsidiary pursuant to which the HTL subsidiary agreed to purchase 19.9% of the outstanding capital stock of Western PCS for an aggregate purchase price of $248.4 million. This transaction closed in February 1998. Approximately $135 million of the proceeds will be used by Western PCS for the continued build-out of its PCS systems during 1998. The remainder of the proceeds was paid to the Company as a repayment of advances made to Western PCS and was used by the Company to reduce the revolving Credit Facility.

The Company currently anticipates that it will require approximately $260 million for the continued build-out of its PCS systems during 1998. In addition, further funds will be required to finance the continued growth of its cellular and PCS operations (which may be significant), provide for working capital, and service debt. Part of the funds needed to finance the PCS build-out and operations will come from the investment by HTL. The Company will utilize cash on hand, including the proceeds of the HTL investments described above, and amounts available for borrowing under the Credit Facility for such purposes. The Company believes such sources will be sufficient for the operations of the business. The Company continues to consider and expects to pursue additional sources of funding to enable the further development of the PCS business. Such sources may included the issuance of additional indebtedness and/or the sale of additional equity at the parent or subsidiary level. There can be no assurance that such funds will be available to the Company on acceptable or favorable terms.

Net cash used in operating activities was $114.5 million in 1997. Adjustments to the $265.5 million net loss to reconcile to net cash used in operating activities primarily included $133.5 million of depreciation and amortization. Other adjustments included changes in operating assets and liabilities, net of effects from consolidating acquired interests, consisting of an increase of $54.9 million in accrued liabilities, primarily attributable to an increase in property taxes and interest, an increase of $23.9 million in accounts receivable, net, as a result of the increase in total revenues, and an increase of $16.9 million in prepaid expenses and other current assets, primarily due to $15 million in escrow for the final payment to Triad which was released in January 1998. Net cash used in operating activities was $61.3 million and $0.7 million in 1996 and 1995, respectively.

Net cash used in investing activities was $652.3 million in 1997. Investing activities for such period consisted primarily of purchases of wireless licenses and other intangible assets of $71.9 million of which $71.6 was attributable to the purchase of the PCS licenses that the Company was the high bidder on in the FCC's D and E Block auctions, purchases of property and equipment of $318.8 million of which $264.4 was attributable to PCS capital expenditures incurred in relation to the build out and expansion of the PCS MTAs, and acquisitions of wireless properties, net of cash acquired, of $195.8 million primarily attributable to the purchase of the Triad licenses and properties during the fourth quarter of 1997. Net cash used in investing activities was $489.1 million and $293.6 million in 1996 and 1995, respectively.

Net cash provided by financing activities was $727.4 million in 1997. Financing activities for such period consisted of $652 million of net additions to long-term debt and the issuance of 3,888,888 shares of Class A Common stock to Hutchison in November in consideration for $74.3 million. Net cash provided by financing activities was $596.7 million and $295.1 million in 1996 and 1995, respectively.

In the ordinary course of business, the Company continues to evaluate acquisition opportunities, joint ventures and other potential business transactions. Such acquisitions, joint ventures and business transactions may be material. Such transactions may also require the Company to seek additional sources of funding through the issuance of additional debt and/or additional equity at the parent or subsidiary level. There can be no assurance that such funds will be available to the Company on acceptable or favorable terms.

As previously mentioned, the Company holds a 49.9% interest in Cook Inlet PCS. Cook Inlet PCS is subject to the FCC's build-out requirements and will require significant additional amounts to complete the build-out of its PCS systems and to meet the government debt service requirements on the C and F Block license purchase prices. The potential sources of such additional funding include vendor loans, loans or capital contributions by the partners of Cook Inlet PCS or other third party financing. To date, the Company has funded the operations of Cook Inlet PCS through the issuance of promissory notes. At December 31, 1997, the Company had advanced funds totaling $36.0 million to Cook Inlet PCS under such promissory notes.

Year 2000 Issues

The Company, like most owners of computer software, will be required to modify significant portions of its software so that it will function properly in the year 2000. Any of the Company's computer programs that have date-sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in a system failure or miscalculations causing disruptions of operations, including, among other things, a temporary inability to process transactions, send invoices, or engage in similar normal business activities. The Company is in the planning phase of its year 2000 compliance project and does not, as of yet, have a determinable estimate of the costs to be incurred. The Company expects to incur internal staff costs as well as consulting and other expenses related to infrastructure and facilities enhancements necessary to prepare the systems for the year 2000. The Company expects its year 2000 compliance project to be completed on a timely basis.

Seasonality

The Company, and the wireless communications industry in general, have historically experienced significant subscriber growth during the fourth calendar quarter. Accordingly, during such quarter the Company experiences greater losses on equipment sales and increases in sales and marketing expenses. The Company has historically experienced highest usage and revenue per subscriber during the summer months. The Company expects these trends to continue.

Exhibit 13.4 FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Western Wireless Corporation Consolidated Financial Statements

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Shareholders of
Western Wireless Corporation:

We have audited the accompanying consolidated balance sheets of Western Wireless Corporation and subsidiaries as of December 31, 1997 and 1996, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended December 31, 1997. These financial statements and schedules referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Western Wireless Corporation and subsidiaries as of December 31, 1997 and 1996, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1997, in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the index of consolidated financial statements are presented for purposes of complying with the Securities and Exchange Commission rules and are not a required part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Arthur Andersen LLP

Seattle, Washington
February 17, 1998

WESTERN WIRELESS CORPORATION
Consolidated Balance Sheets
(Dollars in thousands)

	As of December 31, 1997	As of December 31, 1996
ASSETS		
Current assets:		
Cash and cash equivalents	$ 15,459	$ 54,885
Accounts receivable, net of allowance for doubtful accounts of $9,931 and $4,266, respectively	55,652	28,958
Inventory	36,425	26,138
Prepaid expenses and other current assets	31,216	14,809
Deposit held by FCC		25,000
Total current assets	138,752	149,790
Property and equipment, net of accumulated depreciation of $221,031 and $107,685, respectively	699,129	538,617
Licensing costs and other intangible assets, net of accumulated amortization of $73,049 and $55,363, respectively	807,409	540,482
Investments in and advances to unconsolidated affiliates	64,156	12,655
Other assets	10,527	159
	$ 1,719,973	$ 1,241,703
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 11,519	$ 14,122
Accrued liabilities	104,595	40,749
Construction accounts payable	14,431	89,583
Total current liabilities	130,545	144,454
Long-term debt	1,395,000	743,000
Commitments (Note 8)		
Shareholders' equity:		
Preferred stock, no par value, 50,000,000 shares authorized; no shares issued and outstanding		
Common stock, no par value, 300,000,000 shares authorized; Class A, 22,201,336 and 14,540,691 shares issued and outstanding, respectively, and; Class B, 53,431,163 and 55,239,157 shares issued and outstanding, respectively	675,036	569,278
Deferred compensation	(845)	(800)
Deficit	(479,763)	(214,229)
Total shareholders' equity	194,428	354,249
	$ 1,719,973	$ 1,241,703

See accompanying notes to consolidated financial statements

WESTERN WIRELESS CORPORATION
Consolidated Statements of Operations
(Dollars in thousands, except per share data)

	For the year ended December 31, 1997	1996	1995
Revenues:			
Subscriber revenues	$ 297,724	$ 182,441	$ 105,430
Roamer revenues	39,977	34,065	29,660
Equipment sales and other revenues	42,877	26,579	11,465
Total revenues	380,578	243,085	146,555
Operating expenses:			
Cost of service	90,184	53,600	27,686
Cost of equipment sales	83,167	46,305	20,705
General and administrative	112,543	66,673	31,253
Sales and marketing	120,875	83,652	41,390
Depreciation and amortization	133,470	79,741	49,456
	540,239	329,971	170,490
Operating loss	(159,661)	(86,886)	(23,935)
Other income (expense):			
Interest and financing expense, net	(98,964)	(44,690)	(25,428)
Equity in net loss of unconsolidated affiliates	(11,058)	(968)	(236)
Other, net	4,149	2,439	290
Total other income (expense)	(105,873)	(43,219)	(25,374)
Loss before extraordinary item	(265,534)	(130,105)	(49,309)
Extraordinary loss on early extinguishment of debt			(6,645)
Net loss	(265,534)	(130,105)	(55,954)
Basic loss per common share before extraordinary item	$ (3.76)	$ (2.00)	$ (0.87)
Per common share effect of extraordinary item			(0.12)
Basic loss per common share	$ (3.76)	$ (2.00)	$ (0.99)
Weighted average common shares used in computing basic loss per common share	70,692,000	65,196,000	56,470,000

See accompanying notes to consolidated financial statements

WESTERN WIRELESS CORPORATION
Consolidated Statements of Shareholders' Equity
(Dollars in thousands)

	Common Stock					
	Class A shares	Class B shares	Par value and paid-in capital	Deferred compensation	Deficit	Total shareholders' equity
Balance, January 1, 1995		42,983,360	$ 155,187		$ (28,170)	$ 127,017
Shares issued:						
For cash, net of costs		12,665,905	143,002			143,002
In exchange for shareholder loans plus accrued interest		1,245,998	14,068			14,068
For minority interests in GCC, net		896,210	9,944			9,944
In exchange for wireless properties		217,000	2,450			2,450
Upon exercise of stock options		38,762	78			78
Net loss					(55,954)	(55,954)
Balance, December 31, 1995		58,047,235	324,729		(84,124)	240,605
Shares issued:						
For cash, net of costs	10,664,800	88,567	234,724			234,724
Upon exercise of stock options	383,937		879			879
In exchange for wireless properties		595,309	7,117			7,117
Class B shares exchanged for Class A shares	3,491,954	(3,491,954)				
Deferred compensation			1,829	$ (800)		1,029
Net loss					(130,105)	(130,105)
Balance, December 31, 1996	14,540,691	55,239,157	569,278	(800)	(214,229)	354,249
Shares issued:						
Upon exercise of stock options	268,763		1,077			1,077
In exchange for wireless properties	1,600,000		28,600			28,600
Private placement	3,888,888		74,300			74,300
Class B shares exchanged for Class A shares	1,807,994	(1,807,994)				
Deferred compensation	95,000		1,781	(45)		1,736
Net loss					(265,534)	(265,534)
Balance, December 31, 1997	22,201,336	53,431,163	$ 675,036	$ (845)	$ (479,763)	$ 194,428

See accompanying notes to consolidated financial statements

WESTERN WIRELESS CORPORATION
Consolidated Statements of Cash Flows
(Dollars in thousands)

	For the year ended December 31, 1997	1996	1995
Operating Activities:			
Net loss:	$ (265,534)	$ (130,105)	$ (55,954)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	133,470	79,741	49,456
Extraordinary loss on early extinguishment of debt			6,645
Employee equity compensation	1,835	1,029	
Equity in net loss of unconsolidated affiliates	11,058	968	236
Other, net	5,157	3,088	864
Changes in operating assets and liabilities, net of effects from consolidating acquired interests:			
Accounts receivable, net	(23,871)	(10,309)	(5,748)
Inventory	(9,481)	(20,493)	(239)
Prepaid expenses and other current assets	(16,913)	(10,979)	(1,284)
Accounts payable	(4,807)	5,771	(272)
Accrued liabilities	54,911	19,956	5,551
Other assets	(323)		
Net cash used in operating activities	(114,498)	(61,333)	(745)
Investing activities:			
Purchase of property and equipment	(318,750)	(333,315)	(79,464)
Additions to licensing costs and other intangible assets	(71,917)	(86,097)	(137,805)
Acquisition of wireless properties, net of cash acquired	(195,790)	(40,180)	(60,700)
Investments in and advances to unconsolidated affiliates	(63,402)	(5,994)	(8,268)
Purchase of subsidiary stock, including fees			(5,842)
Deposit held by FCC, net	7,749	(23,500)	(1,500)
Other assets	(10,194)		
Net cash used in investing activities	(652,304)	(489,086)	(293,579)
Financing activities:			
Proceeds from issuance of common stock, net	75,376	235,603	143,080
Additions to long term debt	722,000	893,000	438,000
Payment of debt	(70,000)	(512,722)	(277,015)
Deferred financing costs		(19,149)	(12,798)
Loans from shareholders			3,842
Net cash provided by financing activities	727,376	596,732	295,109
Change in cash and cash equivalents	(39,426)	46,313	785
Cash and cash equivalents, beginning of year	54,885	8,572	7,787
Cash and cash equivalents, end of year	15,459	54,885	8,572

See accompanying notes to consolidated financial statements

1. Organization:

Western Wireless Corporation (the "Company") provides wireless communications services in the western United States principally through the ownership and operation of cellular and personal communications services ("PCS") systems. The cellular operations are primarily in rural areas and the PCS operations are primarily in urban areas due to the Company's belief that there are certain strategic advantages to operating each technology in these respective areas. As of December 31, 1997, the Company provides cellular services in 72 Rural Service Areas ("RSA") and 16 Metropolitan Statistical Areas ("MSA") and PCS services in nine metropolitan markets in seven Metropolitan Trading Areas ("MTA").

The Company expanded its cellular footprint in 1997 by acquiring 12 RSAs from Triad Corporation, Triad Cellular L.P. and certain of their affiliates (collectively "Triad") (see Note 12). Also during 1997 the Company acquired 100 additional PCS licenses in the Federal Communication Commission's ("FCC") D and E Block auctions and acquired eight more PCS licenses as part of its acquisition of Triad. Cook Inlet Western Wireless PV/SS PCS, LP ("Cook Inlet PCS"), a partnership in which the Company holds a 49.9% limited partnership interest, owns broadband PCS licenses in 21 Basic Trading Areas ("BTA") including seven that were acquired in the FCC F Block auction during the first quarter of 1997. The first of these BTAs commenced commercial operations in June 1997.

The Company expects to incur significant operating losses and to generate negative cash flows from operating activities during the next several years while it develops and constructs its PCS systems and builds a PCS customer base.

2. Summary of Significant Accounting Policies:

Principles of consolidation:

The consolidated financial statements include the accounts of the Company, its wholly owned subsidiaries and its affiliate investments in which the Company has a greater than 50% interest that is not temporary. All affiliate investments in which the Company has between a 20% and 50% interest and those that are temporarily greater than 50% are accounted for using the equity method. All significant intercompany accounts and transactions have been eliminated.

Cash and cash equivalents:

Cash and cash equivalents generally consist of cash and marketable securities that have original maturity dates not exceeding three months. Such investments are stated at cost, which approximates fair value.

Revenue recognition:

Service revenues based on customer usage are recognized at the time the service is provided. Access and special feature service revenues are recognized when earned. Sales of equipment, primarily handsets, are recognized when the goods are delivered to the customer.

Inventory:

Inventory consists primarily of handsets and accessories. Inventory is stated at the lower of cost or market, determined on a first-in, first-out basis.

Property and equipment and depreciation:

Property and equipment are stated at cost. Depreciation commences once the assets have been placed in service and is computed using the straight-line method over the estimated useful lives of the assets which primarily range from three to ten years.

2. **Summary of Significant Accounting Policies (continued):**

Licensing costs and other intangible assets and amortization:

Licensing costs primarily represent costs incurred to acquire FCC wireless licenses, including cellular licenses obtained by the Company, principally through acquisitions, and PCS licenses which were primarily purchased from the FCC.

Amortization of cellular licenses is computed using the straight-line method. During 1996 the Company amortized its cellular licensing costs over 15 years. Effective January 1, 1997, the Company prospectively changed its amortization period for cellular licensing costs from 15 years to 40 years to conform more closely with industry practices. The effect of this change in 1997 was to decrease net loss by approximately $15 million and decrease the loss per share by $0.21. Amortization of PCS licenses begins with the commencement of service to customers and is computed using the straight-line method over 40 years.

Other intangible assets consist primarily of deferred financing costs. Deferred financing costs are amortized using the effective interest method over the terms of the respective loans which have terms ranging from 9 to 10 years.

Capitalized Interest:

The Company's PCS licenses represent qualified assets pursuant to Statement of Financial Accounting Standards ("SFAS") No. 34, "Capitalization of Interest Cost." For the years ended December 31, 1997, 1996, and 1995, the Company had interest expense of $99.0 million, $44.7 million and $25.4 million, respectively, net of capitalized interest in the amount of $4.0 million, $5.2 million and $0.4 million, respectively, pertaining to the build out of its PCS markets.

Income taxes:

The Company accounts for deferred taxes using the asset and liability method.

Loss per common share:

Loss per common share is calculated using the weighted average number of shares of outstanding common stock during the period. The number of shares outstanding has been calculated based on the requirements of SFAS No. 128, "Earnings Per Share." Due to the net loss incurred during the periods presented, all options outstanding are anti-dilutive, thus basic and diluted loss per share are equal.

Stock-based compensation plans:

The Company accounts for its stock-based compensation plans under APB Opinion No. 25, "Accounting for Stock Issued to Employees." See Note 11 for discussion of the effect on net loss and other related disclosures had the Company accounted for these plans under SFAS No. 123, "Accounting for Stock-Based Compensation."

Financial instruments:

As required under the Credit Facility (as defined in Note 7), the Company enters into interest rate swap and cap agreements to manage interest rate exposure pertaining to long-term debt. The Company has only limited involvement with these financial instruments, and does not use them for trading purposes. In addition, the Company has historically held derivative financial instruments to maturity and has never recognized a gain or loss on disposal. It is the Company's intent to hold existing derivatives to maturity. Interest rate swaps are accounted for on an accrual basis, the income or expense of which is included in interest expense. Premiums paid to purchase interest rate cap agreements are classified as an asset and amortized to interest expense over the terms of the agreements. These transactions do not subject the Company to risk of loss because gains and losses on these contracts are offset against losses and gains on the underlying liabilities. No collateral is held in relation to the Company's financial instruments.

The carrying value of the Company's short-term financial instruments approximates fair value due to the short maturity of these instruments. The fair value of long-term debt is based on incremental borrowing rates currently available on loans with similar term and maturities. The Company does not hold or issue any financial instruments for trading purposes.

2. Summary of Significant Accounting Policies (continued):

Supplemental cash flow disclosure:

Cash paid for interest (net of amounts capitalized) was $87.4 million, $36.2 million, and $21.7 million for the years ended December 31, 1997, 1996 and 1995, respectively.

Non-cash investing and financing activities were as follows:

(Dollars in thousands)	Year ended December, 31		
	1997	1996	1995
Conversion of FCC deposit to wireless license	$ 17,251		$ 10,000
Conversion of revolving debt to term debt		$ 200,000	
Issuance of common stock in exchange for wireless assets	$ 28,600	$ 7,117	$ 2,450
Exchange of shareholder loans and accrued interest for common stock			$ 14,068

Estimates used in preparation of financial statements:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Reclassifications:

Certain amounts in prior year's financial statements have been reclassified to conform to the 1997 presentation.

3. Property and Equipment:

(Dollars in thousands)	December 31,	
	1997	1996
Land, buildings and improvements	$ 20,406	$ 8,433
Wireless communications systems	697,319	370,628
Furniture and equipment	74,768	49,351
	792,493	428,412
Less accumulated depreciation	(221,031)	(107,685)
	571,462	320,727
Construction in progress	127,667	217,890
	$ 699,129	$ 538,617

Depreciation expense was $119.1 million, $54.9 million and $30.2 million for the years ended December 31, 1997, 1996 and 1995, respectively.

4. Licensing Costs and Other Intangible Assets:

(Dollars in thousands)	December 31, 1997	December 31, 1996
License costs	$ 846,466	$ 560,232
Other intangible assets	33,992	35,613
	880,458	595,845
Accumulated amortization	(73,049)	(55,363)
	$ 807,409	$ 540,482

5. Investments In and Advances To Unconsolidated Affiliates:

(Dollars in thousands)	December 31, 1997	December 31, 1996
Cook Inlet PCS	$ 36,055	$ 8,142
Latcom Wireless Telephone Co. ("Latcom")	11,791	4,663
ACG Telesystems Ghana, LLC ("Ghana")	8,706	
Icesco. Ltd ("Iceland")	4,002	
Telcell Wireless LLC ("Georgia")	3,261	
Other	341	(150)
	$ 64,156	$ 12,655

The Company's ownership interest in these unconsolidated affiliates range from 30% to 75%. Those ownership interests greater than 50% are temporary, therefore the entities are not consolidated. The assets, liabilities and results of operations of Cook Inlet PCS and other unconsolidated affiliates were not material to the Company during 1997 and 1996.

6. Accrued Liabilities:

(Dollars in thousands)	December 31, 1997	December 31, 1996
Accrued payroll and benefits	$ 15,111	$ 11,192
Accrued interest expense	17,831	10,265
Accrued taxes, other than income	19,398	5,096
Final payment for acquisition	15,000	
Accrued interconnect charges	8,149	5,261
Other	29,106	8,935
	$ 104,595	$ 40,749

7. Long-Term Debt:

(Dollars in thousands)	December 31, 1997	December 31, 1996
Credit Facility (a):		
Revolver	$ 495,000	
Term Loan	200,000	$ 200,000
10-1/2% Senior Subordinated Notes Due 2006 (b)	200,000	200,000
10-1/2% Senior Subordinated Notes Due 2007 (c)	200,000	200,000
PCS Vendor Facility (d)	300,000	143,000
	$ 1,395,000	$ 743,000

(a) Credit Facility

The Company has a credit facility with a group of banks (the "Credit Facility") pursuant to which the banks agreed to make loans to the Company, on a revolving-credit basis, in an aggregate principal amount not to exceed $750 million (the "Revolving Loans") and a term loan (the "Term Loan") of $200 million. The Revolving Loans are limited to the principal amount outstanding on December 31, 2000. The Company is required to make quarterly payments on the outstanding principal of the Revolving Loans and Term Loan beginning March 31, 2001, and June 30, 2001, respectively. These payments increase each year on the anniversary date of the initial payment, until paid in full on December 31, 2005, for the Revolving Loans and March 31, 2006, for the Term Loan. The Credit Facility also contains certain financial covenants, the most restrictive of which impose limitations on the incurrence of indebtedness.

Any loan shall, at the option of the Company, be made as a Base Rate Advance, Eurodollar Advance or CD Rate Advance. Under the Credit Facility, interest is payable at an applicable margin in excess of the prevailing base rate. The applicable margin on the Revolving Loans is determined quarterly based on the leverage ratio of the Company, excluding certain of its subsidiaries. The applicable margin on the Term Loan is 2.5%. During 1997 and 1996, all loans under the Credit Facility had been borrowed using the Eurodollar option. The weighted average interest rate, including the appropriate applicable margin, for the years ended December 31, 1997 and 1996, was 8.22% and 7.79%, respectively. The Credit Facility also provides for an annual fee ranging from 0.25% to 0.375% on the unused commitment, payable quarterly. As of December 31, 1997 and 1996, the unused portion of the commitment under the Credit Facility was $239 million and $750 million, respectively.

The Credit Facility requires the Company to enter into interest rate swap and cap agreements to manage the interest rate exposure pertaining to borrowings under the Credit Facility. At December 31, 1997 and 1996, the Company had entered into interest rate caps and swaps with a total notional amount of $365 million and $205 million, respectively. Generally these instruments have initial terms ranging from three to 3-1/2 years and effectively convert variable rate debt to fixed rate. The weighted average interest rate under these agreements was approximately 7.40% and 6.76% at December 31, 1997 and 1996, respectively. The amount of unrealized loss attributable to changing interest rates at December 31, 1997 and 1996, was immaterial.

The repayment of the Credit Facility is secured by, among other things, the grant of a security interest in substantially all of the assets of the Company, excluding, among other items, the capital stock and assets of the PCS subsidiaries.

Upon execution of the Credit Facility, the Company repaid all of its outstanding indebtedness under its then existing revolving/term loan agreement (the "Previous Agreement"). The Company incurred an extraordinary loss of approximately $6.6 million in connection with the early repayment of the outstanding indebtedness under the Previous Agreement during 1995. The loss primarily consisted of the write-off of the related financing costs which had been deferred and only partially amortized.

7. **Long-Term Debt (continued):**

(b) 10-1/2% Senior Subordinated Notes Due 2006

In May 1996, the Company issued $200 million principal amount of 10-1/2% Senior Subordinated Notes Due 2006 (the "2006 Notes") at par. The 2006 Notes mature on June 1, 2006. Interest is payable semi-annually. The 2006 Notes may be redeemed at any time at the option of the Company, in whole or from time to time in part, at varying redemption prices. The Credit Facility prohibits the repayment of all or any portion of the principal amount of the 2006 Notes prior to the repayment of all indebtedness under the Credit Facility. The 2006 Notes contain certain restrictive covenants which impose limitations on the operations and activities of the Company and certain of its subsidiaries, including the incurrence of other indebtedness, the creation of liens, the sale of assets, issuance of preferred stock of subsidiaries, and certain investments and acquisitions. The 2006 Notes are subordinate in right of payment to the Credit Facility and the PCS Vendor Facility (see item (d) below).

(c) 10-1/2% Senior Subordinated Notes Due 2007

In October 1996, the Company issued $200 million principal amount of 10-1/2% Senior Subordinated Notes, which will mature on February 1, 2007 (the "2007 Notes") at par. Interest is payable semi-annually commencing February 1, 1997. The 2007 Notes were issued *pari passu* to the 2006 Notes. As such, the 2007 Notes may be redeemed at any time at the option of the Company, in whole or from time to time in part, at varying redemption prices. The Credit Facility prohibits repayment of all or any portion of the principal amount of the 2007 Notes prior to the repayment of all indebtedness under the Credit Facility. The 2007 Notes contain certain restrictive covenants which are consistent with that of the 2006 Notes. The 2007 Notes are subordinate in right of payment to the Credit Facility and the PCS Vendor Facility.

(d) PCS Vendor Facility

A subsidiary of the Company has a credit facility (the "PCS Vendor Facility" formerly known as the "NORTEL Facility") with a consortium of lenders which expires on December 31, 2003. In the first quarter of 1997 this agreement was amended to increase the credit facility from $200 million to $300 million. The PCS Vendor Facility bears interest at a rate approximating the prime rate plus a margin of 1.5%, or the London Interbank Offered Rate ("LIBOR") plus a margin of 2.5%. As of December 31, 1997, all outstanding borrowings were drawn under the LIBOR rate option. The weighted average interest rate, including margin, for the years ended December 31, 1997 and 1996, was 8.20% and 8.06%, respectively. The PCS Vendor Facility contains certain financial covenants, the most restrictive of which impose a minimum cash coverage and is collateralized by substantially all of the subsidiary's assets and the stock of such subsidiary. The terms of this agreement restrict, among other things, the sale of assets, distribution of dividends or other distributions and loans by the subsidiary of the Company. Interest only payments are required through September 30, 2000. Commencing September 30, 2000, and at the end of each calendar quarter thereafter, the subsidiary is required to make payments on the principal amount outstanding under the PCS Vendor Facility in increasing quarterly installments.

The aggregate amounts of principal maturities as of December 31, 1997, of the Company's debt are as follows *(dollars in thousands)*:

Year ending December 31,	
1998	$ 0
1999	0
2000	30,000
2001	123,000
2002	170,270
Thereafter	1,071,730
	$ 1,395,000

8. Commitments:

The Company leases various facilities, cell site locations, rights-of-way and equipment under operating lease agreements. The leases expire at various dates through the year 2027. Some leases have options to renew for additional periods up to 25 years. Certain leases require the Company to pay property taxes, insurance and normal maintenance costs. Substantially all of the Company's leases have fixed minimum lease payments.

Future minimum payments required under operating leases and agreements that have initial or remaining noncancellable terms in excess of one year as of December 31, 1997, are summarized below *(dollars in thousands)*:

Year ending December 31,	
1998	$ 23,758
1999	22,063
2000	20,206
2001	15,237
2002	7,580
Thereafter	26,179
	$ 115,023

Aggregate rental expense for all operating leases was approximately $28.0 million, $14.2 million and $4.8 million for the years ended December 31, 1997, 1996 and 1995, respectively.

In order to ensure adequate supply and availability of certain inventory requirements and service needs, the Company has committed to purchase from various suppliers wireless communications equipment, handsets, and services. These agreements expire at various dates through December 2005. The aggregate amount of these commitments total approximately $401 million. At December 31, 1997, the Company has ordered approximately $246 million under all of these agreements, of which approximately $16 million is outstanding.

In March 1998, a subsidiary of the Company entered into an agreement with a vendor to purchase $150 million of PCS equipment and services in relation to the buildout of its Seattle and Phoenix BTAs.

The Company has various other purchase commitments for materials, supplies and other items incident to the ordinary course of business which are neither significant individually nor in the aggregate. Such commitments are not at prices in excess of current market value.

9. Income Taxes:

Significant components of deferred income tax assets and liabilities are as follows :

(Dollars in thousands)	December 31,	
	1997	1996
Deferred tax assets:		
Net operating loss carryforwards	$ 228,800	$ 100,000
Other temporary differences	17,200	12,000
Total deferred tax assets	-246,000	112,000
Valuation allowance	(195,600)	(90,000)
	50,400	22,000
Deferred tax liabilities:		
Property and wireless licenses basis differences	(50,400)	(22,000)
	$ 0	$ 0

9. Income Taxes (continued):

For tax purposes, the Company had available at December 31, 1997, net operating loss carryforwards for regular tax purposes of approximately $640 million which will expire in 2002 through 2012. The Company may be limited in its ability to use these carryforwards in any one year due to ownership changes that preceded the business combination that formed the Company in July 1994. The change in the valuation allowance was an increase of approximately $107 million, $56 million and $16 million in 1997, 1996 and 1995, respectively.

Management believes that, based on a number of factors, the available objective evidence creates sufficient uncertainty regarding the realization of the net deferred tax assets. Such factors include recurring operating losses resulting primarily from the development of the Company's PCS business and expected increased competition from new entrants into the Company's existing markets. Accordingly, a valuation allowance has been provided for the net deferred tax assets of the Company.

The difference between the statutory tax rate of approximately 40% (35% federal and 5% state, net of federal benefits) and the tax benefit of zero recorded by the Company is primarily due to the Company's full valuation allowance against its net deferred tax assets.

10. Shareholders' Equity:

(a) Business combinations

On October 31, 1997, the Company issued 1,600,000 shares of its' Class A Common Stock as a portion of the consideration given to purchase the cellular business and assets of Triad (see Note 12).

On December 29, 1995, the shareholders of the Company, Palouse Paging Inc. ("Palouse"), and Sawtooth Paging Inc. ("Sawtooth") approved the merger of Palouse and Sawtooth into wholly owned subsidiaries of the Company. During 1995, certain officers, one of whom is a director, of the Company who are also shareholders of Palouse and Sawtooth provided Palouse and Sawtooth with short-term financing. During 1996, shareholders of Palouse and Sawtooth exchanged their shares for 515,561 and 79,748 shares of the Company's common stock, respectively. Certain shareholders of Palouse and Sawtooth were also officers and non-controlling shareholders of the Company. The Company accounted for the transaction as a stock purchase and paid approximately $3.1 million and $0.3 million of outstanding debt, including the debt to shareholders noted above, of Palouse and Sawtooth, respectively.

(b) General Cellular Corporation minority interest

During 1995 the Company completed a cash redemption of the remaining common stock shares (the "Redemption") of General Cellular Corporation's ("GCC"), the Company's predecessor company, common stock. As part of this Redemption, the Company issued 896,210 shares of the Company's common stock for GCC common stock in a one-for-one exchange. This redemption eliminated all minority interest positions in the equity of GCC. The cost in excess of the carrying amounts of the minority interests acquired increased licensing costs and other intangible assets by approximately $11 million during 1995.

(c) Stock issuances

In January 1998, the Company issued 100,000 shares of its Class A Common Stock pursuant to an Executives Restricted Stock Plan to certain key executives. The vesting of these shares are subject to certain performance thresholds as determined by the Board of Directors.

In November 1997, the Company issued 3,888,888 shares of its Class A common stock (approximately 5% of the outstanding capital stock of the Company) to a subsidiary of Hutchison Telecommunications Limited ("HTL") for a purchase price of approximately $74 million.

10. Shareholders' Equity (continued):

In January 1997, the Company issued 95,000 shares of its Class A Common Stock to certain key executives pursuant to an Executives Restricted Stock Plan. The vesting of these shares are subject to certain performance thresholds as determined by the Board of Directors.

During 1996, 10,664,800 shares of common stock were issued and approximately $233.9 million in net proceeds were received by the Company under a registration statement of the Company's Class A Common Stock filed with the SEC. Prior to this, the Company sold 88,567 shares of its common stock to an officer of the Company at $11.29 per share for aggregate proceeds of approximately $1.0 million.

In November 1995, the Board of Directors approved an increase in the number of authorized shares of the Company's common stock from 25 million to 300 million.

During 1995, a wholly owned subsidiary issued 4,300,001 shares of Series A Preferred Stock to certain existing shareholders of the Company at $35.00 per share for aggregate proceeds of approximately $150 million, which was comprised of approximately $14 million of converted debt of shareholders and approximately $136 million in cash. The preferred stock in the subsidiary was converted into common stock of the Company on a one for 3.1 basis. Additionally, the Company sold 581,901 shares of common stock at $11.29 per share for cash during 1995 to existing shareholders.

11. Stock-Based Compensation Plans:

On September 20, 1994, the Board of Directors of the Company established the 1994 Management Incentive Stock Option Plan (the "MISOP") which was later amended and approved, as amended, by the shareholders of the Company on November 16, 1995. The MISOP, provides for the issuance of up to 5,890,000 shares of common stock as either Nonstatutory Stock Options or as Incentive Stock Options, the terms and conditions of which are at the discretion of the Administrator of the MISOP.

During 1996, the Board of Directors of the Company approved the 1996 Employee Stock Purchase Plan (the "ESPP") which became effective January 1, 1997, which provides for the issuance of up to 1,000,000 shares of Class A Common Stock to eligible employees participating in the plan. The terms and conditions of eligibility under the ESPP require that an employee must have been employed by the Company or its subsidiaries for at least three months prior to participation. A participant may contribute up to 10% of their total annual compensation toward the ESPP, not to exceed the IRS contribution limit each calendar year. Shares will be offered under this ESPP at 85% of market value at each offer date. Participants are fully vested at all times.

11. Stock-Based Compensation Plans (continued):

At December 31, 1997, 1996, and 1995 the Company has accounted for the above described MISOP and ESPP following the guidelines of APB Opinion No. 25 and related interpretations. Had compensation cost for the MISOP and the ESPP been determined based upon the fair value at the grant dates for awards under these plans consistent with the method defined in SFAS No. 123, the Company's net loss and basic loss per share would have increased to the pro forma amounts indicated below:

(Dollars in thousands, except per share data)	Year ended December 31, 1997	1996	1995
Net loss:			
As reported	$ (265,534)	$ (130,105)	$ (55,954)
Pro forma	$ (271,745)	$ (134,255)	$ (57,388)
Basic and diluted loss per share:			
As reported	$ (3.76)	$ (2.00)	$ (0.99)
Pro forma	$ (3.84)	$ (2.06)	$ (1.02)

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

	1997	1996	1995
Weighted average risk free interest rates	6.28%	6.33%	6.30%
Expected dividend yield	0%	0%	0%
Expected volatility	50%	50%	0%
Expected lives (in years)	7.5	7.5	7.5

The Black-Scholes option-pricing model requires the input of highly subjective assumptions and does not necessarily provide a reliable measure of fair value.

Options granted, exercised and canceled under the above MISOP are summarized as follows :

(In thousands, except pricing information)	Year ended December 31, 1997		1996		1995	
	Shares	Weighted average price	Shares	Weighted average price	Shares	Weighted average price
Outstanding, beginning of period	4,165	$ 9.66	3,538	$ 8.02	2,182	$ 5.15
Options granted	18	$ 14.65	1,139	$ 12.54	1,453	$ 12.15
Options exercised	(269)	$ 4.85	(384)	$ 2.28	(39)	$ 2.02
Options canceled	(203)	$ 13.12	(128)	$ 12.06	(58)	$ 7.73
Outstanding, end of the period	3,711	$ 9.79	4,165	$ 9.65	3,538	$ 8.02
Exercisable, end of period	2,384	$ 8.23	1,877	$ 6.36	1,582	$ 3.69

The weighted average fair value of stock options granted for the years ended 1997 and 1996 was $9.34 and $9.79, respectively.

11. Stock-Based Compensation Plans (continued):

The following table summarizes information about fixed price stock options outstanding at December 31, 1997:

(In thousands, except pricing information) Range of exercise prices	Options outstanding			Options exercisable	
	Number outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable	Weighted average exercise price
$ 1.10 - $ 4.03	891	5 years	$ 2.61	849	$ 2.69
$ 9.68 - $ 9.68	660	7 years	$ 9.68	660	$ 9.68
$ 11.29 - $ 12.90	1,263	8 years	$ 12.04	653	$ 12.06
$ 13.73 - $ 16.13	897	9 years	$ 13.84	222	$ 13.83
$ 1.10 - $ 16.13	3,711	7 years	$ 9.79	2,384	$ 8.23

12. Acquisitions:

On October 31, 1997, the Company consummated the purchase of the cellular business and assets of Triad in the RSAs designated as Texas 1, 2, 4, and 5, Utah 3, 4 and 6, Oklahoma 7 and 8 and Minnesota 7, 8 and 9, for an aggregate purchase price of (i) approximately $194.5 million, plus (ii) 1,600,000 shares of the Company's Class A Common Stock. The transaction was accounted for using the purchase method of accounting. In accordance with its agreement with Triad, the Company filed a shelf Registration Statement on Form S-3 covering future resales of such shares. The Company also acquired from Triad certain D and E Block PCS licenses for an aggregate purchase price of approximately $4.6 million, such amount being the aggregate amount Triad paid the FCC in its successful bids for such licenses in the FCC's auction of such licenses.

During 1996 and 1995 the Company acquired six cellular RSAs and one cellular MSA throughout the western United States. The aggregate cash paid for these transactions was $35.6 million and $38.6 million, in 1996 and 1995, respectively. All of these transactions were accounted for using the purchase method of accounting. Six of the transactions were asset purchases while one was a stock purchase in which the Company issued 217,000 shares of common stock at $11.29 per share. Substantially all of the purchase price of each acquisition was allocated to licensing costs.

In June 1996, the Company purchased a Denver MTA PCS wireless license for $66.1 million. This transaction was accounted for as an asset purchase.

Exchanges:

In July 1995, the Company exchanged its cellular assets in certain Minnesota markets, its ownership interests in three other markets and $3.0 million in cash for the cellular assets and license of the Lubbock, TX MSA market. There was no gain or loss recognized on the transaction.

13. Segment information:

The company's operations are classified into two principal reportable segments: cellular and PCS. The Company provides cellular services in rural markets and provides PCS services in urban markets, both in the western United States. The type of service provided in each segment is similar, although PCS generally offers more features. Certain centralized costs and assets benefit all of the Company's operations. These items are allocated to the segments in a manner which reflects management's judgment as to the nature of the activity causing those items to be incurred.

(Dollars in thousands)	Cellular Operations	PCS Operations	Other Operations	Consolidated
Year ended December 31, 1997				
Total revenues	$ 302,848	$ 77,730		$ 380,578
Interest expense	$ 41,406	$ 57,558		$ 98,964
Depreciation and amortization expense	$ 66,595	$ 66,875		$ 133,470
Operating income (loss)	$ 37,280	$ (196,941)		$ (159,661)
Total capital expenditures	$ 54,318	$ 264,432		$ 318,750
Total assets	$ 866,805	$ 822,291	$ 30,877	$ 1,719,973
Year ended December 31, 1996				
Total revenues	$ 225,546	$ 17,539		$ 243,085
Interest expense	$ 41,083	$ 3,607		$ 44,690
Depreciation and amortization expense	$ 65,346	$ 14,395		$ 79,741
Operating income (loss)	$ (5,057)	$ (81,829)		$ (86,886)
Total capital expenditures	$ 98,953	$ 234,362		$ 333,315
Total assets	$ 622,197	$ 614,127	$ 5,379	$ 1,241,703
Year ended December 31, 1995				
Total revenues	$ 146,555			$ 146,555
Interest expense	$ 25,388	$ 40		$ 25,428
Depreciation and amortization expense	$ 49,187	$ 269		$ 49,456
Operating income (loss)	$ (20,258)	$ (3,677)		$ (23,935)
Total capital expenditures	$ 62,573	$ 16,891		$ 79,464
Total assets	$ 465,193	$ 193,810	$ 25	$ 659,028

14. Selected Quarterly Consolidated Financial Information (Unaudited):

Selected quarterly consolidated financial information for the years ended December 31, 1997 and 1996 is as follows:

(Dollars in thousands, except per share data)

Quarter ended	Total revenues	Operating loss	Net loss	Basic loss per common share
March 31, 1997	$ 71,560	$ (37,391)	$ (55,173)	$ (0.79)
June 30, 1997	$ 90,642	$ (45,269)	$ (70,025)	$ (1.00)
September 30, 1997	$ 104,994	$ (38,233)	$ (68,043)	$ (0.97)
December 31, 1997	$ 113,382	$ (38,768)	$ (72,293)	$ (0.99)
March 31, 1996	$ 46,035	$ (10,505)	$ (18,574)	$ (0.31)
June 30, 1996	$ 58,569	$ (13,158)	$ (21,596)	$ (0.35)
September 30, 1996	$ 67,339	$ (27,489)	$ (38,605)	$ (0.56)
December 31, 1996	$ 71,142	$ (35,734)	$ (51,330)	$ (0.74)

15. Related Party Transactions:

In connection with the 2006 Notes and equity offerings during the second quarter of 1996, the Company paid total underwriting fees of approximately $23.3 million. In connection with the 2007 Notes during the third quarter of 1996, the Company paid total underwriting fees of approximately $5.5 million. Goldman, Sachs & Co., an affiliate of a shareholder of the Company, was the lead underwriter on each offering.

16. Hutchison Transaction:

In addition to the shares issued by the Company to a subsidiary of HTL (as discussed in Note 10) during the fourth quarter of 1997, the Company and its subsidiary, Western PCS Corporation ("Western PCS"), entered into an agreement with HTL and another subsidiary of HTL (the "HTL Sub") pursuant to which the HTL Sub agreed to purchase 19.9% of Western PCS for an aggregate purchase price of $248.4 million. In the first quarter of 1998, this purchase received a favorable declaratory ruling by the FCC granting a waiver from the indirect foreign ownership restrictions under the Communications Act of 1934, as amended; and the expiration or early termination of all applicable waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended has passed. The Company and Western PCS have amended certain outstanding financing agreements to which they are subject, and unless otherwise agreed to by HTL Sub and the Company, neither the Company nor Western PCS shall have any liability regarding any indebtedness of the other. The HTL Sub has designated two directors to a ten person Board of Directors of Western PCS who have certain rights with respect to certain transactions and acts of Western PCS. Western PCS and the Company received $248.4 million in February 1998 upon closing of this transaction.

WESTERN WIRELESS CORPORATION
Schedule I - Condensed Financial Information
(Parent Company Only)
Balance Sheets
(Dollars in thousands)

	As of December 31, 1997	As of December 31, 1996
ASSETS		
Current assets:		
Cash and cash equivalents	$ 15,177	$ 49,762
Accounts receivable, net of allowance for doubtful accounts of $8,725 and $3,580, respectively	47,082	24,356
Inventory	19,794	14,324
Prepaid expenses and other current assets	26,264	11,907
Deposit held by FCC		25,000
Total current assets	108,317	125,349
Property and equipment, net of accumulated depreciation of $175,753 and $98,974, respectively	471,646	367,668
Licensing costs and other intangible assets, net of accumulated amortization of $68,086 and $53,951, respectively	651,538	386,163
Investments in and advances to affiliates	157,320	162,986
Other assets	10,527	159
	$ 1,399,348	$ 1,042,325
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 9,973	$ 4,238
Accrued liabilities	88,227	35,448
Construction accounts payable	11,720	48,390
Total current liabilities	109,920	88,076
Long-term debt	1,095,000	600,000
Shareholders' equity:		
Preferred stock, no par value, 50,000,000 shares authorized; no shares issued and outstanding		
Common stock, no par value, 300,000,000 shares authorized; Class A, 22,201,336 and 14,540,691 shares issued and outstanding and; Class B, 53,431,163 and 55,239,157 shares issued and outstanding, respectively	675,036	569,278
Deferred compensation	(845)	(800)
Deficit	(479,763)	(214,229)
Total shareholders' equity	194,428	354,249
	$ 1,399,348	$ 1,042,325

See notes to condensed financial information

WESTERN WIRELESS CORPORATION
Schedule I - Condensed Financial Information
(Parent Company Only)
Statements of Operations
(Dollars in thousands, except per share data)

	For the year ended December 31, 1997	1996	1995
Revenues:			
Subscriber revenues	$ 257,397	$ 175,354	$ 105,430
Roamer revenues	39,793	34,065	29,660
Equipment sales and other revenue	23,569	18,674	11,465
Total revenues	320,759	228,093	146,555
Operating expenses:			
Cost of service	62,384	43,914	27,686
Cost of equipment sales	42,596	29,414	20,705
General and administrative	79,893	53,355	29,057
Sales and marketing	80,267	60,394	41,053
Depreciation and amortization	93,207	69,869	49,311
Total operating expenses	358,347	256,946	167,812
Operating loss	(37,588)	(28,853)	(21,257)
Other income (expense):			
Interest and financing expense, net	(71,999)	(42,786)	(25,388)
Equity in net loss of affiliates	(160,092)	(60,841)	(2,954)
Other, net	4,145	2,375	290
Total other income (expense)	(227,946)	(101,252)	(28,052)
Loss before extraordinary item	(265,534)	(130,105)	(49,309)
Extraordinary loss on early extinguishment of debt			(6,645)
Net loss	$ (265,534)	$ (130,105)	$ (55,954)
Basic loss per common share before extraordinary item	$ (3.76)	$ (2.00)	$ (0.87)
Per common share effect of extraordinary item			(0.12)
Basic loss per common share	$ (3.76)	$ (2.00)	$ (0.99)
Weighted average common shares used in computing basic loss per share	70,692,000	65,196,000	56,470,000

See notes to condensed financial information

WESTERN WIRELESS CORPORATION
Schedule I - Condensed Financial Information
(Parent Company Only)
Statements of Cash Flows
(Dollars in thousands)

	For the year ended December 31,		
	1997	1996	1995
Operating activities:			
Net loss	$ (265,534)	$ (130,105)	$ (55,954)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	93,207	69,869	49,311
Extraordinary loss on early extinguishment of debt			6,645
Employee equity compensation	1,835	1,029	
Equity in net loss of unconsolidated affiliates	160,092	60,841	2,954
Other, net	4,476	3,049	864
Changes in operating assets and liabilities, net of effects from consolidating acquired interests:			
Accounts receivable, net	(19,903)	(5,707)	(5,748)
Inventory	(4,664)	(8,679)	(239)
Prepaid expenses and other current assets	(14,863)	(9,668)	307
Accounts payable	3,531	(3,448)	(937)
Accrued liabilities	43,844	14,655	5,551
Other assets	(323)		
Net cash provided by(used in) operating activities	1,698	(8,164)	2,754
Investing activities:			
Purchase of property and equipment	(169,184)	(208,087)	(66,292)
Additions to licensing costs and other intangible assets	(66,771)	(8,210)	(60,304)
Acquisition of wireless properties, net of cash acquired	(195,790)	(40,180)	(60,700)
Investments in and advances to unconsolidated affiliates	(172,469)	(136,514)	(13,826)
Purchase of subsidiary stock, including fees			(5,842)
Deposit held by FCC		(23,500)	(1,500)
Refund of deposit held by FCC	7,749		
Other assets	(10,194)	(880)	880
Net cash used in investing activities	(606,659)	(417,371)	(207,584)
Financing activities:			
Proceeds from issuance of common stock, net	75,376	235,603	66,236
Additions to long-term debt	565,000	763,000	425,000
Payment of debt	(70,000)	(512,722)	(277,015)
Deferred financing costs		(19,149)	(12,455)
Loans from shareholders			3,842
Net cash provided by financing activities	570,376	466,732	205,608
Change in cash and cash equivalents	(34,585)	41,197	778
Cash and cash equivalents, beginning of year	49,762	8,565	7,787
Cash and cash equivalents, end of year	$ 15,177	$ 49,762	$ 8,565

See notes to condensed financial information

WESTERN WIRELESS CORPORATION
Schedule I - Condensed Financial Information
(Parent Company Only)
Notes to Condensed Financial Information

This Schedule I and the related notes should be read in conjunction with the Consolidated Financial Statements and Notes thereto.

1. Basis of Presentation:

The condensed financial information presented in Schedule I represents the balance sheet, statements of operations and cash flows of the Company as if the subsidiary that is restricted under the PCS Vendor Facility was an unconsolidated entity. The Company less this subsidiary is referred to as "Parent Company Only" in Schedule I. The Company's ownership in such subsidiary has been reflected in this condensed financial information as if the investment was accounted for using the equity method.

2. Long term debt maturities:

The aggregate amounts of principal maturities as of December 31, 1997, of the Company's debt excluding the PCS Vendor Facility are as follows *(dollars in thousands)*:

Year ending December 31,	
1998	$ 0
1999	0
2000	0
2001	51,000
2002	76,250
Thereafter	967,750
	$ 1,095,000

WESTERN WIRELESS CORPORATION
Schedule II Valuation and Qualifying Accounts
Accounts Receivable Allowance for Doubtful Accounts
(Dollars in thousands)

Description	Balance at beginning of period	Charged to costs and expenses	Charged to other accounts (1)	Deductions (2)	Balance at end of period
Year ended December 31, 1997	$ 4,266	$ 16,442	$ 1,121	$ (11,898)	$ 9,931
Year ended December 31, 1996	$ 2,800	$ 9,091	$ (624)	$ (7,001)	$ 4,266
Year ended December 31, 1995	$ 1,772	$ 4,558	$ 892	$ (4,422)	$ 2,800

(1) Represents market acquisitions and dispositions, late fees and net fraud credits given to customers.
Write-offs, net of bad debt recovery.

EXHIBIT F

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July 1, 1998

Gene DeJordy, Esq.
Director, Regulatory Affairs
ECLIPSE COMMUNICATIONS CORPORATION
3650 131st Avenue SE, Suite 400
Bellevue, Washington 98006

Re: **Commitment to Provide Financial Support**

Dear Gene:

This letter will confirm that Western Wireless Corporation will provide the necessary financial support to enable Eclipse Communications Corporation to establish telecommunications operations in the State of Arizona. Such financial support includes the repayment of customer advances, prepayments and/or deposits which may be due customers of Eclipse in the event that Eclipse is financially unable to make such repayments itself.

Very truly yours,

Donald Guthrie
Chief Financial Officer
WESTERN WIRELESS CORPORATION

BEFORE THE ARIZONA CORPORATION COMMISSION

CARL J. KUNASEK
Chairman

JIM IRVIN
Commissioner

WILLIAM A. MUNDELL
Commissioner

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APPLICATION OF ECLIPSE COMMUNICATIONS CORPORATION, NOW KNOWN AS WESTERN CLEC CORPORATION, FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY TO PROVIDE COMPETITIVE INTRASTATE TELECOMMUNICATIONS SERVICES AS A RESELLER, AND FACILITIES-BASED LOCAL AND INTRASTATE INTER-EXCHANGE TELECOMMUNICATIONS SERVICES IN THE STATE OF ARIZONA

DOCKET NO. T-03590A-98-0364

SUPPLEMENT TO APPLICATION

On July 2, 1998, Eclipse Communications Corporation, now known as Western CLEC Corporation ("Western CLEC" or the "Company"), filed an application ("Application") with the Arizona Corporation Commission ("Commission") for a Certificate of Convenience and Necessity ("CC&N") to provide competitive resold and facilities-based local exchange service and competitive resold and facilities-based long distance service within the State of Arizona. The Commission's Utilities Division Staff ("Staff") requested updated information from Western CLEC in a letter dated August 9, 2000. This filing includes the updated information requested by Staff, and identifies several changes to the information previously submitted with the Application.

1. Name Change. On March 15, 1999, the name of Eclipse Communications Corporation was changed to Western CLEC Corporation. A copy of the Certificate of Amendment of Certificate of Incorporation of Eclipse Communications Corporation is attached hereto as Attachment "A" and incorporated herein by this reference.

Snell & Wilmer
L.L.P.
LAW OFFICES
One Arizona Center, 400 E. Van Buren
Phoenix, Arizona 85004-2202
(602) 382-6000

EXHIBIT
Admitted
A-2

2. Officers and Directors. Since the Application was filed, several changes have occurred in the officers and directors of Western CLEC that were originally identified in Section I and Exhibit "B" of the Application. An updated list of the current officers and directors of Western CLEC is attached hereto as Attachment "B" and incorporated herein by this reference.

3. Management Contact. Since the Application was filed, the management contact listed in Section II of the Application has changed. The name, address and phone number of Western CLEC's current management contact are:

Gene DeJordy
Vice President, Regulatory Affairs
Western CLEC Corporation
3650 131st Avenue SE, Suite 400
Bellevue, Washington 98006
Phone: (425) 586-8055

4. Complaint Contact. Since the Application was filed, the complaint contact and toll-free customer service telephone number listed in Section II of the Application have changed. The name, address, and toll-free telephone number of Western CLEC's current complaint contact are:

Donna Dinsmore
Customer Service Manager
Western CLEC Corporation
3650 131st Avenue SE, Suite 400
Bellevue, Washington 98006
Phone: (877) 831-9418

5. Updated Financial Statements. Copies of Western CLEC's most recent income statement and balance sheet for the year ended December 31, 1999, are attached hereto as Attachment "C" and incorporated herein by this reference. A copy of the financial review (including consolidated balance sheets, statements of operations, statements of shareholders' equity, statements of cash flows, notes to the financial statements, and report of the independent

Snell & Wilmer
L.L.P.
LAW OFFICES
One Arizona Center, 400 E. Van Buren
Phoenix, Arizona 85004-2202
(602) 382-6000

public accounts) from Western Wireless Corporation's 1999 Annual Report is attached hereto as Attachment "D" and incorporated herein by this reference. Western CLEC is a wholly-owned subsidiary of Western Wireless Corporation.

6. <u>Interconnection Agreement</u>. Western CLEC has not executed an interconnection agreement in Arizona. However, Western CLEC has executed an interconnection agreement with Qwest Communications in Montana, and the Company expects that it will negotiate a similar agreement with Qwest in Arizona. Western CLEC will submit an executed interconnection agreement to the Commission for review and approval before the Company begins providing competitive local exchange service in Arizona.

7. <u>Updated Tariff</u>. A copy of Western CLEC's updated tariff captioned "Tariff Schedule Applicable to Telecommunications Services of Western CLEC Corporation is attached hereto as Attachment "E" and incorporated herein by this reference. This updated tariff replaces and supercedes the tariff filed as Exhibit "C" to the Application.

8. <u>Affidavit of Publication</u>. Western CLEC corporation published notice of its Application in *The Arizona Republic* on August 18, 1999. Western CLEC filed with the Commission an Affidavit of Publication from *The Arizona Republic* on September 23, 1999, as evidenced by the Notice of Filing Affidavit of Publication attached hereto as Attachment "F" and incorporated herein by this reference.

RESPECTFULLY submitted this 19th day of October, 2000.

SNELL & WILMER

Jeffrey W. Crockett

Jeffrey W. Crockett, Esq.
One Arizona Center
Phoenix, Arizona 85004-2202
Attorneys for Western CLEC Corporation

Snell & Wilmer
L.L.P.
LAW OFFICES
One Arizona Center, 400 E. Van Buren
Phoenix, Arizona 85004-2202
(602) 382-6000

ORIGINAL AND TEN (10) copies
filed this 19th day of October, 2000,
with Docket Control.

COPY hand-delivered this 19th day
of October, 2000, to:

Rodney Moore, Auditor III
Utilities Division Staff
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007

COPY mailed this 19th day
of October, 2000, to:

Timothy Berg, Esq.
FENNEMORE CRAIG, P.C.
3003 North Central Avenue
Suite 2600
Phoenix, Arizona 85012
Attorneys for Qwest Communications

898494.1

Snell & Wilmer
L.L.P.
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One Arizona Center, 400 E. Van Buren
Phoenix, Arizona 85004-2202
(602) 382-6000

ATTACHMENT A

State of Delaware

Office of the Secretary of State

PAGE 1

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF AMENDMENT OF "ECLIPSE COMMUNICATIONS CORPORATION", CHANGING ITS NAME FROM "ECLIPSE COMMUNICATIONS CORPORATION" TO "WESTERN CLEC CORPORATION", FILED IN THIS OFFICE ON THE FIFTEENTH DAY OF MARCH, A.D. 1999, AT 9 O'CLOCK A.M.

GREAT SEAL OF THE STATE OF DELAWARE • 1793 • 1847 • 1907 •

LIBERTY AND INDEPENDENCE

Edward J. Freel

Edward J. Freel, Secretary of State

2314854 8100

991543808

AUTHENTICATION: 0148559

DATE: 12-17-99

CERTIFICATE OF AMENDMENT OF CERTIFICATE OF INCORPORATION OF ECLIPSE COMMUNICATIONS CORPORATION

Pursuant to the provisions of Section 242 of the General Corporation Law of the State of Delaware, the following Certificate of Amendment of Certificate of Incorporation is submitted for filing:

1. The name of the corporation (hereinafter called the "Corporation") is Eclipse Communications Corporation.

2. Article I of the Certificate of Incorporation of the Corporation is hereby amended as follows:

ARTICLE I

The name of this Corporation is Western CLEC Corporation.

3. This Amendment has been duly adopted in accordance with the provisions of Sections 228 and 242 of the General Corporation Law of the State of Delaware.

4. The effective time of the amendment shall be upon filing.

The undersigned, pursuant to the laws of the State of Delaware, hereby executes this Certificate of Amendment of Certificate of Incorporation as his act and deed under penalty of perjury dated this 15th day of March, 1999.

Alan R. Bender
Senior Vice President
Secretary

STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 09:00 AM 03/15/1999
991101833 - 2314854

ATTACHMENT B

Western CLEC Corporation

Formerly Eclipse Communications Corporation

Officers and Directors

John W. Stanton Chairman and Chief Executive Officer	3650 131st Avenue SE, Suite 400 Bellevue, WA 98006
Donald Guthrie Director and Vice Chairman	3650 131st Avenue SE, Suite 400 Bellevue, WA 98006
Mikal Thomsen President and Chief Operating Officer	3650 131st Avenue SE, Suite 400 Bellevue, WA 98006
Theresa E. Gillespie Director, Executive Vice President	3650 131st Avenue SE, Suite 400 Bellevue, WA 98006
Alan R. Bender, Director Director and Executive Vice President	3650 131st Avenue SE, Suite 400 Bellevue, WA 98006
Jeffrey Christianson Senior Vice President, General Counsel and Secretary	3650 131st Avenue SE, Suite 400 Bellevue, WA 98006
H. Stephen Burdette Senior Vice President	3650 131st Avenue SE, Suite 400 Bellevue, WA 98006
Eric Baker Vice President and Assistant Secretary	3650 131st Avenue SE, Suite 400 Bellevue, WA 98006
Scott Soley Chief Accounting Officer	3650 131st Avenue SE, Suite 400 Bellevue, WA 98006
Angela Morrill Assistant Secretary	3650 131st Avenue SE, Suite 400 Bellevue, WA 98006

ATTACHMENT C

Western Wireless

Western CLEC Corp Income Statement

For the Year-to-Date Ended December 31, 1999

		Year-to-Date
Revenue		
Subscriber Revenue		
	Access & Airtime Usage Revenue	0
	Subscriber Revenue Total:	0
Roamer Revenue		
	Roamer Revenue	0
	Roamer Revenue Total:	0
Paging Revenue		
	Paging Operations	0
	Paging Revenue Total:	0
Equipment Sales		
	Equipment Sales	0
	Equipment Sales Total:	0
Other Revenue		
47000	CLEC Access	($122,882.16)
47010	CLEC Long Distance	($16.944.14)
47020	CLEC Features	($10,914.78)
47030	CLEC Ancillary Services	($698.35)
47040	Dedicated-Non Switched Service	($13.812.53)
47300	CLEC Installation	($4.149.73)
47410	CLEC Other Revenue	($481.34)
	Other Revenue	(169.883)
	Other Revenue Total:	(169.883)
	Revenue Total:	(169.883)
Operating Expenses		
Cost of Service		
51210	Line Service - Fixed	$218,526.00
51220	Usage - Variable	$12,129.07
51230	Cost of Long Dist. & Toll	$6,715.70
51710	Parts, Supplies, Labor & Maint	$169,680.96
61100	Regular Salaries and Wages	$71,979.89
61110	Overtime	$3,005.65
61140	Bonus	$9,920.00
61220	Employee Benefits	$13,839.73
61310	Employee Placement Fee	$738.26
61410	Employee Education & Training	$2,170.00
61510	Contract & Temporary Personnel	$2,552.12
61710	General Office Supplies	$580.68
61730	Computer Hardware Maintenance	$317.30
61750	Furniture & Fixtures (Non-Cap)	$180.20
61760	Computer Hard & Soft (Non-Cap)	$989.78
62110	Local & Fixed Office Telco	($1.065.46)
62111	Long Distance for Office Telco	$66.12
62120	Cellular Telephones	$623.82
62220	Express Mail	$10.65
62730	Consulting	$239.70
62800	Transportation & Lodging	$8,219.83
62810	Meals & Entertainment	$1,928.02
62830	Vehicle Expense	$1,773.77
63120	Cost of Paging Equipment Sold	$370.00
63140	Freight Expense - Air	$25.00
	Operating Statement Accts	525,517
	Cost of Service Total:	525,517
Cost of Equipment Sold		
	Cost of Equipment Sold	0
	Cost of Equipment Sold Total:	0

Western Wireless

Western CLEC Corp Income Statement
For the Year-to-Date Ended December 31, 1999

		Year-to-Date
General & Administrative		
61100	Regular Salaries and Wages	$246,189.92
61110	Overtime	$1,093.84
61140	Bonus	$63,224.00
61220	Employee Benefits	$51,401.82
61230	Employee Reward & Recognition	$475.00
61310	Employee Placement Fee	$1,617.23
61410	Employee Education & Training	$10,636.58
61510	Contract & Temporary Personnel	$1,427.77
61610	Leases and Rent	$33,000.84
61710	General Office Supplies	$2,840.75
61720	Office Equip Maint Rent & Svcs	$1,516.85
61730	Computer Hardware Maintenance	$2,122.16
61750	Furniture & Fixtures (Non-Cap)	$2,352.08
61760	Computer Hard & Soft (Non-Cap)	$8,622.53
61770	Printing and Photocopying	$1,710.36
61810	Dues & Subscriptions	$2,299.15
62110	Local & Fixed Office Telco	$322.86
62111	Long Distance for Office Telco	$3.28
62120	Cellular Telephones	$9,566.04
62130	Demo Loaner	$55.00
62140	Utilities	$897.04
62210	Postage Expense	$410.27
62220	Express Mail	$606.51
62710	Legal Fees	$115,237.13
62730	Consulting	$79,451.80
62750	Billing Services	$164,518.13
62800	Transportation & Lodging	$40,374.13
62810	Meals & Entertainment	$5,232.05
62820	Meetings	$582.63
63015	Customer Retention Adjustment	$141.59
63019	Corp. Advertising Yellow Pages	$12.79
63020	Advertising -Inactive 08/27/99	($46,918.78)
63070	Field Advertising	$278.60
	Operating Statement Accts	801,302
	General & Administrative Total:	801,302
Sales and Marketing		
61100	Regular Salaries and Wages	$73,950.91
61140	Bonus	$18,274.40
61150	Commissions - Direct	$41,749.00
61220	Employee Benefits	$21,389.28
61310	Employee Placement Fee	$3,190.92
61510	Contract & Temporary Personnel	$22,675.41
61520	Agent/Indirect Commissions	$90.00
61610	Leases and Rent	($355.03)
61710	General Office Supplies	$110.19
61750	Furniture & Fixtures (Non-Cap)	$885.32
61760	Computer Hard & Soft (Non-Cap)	$621.04
61770	Printing and Photocopying	$244.04
62110	Local & Fixed Office Telco	$9,131.13
62120	Cellular Telephones	$509.11
62210	Postage Expense	$908.99
62220	Express Mail	$24.32
62730	Consulting	$12,000.00
62800	Transportation & Lodging	$1,837.10
62810	Meals & Entertainment	$705.10
63015	Customer Retention Adjustment	$1,026.90
63025	Events/Sponsorships	$599.00
63030	Collateral Printing & Supplies	$8,247.35
63040	Promotions	$1,000.40
63065	Trash & Trinkets	$6,021.10
63070	Field Advertising	$17,427.00
	Cost of Service	242,263
	Sales and Marketing Total:	242,263
	Operating Expense Total:	1,569,082

(Gain)/Loss on Disposition of Assets

Western Wireless

Western CLEC Corp Income Statement

For the Year-to-Date Ended December 31, 1999

		Year-to-Date
(Gain)/Loss on Disposition of Assets		
92100	Gain/(Loss) Disposal of Assets	($4,619.33)
	Disposition of Assets	(4,619)
	(Gain)/Loss on Disposition of Assets Total:	(4,619)
	(Gain)/Loss on Disposition of Assets Total:	(4,619)
(Income)/Loss from Investment in Subsidiary		
(Income)/Loss from Investment in Subsidiary		
	(Income)/Loss fr Invest Subs	0
	(Income)/Loss from Investment in Subsidiary Total:	0
	(Income)/Loss from Investment in Subsidiary Total:	0
Other (Income)/Expense		
(Income)/Loss from Minority Interest		
	Minority Partner Share of G/L	0
	(Income)/Loss from Minority Interest Total:	0
Debt Retirement		
	Debt Retirement	0
	Debt Retirement Total:	0
Depreciation and Amortization		
91100	Depreciation Expense	$24,170.39
	Depreciation & Amortization	24,170
	Depreciation and Amortization Total:	24,170
Interest Expense		
	Interest Expense	0
	Interest Expense Total:	0
Interest Income		
	Interest Income	0
	Interest Income Total:	0
Miscellaneous (Income)/Expense		
	Revenues	0
	Miscellaneous (Income)/Expense Total:	0
Option Compensation Expense		
	Option Compensation Expense	0
	Option Compensation Expense Total:	0
	Other (Income)/Expense Total:	24,170
	Net (Income)/Loss:	1,418,750

Western Wireless

Western CLEC Corp. Balance Sheet
As of December 31, 1999

		Dec-99
Current Assets		
Cash and Cash Equivalents		
11200	Lock Box	118,030
	Cash	118,030
	Cash and Cash Equivalents Total:	118,030
Trade Accounts Receivable		
12100	A/R-Subscriber	28,362
12230	A/R - Unbilled Revenue	10,030
	Trade Accounts Receivable	38,391
	Trade Accounts Receivable Total:	38,391
Other Receivables		
	Other Accounts Receivable	0
	Other Receivables Total:	0
Allowance for Doubtful Accounts		
	Allowance for Doubtful Account	0
	Allowance for Doubtful Accts Total:	0
Inventory		
	Resale Inventory	0
	Inventory Total:	0
Short Term Notes Receivable		
	Short Term Notes Receivable	0
	Short Term Notes Receivable Total:	0
Prepaid Expenses and Other Current Assets		
14190	Prepaid Other	4,157
14300	Deposits & Other Curmt Assets	9,000
	Prepaid Expenses	13,157
	Ppd Exp and Other Curr Assets Total:	13,157
	Current Assets Total	169,578
Fixed Assets		
Property and Equipment		
15200	Construction in Progress	1,607,114
15203	CIP-Accrual (FA Use Only)	35,318
15240	Test Equipment	9,349
15300	Office Furniture & Equipment	9,653
15305	Computer Hardware	59,975
15320	Internal Assets Under Construc	100,694
15400	Vehicles	913
15520	Terminals	7,650
	Land, Building & Improvements	1,830,667
	Property and Equipment Total:	1,830,667
Accumlated Depreciation		
16240	A/D - Test Equipment	(5,765)
16300	A/D - Office Furniture & Equip	(2,405)
16305	A/D - Computer Hardware	(25,624)
16310	A/D-Computer Software	(79)
16400	A/D-Vehicles	13,493
	Capital Assets Accumlated Depr	(20,380)
	Accumlated Depreciation Total:	(20,380)

Western Wireless

Western CLEC Corp. Balance Sheet
As of December 31, 1999

		Dec-99
	Fixed Assets Total:	1,810,286
Licensing Costs		
Licensing Costs		
15800	Licenses	5,680,566
	Licensing Costs	5,680,566
	Licensing Costs Total:	5,680,566
Accumulated Amortization		
	Accumlated Amortization Licens	0
	Accumulated Amortization Total:	0
	Licensing Costs Total:	5,680,566
Investments in Unconsolidated Subsidiaries		
Investments In Unconsolidated Subsidiaries		
	Invest in Unconsolidated Subs	0
	Investments In Uncons Subs Total:	0
	Investments In Uncons Subs Total:	0
Investments in Consolidated Subsidiaries		
Investments In Consolidated Subsidiaries		
	Investments in Subsidaries	0
	Investments In Consol Subs Total:	0
	Investments In Consol Subs Total:	0
Intangible Assets		
Intangible Assets		
	Other Intangibles	0
	Intangible Assets Total:	0
Accumlated Amortization		
	Acc Amort Oth Intangibles	0
	Accumlated Amortization Total:	0
	Intangible Assets Total:	0
Other Assets		
Other Assets		
	Other Assets	0
	Other Assets Total:	0
Long Term Notes Receivable		
	Long Term Notes Receivable	0
	Long Term Notes Receivable Total:	0

Western Wireless

Western CLEC Corp. Balance Sheet
As of December 31, 1999

		Dec-99
	Other Assets Total:	0

Current Liabilities

		Dec-99
Accounts Payable		
21140	A/P-Accruals	(94,062)
	Accounts Payable	(94,062)
	Account Payable Total:	(94,062)
Unearned Revenue		
	Earned Revenue & Custumer Dep.	0
	Unearned Revenue Total:	0
Current Portion of Long Term Debt		
	Current Portion of L/T Debt	0
	Current Portion of LT Debt Total:	0
Current Portion of Capital Lease Liability		
	Current Portion of Cap Lease	0
	Current Portion of Capital Lease Liability Total:	0
Construction Accounts Payable		
	Construction Accounts Payable	0
	Construction AP Total:	0
Accrued Expenses		
22140	Accrued Commissions	(6,149)
22500	Accrued Federal Excise Tax	(30,756)
22510	Accrued Sales Tax	(297)
22590	Accrued Tax - Other	(3,773)
	Accrued Payroll & Benefits	(40,974)
	Accrued Expenses Total:	(40,974)
	Current Liabilities Total:	(135,036)

Non-Current Liabilities

		Dec-99
Long Term Debt		
	Long Term Debt	0
	Long Term Debt Total:	0
Long-Term Portion of Capital Lease Liability		
	Long Term Capital Leases	0
	Long-Term Portion of Capital Lease Liability Total:	0
	Non-Current Liabilities Total:	0

Minority Interest

		Dec-99
Minority Interest		
	Minority Interest (Hutchison)	0
	Minority Interest Total:	0
	Minority Interest Total:	0

Shareholder's Equity

Western Wireless

Western CLEC Corp. Balance Sheet
As of December 31, 1999

		Dec-99
Common Stock Issued		
	Stock	0
	Common Stock Issued Total:	0
Deferred Compensation		
	Deffered Compensation	0
	Deferred Compensation Total:	0
Additional Paid in Capital		
32110	Additional PIC-Class A Common	(1,000)
	Additional Paid in Capital	(1,000)
	Additional Paid in Capital Total:	(1,000)
Retained Earnings		
34100	Prior Year Retained Earnings	777,778
	Retained Earnings	777,778
	Current Year Retained Earnings	1,418,750
	Retained Earnings Total:	2,196,527
	Shareholder's Equity Total:	2,195,527

Intercompany and Misc.

Intercompany and Misc.		
10001	Intercompany-Western Wireless	(9,660,094)
10010	Intercompany - WWC Holdings Co	(34,327)
10061	Intercompany-Western Paging I	(26,500)
	Intercompany	(9,720,921)
	Intercompany and Misc. Total:	(9,720,921)
	Intercompany and Misc. Total:	(9,720,921)
	Assets	(2,060,492)
	Liabilities	(135,036)
	Minority Interest	0
	Equity before Current	776,778
	Retained Earnings Plug	(1,418,750)
	Balancing Check	0

ATTACHMENT D

WESTERN WIRELESS

Financial Review

SELECTED FINANCIAL DATA

The following table sets forth certain selected financial and operating data for the Company as of and for each of the five years in the period ended December 31, 1999, which was derived from the Company's consolidated financial statements and notes thereto that have been audited by Arthur Andersen LLP, independent public accountants. All of the data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Company's consolidated financial statements and notes thereto.

Consolidated Financial Data[1]

Year Ended December 31,	1999	1998	1997	1996	1995
(Dollars in thousands, except per share data)					
Consolidated Statements of Operations Data:					
Revenues	$ 567,341	$ 416,620	$ 302,848	$ 225,546	$ 146,555
Operating expenses	427,189	335,340	265,568	230,603	170,490
Stock-based compensation	79,223				
Operating income (loss)	60,929	81,280	37,280	(5,057)	(23,935)
Other expense	(110,660)	(95,118)	(38,999)	(38,698)	(25,374)
Minority interest in consolidated subsidiaries	1,610	479			
Net loss from continuing operations	(48,121)	(13,359)	(1,719)	(43,755)	(49,309)
Loss from discontinued operations	(100,652)	(210,710)	(263,815)	(86,350)	
Loss from extraordinary item					(6,645)
Net loss	$ (148,773)	$ (224,069)	$ (265,534)	$ (130,105)	$ (55,954)
Share Data[2]					
Basic and diluted loss per share from continuing operations	$ (0.63)	$ (0.17)	$ (0.03)	$ (0.67)	$ (0.87)
Per share effect of discontinued operations	(1.31)	(2.78)	(3.73)	(1.33)	
Per share effect of extraordinary item					(0.12)
Basic and diluted loss per share	$ (1.94)	$ (2.95)	$ (3.76)	$ (2.00)	$ (0.99)
Weighted average shares used in computing basic and diluted loss per share	76,775,000	75,863,000	70,692,000	65,196,000	56,470,000
Other Data:					
EBITDA[3]	$ 242,165	$ 155,682	$ 103,875	$ 60,289	$ 25,521

(1) Certain amounts in prior year's Consolidated Financial Data have been restated to exclude the discontinued operations of VoiceStream.

(2) Earnings per share and the number of shares outstanding has been calculated based on the requirements of Statement of Financial Accounting Standards No. 128. For the prior periods presented, due to the net loss incurred, all options outstanding are anti-dilutive, thus basic and diluted loss per share are equal.

(3) EBITDA represents operating income (loss) before depreciation, amortization and stock-based compensation. Management believes EBITDA provides meaningful additional information on the Company's operating results and on its ability to service its long-term debt and other fixed obligations, and to fund the Company's continued growth. EBITDA is considered by many financial analysts to be a meaningful indicator of an entity's ability to meet its future financial obligations, and growth in EBITDA is considered to be an indicator of future profitability, especially in a capital-intensive industry such as wireless telecommunications. EBITDA should not be construed as an alternative to operating income (loss) as determined in accordance with United States generally accepted accounting principles ("GAAP"), as an alternate to cash flows from operating activities (as determined in accordance with GAAP), or as a measure of liquidity. Because EBITDA is not calculated in the same manner by all companies, the Company's presentation may not be comparable to other similarly titled measures of other companies.

December 31,	1999	1998	1997	1996	1995
(Dollars in thousands)					
Consolidated Balance Sheets Data:					
Total assets	$ 1,355,574	$ 1,221,300	$ 1,386,535	$ 1,000,690	$ 659,028
Total long-term debt, net of current portion	$ 1,450,000	$1,045,000	$ 1,095,000	$ 600,000	$ 362,487
Other Data:					
Ending subscribers	834,700	660,400	520,000	324,200	209,500
Consolidated Cash Flows Provided by (used in):					
Operating activities	$ 93,420	$ 66,669	$ 83,631	$ 19,939	$ (745)
Investing activities	$ (464,849)	$ (29,678)	$ (688,356)	$ (445,749)	$ (293,579)
Financing activities	$ 411,972	$ (49,921)	$ 570,376	$ 466,732	$ (295,109)

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

Cautionary statement for purposes of the "Safe Harbor" provisions of the Private Litigation Reform Act of 1995:

Statements contained or incorporated by reference in this document that are not based on historical fact are "forward-looking statements" within the meaning of the Private Securities Reform Act of 1995. Forward-looking statements may be identified by use of forward-looking terminology such as "believe," "intends," "may," "will," "expects," "estimate," "anticipate," "continue," or similar terms, variations of those terms or the negative of those terms.

Overview

Western Wireless Corporation ("the Company") provides cellular communications services in 19 western states under the Cellular One brand name principally through the ownership and operation of cellular wireless systems. The operations are primarily in rural areas due to the Company's belief that there are certain strategic advantages to operating in these areas. The Company owns Federal Communication Commission's ("FCC") licenses to provide such services in 18 MSAs and 83 RSAs.

A wholly owned subsidiary of the Company, WWI Holding Co, Inc., ("Holding Co.") owns 96% of Western Wireless International ("WWI") which holds non-controlling interests in entities which own wireless licenses in nine foreign countries. As of December 31, 1999, WWI interests covered a proportional population of 22.7 million and had 74,000 proportional subscribers.

The Company had an 80.1% controlling interest in VoiceStream Wireless Corporation ("VoiceStream"), an entity that provides wireless communication services through the ownership and operation of Personal Communication Service ("PCS") licenses. On May 3, 1999, VoiceStream was formally separated from the Company (the "Spin-off"). As of that date, the Company distributed all of its interest in VoiceStream to its shareholders. Although VoiceStream has been operated separately from the Company's other operations and has been a separate legal entity since its inception, the Spin-off established VoiceStream as a stand-alone entity with objectives separate from those of the Company. For additional information regarding the Spin-off, see the Company's information statement filed with the SEC on Form 14-C dated April 12, 1999.

During the second quarter, as a result of the Spin-off, the Company recognized compensation expense on all options outstanding as of May 3, 1999. On the date of the Spin-off, the Company cancelled and reissued all outstanding options. All reissued stock options were granted in a manner that ensured employees of both the Company and VoiceStream maintained the value of their options, subject to normal fluctuations in the price of both companies stock, after the Spin-off. This reissuance did not accelerate any benefits to option holders. The Company believes this allowed employees to continue to better participate in the success of the company for which they work. As outlined in the provisions of EITF 90-9 the Company recorded deferred compensation of approximately $82.8 million and compensation expense for those options in which the service period had passed of $63.4 million.

Revenues for the Company consist primarily of subscriber revenues (including access charges and usage charges), roamer revenues and equipment sales. The majority of revenues are derived from subscriber revenues. Subscriber revenues includes monthly access charges, charges for airtime used in excess of plan minutes, long distance charges derived from calls placed by the Company's customers and other charges such as activations, voice mail, call waiting, and call forwarding.

Roaming revenues are revenues that result from providing service to subscribers of other wireless providers when those subscribers "roam" into our markets and use our systems to carry their calls. Roaming revenues typically yield higher average per minute rates and higher margins than subscriber revenues. The per minute rate paid by a roamer is established by long-term agreement between the Company and the roamer's wireless provider.

As used herein, "service revenues" include subscriber, roamer and other revenue. Other revenues consist primarily of paging revenues.

Equipment sales consist of wireless handset and accessory sales to customers. The Company sells handsets below cost and regards these losses as a cost of building its subscriber base.

Cost of service consists of the cost of providing wireless service to subscribers, primarily costs to access local exchange and long distance carrier facilities and to maintain the wireless network.

General and administrative expenses are principally variable costs based on the average number of subscribers. General and administrative costs include the costs associated with billing a subscriber and the administrative costs associated with maintaining subscribers, including customer service, accounting and other centralized functions. General and administrative expenses also include provisions for unbillable fraudulent roaming charges and subscriber bad debt.

Sales and marketing costs include costs associated with acquiring a subscriber, including direct and indirect sales commissions, salaries, all costs of retail locations, advertising and promotional expenses. Sales and marketing costs do not include the revenue or costs of handset sales. However, when sales and marketing costs per net subscriber addition are discussed, the revenue and costs from handset sales are included because such measure is commonly used in the wireless industry.

Depreciation and amortization primarily includes depreciation expense associated with the property and equipment in service and amortization associated with its wireless licenses for operational markets.

The financial statements include an allocation of certain centralized costs to VoiceStream and its affiliates, prior to and subsequent to the Spin-off. Such centralized items include the costs of shared senior management, customer care operations and certain back office functions. These costs have been allocated to VoiceStream and its affiliates in a manner that reflects the relative time devoted to each.

EBITDA represents operating income (loss) before depreciation, amortization and stock-based compensation. Management believes EBITDA provides meaningful additional information on the Company's operating results and on its ability to service its long-term debt and other fixed obligations, and to fund the Company's continued growth. EBITDA is considered by many financial analysts to be a meaningful indicator of an entity's ability to meet its future financial obligations, and growth in EBITDA is considered to be an indicator of future profitability, especially in a capital-intensive industry such as wireless telecommunications. EBITDA should not be construed as an alternative to operating income (loss) as determined in accordance with United States GAAP, as an alternate to cash flows from operating activities (as determined in accordance with GAAP), or as a measure of liquidity. Because EBITDA is not calculated in the same manner by all companies, the Company's presentation may not be comparable to other similarly titled measures of other companies.

Results of Operations for the Years Ended December 31, 1999, 1998, and 1997

The Company had 834,700 subscribers at December 31, 1999, a 26.4% increase during 1999. The Company had 660,400 subscribers at December 31, 1998, a 27.0% increase in 1998. The Company had 520,000 subscribers at December 31, 1997, a 60.4% increase during 1997. The net number of subscribers added through system acquisitions was approximately 24,000 in 1999, 5,100 in 1998, and 58,500 in 1997.

The following table sets forth certain financial data as it relates to the Company's 1999, 1998, and 1997 operations:

Year Ended December 31,	1999	% change	1998	% change	1997
Dollars in thousands)					
Revenues:					
Subscriber revenues	$ 388,062	17.6%	$ 330,050	34.5%	$ 245,364
Roamer revenues	150,725	125.8%	66,744	67.9%	39,750
Equipment sales and other revenues	28,554	44.0%	19,826	11.8%	17,734
Total revenues	$ 567,341		$ 416,620		$ 302,848
Operating Expenses:					
Cost of service	$ 68,883	23.9%	$ 55,592	18.3%	$ 47,001
Cost of equipment sales	36,249	9.4%	33,149	11.6%	29,698
General and administrative	120,434	35.5%	88,888	46.0%	60,865
Sales and marketing	99,610	19.6%	83,309	35.7%	61,409
Depreciation and amortization	102,013	37.1%	74,402	11.7%	66,595
Stock-based compensation	79,223	N.M.			
Total operating expenses	$ 506,412		$ 335,340		$ 265,568
Other expense	$(110,660)	(16.3%)	$ (95,118)	(143.9%)	$ (38,999)
Net loss from continuing operations	$ (48,121)	N.M.	$ (13,359)	N.M.	$ (1,719)
EBITDA	$ 242,165	55.6%	$ 155,682	49.9%	$ 103,875
Cash Flows Provided by (Used in):					
Operating activities	$ 93,420	40.1%	$ 66,669	(20.2%)	$ 83,631
Investing activities	$(464,849)	N.M.	$ (29,678)	95.6%	$ (688,356)
Financing activities	$ 411,972	N.M.	$ (49,921)	(108.8%)	$ 570,376

Revenues

The increase in subscriber revenues each year is primarily due to the growth in the number of subscribers offset slightly by a decrease in the average monthly subscriber revenue per subscriber ("ARPU"). ARPU was $43.26 in 1999, a 7.1% decline from $46.59 in 1998, which was a 8.9% decline from $51.13 in 1997. The Company continues to focus on attracting new customers with rate plans that provide more value to the customer at a higher average access charge. Management feels this strategy will provide relative stability in ARPU in future periods. Further, over the past few years the cellular industry as a whole has also shown a decline in ARPU.

The increase in roamer revenues over the past three years was caused by an increase in roaming traffic on the Company's network and partially offset by a decrease in the rates charged between carriers. A significant portion of the increase is driven by the growth in roamer minutes as a result of the Company's strategy, implemented in 1998, to become the roamer carrier of choice for other carriers. Roamer revenues as a percentage of total revenues increased to 26.6% in 1999, compared to 16.0% for 1998 and 13.1% for 1997. While the Company expects total roamer minutes to continue to increase, the decline in the rates charged between carriers may limit the growth of roamer revenues.

Equipment sales increased each year due to the growth in subscriber additions. Further, average phone and accessory revenue per item sold increased compared to 1998 and 1997. Also, the mix of high-end handsets with more features continues to comprise a larger portion of overall handset sales.

Operating Expenses

The increase in cost of service each year is primarily attributable to the increased number of subscribers and an increase in the average minutes of use per subscriber. While cost of service increased in total dollars, it decreased as a percentage of service revenues to 12.6% in 1999 from 13.8% in 1998 and 16.2% in 1997. The decrease as a percentage of service revenues is due mainly to service revenues growing at a faster rate than the fixed cost of service components. The Company expects cost of service dollars to continue to increase in future periods as a result of the growing subscriber base and the increase in other carriers' customers roaming on its network. However, the cost of service as a percentage of service revenues is expected to continue to decline as greater economies of scale are realized.

The increase in general and administrative expenses is primarily attributable to the increase in costs associated with supporting a larger subscriber base. For the year ended December 31, 1999, the Company's general and administrative monthly cost per average subscriber increased to $13.43 in 1999 from $12.55 in 1998 and $12.68 in 1997. The increase is due partly to additional headquarter costs resulting from lost cost efficiencies as a result of the Spin-off. In addition, the Company incurred pre-operating costs related to Ireland with no corresponding additions in subscribers, as the Ireland market is not yet operational. Management anticipates improved cost efficiencies to be realized on a per subscriber basis in future periods due to cost reductions expected with the implementation of a new billing system in the next fiscal year.

Increases in sales and marketing costs each year are primarily due to the increase in net subscriber additions. During 1999 the sales and marketing cost per net subscriber added, including the loss on equipment sales, remained relatively flat at $748 compared to $752 in 1998 but increased from $574 in 1997. This increase from 1997 to 1999 is largely due to a growth in disconnected subscribers causing the increase in costs to be spread over a similar amount of net subscriber additions. The growth in disconnected subscribers is a result of a similar churn rate (representing customer attrition) applied to a larger subscriber base.

Cost of equipment sales increased each year due to the increase in the number of handsets sold, offset by a decrease in the average cost of handsets sold. The Company expects that the cost for its handsets will decrease at a slower rate or level off in future years. Although subscribers generally are responsible for purchasing or otherwise obtaining their own handsets, the Company has historically sold handsets below cost to respond to competition and general industry practice and expects to continue to do so in the future.

Increases in depreciation and amortization expense over the past three years are primarily due to the acquisition of additional wireless communications system assets. As the Company continues to expand and upgrade its wireless footprint and systems, management anticipates depreciation and amortization expense will increase in future periods.

The stock-based compensation results mainly from the cancellation and reissuance of employee stock options as a result of the Spin-off, as previously discussed. In addition, stock appreciation rights ("SARs") issued by WWI contributed approximately $5 million to the overall charge in 1999.

EBITDA

The increase in EBITDA is primarily a result of increased revenues due to the increased subscriber base and the related cost efficiencies gained. As a result, operating margin (EBITDA as a percentage of service revenues) increased to 44.5% in 1999 from 38.7% in 1998 and 35.8% in 1997.

Net Loss from Continuing Operations

From 1998 to 1999, the increase in net loss from continuing operations is primarily attributable to increases in stock-based compensation and other expenses. From 1997 to 1998, the increase in net loss from continuing operations is primarily attributable to the increase in other expenses, offset by an improvement in operating income. The Company expects continued improvement in operating income in 2000.

Other Income (Expense); Net Operating Loss Carryforwards

Interest and financing expense increased to $99.9 million in 1999 from $92.2 million in 1998 and $41.4 million in 1997 due to the increase in average long-term debt. Long-term debt was incurred primarily to fund the Company's acquisition of wireless properties and to fund international projects through WWI. The weighted average interest rate was 8.1% in 1999, 8.9% in 1998, and 8.2% in 1997.

The Company had available at December 31, 1999, net operating loss ("NOL") carryforwards of approximately $270 million which will expire in the years 2003 through 2019. The Company may be limited in its ability to use these carryforwards in any one year due to ownership changes that preceded the business combination that formed the Company in July 1994. Management believes that, based on a number of factors, there is sufficient uncertainty regarding the realization of the Company's NOL carryforwards.

Liquidity and Capital Resources

The Company has a credit facility (the "Credit Facility") with a consortium of lenders providing for $750 million of revolving credit and term loans in aggregate of $450 million. As of December 31, 1999, $1,050 million was outstanding under the Credit Facility. Indebtedness under the Credit Facility matures on March 31, 2006, and bears interest at variable rates. Substantially all the assets of the Company are pledged as security for such indebtedness. The terms of the Credit Facility restrict, among other things, the sale of assets, distribution of dividends or other distributions and loans. Amounts available for borrowing at December 31, 1999, which are limited by certain financial covenants and other restrictions, were $150 million under the term loans and must be fully drawn by May 5, 2000.

The Company has issued $200 million principal amount of 10-1/2% Senior Subordinated Notes Due 2006 (the "2006 Notes") at par and $200 million principal amount of 10-1/2% Senior Subordinated Notes Due 2007 (the "2007 Notes") at par. Indebtedness under the 2006 Notes and 2007 Notes matures in June 1, 2006 and February 1, 2007, respectively. The Credit Facility prohibits the repayment of all or any portion of the principal amounts of the 2006 Notes or 2007 Notes prior to the repayment of all indebtedness under the Credit Facility. The 2006 Notes and 2007 Notes contain certain restrictive covenants which impose limitations on the operations and activities of the Company and certain of its subsidiaries, including the issuance of other indebtedness, the creation of liens, the sale of assets, issuance of preferred stock of subsidiaries and certain investments and acquisitions. The Company obtained the appropriate waivers from the holders of these notes prior to consummation of the Spin-off at a cost of $16 million.

On March 2, 2000, the Company signed a commitment letter to secure $2.1 billion in new financing consisting of a combination of revolving and term loans. Final terms and conditions of this arrangement are contingent upon the approval of the new financing among the syndicate of lenders. The new financing arrangement is expected to have terms and conditions similar to the existing Credit Facility. Proceeds from the new financing arrangement will be used to repay the Company's existing Credit Facility. Assuming the new financing is established, the Company will recognize an extraordinary loss ranging from approximately \$13 to \$22 million for the impairment of existing deferred financing costs relating to the Company's current debt structure.

Through the end of 2000, the Company anticipates spending significant capital resources for the acquisition of wireless assets and the continued development of its existing infrastructure. In 2000, the Company expects to spend approximately \$140 million for the continued expansion of its cellular infrastructure, \$25 million for the implementation of a new billing system and back office infrastructure and approximately \$100 million for the purchase of the cellular licenses and operations of the Utah-5, Wyoming-1 and Arizona-6 RSAs. Capital spending during 2000 will allow for expanded minutes of use by the Company's subscribers as well as from other carriers' customers roaming on its wireless network. In addition, the Company anticipates it will continue to be a significant source of funding for international projects through its subsidiary WWI. The Company will utilize operating cash flow, the Credit Facility and other sources of funding, for purposes of funding its cellular and other activities.

On May 3, 1999, the Company distributed to its stockholders its entire interest in VoiceStream. Prior to the Spin-off, the Company had received a ruling from the IRS to the effect that the Spin-off would not result in the recognition of income or gain by the Company or its stockholders. Notwithstanding the ruling, however, the Company would recognize gain as a result of the Spin-off if the Spin-off is part of a "prohibited plan," that is, a plan or series of related transactions pursuant to which one or more persons acquire, directly or indirectly, 50 percent or more of the Company's or VoiceStream's stock. A prohibited plan is presumed to exist if one or more persons acquire, directly or indirectly, 50 percent or more of the Company's or VoiceStream's stock during the four-year period that begins two years before the Spin-off. In February 2000, VoiceStream completed its merger with Omnipoint, pursuant to which a newly formed holding company acquired all of the outstanding stock of VoiceStream and Omnipoint in exchange for stock of the holding company and cash. On September 17, 1999, VoiceStream entered into an agreement with Aerial, pursuant to which the holding company will acquire all of the outstanding stock of Aerial, again in exchange for stock of the holding company and cash. Either of these transactions, when completed, could give rise to the rebuttable presumption that the Spin-off was part of a prohibited plan. In conjunction with the Spin-off, VoiceStream agreed to indemnify the Company on an after-tax basis for any taxes imposed on the Company if an acquisition of VoiceStream's stock causes the spin-off to be part of a prohibited plan. As a result, if the proposed Omnipoint and Aerial transactions fail to overcome the rebuttable presumption, the Company believes that VoiceStream would be responsible for the Company's resulting tax liability arising from the Spin-off. Although the issue is not free from doubt, the Company believes that the Omnipoint and Aerial transactions are not part of a prohibited plan. Even if it is ultimately determined that such transactions were part of a prohibited plan, the Company believes that VoiceStream is capable of funding the resulting indemnity obligation to the Company.

In February 1998, a subsidiary of Hutchison Telecommunications Limited ("HTL") purchased 19.9% of the outstanding capital stock of VoiceStream for an aggregate purchase price of \$248.4 million (the "Hutchison Investment"). Approximately \$113 million of the proceeds were paid to the Company as a repayment of advances made to VoiceStream and were used by the Company to reduce amounts outstanding under the Credit Facility.

Adjustments to the \$148.8 million net loss to reconcile to net cash used in operating activities primarily included \$102 million of depreciation and amortization, \$82.2 million for the net loss from discontinued operations, \$79.2 million for employee equity compensation and \$14.5 million for the equity in net loss of unconsolidated affiliates due to the increase in activity in international investments. Other adjustments included changes in operating assets and liabilities, including: (i) an increase of \$28.6 million in net accounts receivable, due primarily to increased revenues; and (ii) an increase of \$18.8 million in prepaid and other current assets mainly related to international investment activity. Net cash used in operating activities was \$66.7 million in 1998 and \$83.6 million in 1997.

Investing activities consisted primarily of: (i) purchases of property and equipment of \$168.2 million; (ii) investments in and advances to unconsolidated affiliates of \$25.5 million, primarily attributable to advances to international joint ventures; (iii) a return of investment from VoiceStream Wireless of \$20 million; and (iv) \$289.7 million for acquisition of wireless properties in 1999, which consists primarily of the Company's purchase of the cellular licenses and operations of the Wyoming 4 and Oklahoma 1 RSAs, Brownsville, TX and McAllen TX MSAs, and Texas 7 and Arkansas 11 RSAs in the first, second, and fourth quarters of 1999, respectively.

Financing activities consisted primarily of a net addition to long-term debt of $405 million.

In the ordinary course of business, the Company continues to evaluate acquisition opportunities, joint ventures and other potential business transactions. Such acquisitions, joint ventures and business transactions may be material. Such transactions may also require the Company to seek additional sources of funding through the issuance of additional debt and/or additional equity at the parent or subsidiary level. There can be no assurance that such funds will be available to the Company on acceptable or favorable terms.

Seasonality

The Company, and the wireless communications industry in general, have historically experienced significant subscriber growth during the fourth calendar quarter. Accordingly, during such quarter the Company experiences greater losses on equipment sales and increases in sales and marketing expenses. The Company has historically experienced highest usage and revenue per subscriber during the summer months. The Company expects these trends to continue.

Year 2000

The Company, like most businesses, modified significant portions of its information technology ("IT") and non-IT systems so that they will function properly in the year 2000. Much of the Company's technology, including technology associated with its critical systems, is purchased from third parties. The Company is dependent on those third parties to assess the impact of the year 2000 issue on the technology and services they supply and to take any necessary corrective action. The Company has incurred internal staff costs as well as consulting and other expenses related to infrastructure and facilities enhancements necessary to complete the remediation of its systems for the year 2000. The by-product of this effort was that the Company had year 2000 compliant hardware and software running on all of its major platforms. The incremental costs for the year 2000 remediation efforts have been insignificant.

The Company's IT and non-IT systems successfully transitioned to the year 2000. However, there may be latent problems that surface at key dates or events in the future. The Company has not experienced, and does not anticipate, any significant problems related to the transition to the year 2000 that would have a material adverse effect on the results of operations, liquidity and financial condition of the Company. Furthermore, the Company does not anticipate any significant expenditure in the future related to year 2000 compliance.

Consolidated Balance Sheets

(Dollars in thousands)		
As of December 31,	1999	1998
Assets		
Current assets:		
Cash and cash equivalents	$ 42,735	$ 2,192
Accounts receivable, net of allowance for doubtful accounts of $11,199 and $7,629, respectively	75,846	45,327
Inventory	9,680	8,794
Prepaid expenses and other current assets	27,358	8,544
Receivable from VoiceStream Wireless	2,984	
Total current assets	158,603	64,857
Property and equipment, net of accumulated depreciation of $277,167 and $208,776, respectively	369,543	272,317
Licensing costs and other intangible assets, net of accumulated amortization of $99,051 and $81,209, respectively	771,510	518,789
Investments in and advances to unconsolidated affiliates	55,840	37,663
Other assets	78	12,912
Net assets from discontinued operations		314,762
	$ 1,355,574	$ 1,221,300
Liabilities and Shareholders' Equity (Net Capital Deficiency)		
Current liabilities:		
Accounts payable	$ 11,930	$ 5,101
Accrued liabilities	68,069	70,718
Construction accounts payable	8,825	6,582
Total current liabilities	88,824	82,401
Long-term debt	1,450,000	1,045,000
Minority interest in consolidated subsidiaries	1,435	639
Commitments and contingencies (Note 8)		
Shareholders' equity (net capital deficiency):		
Preferred stock, no par value, 50,000,000 shares authorized; no shares issued and outstanding		
Common stock, no par value, and paid-in capital; 300,000,000 shares authorized; Class A, 70,431,554 and 38,710,893 shares issued and outstanding, respectively, and; Class B, 7,177,302 and 37,312,477 shares issued and outstanding, respectively	690,953	800,631
Deferred compensation	(17,389)	(1,211)
Foreign currency translation	(4,644)	(2,328)
Deficit	(853,605)	(703,832)
Total shareholders' equity (net capital deficiency)	(184,685)	93,260
	$ 1,355,574	$ 1,221,300

See accompanying notes to consolidated financial statements

Consolidated Statements of Operations and Comprehensive Loss

For the year ended December 31,	1999	1998	1997
(Dollars in thousands, except per share data)			
Revenues:			
Subscriber revenues	$ 388,062	$ 330,050	$ 245,364
Roamer revenues	150,725	66,744	39,750
Equipment sales and other revenues	28,554	19,826	17,734
Total revenues	567,341	416,620	302,848
Operating expenses:			
Cost of service	68,883	55,592	47,001
Cost of equipment sales	36,249	33,149	29,698
General and administrative	120,434	88,888	60,865
Sales and marketing	99,610	83,309	61,409
Depreciation and amortization	102,013	74,402	66,595
Stock-based compensation	79,223		
Total operating expenses	506,412	335,340	265,568
Operating income	60,929	81,280	37,280
Other income (expense):			
Interest and financing expense, net	(99,993)	(92,227)	(41,406)
Equity in net loss of unconsolidated affiliates	(14,529)	(4,746)	(1,731)
Other, net	3,862	1,855	4,138
Total other income (expense)	(110,660)	(95,118)	(38,999)
Minority interest in consolidated subsidiaries	1,610	479	
Net loss from continuing operations	(48,121)	(13,359)	(1,719)
Net loss from discontinued operations	(82,152)	(210,710)	(263,815)
Cost of discontinuance	(18,500)		
Total discontinued operations	(100,652)	(210,710)	(263,815)
Net loss	$ (148,773)	$ (224,069)	$ (265,534)
Basic and diluted loss per share:			
Continuing operations	$ (0.63)	$ (0.17)	$ (0.03)
Discontinued operations	(1.31)	(2.78)	(3.73)
Basic and diluted loss per share	$ (1.94)	$ (2.95)	$ (3.76)
Weighted average shares used in computing basic and diluted loss per share	76,775,000	75,863,000	70,692,000
Comprehensive loss:			
Net loss	$ (148,773)	$ (224,069)	$ (265,534)
Other comprehensive loss:			
Foreign currency translation adjustment	(2,316)	(2,328)	
Total comprehensive loss	$ (151,089)	$ (226,397)	$ (265,534)

See accompanying notes to consolidated financial statements

Consolidated Statements of Shareholders' Equity

(Dollars in thousands)	Common Stock Class A shares	Common Stock Class B Shares	Par value and paid-in capital	Deferred compensation	Foreign currency translation	Deficit	Total shareholders' equity
Balance, January 1, 1997	14,540,691	55,239,157	$ 569,278	$ (800)		$ (214,229)	$ 354,249
Shares issued:							
Upon exercise of stock options	268,763		1,077				1,077
In exchange of wireless properties	1,600,000		28,600				28,600
Private placement	3,888,888		74,300				74,300
Class B shares exchanged for Class A shares	1,807,994	(1,807,994)					
Deferred compensation	95,000		1,781	(45)			1,736
Net loss						(265,534)	(265,534)
Balance, December 31, 1997	22,201,336	53,431,163	675,036	(845)		(479,763)	194,428
Shares issued:							
Upon exercise of stock options	290,871		1,159				1,159
Excess of net book value from the sale of minority interest in consolidated subsidiaries			121,998				121,998
Class B shares exchanged for Class A shares	16,118,686	(16,118,686)					
Deferred compensation	100,000		2,438	(366)			2,072
Foreign currency translation adjustment					$ (2,328)		(2,328)
Net loss						(224,069)	(224,069)
Balance, December 31, 1998	38,710,893	37,312,477	800,631	(1,211)	(2,328)	(703,832)	93,260
Shares issued:							
Upon exercise of stock options	1,480,486		6,972				6,972
Class B shares exchanged for Class A shares	30,135,175	(30,135,175)					
Discontinued operations			(207,518)				(207,518)
Deferred compensation	105,000		90,868	(16,178)			74,690
Distribution to minority shareholders						(1,000)	(1,000)
Foreign currency translation adjustment					(2,316)		(2,316)
Net loss						(148,773)	(148,773)
Balance, December 31, 1999	70,431,554	7,177,302	$ 690,953	$ (17,389)	$ (4,644)	$ (853,605)	$ (184,685)

See accompanying notes to consolidated financial statements

Consolidated Statements of Cash Flows

For the year ended December 31,	1999	1998	1997
(Dollars in thousands)			
Operating activities:			
Net loss	$ (148,773)	$ (224,069)	$ (265,534)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Net loss from discontinued operations	82,152	210,710	263,815
Depreciation and amortization	102,013	74,402	66,595
Employee equity compensation	79,157	1,972	1,835
Equity in net loss of unconsolidated affiliates	14,529	4,746	1,731
Minority interest in consolidated subsidiaries	(1,610)	(479)	
Other, net	6,607	3,772	4,035
Changes in operating assets and liabilities, net of effects from consolidating acquired interests:			
Accounts receivable, net	(28,554)	(7,746)	(10,902)
Inventory	(775)	4,962	(6,900)
Prepaid expenses and other current assets	(18,814)	(845)	(11,956)
Accounts payable	6,829	(3,915)	3,261
Accrued liabilities	659	3,159	37,651
Net cash provided by operating activities	93,420	66,669	83,631
Investing activities:			
Purchase of property and equipment	(168,219)	(73,371)	(54,318)
Additions to licensing costs and other intangible assets	(4,390)	(8,470)	(283)
Acquisition of wireless properties, net of cash acquired	(289,716)	(35,346)	(191,145)
Investments in and advances to unconsolidated affiliates	(25,492)	(15,443)	(26,162)
Receipts from and (advances to) VoiceStream Wireless	2,968	105,446	(406,254)
Return of investment from VoiceStream Wireless	20,000		
Other		(2,494)	(10,194)
Net cash used in investing activities	(464,849)	(29,678)	(688,356)
Financing activities:			
Proceeds from issuance of common stock, net	6,972	1,159	75,376
Additions to long term debt	415,000	60,000	565,000
Repayment of debt	(10,000)	(110,000)	(70,000)
Net costs of private placement		(1,080)	
Net cash provided by (used in) financing activities	411,972	(49,921)	570,376
Change in cash and cash equivalents	40,543	(12,930)	(34,349)
Cash and cash equivalents, beginning of year	2,192	15,122	49,471
Cash and cash equivalents, end of year	$ 42,735	$ 2,192	$ 15,122

See accompanying notes to consolidated financial statement

1 Organization

Western Wireless Corporation ("the Company") provides wireless communications services in the United States principally through the ownership and operation of cellular systems. The Company provides cellular operations primarily in rural areas in 19 western states under the CellularOne® brand name.

A wholly owned subsidiary of the Company, WWC Holding Co, Inc., ("Holding Co.") owns 96% of Western Wireless International ("WWI") who, through operating joint ventures, is a provider of wireless communications services worldwide. Since 1996, WWI has participated in operating joint ventures that have built and launched wireless networks in Latvia, Georgia, Iceland, Croatia, Ghana and Haiti, and is currently constructing a nationwide cellular network in Bolivia. In January 2000 WWI through its joint venture with the Modern Africa Growth and Investment Company ("MAGIC"), completed an acquisition of the assets and operations of Comstar in the Ivory Coast. Additionally, WWI holds approximately 67% of Meteor Mobile Communications ("MMC"), an entity that has been granted the Irish license, which is pending appeal with the Irish High Court.

The Company had an 80.1% controlling interest in VoiceStream Wireless Corporation ("VoiceStream"), an entity that provides wireless communication services through the ownership and operation of personal communication service ("PCS") licenses. On May 3, 1999, VoiceStream formally separated from the Company's other operations (the "Spin-off"). As of that date, the Company distributed all of its interest in VoiceStream to its shareholders. Although VoiceStream has been operated separately from the Company's other operations and has been a separate legal entity since its inception, the Spin-off established VoiceStream as a stand-alone entity with objectives separate from those of the Company. The accompanying consolidated financial statements have been restated to report the discontinued operations of VoiceStream.

Principles of consolidation

The consolidated financial statements include the accounts of the Company, its wholly owned subsidiaries and its affiliate investments in which the Company has a greater than 50% interest. All affiliate investments in which the Company has between a 20% and 50% interest are accounted for using the equity method. All significant intercompany accounts and transactions have been eliminated.

Revenue recognition

Service revenues based on customer usage are recognized at the time the service is provided. Access and special feature service revenues are recognized when earned. Sales of equipment, primarily handsets, are recognized when the goods are delivered to the customer.

Cash and cash equivalents

Cash and cash equivalents generally consist of cash and marketable securities that have original maturity dates not exceeding three months. Such investments are stated at cost, which approximates fair value.

Inventory

Inventory consists primarily of handsets and accessories. Inventory is stated at the lower of cost or market, determined on a first-in, first-out basis.

Property and equipment and depreciation

Property and equipment are stated at cost. Depreciation commences once the assets have been placed in service and is computed using the straight-line method over the estimated useful lives of the assets, which primarily range from three to twenty years.

Licensing costs and other intangible assets and amortization

Licensing costs primarily represent costs incurred to acquire Federal Communication Commission's ("FCC") wireless licenses, including cellular licenses principally obtained through acquisitions.

Amortization of cellular licenses is computed using the straight-line method over 40 years.

Other intangible assets consist primarily of deferred financing costs. Deferred financing costs are amortized using the effective interest method over the terms of the respective loans. In accordance with Statement of Financial Accounting Standards ("SFAS") No. 121, "Accounting for the Impairment of Long-lived Assets and for Long-lived Assets to be Disposed of," the Company periodically evaluates whether there has been any indication of impairment of its long-lived assets, including its licensing costs and other intangibles. As of December 31, 1999, there has been no indication of such impairment.

Income taxes

Deferred tax assets and liabilities are recognized based on temporary differences between the financial statements and the tax basis of assets and liabilities using enacted tax rates expected to be in effect when they are realized. A valuation allowance against deferred tax assets is recorded, if, based upon weighted available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

Loss per common share

Loss per common share is calculated using the weighted average number of shares of outstanding common stock during the period. The number of shares outstanding has been calculated based on the requirements of SFAS No. 128, "Earnings Per Share." Due to the net loss incurred during the periods presented, all options outstanding are anti-dilutive, thus basic and diluted loss per share are equal.

Stock-based compensation plans

The Company accounts for its stock-based compensation plans under Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees." See Note 11 for discussion of the effect on net loss and other related disclosures had Western Wireless accounted for these plans under SFAS No. 123, "Accounting for Stock-Based Compensation."

Foreign currency translation

For operations outside the United States that prepare financial statements in currencies other than the United States dollar, results of operations and cash flows are translated at average exchange rates during the period, and assets and liabilities are translated at end of period exchange rates. Translation adjustments are included as a separate component of shareholders' equity.

Fair value of financial instruments

As required under the Credit Facility (as defined in Note 7), the Company enters into interest rate swap and cap agreements to manage interest rate exposure pertaining to long-term debt. The Company has only limited involvement with these financial instruments, and does not use them for trading purposes. In addition, the Company has historically held derivative financial instruments to maturity and has never recognized a material gain or loss on disposal. It is the Company's intent to hold existing derivatives to maturity. Interest rate swaps are accounted for on an accrual basis, the income or expense of which is included in interest expense. Premiums paid to purchase interest rate cap agreements are classified as an asset and amortized to interest expense over the terms of the agreements. These transactions do not subject the Company to risk of loss because gains and losses on these contracts are offset against losses and gains on the underlying liabilities. No collateral is held in relation to financial instruments.

The carrying value of short-term financial instruments approximates fair value due to the short maturity of these instruments. The fair value of long-term debt is based on incremental borrowing rates currently available on loans with similar term and maturities. The Company does not hold or issue any financial instruments for trading purposes.

Supplemental cash flow disclosure

Cash paid for interest was $95.6 million in 1999, $96.4 million in 1998 and $69.6 million in 1997.

Non-cash investing and financing activities were as follows:

Year ended December 31,	1999	1998	1997
(Dollars in thousands)			
Discontinued operations (VoiceStream)	$ 227,518		
Stock-based compensation (in connection with Spin-off)	$ 82,750		
Release of cash held in escrow		$ 15,000	
Issuance of common stock in exchange for wireless assets			$ 28,600

Estimates used in preparation of financial statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Reclassifications

Certain amounts in prior years' financial statements have been reclassified to conform to the 1999 presentation.

Recently issued accounting standards

In December 1999, the SEC released Staff Accounting Bulletin ("SAB") Number 101, "Revenue Recognition in Financial Statements." This bulletin will become effective for the issuance of the Company's March 31, 2000, quarterly financial statements. This bulletin establishes more clearly defined revenue recognition criteria, than previously existing accounting pronouncements, and specifically addresses revenue recognition requirements for nonrefundable fees, such as activation fees, collected by a company upon entering into an arrangement with a customer, such as an arrangement to provide telecommunications services. We are currently evaluating the impact of this bulletin on our financial position and results of operations.

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." It requires the recognition of all derivatives as either assets or liabilities and the measurement of those instruments at fair value. The required adoption period is effective for the issuance the Company's December 31, 2000, financial statements. The implementation of SFAS No. 133 is not expected to have a material impact on the Company's financial position or results of operations. SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities—Deferral of the Effective Date of FASB Statement No. 133," issued in August 1999, postpones for one year the mandatory effective date for adoption of SFAS No. 133 to January 1, 2001.

2 Prepaid Expenses and Other Current Assets

December 31,	1999	1998
(Dollars in thousands)		
Receivable from unconsolidated international companies	$ 7,457	$ 4,048
WWI Deposits	8,702	482
Other	11,199	4,014
	$ 27,358	$ 8,544

3 Properties and Equipment

December 31,	1999	1998
(Dollars in thousands)		
Land, buildings and improvements	$ 13,051	$ 12,748
Wireless communications systems	493,580	373,971
Furniture and equipment	70,424	53,919
	577,055	440,638
Less accumulated depreciation	(277,167)	(208,776)
	299,888	231,862
Construction in progress	69,655	40,455
	$ 369,543	$ 272,317

Depreciation expense was $85.7 million in 1999, $62.2 million in 1998 and $57.9 million in 1997.

4 Licensing Costs and Other Intangible Assets

December 31,	1999	1998
(Dollars in thousands)		
License costs	$ 834,755	$ 564,157
Other intangible assets	35,806	35,841
	870,561	599,998
Accumulated amortization	(99,051)	(81,209)
	$ 771,510	$ 518,789

Amortization expense was $16.3 million in 1999, $12.2 million in 1998 and $8.7 million in 1997.

5 Investments In and Advances to Unconsolidated Affiliates

December 31,	1999	1998
(Dollars in thousands)		
Western Wireless International:		
Latcom Wireless Telephone Co.	$ 8,913	$ 12,724
ACG Telesystems Ghana, LLC	15,275	13,122
Nuevatel-Bolivia	9,065	0
Other international investments	13,184	11,817
Cellular One Group	9,403	0
	$ 55,840	$ 37,663

The Company's ownership interest in these unconsolidated affiliates range from 15% to 50%.

In November 1999, a WWI joint venture was notified that government regulators accepted its bid for a license to provide wireless communication services in Bolivia. WWI contributed $9.1 million for the purchase of the license.

In October 1998, a WWI joint venture was granted a license to provide wireless communication services in Croatia. WWI contributed $3.3 million for the purchase of the license.

In September 1998, a WWI joint venture was granted a license to provide wireless communication services in Haiti. WWI contributed $8.5 million for the purchase of the license.

In June 1998, WWI, through a controlling interest in a partnership (the "Ireland Partnership"), was notified by the Irish Government that it was the preferred applicant for a DCS-1800/GSM 900 mobile communication license in Ireland. The amount bid by the Ireland Partnership on this license was $16.2 million, including related fees. The license has not yet been issued, as the decision by the Irish Government is subject to a pending legal proceeding (refer to Note 8 for more information).

The Company's international investments are subject to the laws and regulations governing telecommunication services in effect in each of the countries in which it operates. These laws and regulations can have a significant influence on the Company's results of operations and are subject to change by the responsible governmental agencies. The financial statements as presented reflect certain assumptions based on laws and regulations currently in effect in each of the various countries. The Company cannot predict what future laws and regulations might be passed that could have a material effect on the Company's results of operations. The Company assesses the impact of significant changes in laws and regulations on a regular basis and updates the assumptions used to prepare its financial statements accordingly.

6 Accrued Liabilities

December 31,	1999	1998
(Dollars in thousands)		
Accrued payroll and benefits	$ 12,755	$ 14,667
Accrued interest expense	13,065	13,091
Accrued property taxes	4,948	4,951
Accrued taxes (other than income)	9,480	3,870
Accrued interconnect charges	10,239	6,358
Other	17,582	27,781
	$ 68,069	$ 70,718

7 Long-Term Debt

December 31,	1999	1998
(Dollars in thousands)		
Credit Facility:		
Revolver	$ 750,000	$ 445,000
Term Loan	200,000	200,000
Additional Facility	100,000	
10-1/2% Senior Subordinated Notes Due 2006	200,000	200,000
10-1/2% Senior Subordinated Notes Due 2007	200,000	200,000
	$ 1,450,000	$ 1,045,000

Credit Facility

The Company has a credit facility with a group of banks (the "Credit Facility") pursuant to which the banks agreed to make loans to the Company, on a revolving-credit basis, in an aggregate principal amount not to exceed $750 million (the "Revolver") and a term loan (the "Term Loan") of $200 million. The Revolver is limited to the principal amount outstanding on December 31, 2000. The Company is required to make quarterly payments on the outstanding principal of the Revolver beginning March 31, 2001, and on the Term Loan beginning June 30, 2001. These payments increase each year on the anniversary date of the initial payment, until paid in full on December 31, 2005, for the Revolver and March 31, 2006, for the Term Loan. The Credit Facility also contains certain financial covenants, the most restrictive of which impose limitations on the incurrence of indebtedness.

Under the Credit Facility, interest is payable at an applicable margin in excess of a prevailing base rate. The prevailing rate is based on the prime rate, the CD rate or LIBOR. The applicable margin on the Revolver is determined quarterly based on the leverage ratio of the Company, excluding certain of its subsidiaries. The applicable margin on the Term Loan is 2.5%. During 1999, 1998 and 1997, all loans under the Credit Facility had been borrowed using the LIBOR option. The weighted average interest rate, including the appropriate applicable margin, was 6.8% in 1999 and 7.6% in 1998. The Credit Facility also provides for an annual fee ranging from 0.25% to 0.375% on the unused commitment, payable quarterly.

During the fourth quarter of 1999, the Company established a $250 million additional facility (the "Additional Facility"), as permitted under the Credit Facility. The Additional Facility is structured as a term loan to be completely drawn by May 5, 2000, and bears interest at LIBOR plus 2.5%. Other terms and conditions are similar to the existing Term Loan. Amounts available for borrowing at December 31, 1999, which are limited by certain financial covenants and other restrictions, were $150 million under the Additional Facility. The repayment of the Credit Facility is secured by, among other things, the grant of a security interest in substantially all of the assets of the Company.

The Credit Facility requires the Company to enter into interest rate swap and cap agreements to manage the interest rate exposure pertaining to borrowings under the Credit Facility. The Company had entered into interest rate caps, swaps and collars with a total notional amount of $525 million at December 31, 1999, and $325 million at December 31, 1998. Generally these instruments have initial terms ranging from three to four years and effectively convert variable rate debt to fixed rate. The weighted average interest rate under these agreements was approximately 7.4% in 1999 and 7.7% in 1998. The amount of unrealized loss attributable to changing interest rates at December 31, 1999 and 1998 was immaterial.

10-1/2% Senior Subordinated Notes Due 2006

In May 1996, the Company issued at par $200 million of 10-1/2% Senior Subordinated Notes that mature on June 1, 2006 (the "2006 Notes"). Interest is payable semi-annually. The 2006 Notes may be redeemed at any time at the option of the Company, in whole or from time to time in part, at varying redemption prices. The Credit Facility prohibits the repayment of all or any portion of the principal amount of the 2006 Notes prior to the repayment of all indebtedness under each credit facility. The 2006 Notes contain certain restrictive covenants which impose limitations on the operations and activities of the Company and certain of its subsidiaries, including the incurrence of other indebtedness, the creation of liens, the sale of assets, issuance of preferred stock of subsidiaries, and certain investments and acquisitions. The 2006 Notes are subordinate in right of payment to the Credit Facility.

10-1/2% Senior Subordinated Notes Due 2007

In October 1996, the Company issued at par $200 million of 10-1/2% Senior Subordinated Notes that mature on February 1, 2007 (the "2007 Notes"). Interest is payable semi-annually. The 2007 Notes were issued *pari passu* to the 2006 Notes. As such, the 2007 Notes may be redeemed at any time at the option of the Company, in whole or from time to time in part, at varying redemption prices. The Credit Facility prohibits repayment of all or any portion of the principal amount of the 2007 Notes prior to the repayment of all indebtedness under each credit facility. The 2007 Notes contain certain restrictive covenants that are consistent with that of the 2006 Notes. The 2007 Notes are subordinate in right of payment to the Credit Facility.

The aggregate amounts of principal maturities as of December 31, 1999, are as follows (dollars in thousands):

Year ending December 31,	
2000	$ 0
2001	77,250
2002	115,500
2003	190,500
2004	190,500
Thereafter	876,250
	$ 1,450,000

In addition, the Credit Facility includes a covenant requiring additional pre-payment of principal to be made starting March 31, 2001 if the Company's operating cash flows, net of capital expenditures exceed predetermined levels. The Company estimates additional principal payments for 2001 range from $0 to $25 million.

8 Commitments and Contingencies

The Company leases various facilities, cell site locations, rights-of-way and equipment under operating lease agreements. The leases expire at various dates through the year 2019. Some leases have options to renew for additional periods up to 25 years. Certain leases require the Company to pay property taxes, insurance and normal maintenance costs. Substantially all of the Company's leases have fixed minimum lease payments. The Company has no significant capital lease liabilities.

Future minimum payments required under operating leases and agreements that have initial or remaining noncancellable terms in excess of one year as of December 31, 1999, are summarized below (dollars in thousands):

Year ending December 31,		
2000	$	12,845
2001		11,111
2002		9,555
2003		6,440
2004		2,817
Thereafter		4,440
	$	47,208

Aggregate rental expense for all operating leases was approximately $14.8 million in 1999, $12.2 million in 1998 and $10.0 million in 1997.

The Company has entered into purchase agreements to buy hardware, software, and consulting services in the aggregate of $18.5 million relating to the implementation of a new billing system. As of December 31, 1999, $7.3 million has been paid toward these commitments.

The Company has various other purchase commitments for materials, supplies and other items incident to the ordinary course of business which are neither significant individually nor in the aggregate. Such commitments are not at prices in excess of current market value.

On October 3, 1999, the Irish High Court remanded to the Office of the Director of Telecommunication Regulation ("ODTR") its decision that ranked MMC number one in a bid for a third mobile phone license in Ireland. The court found that the ODTR may have shown bias in its decision to rank MMC number one in the bid process and therefore the decision of the regulator may have been unreasonable. MMC and the ODTR have appealed this ruling to the Irish Supreme Court. If the ruling is upheld on appeal, then it is most likely that: (i) the previous bids will be reviewed and re-ranked or (ii) a new bidding process will be implemented. Management remains committed to the Irish market and believes that the attributes of its original bid that resulted in the initial number one ranking will continue to be recognized as the best plan. However, pending the outcome of the appeal, there is no assurance that the Company will retain its current ranking.

During the period from which the Company's bid was ranked number one up through the date of the recent court decision, WWI continued to invest in MMC. However, since MMC may not be awarded the license, it is possible that the invest-ment underlying MMC may not be realized. If MMC is not successful in its bid for this license, the estimated range of a potential loss to be recorded by WWI would range from $9 to $12 million.

9 Income Taxes

Significant components of deferred income tax assets and liabilities, net of tax, are as follows:

December 31,	1999	1998
(Dollars in thousands)		
Deferred tax assets:		
Net operating loss carryforwards	$ 107,853	$ 71,737
Other temporary differences	33,685	12,440
Total deferred tax assets	141,538	84,177
Valuation allowance	(91,360)	(55,596)
	50,178	28,581
Deferred tax liabilities:		
Property and wireless licenses basis difference	(50,178)	(28,581)
	$ 0	$ 0

The Company had available at December 31, 1999, net operating loss ("NOL") carryforwards of approximately $270 million. The NOL carryforwards will expire between 2003 and 2019. The Company may be limited in its ability to use these carryforwards in any one year due to ownership changes that preceded the business combination that formed the Company in July 1994. The change in the valuation allowance increased $36 million in 1999, $3 million in 1998 and $2 million in 1997.

Management believes that available objective evidence creates sufficient uncertainty regarding the realization of the net deferred tax assets. Such factors include a history of recurring operating losses and expected increased competition from new entrants into the Company's cellular markets. Accordingly, a valuation allowance has been provided for the net deferred tax assets of the Company.

The difference between the statutory tax rate of approximately 40% (35% federal and 5% state, net of federal benefits) and the tax benefit of zero recorded by the Company is primarily due to the full valuation allowance against net deferred tax assets. The Company's ability to utilize the NOL carryforwards in any given year may be limited by certain events, including a significant change in ownership interest.

After the Spin-off, the NOL carryforwards resulting from VoiceStream's cumulative tax losses remained with VoiceStream. Pursuant to a tax sharing agreement entered into at the time of the Hutchison Investment, VoiceStream paid the Company $20 million, an amount representative of the tax benefit of NOLs generated while VoiceStream was a wholly owned subsidiary of the Company, which was accounted for as a return of capital to the Company.

10 Shareholders' Equity

Stock issuances

In 1999, the Company issued 1,480,486 shares of its Class A Common Stock as a result of employee stock option exercises.

The Company issued 105,000 shares in 1999 and 100,000 shares in 1998, of its Class A Common Stock to certain key executives pursuant to an Executive Restricted Stock Plan. The vesting of these shares is subject to certain performance thresholds as determined by the Board of Directors.

In May 1998, the Company completed a secondary offering on form S-3 (the "Secondary Offering") of 13,915,000 Class A Common Stock shares (including on over-allotment exercised by the underwriters). The Company did not issue any new primary shares and received no proceeds from the Secondary Offering. The shares were offered by certain shareholders of the Company who elected to convert a portion of their Class B Common Stock into publicly traded Class A Common Stock for sale pursuant to a registration statement. No member of management of the Company sold any shares in the Secondary Offering.

Other transactions

During the second quarter, as a result of the Spin-off, the Company recognized compensation expense on all options outstanding as of May 3, 1999. On the date of the Spin-off, the Company cancelled and reissued all outstanding stock options. All reissued stock options were granted in a manner that ensured employees of both the Company and VoiceStream maintained the value of their options, subject to normal fluctuations in the price of both companies stock, after the Spin-off.

This reissuance did not accelerate benefits to option holders. The Company believes this allows employees to continue to better participate in the success of the company for which they work. As outlined in the provisions of EITF 90-9, at the date of the Spin-off, the Company recorded deferred compensation of approximately $82.8 million and compensation expense for those options in which the service period had passed of $63.4 million. Subsequent to the date of the Spin-off, the Company has recognized an additional $6.2 million of stock option compensation through December 31, 1999.

11 Stock-Based Compensation Plans

The Management Incentive Stock Option Plan (the "MISOP"), which has been effective since 1994, provides for the issuance of up to 7,500,000 shares of common stock as either Nonstatutory Stock Options or as Incentive Stock Options, the terms and conditions of which are at the discretion of the administrator of the MISOP.

The Employee Stock Purchase Plan (the "ESPP"), which has been effective since 1997, provides for the issuance of up to 1,000,000 shares of Class A Common Stock to eligible employees participating in the plan. The terms and conditions of eligibility under the ESPP require that an employee must have been employed by the Company or its subsidiaries for at least three months prior to participation. A participant may contribute up to 10% of their total annual compensation toward the ESPP, not to exceed the IRS contribution limit each calendar year. Shares are offered under this ESPP at 85% of market value at each offer date. Participants are fully vested at all times.

At December 31, 1999, 1998, and 1997, the Company has accounted for the above described MISOP and ESPP following the guidelines of APB Opinion No. 25 and related interpretations. Had compensation cost for the MISOP and the ESPP been determined based upon the fair value at the grant dates for awards under these plans consistent with the method defined in SFAS No. 123, the Company's net loss and basic loss per share would have increased to the pro forma amounts indicated below:

Year ended December 31,	1999	1998	1997
(Dollars in thousands, except per share data)			
Net loss:			
As reported	$ (148,773)	$ (224,069)	$ (265,534)
Pro forma	$ (157,604)	$ (232,110)	$ (271,745)
Basic and diluted loss per share:			
As reported	$ (1.94)	$ (2.95)	$ (3.76)
Pro forma	$ (2.05)	$ (3.06)	$ (3.84)

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

	1999	1998	1997
Weighted average risk free interest rates	5.6%	5.8%	6.3%
Expected dividend yield	0%	0%	0%
Expected volatility	63%	50%	50%
Expected lives (in years)	4.75	7.5	7.5

The Black-Scholes option-pricing model requires the input of highly subjective assumptions and does not necessarily provide a reliable measure of fair value.

The decrease in expected lives results from the cancellation and re-issuance of all outstanding stock options as a result of the Spin-off; see Note 10 "Other transactions."

Options granted, exercised and canceled under the above MISOP are summarized as follows:

Year ended December 31,	1999		1998		1997	
(In thousands, except pricing information)	Shares	Weighted average price	Shares	Weighted average price	Shares	Weighted average price
Outstanding, beginning of period	4,348	$ 11.78	3,711	$ 9.79	4,165	$ 9.66
Options granted	5,058	$ 7.61	992	$ 17.41	18	$ 14.65
Options exercised	(1,453)	$ 5.02	(291)	$ 5.02	(269)	$ 4.85
Options cancelled	(4,311)	$ 13.01	(64)	$ 14.32	(203)	$ 13.12
Outstanding, end of period	3,642	$ 7.32	4,348	$ 11.78	3,711	$ 9.79
Exercisable, end of period	1,889	$ 5.54	2,656	$ 9.36	2,384	$ 8.23

The weighted average fair value of stock options granted was $22.01 in 1999, $9.75 in 1998 and $9.34 in 1997.

The following table summarizes information about fixed price stock options outstanding at December 31, 1999:

(in thousands, except pricing information)	Options outstanding			Options exercisable	
Range of exercise prices	Number outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable	Weighted average exercise price
$ 0.53 – $ 5.28	966	5 years	$ 4.48	966	$ 4.48
$ 6.03 – $ 6.42	913	7 years	$ 6.29	728	$ 6.26
$ 6.42 – $ 9.32	919	8 years	$ 8.14	195	$ 8.11
$ 9.95 – $ 35.00	844	9 years	$ 10.79	0	$ –
$ 0.53 – $ 35.00	3,642	7 years	$ 7.32	1,889	$ 5.54

In May 1999, in connection with the Spin-off, the Company cancelled and reissued all outstanding options as, (i) the Company's option holders received one vested VoiceStream option and one vested Western Wireless option for each existing vested Western Wireless option; and (ii) the Company's option holders who became VoiceStream employees received for each unvested Western Wireless option at the Spin-off a number of unvested VoiceStream options. All reissued stock options were granted in a manner that ensured employees of both the Company and VoiceStream maintained the value of their options, subject to normal fluctuations in the price of both companies stock, after the Spin-off. This reissuance did not accelerate any benefits to option holders.

In September 1998, the Company's Board of Directors approved the 1998 Stock Appreciation Plan (the "Plan") whereby selected key personnel of WWI and its Subsidiaries may receive performance units, which are "rights" to receive an amount based on 5% of the fair market value of WWI. The maximum number of performance units that may be granted under the Plan as amended is 20,000. As of December 31, 1999, 15,000 performance units have been issued under the Plan. For the year ended December 31, 1999, based on the valuation of WWI on January 1, 2000, the Company has incurred $3.9 million in cost related to the Plan.

12 Acquisitions

All of the following acquisitions were accounted for using the purchase method of accounting. Substantially the entire purchase price of each of the acquisitions was allocated to licensing costs.

In November 1999, the Company purchased the cellular licenses and operations of the Texas 7 and Arkansas 11 RSAs for approximately $165 million in cash.

In June 1999, the Company completed the purchase of 50% of the Cellular One Group for $9 million in cash.

In June 1999, the Company completed the purchase of the cellular licenses and operations of the Brownsville, TX and McAllen, TX Metropolitan Statistical Areas ("MSA") for an aggregate amount of approximately $96 million in cash.

In February 1999, the Company completed the purchase of the cellular license and operations of the Wyoming 4 and Oklahoma 1 RSA for $19 million in cash. Prior to the purchase of the Wyoming 4 RSA, the Company operated this market under an Interim Operating Authority ("IOA") from the FCC.

In August 1998, the Company purchased the cellular license and operations of the Colorado 4 RSA for approximately $18.5 million in cash.

In June 1998, the Company purchased the cellular license and operations of the Nebraska 5 RSA for approximately $15.5 million in cash. Prior to the purchase of the Nebraska 5 RSA, the Company operated this market under an IOA from the FCC.

In March 1998, the Company was granted 36 Local Multipoint Distribution Service ("LMDS") licenses that it was the high bidder on in an FCC auction. The Company paid approximately $5.6 million for these licenses.

13 Selected Quarterly Consolidated Financial Information (Unaudited)

Selected quarterly consolidated financial information for the years ended December 31, 1999 and 1998 is as follows:

(Dollars in thousands, except per share data)

Quarter ended	Total revenues	Operating income (loss)	Net income (loss)	Basic earnings (loss) per common share	Diluted earnings (loss) per common share
March 31, 1999	$ 115,863	$ 21,991	$ (113,588)	$ (1.49)	$ (1.49)
June 30, 1999	$ 136,551	$ (31,352)	$ (47,944)	$ (0.63)	$ (0.63)
September 30, 1999	$ 157,044	$ 40,850	$ 13,542	$ 0.18	$ 0.17
December 31, 1999	$ 157,883	$ 29,440	$ (783)	$ (0.01)	$ (0.01)
March 31, 1998	$ 90,630	$ 15,988	$ (64,150)	$ (0.84)	$ (0.84)
June 30, 1998	$ 98,404	$ 18,446	$ (53,040)	$ (0.70)	$ (0.70)
September 30, 1998	$ 111,364	$ 24,226	$ (49,673)	$ (0.65)	$ (0.65)
December 31, 1998	$ 116,222	$ 22,620	$ (57,206)	$ (0.75)	$ (0.75)

14 Segment Information

The Company's operations consist of both domestic and international operations. The Company mainly provides cellular services in rural markets in the western United States. The Company's international operations mainly consist of unconsolidated joint ventures. Certain centralized back office costs and assets benefit all of the Company's operations. These costs are allocated to both segments in a manner, which reflects the relative time devoted to each of the segments.

The only significant international component of the Company's financial results is the equity in net loss of unconsolidated affiliates. The domestic cellular operations comprise the majority of the Company's total revenues, expenses and total assets as presented in the table below:

(Dollars in thousands)	Domestic Operations	Int'l Operations	Consolidated
Year ended December 31, 1999			
Total revenues	$ 567,341		$ 567,341
Depreciation and amortization expense	101,254	$ 759	102,013
Operating income (loss)	65,788	(4,859)	60,929
Interest expense	95,476	4,517	99,993
Equity in net income (loss) of unconsolidated affiliates	305	(14,834)	(14,529)
Total assets	1,276,878	78,696	1,355,574
Total capital expenditures	154,370	13,849	168,219
Year ended December 31, 1998			
Total revenues	$ 416,620		$ 416,620
Depreciation and amortization expense	74,395	$ 7	74,402
Operating income (loss)	83,708	(2,428)	81,280
Interest expense	91,184	1,043	92,227
Equity in net loss of unconsolidated affiliates		(4,746)	(4,746)
Total assets	1,180,856	40,444	1,221,300
Total capital expenditures	73,371		73,371
Year ended December 31, 1997			
Total revenues	$ 302,848		$ 302,848
Depreciation and amortization expense	66,595		66,595
Operating income (loss)	39,034	$ (1,754)	37,280
Interest expense	41,406		41,406
Equity in net loss of unconsolidated affiliates		(1,731)	(1,731)
Total assets	1,358,775	27,760	1,386,535
Total capital expenditures	54,318		54,318

15 Related Party Transactions

The financial statements include an allocation of certain centralized costs to VoiceStream and its affiliates, prior to and subsequent to the Spin-off. Such centralized items include the costs of shared senior management, customer care operations and certain back office functions. These costs have been allocated to VoiceStream and its affiliates in a manner that reflects the relative time devoted to each. For the twelve months ended December 31, 1999, 1998 and 1997, the Company allocated to VoiceStream and its affiliates costs of $8.9 million, $26.3 million and $30.5, respectively.

After the Spin-off, the NOL carryforwards resulting from VoiceStream's cumulative tax losses were transferred to VoiceStream. Pursuant to a tax sharing agreement entered into at the time of the Hutchison investment, VoiceStream paid the Company $20 million, the amount representative of the tax benefit of NOLs generated while VoiceStream was a wholly owned subsidiary of the Company. This transaction was accounted for as a return of capital to the Company.

The Company, its Holding Co., WWI, and Bradley Horwitz, the Executive Vice President-International, have entered into an amendment of a subscription and put and call agreement with respect to shares of common stock of WWI whereby Mr. Horwitz's interest in WWI is decreased from 10% to 4.04% in consideration of the Company's investment in WWI of an additional $29 million in 1996 and 1997. Holding Co. continues to own the balance of the outstanding capital stock of WWI. Any funds provided by the Company to WWI on or subsequent to January 1, 1998, shall be considered revolving debt loaned by the Company to WWI at an interest rate of 10.5% per annum.

16 Subsequent Events

On March 2, 2000 the Company signed a commitment letter to secure $2.1 billion in new financing consisting of a combination of revolving and term loans. Final terms and conditions of this arrangement are contingent upon the approval of the new financing among the syndicate of lenders. The new financing arrangement is expected to have terms and conditions similar to the existing Credit Facility. Proceeds from the new financing arrangement will be used to repay the Company's existing Credit Facility. Assuming the new financing is established, the Company will recognize an extraordinary loss ranging from approximately $13 to $22 million for the impairment of existing deferred financing costs relating to the Company's current debt structure.

In January 2000, the Company completed the purchase of the Utah 5 Rural Service Area ("RSA") for approximately $25 million in cash and $5 million in seller subordinate debt. Further, the Company signed an agreement to acquire the assets associated with the Arizona 6 and Wyoming 1 RSAs for an aggregate amount of approximately $67 million in cash. The purchase is pending approval from the FCC, and are expected to close in the second quarter of 2000.

In January 2000, WWI, through its joint venture with MAGIC, completed an acquisition of the assets and operations of Comstar in the Ivory Coast. WWI has contributed $9.1 million to date for the purchase of the license. The Comstar network is currently under expansion.

Report of Independent Public Accountants

To the Board of Directors and Shareholders of Western Wireless Corporation:

We have audited the accompanying consolidated balance sheets of Western Wireless Corporation and subsidiaries as of December 31, 1999 and 1998, and the related consolidated statements of operations and comprehensive loss, shareholders' equity and cash flows for each of the three years in the period ended December 31, 1999. These financial statements and schedule referred to below are the responsibility of Western Wireless management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Western Wireless Corporation and subsidiaries as of December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999, in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule listed in the index of consolidated financial statements is presented for purposes of complying with the Securities and Exchange Commission rules and is not a required part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Arthur Andersen LLP

Arthur Andersen LLP
Seattle, Washington
March 1, 2000

ATTACHMENT E

TARIFF SCHEDULE

APPLICABLE TO

TELECOMMUNICATIONS SERVICES

OF

WESTERN CLEC CORPORATION

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CHECK SHEET

Page 1-90 inclusive of this tariff are effective as of the date shown. Original and revised pages, as named below, comprise all changes from the original tariff in effect on the date indicated.

PAGE	REVISION	PAGE	REVISION	PAGE	REVISION
1	Original	31	Original	61	Original
2	Original	32	Original	62	Original
3	Original	33	Original	63	Original
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6	Original	36	Original	66	Original
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9	Original	39	Original	69	Original
10	Original	40	Original	70	Original
11	Original	41	Original	71	Original
12	Original	42	Original	72	Original
13	Original	43	Original	73	Original
14	Original	44	Original	74	Original
15	Original	45	Original	75	Original
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17	Original	47	Original	77	Original
18	Original	48	Original	78	Original
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20	Original	50	Original	80	Original
21	Original	51	Original	81	Original
22	Original	52	Original	82	Original
23	Original	53	Original	83	Original
24	Original	54	Original	84	Original
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EXPLANATION OF SYMBOLS, REFERENCE MARKS, AND ABBREVIATIONS OF TECHNICAL TERMS USED IN THIS TARIFF

The following symbols shall be used in this tariff for the purposes indicated below:

(C) - To signify changed listing, rule, or condition which may affect rates or charges.

(D) - To signify discontinued material, including listing, rate, rule or condition.

(I) - To signify an increase.

(L) - To signify that material relocated from or to another part of tariff schedule with no change in text, rate, rule or condition.

(N) - To signify new material including listing, rate, rule or condition.

(R) - To signify reduction.

(T) - To signify change in wording or text but not change in rate, rule, or condition.

TARIFF FORMAT

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

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

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

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2.1.
2.1.1.
2.1.1.1.
2.1.1.1.1.
2.1.1.1.1.1.
2.1.1.1.1.1.1.
2.1.1.1.1.1.1.1.
2.1.1.1.1.1.1.1.1.

TARIFF FORMAT (Cont'd)

D. Check Sheets - When a Tariff filing is made with the Commission an updated check sheet accompanies the Tariff filing. The check sheet lists the sheets contained in the Tariff, with a cross reference to the current revision number. When new sheets are added, the check sheet is changed to reflect the revision. All revisions made in a given filing are designated on the check sheet by an asterisk(*). There will be no other symbols used on the check sheet if these are the only changes made to it. The Tariff user should refer to the latest check sheet to find out if a particular sheet is the most current on file with the Commission.

APPLICATION OF TARIFF

This tariff sets forth the service offerings, rates, terms and conditions applicable to the furnishing of telecommunications services (local and toll) by Western CLEC Corporation within the State of Arizona.

1. DEFINITIONS

Certain terms used generally throughout this tariff are defined below.

Advance Payment: Payment of all or part of a charge required before the start of Service.

Authorized User: A person, firm, corporation or other entity that either is authorized by the Customer to use local exchange telephone service or is placed in a position by the Customer, either through acts or omissions, to use local exchange telephone service.

Call Forward Busy: Automatically routes incoming calls to a designated answering point when the called line is busy.

Call Forward No Answer: Automatically routes incoming calls to a designated answering point when the called line does not answer within a pre-specified number of rings.

Call Forward Variable: Automatically routes incoming calls to a designated answering point, regardless of whether the User's Station is idle or busy.

Call Hold: Allows the User to hold one call for any length of time provided that neither party goes Off Hook.

Call Park: Allows a User to "park" a call against his or her directory number within the business group and "unpark" the call from any other directory number. A business group consists of a series of Customer-defined telephone numbers.

1. DEFINITIONS (Cont'd)

Call Pickup: Allows a User to answer incoming calls to another Station line within a defined call pickup group. Call Pickup is provided as either Group Call Pickup, where predesignated groups can pickup each other's calls by activating an access code or a feature key, or Directed Call Pickup, where any call can be retrieved by dialing a different access code followed by the extension number.

Call Transfer/Consultation/Conference: Provides the capability to transfer or add a third party, using the same line.

Call Waiting: Provides the User with a burst of tone to indicate that another call is waiting. The second call can either be answered by flashing the switchhook or hanging up the phone and being rung back by the caller.

Call Waiting Cancel: Allows a User to cancel the Call Waiting feature on a per call basis by dialing a specific two-digit code.

Calling Number Delivery: Identifies the 10-digit number of the calling party.

Calling Name and Number Delivery: Identifies the name, as provided in the directory listing, as well as the 10-digit number of the calling party.

Calling Number Delivery Blocking: Blocks the delivery of the number to the called party on either a per-call or per-line basis.

Class of Service (COS): Used to prevent a Station for dialing certain codes and numbers.

Company: Western CLEC Corp. (formerly known as Eclipse Communications Corporation or Eclipse), a Delaware corporation, which is the issuer of this tariff.

Commission: The Arizona Corporation Commission.

Conference/Three-Way: The User can sequentially call up to five other people and add them together to make up a three-way call.

1. DEFINITIONS (Cont'd)

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

Customer Group Dialing Plan: A dialing scheme shared by the members of a Customer group, such as four-digit internal dialing.

Dial Pulse (DP): The pulse type employed by rotary dial Station sets.

Direct Inward Dialing (DID): A service attribute that routes incoming calls directly to Stations, bypassing a central answering point.

Do Not Disturb: Allows the User to prevent incoming calls from ringing his or her line by diverting them to a tone or a recorded announcement that informs the caller that the User is not accepting calls at this time.

Dual Tone Multi-Frequency (DTMF): The pulse type employed by tone dial Station sets.

Exchange Carrier: Any individual, partnership, association, joint-stock company, trust governmental entity or corporation engaged in the provision of local exchange telephone service.

Hunting: Routes a call to an idle Station line. With Serial Hunting, calls to a member of a hunt group will search from that point to the end of the group and stop.

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

1. DEFINITIONS (Cont'd)

Joint User: A person, firm or corporation designated by the Customer as a user of local exchange service furnished to the Customer by the Company, and to whom a portion of the charges for such facilities are billed under a joint use arrangement.

LATA: A local access and transport area established pursuant to the Modification of Final Judgment decree entered by the United States District Court for the District of Columbia in Civil Actions No. 82-0192 for the provision and administration of communications services.

Least Idle Trunk Selection (LIDL): LIDL trunk selection occurs when a switching unit selects from a Trunk group the Trunk that has been idle for the shortest period of time.

Local Calling: A completed call or telephonic communications between a calling Station and any other station within the local service area of the calling Station.

Local Exchange Carrier: A company which furnishes exchange telephone service.

Mbps: Megabits, or millions of bits, per second.

Message Waiting: This feature provides an indication to a Station User that a message is waiting. Indications may be visual (lamp) or audible (stuttered dialtone).

Most Idle Trunk Selection (MIDL): MIDL Trunk selection occurs when a switching unit selects from a Trunk group the Trunk that has been idle for the longest period of time.

Multiple Appearance Directory Numbers: A directory number that is assigned more than once to one or more Proprietary Business Sets.

Multi-Frequency (MF): An inter-machine pulse-type used for signaling between telephone switches, or between telephone switches and PBX/key systems.

Network: The telecommunications facilities of the Company.

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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, for which the Customer becomes liable at the time the Service Order is executed.

Off-Hook: The term "off-hook" denotes the active condition of a telephone exchange service line.

On-Hook: The term "on-hook" denotes the idle condition of a telephone exchange service line.

Originating Off-Net: A call originating on and placed via non-Company owned or Company leased facilities.

Originating On-Net: A call originating on and placed via Company owned or Company 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 Commencement Date: The first day following the date on which the Company notifies the Customer that the requested Service or facility is available for use, unless extended by the Customer's refusal to accept Service which does not conform to standards set forth in the Service Order or this tariff, in which case the Service Commencement Date is the date of the Customer's acceptance of service. The parties may mutually agree on a substitute Service Commencement Date.

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1. DEFINITIONS (Cont'd)

Service Order: The written request for telecommunications services executed by the Customer and the Company in a format specified by the Company. The signing of a Service Order by the Customer and acceptance thereof by the Company initiates the respective obligations of the parties as set forth therein and pursuant to this tariff, but the duration of the service is calculated from the Service Commencement Date.

Service: The Company's telecommunications services offered on the Company's network.

SpeedCall: Provides a User with the option to call selected directory numbers by dialing a one or two-digit code.

Station: Telephone equipment from or to which calls are placed.

Trunk: A communications path connecting two switching systems in a network used in the establishment of an end-to-end connection.

User: A Customer or any other person authorized by the Customer to use Service provided under this tariff.

2. REGULATIONS

2.1. Undertaking of the Company

2.1.1. Scope

The Company undertakes to furnish communications service in connection with one-way and/or two-way information transmission between points within the State of Arizona under the terms of this tariff.

Customers may use services and facilities provided under this tariff to obtain access to services offered by other service providers. The Company may act as the Customer's agent for ordering facilities or services provided by other carriers or entities as required in the Commission's rules and orders, when authorized by the Customer. The Company is responsible under this tariff only for the services and facilities provided herein, and it assumes no responsibility for any service provided by any other entity that purchases access to the Company's network in order to originate or terminate its own services, or to communicate with its own Customers. The Customer shall be responsible for all charges due for such service arrangements.

2.1.2. Shortage of Equipment of Facilities

2.1.2.1. The Company reserves the right to limit or 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.

2.1.2.2. The furnishing of Service under this tariff is subject to the availability on a continuing basis of all the necessary facilities, and is limited to the capacity of the Company's facilities as well as facilities the Company may obtain from other carriers, from time to time, to furnish Service as required at the sole discretion of the Company.

2. REGULATIONS (Cont'd)

2.1. Undertaking the Company (Cont'd)

2.1.3. Terms and Conditions

2.1.3.1. Except as otherwise provided herein, Service is provided and billed on the basis of a minimum period of at least one month, and shall continue to be provided until canceled by the Customer, in writing, on not less than thirty (30) days' notice. Unless otherwise specified herein, for the purpose of computing charges in this tariff, a month is considered to have thirty (30) days. All calculations of dates set forth in this tariff shall be based on calendar days, unless otherwise specified herein.

2.1.3.2. Customers may be required to enter into written Service Orders which shall contain or reference the name of the Customer, a specific description of the Service ordered, the rate to be charged, the duration of the Services, and the terms and conditions in this tariff.

2.1.3.3. At the expiration of the initial term specified in each Service Order, or in any extension thereof, Service shall continue on a month-to-month basis at the then current rates unless terminated by either party upon thirty (30) days' written notice. Any termination shall not relieve Customer of its obligation to pay any charges incurred under the Service Order and this tariff prior to termination. The rights and obligations which by their nature extend beyond the termination of the term of the Service Order shall survive such termination.

2. REGULATIONS (Cont'd)

2.1. Undertaking of the Company (Cont'd)

2.1.3. Terms and Conditions (Cont'd)

2.1.3.4. This tariff shall be interpreted and governed under the laws of the State of Arizona without regard to the State's choice of laws provision.

2.1.3.5. The Customer has no property right to the telephone number or any other call number designation associated with Services furnished by the Company. The Company reserves the right to change such numbers, or the central office designation associated with such numbers, or both, assigned to the Customer, whenever the Company deems it necessary to do so in the conduct of its business.

2. REGULATIONS (Cont'd)

2.1. Undertaking of the Company (Cont'd)

2.1.3. Terms and Conditions (Cont'd)

2.1.3.6. The Customer agrees to operate Company-provided equipment in accordance with instructions of the Company or the Company's agent. Failure to do so will void Company liability for interruption of Service and may make the Customer responsible for damage to equipment pursuant to Subsection 2.1.3.7 below.

2.1.3.7. The Customer agrees to return to the Company all Company-provided equipment within five (5) days of termination of the Service. Said equipment shall be in the same condition as when delivered to Customer, normal wear and tear only excepted. Customer shall reimburse the Company, upon demand, for any costs incurred by the Company due to Customer's failure to comply with this provision.

2. REGULATIONS (Cont'd)

2.1. Undertaking of the Company (Cont'd)

2.1.4. Liability of the Company

Because the Customer has exclusive control of its communications over the Services furnished by the Company, and because interruptions and errors incident to these Services may be unavoidable, the Services the Company furnishes are subject to the terms, conditions, and limitations specified in this tariff and to such particular terms, conditions, and limitations as set forth in the special regulations applicable to the particular Services and facilities furnished under this tariff.

2.1.4.1. The liability of the Company for damages arising out of the furnishing of these Services, including but not limited to mistakes, omission, interruptions, delays, or errors, or other defects, representations, or use of these Services or arising out of the failure to furnish the Service, whether caused by acts of commission or omission, shall be limited to the extension of allowances for interruption. The extension of such allowances for interruption shall be the sole remedy of the Customer, authorized user, or joint user and the sole liability of the Company.

2.1.4.2. The Company shall not be liable or responsible for any special, consequential, exemplary, lost profits, or punitive damages, whether or not caused by the intentional acts or omissions or negligence of the Company's employees, agents or contractors.

2. REGULATIONS (Cont'd)

2.1. Undertaking of the Company (Cont'd)

2.1.4. Liability of the Company (Cont'd)

2.1.4.3. The Company shall not be liable for any failure of performance or equipment due to causes beyond its control, including but not limited to: acts of God, fire, flood or other catastrophes; any law, order, regulations, direction, action, or request of the United States Government, or of any other government, including state and local governments having or claiming jurisdiction over the Company, or of any department, agency, commission, bureau, corporation, or other instrumentality of any one or more of these federal, state, or local governments, or any civil or military authority; national emergencies; insurrections; riots; wars; unavailability of rights-of-way or materials; or strikes, lock-outs, work stoppages, or other labor difficulties.

2.1.4.4. The Company shall not be liable for any act or omission of any entity furnishing to the Company or the Company's Customers facilities or equipment used for or with the services the Company offers.

2.1.4.5. The Company shall not be liable for any outages caused by the facilities or equipment of any carrier furnishing services to the Company.

2. REGULATIONS (Cont'd)

2.1. Undertaking of the Company (Cont'd)

2.1.4. Liability of the Company (Cont'd)

2.1.4.6. The Company shall not be liable for any damages or losses due to the fault or negligence of the Customer or due to the failure or malfunction of Customer-provided equipment or facilities.

2.1.4.7. The Company shall not be liable for the claims of vendors supplying equipment to Customers of the Company which may be installed at premises of the Company nor shall the Company be liable for the performance of said vendor or vendor's equipment.

2.1.4.8. The Company does not guarantee nor make any warranty with respect to installations it provides for use in an explosive atmosphere. The Customer indemnifies and holds the Company harmless from any and all loss, claims, demands, suits, or other action, or any liability whatsoever, whether suffered, made, instituted, or asserted by any other party or person(s), and for any loss, damage, or destruction of any property, 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, condition, location, or use of any installation so provided.

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2. REGULATIONS (Cont'd)

2.1. Undertaking of the Company (Cont'd)

2.1.4 Liability of the Company (Cont'd)

2.1.4.9. The Company is not liable for any defacement of or damage to the premises of a Customer (or authorized or joint user) resulting from the furnishing of Services or equipment on such premises or the installation or removal thereof, when such defacement or damage is not the result of negligence or willful misconduct on the part of the agents or employees of the Company.

2.1.4.10. The Company shall not be liable for any damages resulting from delays in meeting any Service dates due to delays resulting from normal construction procedures. Such delays shall include, but not be limited to, delays in obtaining necessary regulatory approvals for construction, delays in obtaining right-of-way approvals and delays in actual construction work.

2.1.4.11. The Company shall not be liable for any damages whatsoever to property resulting from the installation, maintenance, repair or removal of equipment and associated wiring unless the damage is caused by the Company's willful misconduct or negligence.

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2. REGULATIONS (Cont'd)

2.1. Undertaking of the Company (Cont'd)

2.1.4. Liability of the Company (Cont'd)

2.1.4.12. The Company shall not be liable for and damages whatsoever associated with service, facilities, or equipment which the Company does not furnish or for any act or omission of Customer or any other entity furnishing services, facilities or equipment used for or in conjunction with the Company's telecommunications service.

2.1.4.13. The Company shall not incur any liability, direct or indirect, to any person who dials or attempts to dial the digits "9-1-1" or to any other person who may be affected by the dialing of the digits "9-1-1."

2.1.4.14. 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, or in the event that payment has been made and Service has been discontinued, to a refund of the amount erroneously billed.

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

2. REGULATIONS (Cont'd)

2.1. Undertaking of the Company (Cont'd)

2.1.5. Notification of Service-Affecting Activities

The Company will provide the Customer reasonable notification of Service-affecting activities that may occur in normal operation of its business. Such activities may include, but are not limited to, equipment or facilities additions, removals or rearrangements and routine preventative maintenance. Generally, such activities are not specific to an individual Customer but affect many Customers' Services. No specific advance notification period is applicable to all Service activities. The Company will work cooperatively with the Customer to determine the reasonable notifications requirements. With some emergency or unplanned Service-affecting conditions, such as outage resulting from cable damage, notification to the Customer may not be possible.

2.1.6. Provision of Equipment and Facilities

2.1.6.1. The Company shall use reasonable efforts to make available Services to a Customer on or before a particular date, subject to the provisions of and compliance by the Customer with the regulations contained in this tariff. The Company does not guarantee availability by any such date and shall not be liable for any delays in commencing service to any Customer.

2.1.6.2. The Company shall use reasonable efforts to maintain facilities that it furnishes to the Customer. The Customer may not, nor may the Customer permit others to, rearrange, disconnect, remove, attempt to repair or otherwise interfere with any of the facilities installed by the Company, except upon the written consent of the Company.

2. REGULATIONS (Cont'd)

2.1. Undertaking of the Company (Cont'd)

2.1.6. Provision of Equipment and Facilities (Cont'd)

2.1.6.3. Equipment installed at the Customer Premises for use in connection with the Services the Company offers shall not be used for any purpose other than that for which the Company provided it.

2.1.6.4. The Company shall not be responsible for the installation, operation, or maintenance of any Customer-provided communications equipment. Where such equipment is connected to the facilities furnished pursuant to this tariff, the responsibility of the Company shall be limited to the furnishing of facilities offered under this tariff and to the maintenance and operation of such facilities. Beyond this responsibility, the Company shall not be responsible for:

(a) the transmission of signals by Customer-provided equipment or for the quality of, or defects in, such transmission; or

(b) the reception of signals by Customer-provided equipment; or

(c) network control signaling where such signaling is performed by Customer-provided network control signaling equipment.

2. REGULATIONS (Cont'd)

2.1. Undertaking of the Company (Cont'd)

2.1.7. Non-routine Installation

At the Customer's request, installation and/or maintenance may be performed outside the Company's regular business hours or in hazardous locations in accordance with the provisions of Subsection 2.3.1(e). In such cases, charges based on cost of the actual labor, material, or other costs incurred by or charged to the Company will apply. If installation is started during regular business hours but, at the Customer's request, extends beyond regular business hours into time periods including, but not limited to, weekends, holidays, and/or night hours, additional charges may apply.

2.1.8. Ownership of Facilities

Title to all facilities provided in accordance with this tariff remains with the Company, its agents or assigns.

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2. REGULATIONS (Cont'd)

2.2. Prohibited Uses

2.2.1. Unlawful Use

The Service the Company offers shall not be used for any unlawful purpose or for any use as to which the Customer has not obtained all required governmental approvals, authorizations, licenses, consents and/or permits.

2.2.2. Interference

The Company may require a Customer to immediately shut down its transmission of signals if said transmission is causing interference to others.

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2. REGULATIONS (Cont'd)

2.3. Obligations of the Customer

2.3.1. General

The Customer shall be responsible for:

(a) the payment of all applicable charges pursuant to this tariff;

(b) reimbursing the Company for damage to, or loss of, the Company's facilities or equipment caused by the acts or omissions of the Customer; or the noncompliance by the Customer, with these regulations; or by fire or theft or other casualty on the Customer's premises, unless caused by the negligence or willful misconduct of the employees or agents of the Company. The Company will, upon reimbursement for damages, cooperate with the Customer in prosecuting a claim against the person causing such damage and the Customer shall be subrogated to the Company's right of recovery of damages to the extent of such payment;

(c) providing at no charge, as specified from time to time by the Company, any needed personnel, equipment, space and power to operate Company facilities and equipment installed on the premises of the Customer, and the level of heating and air conditioning necessary to maintain the proper operating environment on such premises;

2. REGULATIONS (Cont'd)

2.3. Obligations of the Customer (Cont'd)

2.3.1. General (Cont'd)

(d) Obtaining, maintaining, and otherwise having full responsibility for all rights-of-way, rooftop rights, and conduit necessary for installation of equipment used to provide local exchange telephone service to the Customer from the cable building entrance or property line to the location of the equipment space described in Subsection 2.3.1(c). Any costs associated with obtaining and maintaining the rights-of-way described herein, including the costs of altering the structure to permit installation of the Company-provided facilities, shall be borne entirely by, or may be charged by the Company to the Customer. The Company may require the Customer to demonstrate its compliance with this section prior to accepting an order for Service;

(e) providing a safe place to work and complying with all laws and regulations regarding the working conditions on the premises which Company employees and agents shall be installing or maintaining the Company's facilities and equipment. The Customer may be required to install and maintain Company facilities and equipment definitions within a hazardous area if, in the Company's opinion, injury or damage to the Company's employees or property might result from installation or maintenance by the Company. The Customer shall be responsible for identifying, monitoring, removing and disposing of any hazardous material prior to any construction or installation work;

2. REGULATIONS (Cont'd)

2.3. Obligations of the Customer (Cont'd)

2.3.1 General (Cont'd)

(f) complying with all laws and regulations applicable to, and obtaining all consents, approvals, licenses and/or permits as may be required with respect to the location of Company facilities and equipment in any Customer premises or the rights-of-way for which Customer is responsible under Subsection 2.3.1(d) above; and granting or obtaining permission for Company agents or employees to enter the premises of the Customer at any time for the purpose of installing, inspecting, maintaining, repairing, or upon termination of Service as stated herein, removing the facilities or equipment of the Company;

(g) not creating or allowing to be placed or maintained any liens or other encumbrances on the Company's equipment or facilities; and

(h) making Company facilities and equipment available periodically for maintenance purposes at a time agreeable to both the Company and the Customer. No allowance for interruptions in Service will be made for the period during which Service is interrupted for such purposes.

2. REGULATIONS (Cont'd)

2.3. Obligations of the Customer (Cont'd)

2.3.2. Claims

With respect to any Service or facility provided by the Company, Customer shall indemnify, defend and hold harmless the Company from all claims, actions, damages, liabilities, costs and expenses, including reasonable attorney's fees for:

(a) any loss, destruction or damage to property of the Company or any third party, or the death of or injury to persons, including, but not limited to, employees or invitees of either the Company or the Customer, to the extent caused by or resulting from the negligent or intentional act or omission of the Customer, its employees, agents, representatives or invitees; or

(b) any claim, loss, damage, expense or liability for infringement of any copyright, patent, trade secret, or any proprietary or intellectual property right of any third party, arising from any act or omission by the Customer, including, without limitation, use of the Company's Services and facilities in a manner not contemplated by the agreement between the Customer and the Company.

2. REGULATIONS (Cont'd)

2.4. Customer Equipment and Channel

2.4.1. General

A Customer may transmit or receive information or signals via the facilities of the Company.

2.4.2. Station Equipment

2.4.2.1. The Customer is responsible for providing and maintaining any terminal equipment on the Customer premises. The electric power consumed by such equipment shall be provided by, and maintained at the expense of, the Customer. All such terminal equipment must be registered with the FCC under 47 C.F.R., Part 68 and all wiring must be installed and maintained in compliance with those regulations. The Company will, where practicable, notify the Customer that temporary discontinuance of the use of a Service may be required; however, where prior notice is not practicable, nothing contained herein shall be deemed to impair the Company's right to discontinue forthwith the use of a Service temporarily if such action is reasonable under the circumstances. In case of such temporary discontinuance, the Customer will be promptly notified and afforded the opportunity to correct the condition which gave rise to the temporary discontinuance. During such period of temporary discontinuance, credit allowance for Service interruptions as set forth in Section 2.6 following is not applicable.

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2. REGULATIONS (Cont'd)

2.4. Customer Equipment and Channel (Cont'd)

2.4.2 Station Equipment (Cont'd)

2.4.2.2. The Customer is responsible for ensuring that Customer-provided equipment connected to Company equipment and facilities is compatible with such equipment and facilities. The magnitude and character of the voltages and currents impressed on Company-provided equipment and wiring by the connection, operation, or maintenance of such equipment and wiring shall be such as not to cause damage to the Company-provided equipment and wiring or injury to the Company's employees or other persons. Any additional protective equipment required to prevent such damage or injury shall be provided by the Company at the Customer's expense.

2.4.3. Interconnection of Facilities

2.4.3.1. Any special interface equipment necessary to achieve compatibility between the facilities and equipment of the Company used for furnishing telecommunications service and the channels, facilities, or equipment of others may be provided at the Customer's expense.

2.4.3.2. Service may be connected to the services or facilities of other communications carriers only when authorized by, and in accordance with, the terms and conditions of the tariffs of the other communications carriers which are applicable to such connections.

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2. REGULATIONS (Cont'd)

2.4. Customer Equipment and Channel (Cont'd)

2.4.4. Station Equipment

2.4.4.1. Facilities furnished under this tariff may be connected to Customer-provided terminal equipment in accordance with the provisions of this tariff.

2.4.5. Inspections

2.4.5.1. Upon reasonable notification to the Customer, and at a reasonable time, the Company may make such tests and inspections as may be necessary to determine that the Customer is complying with the requirements set forth in Subsection 2.4.2.2 for the installation, operation, and maintenance of Customer-provided facilities and equipment. No credit will be allowed for any interruptions occurring during such inspections.

2.4.5.2. If the protective requirements for Customer-provided equipment are not being complied with, the Company may take such action as it deems necessary to protect its facilities, equipment, and personnel. The Company will notify the Customer promptly if there is any need for further corrective action. Within ten (10) days of receiving this notice the Customer must take this corrective action and notify the Company of the action taken. If the Customer fails to do so, the Company may take whatever additional action is deemed necessary, including the suspension of Service, to protect its facilities, equipment and personnel from harm. The Company will, upon request 24 hours in advance, provide the Customer with a statement of technical parameters that the Customer's equipment must meet.

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2. REGULATIONS (Cont'd)

2.5. Payment Arrangements

2.5.1. Payment for Service

The Customer is responsible for payment of all charges for Service and facilities furnished by the Company to the Customer or its Joint or Authorized Users. Objections must be received by the Company within thirty (30) days after statement of account is rendered, or the charges shall be deemed correct and binding upon the Customer. If an entity other than the Company imposes charges on the Company, in addition to its own internal costs, in connection with a service for which a Company Non-Recurring Charge is specified, those charges may be passed on to the Customer at the sole discretion of the Company.

2.5.1.1. Taxes: The Customer is responsible for the payment of any sales, use, gross receipts, excise, access or other local, state and federal taxes, charges, user fees, or surcharges (however designated), excluding taxes on the Company's net income imposed on or based upon the provision of telecommunications services, all of which shall be separately designated on the Company's invoices. Any taxes imposed by a local jurisdiction (e.g., county and municipal taxes) will only be recovered from those Customers residing in the affected jurisdictions. It shall be the responsibility of the Customer to pay any such taxes that subsequently become applicable retroactively.

2. REGULATIONS (Cont'd)

2.5. Payment Arrangements (Cont'd)

2.5.1. Payment for Service (Cont'd)

2.5.1.2. A surcharge is imposed on all charges for service originating at addresses in states which levy, or assert a claim of right to levy, a gross receipt 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 state taxes imposed directly or indirectly upon the Company by virtue of, and measured by, the gross receipts or revenues of the Company in that state and/or payment of interstate access charges in that state. The surcharge will be shown as a separate line item on the Customer's monthly invoice.

2. REGULATIONS (Cont'd)

2.5. Payment Arrangements (Cont'd)

2.5.2. Billing and Collection of Charges

Bills will be rendered monthly to Customer.

2.5.2.1. All Service, installation, monthly Recurring Charges and Non-Recurring Charges are due and payable upon receipt. Interest at the maximum rate allowed by law may be applied to any unpaid amount commencing thirty (30) days after the statement date.

2.5.2.2. The Company shall present bills for Recurring and Usage Charges monthly to the Customer, in arrears of the month for which Service is provided.

2.5.2.3. For new Customers or existing Customers whose Service is disconnected, the charge for the fraction of the month in which Service was furnished will be calculated on a pro-rata basis. For this purpose, every month is considered to have thirty (30) days.

2. REGULATIONS (Cont'd)

2.5. Payment Arrangements (Cont'd)

2.5.2 Billing and Collection of Charges (Cont'd)

2.5.2.4. Amounts not paid within thirty (30) days after the date of invoice are considered past due.

2.5.2.5. A $25.00 charge will be assessed for all checks returned for insufficient or uncollected funds or non-existing or closed accounts, apparent tampering, missing signature or endorsement, or any other insufficiency or discrepancy necessitating return of the instrument at the discretion of the drawee bank.

2.5.2.6. In the event that legal action is instituted by the Company to recover any sums then due, and the Company prevails, the Company shall be entitled to recover from the Customer any sums due, attorneys fees and expenses, and any other relief allowed by law.

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2. REGULATIONS (Cont'd)

2.5. Payment Arrangements (Cont'd)

2.5.3. Disputed Bills

Customer inquiries or complaints regarding service or accounting may be made in writing or by telephone to the Company at:

Western CLEC Corporation
3650 131st Avenue, SE, Suite 400
Bellevue, WA 98006
(800) 635-0304

Any objection to billed charges should be reported promptly to the Company. Adjustments to Customers' bills shall be made to the extent that records are available and/or circumstances exist which reasonably indicate that such charges are not in accordance with approved rates or that an adjustment may otherwise be appropriate. Where overbilling of a Customer occurs, due either to Company or Customer error, no liability exists which will require the Company to pay any interest, dividend or other compensation on the amount overbilled.

If after investigation and review by the Company, a disagreement remains as to the disputed amount, the Customer may file an appropriate complaint with:

Arizona Corporation Commission
1200 West Washington Street
Phoenix, AZ 85007

2. REGULATIONS (Cont'd)

2.5. Payment Arrangements (Cont'd)

2.5.4. Advance Payments

2.5.4.1. At the time an application for Service is made, an applicant may be required to pay an amount equal to at least one month's service and/or installation charges which may be applicable, in addition to such special construction and installation charges as are to be borne by the applicant. The amount of the advance payment is credited to the customer's account on the first bill rendered.

2.5.4.2. Federal, state or municipal governmental agencies may not be required to make advance payments.

2. REGULATIONS (Cont'd)

2.5. Payment Arrangements (Cont'd)

2.5.5. Deposits

2.5.5.1. Applicants for service or existing Customer's 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, except that a deposit will not be requested from a Customer who, within the last twelve (12) months, has not had service disconnected for nonpayment of a bill and has not been liable for disconnection of service for nonpayment of a bill, and the bill is not in dispute. Collection by the Company of a deposit will be accordance with the Commission's standards and requirements.

2.5.5.2. The deposit requested will be in cash or the equivalent of cash, and will be held as a guarantee for the payment of charges. A deposit does not relieve the Customer of the responsibility for the prompt payment of bills on representation. The deposit will not exceed an amount equal to:

(1) Two (2) months' charges for telecommunications services or facilities, or long distance services or facilities, actual or estimated, which have a minimum payment period of one month; or

2. REGULATIONS (Cont'd)

2.5. Payment Arrangements (Cont'd)

2.5.5. Deposits (Cont'd)

(2) one-sixth (1/6) of the charges that would apply for the minimum period for Services or facilities which have a minimum payment period of more than one month; except that the deposit may include an additional amount in event that a termination charge is applicable. 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. At the Company's option, such deposit may be refunded to the Customer's account at any time. The Company 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.

2. REGULATIONS (Cont'd)

2.5. Payment Arrangements (Cont'd)

2.5.5. Deposits (Cont'd)

2.5.5.3. A deposit may be required in addition to an Advance Payment.

2.5.5.4. When a Service or facility is discontinued, the amount of a deposit, if any, will be applied to the Customer's account, and any credit balance remaining will be refunded to the Customer, with accrued interest, within forty five (45) days. Before the Service or facility is discontinued, the Company will refund the deposit to the Customer after twelve (12) consecutive months of prompt payment of bills to the Company. The deposit will be refunded by a credit on the Customer's bill.

2.5.5.5. Deposits held will accrue interest in accordance with the Commission's requirements.

2. REGULATIONS (Cont'd)

2.5. Payment Arrangements (Cont'd)

2.5.6. Discontinuance of Service

The Company may refuse, discontinue or suspend Service, without incurring any liability, under the following conditions provided that, unless otherwise stated, the Customer shall be given prior written notice, where applicable, in accordance with Commission rules:

2.5.6.1. Upon nonpayment of any charges, including deposits for security of payment of Service in accordance with Subsection 2.5.5., owing to the Company.

2.5.6.2. Upon nonpayment of bills thirty (30) or more days past due.

2.5.6.3. Upon violation of any of the other material terms or conditions for furnishing Service if such violation continues during the notice period.

2.5.6.4. Upon condemnation of any material portion of the facilities used by the Company to provide Service to a Customer or if a casualty renders all or any material portion of such facilities inoperable beyond feasible repair, the Company, by notice to the Customer, may discontinue or suspend Service without incurring any liability.

2. REGULATIONS (Cont'd)

2.5. Payment Arrangements (Cont'd)

2.5.6. Discontinuance of Service (Cont'd)

2.5.6.5. Upon the Customer's insolvency, assignment for the benefit of creditors, filing for bankruptcy or reorganization, failing to discharge an involuntary petition within the time permitted by law, or abandonment of Service, the Company may, without prior notice to Customer, immediately discontinue or suspend Service without incurring any liability.

2.5.6.6. Upon any governmental prohibition, or required alteration of the Services to be provided or any violation of any applicable law or regulation, the Company may immediately discontinue or suspend Service without incurring any liability.

2.5.6.7. For non-compliance with or violation of any state, municipal, or federal law, ordinance or regulation pertaining to telephone service.

2.5.6.8. For noncompliance with or violation of Commission regulation.

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2. REGULATIONS (Cont'd)

2.5. Payment Arrangements (Cont'd)

2.5.6. Discontinuance of Service (Cont'd)

2.5.6.9. For use of Service for any purpose other than that described in the Service Order or application.

2.5.6.10. For neglect or refusal to provide reasonable access to the Company or its agents for the purpose of inspection and maintenance of equipment owned by the Company or its agents.

2.5.6.11. For noncompliance with any provision of this tariff if the noncompliance is not corrected within the notice period.

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2. REGULATIONS (Cont'd)

2.5. Payment Arrangements (Cont'd)

2.5.6. Discontinuance of Service (Cont'd)

2.5.6.12. For refusal to furnish information, or for providing false information, to the Company regarding the Customer's identity, address, past or current use of common carrier communications services, or its planned use of the Company's Service(s).

2.5.6.13. Upon ten (10) days' written notice by the Company of any past due amount (which remains unpaid in whole or in part) for any of the Company's other common carrier communications services, of the same kind as the Service at issue, to which the Customer either subscribes or had subscribed or used.

2.5.6.14. Immediately and without notice if the Company deems 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 in the event of:

2. REGULATIONS (Cont'd)

2.5. Payment Arrangements (Cont'd)

2.5.6. Discontinuance of Service (Cont'd)

(a) A condition determined to be hazardous to the Customer, to other Customers of the Company, to the Company's equipment, the public, or to employees of the Company.

(b) Use, or attempted use, of the Service with the intent to avoid payment either in whole or in part, of the tariffed charges for the service by:

(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, or electronic devices.

(3) Any other fraudulent means or devices.

(c) Use of Service or equipment in such a manner as to adversely affect or interfere with the Company's equipment or the Service of other users.

2. REGULATIONS (Cont'd)

2.5. Payment Arrangements (Cont'd)

2.5.6. Discontinuance of Service (Cont'd)

(d) Unauthorized or fraudulent use of Service. Whenever Service is discontinued for fraudulent use of Service, the Company may, before restoring service, require the Customer to make, at his or her own expense, all changes in facilities or equipment necessary to eliminate illegal use and to pay an amount reasonably estimated as the loss in revenue resulting from such fraudulent use.

(e) Any order or decision of a court or other government authority having jurisdiction which prohibits the Company from furnishing such Services.

2.5.6.15. The suspension or discontinuance of Service(s) by the Company pursuant to this Subsection does not relieve the Customer of any obligation to pay the Company for charges due and owing for Service(s) furnished during the time of or up to suspension or discontinuance.

2.5.6.16. Upon the Company's discontinuance of Service to the Customer under Subsections 2.5.6.1, 2.5.6.2, and/or 2.5.6.3, all applicable charges, including termination charges, shall become due. This is in addition to all other remedies that may be available to the Company at law or in equity or under any other provision of this tariff.

2. REGULATIONS (Cont'd)

2.6. Allowances for Interruptions of Service

2.6.1. Credit for Interruptions

2.6.1.1. When the use of Service or facilities furnished by the Company is interrupted, except as specified in Subsection 2.6.2. below, a *pro rata* adjustment of the monthly Recurring Charges subject to interruption may be allowed for the Service and facilities rendered useless and inoperative by reason of the interruption. A Service is interrupted when it becomes inoperative to the Customer, e.g., the Customer is unable to transmit or receive, because of a failure of a component furnished by the Company under this tariff.

2.6.1.2. If the Customer reports a Service, facility or circuit to be inoperative but declines to release it for testing and repair, the Service, facility or circuit, is considered to be impaired, but not interrupted. No credit allowances will be made for a Service, facility or circuit considered by the Company to be impaired.

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

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2. REGULATIONS (Cont'd)

2.6. Allowances for Interruptions of Service (Cont'd)

2.6.1. Credit for Interruptions (Cont'd)

2.6.1.4. For calculating credit allowances, every month is considered to have thirty (30) days. A credit allowance is applied on a *pro rata* basis against the monthly Recurring Charges specified hereunder, and is dependent upon the length of the interruption. Only those facilities on the interrupted portion of the circuit will receive a credit.

2.6.1.5. Credit allowances for Service outages will be credited as follows:

Length of Interruption	Interruption Period To Be Credited
Up to but not including 3 hours	1/10 Day
3 hours up to but not including 6 hours	1/5 Day
6 hours up to but not including 9 hours	2/5 Day
9 hours up to but not including 12 hours	3/5 Day
12 hours up to but not including 15 hours	4/5 Day
15 hours up to but not including 24 hours	One Day

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2. REGULATIONS (Cont'd)

2.6. Allowances for Interruptions of Service (Cont'd)

2.6.1. Credit for Interruptions (Cont'd)

2.6.1.6. Interruptions over twenty four (24) hours will be rounded up to the next whole twenty four (24) hours.

2.6.2. Limitations on Allowances

No credit allowance will be made for:

(a) interruptions due to the negligence of or noncompliance with the provisions of the tariff by the Customer, Authorized User, Joint User, or other common carrier providing service connected to the Service of Company;

(b) interruptions due to the negligence of any person other than the Company, including, but not limited to, the Customer or other common carriers connected to the Company's facilities;

(c) interruptions due to the failure or malfunction of facilities, systems, power, connections, services or equipment not provided by the Company;

(d) interruptions of Service during any period in which the Company is not given full and free access to its facilities and equipment for the purpose of investigating and correcting interruptions;

2. REGULATIONS (Cont'd)

2.6. Allowances for Interruptions of Service (Cont'd)

2.6.2. Limitations on Allowances (Cont'd)

(e) interruptions of Service during a period in which the Customer continues to use the Service on an impaired basis;

(f) interruptions of Service during any period when the Customer has released Service to the Company for maintenance purposes or for implementation of a Customer order for a change in Service arrangements;

(g) interruptions of Service due to circumstances or causes beyond the control of the Company;

(h) interruptions that occur or continue due to the Customer's failure to authorize replacement of any element of special construction; and

(i) interruption that was not reported to the Company within thirty (30) days of the date that Service was affected.

2.6.3. Use of Alternative Service by the Company

Should the Customer elect to use an alternative service provided by the Company during the period that a Service is interrupted, the Customer must pay the tariffed rates and charges for the alternative service used.

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2. REGULATIONS (Cont'd)

2.7. Cancellation of Service

2.7.1. Cancellation of Application for Service

2.7.1.1. Applications for Service are noncancellable unless the Company otherwise agrees. Where the Company permits Customer to cancel an application for Service prior to the start of Service or prior to any special construction, no charges will be imposed except for those specified below.

2.7.1.2. Where, prior to cancellation by the Customer, the Company incurs any expenses in installing the Service or in preparing to install the Service that it otherwise would not have incurred, a charge equal to the costs the Company incurred shall apply, but in no case shall this charge exceed the sum of the charge for the minimum period of service ordered, including installation charges, and all charges others levy against the Company that would have been chargeable to the Customer had Service begun.

2.7.1.3. The special charges described in Subsections 2.7.1.1 and 2.7.1.2 will be calculated and applied on a case-by-case basis.

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2. REGULATIONS (Cont'd)

2.7. Cancellation of Service (Cont'd)

2.7.2. Cancellation of Service by the Customer

If a Customer cancels a Service Order or terminates Services before the completion of the term for any reason whatsoever other than a Service interruption (as defined in Subsections 2.6.1 and 2.6.2 above), Customer agrees to pay to Company the following sums which shall become due and owing as of the effective date of the cancellation or termination and be payable within the period set forth in Subsection 2.5.2:

2.7.2.1. All costs, fees and expenses reasonably incurred in connection with:

(a) All Non-Recurring Charges reasonably expended by Company to establish Service to Customer, plus

(b) any disconnection, early cancellation or termination charges reasonably incurred and paid to third parties by Company on behalf of Customer, plus

(c) all Recurring Charges specified in the applicable Service Order for the balance of the then-current term.

2.7.2.2. In cases where there is a minimum service period, and the Customer terminates Service prior to expiration of that period, Customer shall be liable for the number of months or portion of a month remaining within the minimum service period.

2. REGULATIONS (Cont'd)

2.8. Customer Liability for Unauthorized Use of The Network

2.8.1. Unauthorized Use of the Network

2.8.1.1. Unauthorized use of the Network occurs when: (1) a person or entity that does not have actual, apparent or implied authority to use the Network, obtains the Company's Services provided under this tariff; or (2) a person or entity that otherwise has actual, apparent or implied authority to use the Network, makes fraudulent use of the Network to obtain the Company's Services provided under this Tariff, or uses specific services that are not authorized.

2.8.1.2. The following activities constitute fraudulent use:

(a) Using the Network to transmit a message, locate a person or otherwise give or obtain information, without payment for the Service;

(b) Using or attempting to use the Network with the intent to avoid payment, either in whole or in part, of any of the Company's tariffed charges by either rearranging, tampering with, or making connections not authorized by this tariff to any Service components used to furnish the Company's Services or using fraudulent means or devices, tricks, schemes, false or invalid numbers, false credit devices or electronic devices;

2. REGULATIONS (Cont'd)

2.8. Customer Liability for Unauthorized Use of The Network (Cont'd)

2.8.1. Unauthorized Use of the Network (Cont'd)

(c) 800 callers using the Network with the intent of gaining access to a Customer's outbound calling capabilities on an unauthorized basis; and

(d) Using fraudulent means or devices, tricks, schemes, false or invalid numbers, false credit devices or electronic devices to defraud or mislead callers.

2.8.1.3. Customers are advised that use of telecommunications equipment and services, including that provided under this tariff, carries a risk of various forms of telecommunications fraud (including, but not limited to, toll and PBX fraud perpetrated by users who gain access to a Customer's facilities, account numbers, security or authorization codes, etc.). Customers should take all necessary steps to restrict access to their facilities, including the equipment and Services provided hereunder, and to detect and prevent unauthorized use of the equipment and Services provided by the Company under this tariff.

2. REGULATIONS (Cont'd)

2.8. Customer Liability for Unauthorized Use of the Network (Cont'd)

2.8.2. Liability for Unauthorized Use

2.8.2.1. Except as provided for elsewhere in this tariff, the Customer is responsible for payment of all charges for Services provided under this tariff furnished to the Customer or User. This responsibility is not changed due to any use, misuse or abuse of the Customer's Service or Customer-provided equipment by Users or other third parties, the Customer's employees, or the public.

2.8.2.2. The Customer is responsible for payment of all outbound call charges arising from calls placed to a Customer's 800 service number, whether or not such calls are authorized or fraudulent, where the User gains access to the Customer's outbound calling equipment and services.

2.8.2.3. The Customer is liable for all costs incurred as a result of unauthorized use of the Network, including service charges and any direct, indirect, special, incidental, reliance, consequential, exemplary or punitive damages.

2.8.2.4. The Customer is responsible for payment of any charges related to the suspension and/or termination of Service, and any charges for reconnection of Service, incurred as a result of unauthorized use of the Network.

2. REGULATIONS (Cont'd)

2.8. Customer Liability for Unauthorized Use of the Network (Cont'd)

2.8.3. Liability for Calling Card Fraud

2.8.3.1. The Customer is liable for the unauthorized use of the Network obtained through the fraudulent use of a Company calling card, provided that the unauthorized use occurs before the Company has been notified.

2.8.3.2. The Customer must give the Company notice that unauthorized use of a Company calling card has occurred or may occur as a result of loss, theft or other reasons. For the purposes of this Section, "notice" occurs when the Company receives written confirmation that unauthorized use of a Company calling card has occurred or may occur as a result of loss, theft or other reasons.

2. REGULATIONS (Cont'd)

2.8. Customer Liability for Unauthorized Use of the Network (Cont'd)

2.8.4. Liability for Credit Card Fraud

2.8.4.1. The Customer is liable for the unauthorized use of the Network obtained through the fraudulent use of a credit card, provided: (1) the credit card is an accepted credit card, and (2) the unauthorized use occurs before the Company has been notified.

2.8.4.2. An accepted credit card is any credit card that a cardholder has requested or applied for and received, or has signed, used, or authorized another person to use to obtain credit. Any credit card issued as a renewal or substitute in accordance with this paragraph is an accepted credit card when received by the cardholder.

2.8.4.3. The liability of the Customer for unauthorized use of the Network by credit card fraud will not exceed the lesser of $50.00 of the amount of money, property, labor or services obtained by the unauthorized user before notification to the Company.

2.8.4.4. The Customer must give the Company notice that unauthorized use of a credit card has occurred or may occur as a result of loss, theft or other reasons. For the purposes of this section, "notice" occurs when the Company receives written confirmation that unauthorized use of a credit card has occurred or may occur as a result of loss, theft or other reasons.

2. REGULATIONS (Cont'd)

2.9. Restoration of Service

A non-recurring restoration charge of $25.00 applies to the restoration of suspended Service and facilities because of nonpayment of bills and is payable at the time that the restoration of the suspended Service and facilities is arranged. The restoration charge does not apply when, after disconnection of Service, Service is later re-installed.

2.10. Transfer of Assignment

Neither the Company nor the Customer may assign or transfer its rights or duties in connection with the Services and facilities provided by the Company without the written consent of the other party, except that the Company may assign its rights and duties (a) to any subsidiary, parent Company or affiliate of the Company; (b) pursuant to any sale or transfer of substantially all the assets of the Company; or (c) pursuant to any financing, merger or reorganization of the Company.

2. REGULATIONS (Cont'd)

2.11. Notices and Communications

The following shall apply with respect to notices and communications:

(a) The Customer shall designate on the Service Order an address to which the Company shall mail or deliver all notices and other communications, except that Customer may also designate a separate address to which the Company's bills for Service shall be mailed.

(b) The Company shall designate on the Service Order an address to which the Customer shall mail or deliver all notices and other communications, except that Company may designate a separate address on each bill for Service to which the Customer shall mail payment on that bill.

(c) All notices or other communications required to be given pursuant to this tariff will be in writing. Notices and other communications of either party, and all bills mailed by the Company, shall be presumed to have been delivered to the other party on the third business day following deposit of the notice, communication or bill with the U.S. Mail or a private delivery service, prepaid and properly addressed, or when actually received or refused by the addressee, whichever occurs first.

(d) The Company or the Customer shall advise the other party of any changes to the addresses designated for notices, other communications or billing, by following the procedures for giving notice set forth herein.

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3. SERVICE DESCRIPTIONS AND RATES

3.1. Local Exchange Telephone Service

The Company's Local Exchange Telephone Service provides a Customer with the ability to connect to the Company's switching network which enables the Customer to:

- place or receive calls to any calling Station in the local calling area, as defined herein;
- place or receive interLATA calls;
- place or receive intraLATA calls;
- access enhanced 911 Emergency Service where available;
- access Operator Services;
- access Directory Assistance;
- place or receive calls to 800 telephone numbers;
- access Telecommunications Relay Service.

3.1.1. Local Exchange Telephone Service Area

Local Exchange Telephone Services are provided in limited geographic areas. Where facilities are available, local exchange services may be offered in the service territory of U.S. West.

3.1.2. Local Calling Areas

Exchanges and zones included in the local calling areas, including EAS areas, are the same as those set forth in the U.S. West tariff currently on file with the Commission. NXX's associated with each particular exchange or zone may be found in the telephone directory published by U.S. West in the Customer's exchange area.

3. SERVICE DESCRIPTIONS AND RATES (Cont'd)

3.1. Local Exchange Telephone Service (Cont'd)

3.1.3. Standard Business Service

Standard Business Service provides the Customer with a single, voice-grade communications channel from the Customer's location to the Company's central office and gives the Customer the ability to complete local calls. Each Standard Business Service will include a telephone number.

3.1.3.1. Rates

	Month to Month Non-Recurring	Month to Month Recurring	Yearly Contract Non-Recurring	Yearly Contract Recurring
Business Line	$55.00	$34.00	$55.00	$33.00
Measured Business Line	$55.00	$21.00	$55.00	$20.00

3.1.4. Optional Features

The Company offers the following features in conjunction with Standard Business Services.

3.1.4.1. Custom Calling Services: Custom Calling Services provide the Customer with various telephone line features.

3.1.4.2. Rates

	Month to Month Non-Recurring	Month to Month Recurring	Yearly Contract Non-Recurring	Yearly Contract Recurring
Custom Ringing-1st 1 number	$9.00	$7.00	$6.50	$9.00
Custom Ringing- additional numbers	$9.00	$5.00	$4.50	$9.00

3. SERVICE DESCRIPTIONS AND RATES (Cont'd)

3.1. Local Exchange Telephone Service (Cont'd)

3.1.4. Optional Features (Cont'd)

3.1.4.2. Rates (Cont'd)

	Month to Month Non-Recurring	Month to Month Recurring	Yearly Contract Non-Recurring	Yearly Contract Recurring
Caller ID Call Data-Incoming Each Line/Trunk	$4.50	$4.50	$4.50	$4.50
IntraCall Service	$10.00	$1.25	$10.00	$1.00
Remote Call Forwarding – 1st line	$ 0.00	$7.50	$ 0.00	$7.00
Voice Mail	$10.00	$12.00	$10.00	$11.00
Voice Mail Extension Mailbox	$10.00	$6.00	$10.00	$5.00
Basic Hunting, per access line	$10.00	$7.50	$10.00	$7.50

3. SERVICE DESCRIPTIONS AND RATES (Cont'd)

3.1. Local Exchange Telephone Service (Cont'd)

3.1.4. Optional Features (Cont'd)

3.1.4.2. Rates (Cont'd)

	Month to Month Non-Recurring	Month to Month Recurring	Yearly Contract Non-Recurring	Yearly Contract Recurring
1 Digit Shared Speed Call list	$10.00	$19.00	$10.00	$18.00
1 Digit Each Line Arranged	$10.00	$ 0.00	$10.00	$ 0.00
2 Digit Shared Speed Call list	$10.00	$29.00	$10.00	$27.00
2 Digit Each Line Arranged	$10.00	$ 0.50	$10.00	$10.00
Call Forwarding Busy Line	$10.00	$ 2.00		
Call Forwarding Busy Line/Don't Answer	$10.00	$ 2.25	$10.00	$2.00
Call Forwarding Don't Answer	$10.00	$ 1.75	$10.00	$1.50
Call Rejection	$10.00	$ 4.50	$10.00	$4.00

3. SERVICE DESCRIPTIONS AND RATES (Cont'd)

3.1. Local Exchange Telephone Service (Cont'd)

3.1.4. Optional Features (Cont'd)

3.1.4.2. Rates (Cont'd)

	Month to Month Non-Recurring	Month to Month Recurring	Yearly Contract Non-Recurring	Yearly Contract Recurring
Call Transfer	$10.00	$4.50	$10.00	$4.00
Call Waiting	$10.00	$5.50	$10.00	$4.50
Caller Identification-name and number	$10.00	$7.25	$10.00	$7.00
Caller Identification – number	$10.00	$7.00	$10.00	$6.50
Continuous Redial	$10.00	$3.25	$10.00	$3.25
Dial Call Waiting	$10.00	$1.75	$10.00	$1.50
Distinctive Alert	$10.00	$0.75	$10.00	$0.50
Hot Line	$10.00	$1.75	$10.00	$1.50
Last Call Return	$10.00	$2.75	$10.00	$2.50
Priority Call	$10.00	$3.25	$10.00	$3.00
Selective Call Forwarding	$10.00	$3.25	$10.00	$3.00
Three-Way Calling	$10.00	$5.50	$10.00	$4.50

3. SERVICE DESCRIPTIONS AND RATES (Cont'd)

3.1. Local Exchange Telephone Service (Cont'd)

3.1.4. Optional Features (Cont'd)

3.1.4.2. Rates (Cont'd)

	Month to Month Non-Recurring	Month to Month Recurring	Yearly Contract Non-Recurring	Yearly Contract Recurring
Caller Waiting, Call Forwarding Variable	\$10.00	\$7.00	\$10.00	\$6.00

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3. SERVICE DESCRIPTIONS AND RATES (Cont'd)

3.1. Local Exchange Telephone Service (Cont'd)

3.1.4. Optional Features (Cont'd)

3.1.4.2. Rates (Cont'd)

	Month to Month Non-Recurring	Month to Month Recurring	Yearly Contract Non-Recurring	Yearly Contract Recurring
Six Way Calling	$10.00	$ 8.00	$10.00	$ 6.00
Call Forwarding Variable	$10.00	$ 3.25	$10.00	$ 3.00
Caller ID on Call Waiting	$10.00	$ 6.50	$10.00	$ 6.00
Call Waiting, Caller ID & Call Forwarding	$10.00	$11.00	$10.00	$10.00
Anonymous Caller Rejection	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Three-Way Calling Block	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Message Waiting	$10.00	$ 0.25	$10.00	$ 0.20
Caller ID Blocking	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Speed Calling 8	$10.00	$ 1.50	$10.00	$ 1.00
Speed Calling 30	$10.00	$ 1.75	$10.00	$ 1.50
Last Call Return Blocking	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Call Pickup	$10.00	$ 3.00	$10.00	$ 2.00
Value Plan-Call Waiting, Call Forwarding Variable, 3-Way Calling, Caller ID, Call Waiting, Call Pickup, Call Return, Last Call Return, Speed Call (30#)	$10.00	$19.00	$10.00	$16.00

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3. SERVICE DESCRIPTIONS AND RATES (Cont'd)

3.1. Local Exchange Telephone Service (Cont'd)

3.1.5. CENTREX 21 Service

CENTREX 21 is a flat rate, non-blocking business service for customers with three (3) to fifty (50) Stations. It consists of standard features which are available to all Station users in the shared customer group, as well as optional features which may be included on a line-by-line basis. Features may be delivered via analog lines and/or 2B+S (digital voice only) ISDN lines.

3.1.5.1. Rates

	Month to Month Non-Recurring	Month to Month Recurring	Yearly Contract Non-Recurring	Yearly Contract Recurring
Centrex 21 Analog Station Line	$55.00	$41.50	$55.00	$37.00
Centrex 21 2B+S Station Line	$99.00	$61.00	$99.00	$55.00
Centrex 21 Electronic Bus Set Station Line	$0.00	$41.50	$0.00	$37.00
Centrex 21 Bus Set Station Line (RSP)	$0.00	$41.50	$0.00	$37.00

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3. SERVICE DESCRIPTIONS AND RATES (Cont'd)

3.1. Local Exchange Telephone Service (Cont'd)

3.1.5. CENTREX 21 Service (Cont'd)

3.1.5.2. CENTREX 21 Optional Service Features

The following optional features are available in conjunction with CENTREX 21 Service.

	Month to Month Non-Recurring	Month to Month Recurring	Yearly Contract Non-Recurring	Yearly Contract Recurring
Centrex 21 Additional Second Directory Number	$10.50	$0.75	$10.50	$0.50
Centrex 21 Analog Call Appearance	$10.50	$0.75	$10.50	$0.50
Centrex 21 Call Park	$ 4.50	$0.75	$ 4.50	$0.50
Centrex 21 Scheduled Call Forwarding	$ 0.00	$6.50	$ 0.00	$6.00

3.1.6. Point-to-Point Service

Point-to-Point Service provides a dedicated line between a Customer's location and the Company's office equipment.

3.1.6.1. Rates

	Non-Recurring	Recurring
DS1 (Point to Point)	ICB	ICB

3. SERVICE DESCRIPTIONS AND RATES (Cont'd)

3.1. Local Exchange Telephone Service (Cont'd)

3.1.7. Advanced Trunks (Analog DID) Service

Advanced Trunks (analog DID) Service provides a trunking arrangement that allows an incoming call from the switched network to reach a specific PBX station directly, without an attendant's assistance.

3.1.7.1. Rates

	Month to Month Non-Recurring	Month to Month Recurring	Yearly Contract Non-Recurring	Yearly Contract Recurring
DID In-Only Analog Trunk Circuit term Provisioned for DID Call Transfer	$31.50	$38.00	$31.50	$36.00
DID 2-Way, 4-Wire Analog Circuit Termination	$27.00	$40.50	$27.00	$37.00
DID Telephone Numbers/Each (Non-Sequential)	$ 1.00	$ 0.15	$ 1.00	$ 0.14
DID Telephone Numbers/Block of 20 (Sequential)	$18.00	$ 2.75	$18.00	$ 2.50
DID Reservation for Nonsequential Tel No.	$ 0.00	$ 0.00	$ 0.00	$ 0.00

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3. SERVICE DESCRIPTIONS AND RATES (Cont'd)

3.1. Local Exchange Telephone Service (Cont'd)

3.1.7. Advanced Trunks (Analog DID) (Cont'd)

3.1.7.1. Rates (Cont'd)

	Month to Month Non-Recurring	Month to Month Recurring	Yearly Contract Non-Recurring	Yearly Contract Recurring
DID Reservation for Sequential Tel No. per Block of 20	$0.00	$2.75	$0.00	$2.50
DID Expanded Answer Equip w/1st CCSPs	$135.00	$ 20.00	$135.00	$ 18.50
DID Expanded Answer Station No./Each No.	$ 1.50	$ 0.00	$ 1.50	$ 0.00
DID Expanded Answer 3rd CCSP	$ 0.00	$ 42.00	$ 0.00	$ 40.50
DID Expanded Answer 4th CCSP	$ 0.00	$ 60.00	$ 0.00	$ 58.50
DID Expanded Answer 5th CCSP	$ 0.00	$ 74.00	$ 0.00	$ 72.00
DID Expanded Answer 6th CCSP	$ 0.00	$ 84.00	$ 0.00	$ 82.00
DID Expanded Answer 7th CCSP	$ 0.00	$ 91.00	$ 0.00	$ 89.00
DID Expanded Answer 8th CCSP	$ 0.00	$103.00	$ 0.00	$100.00
DID Expanded Answer 9th CCSP	$ 0.00	$110.00	$ 0.00	$108.00
DID Expanded Answer 10th CCSP	$ 0.00	$118.00	$ 0.00	$115.00

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3. SERVICE DESCRIPTIONS AND RATES (Cont'd)

3.1. Local Exchange Telephone Service (Cont'd)

3.1.7. Advanced Trunks (Analog DID) (Cont'd)

3.1.7.1. Rates (Cont'd)

	Month to Month Non-Recurring	Month to Month Recurring	Yearly Contract Non-Recurring	Yearly Contract Recurring
Trunk Queuing for DID Station	$ 2.00	$ 0.00	$ 2.00	$ 0.00
Trunk Queuing per Queue Group	$157.50	$ 0.00	$157.50	$ 0.00
Trunk Queuing per Queue Slot in Group	$ 0.00	$14.00	$ 0.00	$14.00
DID 2-Way Call Transfer/2-way Trunk Equip	$ 9.00	$12.00	$ 9.00	$11.50
DID # Block (20#'s per block)	$ 18.00	$55.00	$ 18.00	$53.00
DID Trunk Circuit Termination (In-Only)	$ 27.00	$40.50	$ 27.00	$37.00
DID 2-Way Digital Trunk Circuit w/ Answer	$ 27.00	$40.50	$ 27.00	$37.00

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3. SERVICE DESCRIPTIONS AND RATES (Cont'd)

3.1. Local Exchange Telephone Service (Cont'd)

3.1.8. Digital Trunking

Digital Trunking provides a DS1 facility between the Customer's PBX and Western CLEC's central office equipment, providing twenty four (24) voice grade channels.

3.1.8.1. Rates

	Month to Month Non-Recurring	Month to Month Recurring	Yearly Contract Non-Recurring	Yearly Contract Recurring
Digital Switched Services (DSS) Basic Trunks or Combo of Basic & Advanced	$900.00	$308.00	$900.00	$301.50
All Digital Switched Service Advanced Trunks – DSS Facility & Common Equipment on DS3	$900.00	$140.00	$900.00	$135.00
All Digital Switched Service Advanced Trunks on DS3 – Basic DSS Trunks with Flat Usage	$900.00	$ 0.00	$900.00	$ 0.00
Basic Digital Switched Service In-Only Trunk w/Hunting	$ 50.00	$ 28.00	$ 50.00	$ 27.00
Basic Digital Switched Service Out-Only Trunk	$ 50.00	$ 28.00	$ 50.00	$ 27.00
Basic Digital Switched Service 2-way Trunk w/Hunting	$ 50.00	$ 28.00	$ 50.00	$ 27.00
Advanced In-Only Trunk w/DID & Hunting	$ 50.00	$ 22.00	$ 50.00	$ 20.50
Advanced Out-Only Trunk w/Answer Supervision	$ 77.00	$ 22.00	$ 77.00	$ 20.50
Advanced Digital Switched Service 2-way Trunk w/DID/Hunting/Answer	$ 50.00	$ 22.00	$ 50.00	$ 20.50
Advanced Digital Switched Service 2-Way Data Trunk	$ 50.00	$ 22.00	$ 50.00	$ 20.50

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3. SERVICE DESCRIPTIONS AND RATES (Cont'd)

3.1. Local Exchange Telephone Service (Cont'd)

3.1.9. ISDN

Integrated Services Digital Network is a communications line allowing for transfer of voice, video, and data all on the same line.

3.1.9.1. ISDN Primary Rate Service

(PRI) is a bundling of 24 ISDN channels. The PRI configuration is 23 B+D, 23 B channels for transport of voice, data and video at 64 kbps plus a single D channel for call setup and control.

	Month to Month Non-Recurring	Month to Month Recurring	Yearly Contract Non-Recurring	Yearly Contract Recurring
ISDN PRI Standalone T1 Facility	$900.00	$335.00	$900.00	$301.50
Service Configuration				
ISDN PRI 23B + D Configuration	$922.50	$400.00	$922.00	$360.00
ISDN PRI 24B Configuration	$922.50	$400.00	$922.50	$360.00
ISDN PRI 23B+Back-up D Configuration	$922.50	$400.00	$922.50	$360.00
Trunk Connections, per B Channel				
ISDN PRI Call-by-Call Trunk Connect/B Channel	$50.00	$23.00	$ 50.00	$ 20.50
ISDN PRI Dedicated Inward Trunk Connect/B channel	$77.00	$64.34	$ 77.00	$ 57.50

3. SERVICE DESCRIPTIONS AND RATES (Cont'd)

3.1. Local Exchange Telephone Service (Cont'd)

3.1.9. ISDN (Cont'd)

3.1.9.1. ISDN Primary Rate Service (Cont'd)

	Month to Month Non-Recurring	Month to Month Recurring	Yearly Contract Non-Recurring	Yearly Contract Recurring
ISDN PRI Dedicated Outward Trunk Connect/B Channel	\$50.00	\$23.00	\$50.00	\$20.50
ISDN PRI Dedicated 2-Way Trunk Connection/B Channel Circuit Switched Data Connection, Per T1 Facility	\$77.00	\$64.34	\$77.00	\$57.50
ISDN PRI Circuit Switched Data Connect/23B Data Channels	\$1,138.50	\$583.00	\$1,138.50	\$524.50

3. SERVICE DESCRIPTIONS AND RATES (Cont'd)

3.1. Local Exchange Telephone Service (Cont'd)

3.1.9. ISDN (Cont'd)

3.1.9.1. ISDN Primary Rate Service (Cont'd)

	Month to Month Non-Recurring	Month to Month Recurring	Yearly Contract Non-Recurring	Yearly Contract Recurring
ISDN PRI Circuit Switched Data Connect/24B Data Channels	$1,206.00	$608.00	$1,206.00	$547.00

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3. SERVICE DESCRIPTIONS AND RATES (Cont'd)

3.1. Local Exchange Telephone Service (Cont'd)

3.1.9. ISDN (Cont'd)

3.1.9.2. ISDN Basic Rate Service

	Month to Month Non-Recurring	Month to Month Recurring	Yearly Contract Non-Recurring	Yearly Contract Recurring
ISDN Flat Rate	$99.00	$170.00	$ 99.00 $165.00	$ 99.00 $ 0.00
ISDN Flat Rate/RSP	$99.00	$ 0.00		

3. SERVICE DESCRIPTIONS AND RATES (Cont'd)

3.1. Local Exchange Telephone Service (Cont'd)

3.1.9. ISDN (Cont'd)

3.1.9.3. ISDN Features: The following basic features available in conjunction with ISDN:

	Month to Month Non-Recurring	Month to Month Recurring	Yearly Contract Non-Recurring	Yearly Contract Recurring
ISDN Call Rejection, Per Number	$9.00	$3.00	$9.00	$ 3.00
ISDN Continuous Redial, Per Terminal	$9.00	$2.00	$9.00	$2.00
ISDN Last Call Return, Per Terminal	$9.00	$1.50	$9.00	$1.50
ISDN Priority Call, Per Terminal	$9.00	$1.50	$9.00	$1.50
ISDN Selective Call Forwarding, Per Number	$9.00	$2.00	$9.00	$2.00

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3. SERVICE DESCRIPTIONS AND RATES (Cont'd)

3.1. Local Exchange Telephone Service (Cont'd)

3.1.9. ISDN (Cont'd)

3.1.9.4. ISDN Optional Features: The following optional features are available in conjunction with ISDN.

	Non-Recurring	Recurring
ISDN Additional Call Appearances, Per Appearance	$9.00	$0.50
ISDN Additional PDN, Per PDN	$9.00	$10.50
ISDN Additional Secondary Directory Number, Per PDN	$9.00	$0.50
ISDN Additional Shared Call Appearance, Per Appearance	$9.00	$0.50
ISDN Additional X.25 Logical Channel, Per Channel	$9.00	$0.00
ISDN Additional Call Appearance, Per Terminal	$9.00	$0.50
ISDN Call Forwarding Busy Line-All Calls	$9.00	$0.00
ISDN Call Forwarding Don't Answer-All Calls	$9.00	$0.00
ISDN Call Forwarding Variable-All Calls	$9.00	$0.00
ISDN Caller Identification Blocking - All Calls	$9.00	$0.00
ISDN MultiLine Hunt for CSD-Circular /B Channel	$9.00	$1.50
ISDN MultiLine Hunt for CSD-Regular /B Channel	$9.00	$1.50

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3. SERVICE DESCRIPTIONS AND RATES (Cont'd)

3.1. Local Exchange Telephone Service (Cont'd)

3.1.9. ISDN (Cont'd)

3.1.9.4. ISDN Optional Features (Cont'd)

	Non-Recurring	Recurring
ISDN Multiline Hunt For CSD-UCD Hunt /B Channel	$9.00	$7.50
ISDN Delayed and Abbreviated Ringing	$6.00	$0.00
ISDN Nonstandard Configuration Group, Per Button	$13.50	$0.00
ISDN Six Way conference, Per Terminal	$9.00	$0.50
ISDN X.25 Fast Select	$9.00	$0.00
ISDN X.25 Fast Select Acceptance, Per Number	$9.00	$0.00
ISDN X.25 Reverse Charging, Per Number	$9.00	$0.00
ISDN X.25 Reverse Charging Acceptance, Per Number	$9.00	$0.00
Loop Extension Charge	$90.00	$0.00

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3. SERVICE DESCRIPTIONS AND RATES (Cont'd)

3.1 Local Exchange Telephone Service (Cont'd)

3.1.10. Extended Area Service

This Service expands the Customer's local calling zone enabling the Customer to place calls within the local calling area without incurring intraLATA toll charges.

3.1.10.1. Rates

	Non-Recurring	Recurring
Extended Area Calling Service		
Gardiner & W. Yellowstone	$0.00	$2.00
Butte, Billings, Helena & Great Falls		

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3. SERVICE DESCRIPTIONS AND RATES (Cont'd)

3.1 Local Exchange Telephone Service (Cont'd)

3.1.11. PBX CO Trunks

PBX CO Trunks provide point-to-point connection between a Customer's PBX and Western CLEC's central office equipment. PBX trunks can provide inbound-only, outbound-only, two-way, or toll service.

3.1.11.1. Rates

	Month to Month Non-Recurring	Month to Month Recurring	Yearly Contract Non-Recurring	Yearly Contract Recurring
PBX Trunk Flat Rate	$50.00	$33.00	$50.00	$32.00
PBX Trunk Measured Rate	$50.00	$19.00	$50.00	$18.00
PBX 2-Way/4 Wire Flat Rate-E&M, DID & Hunting	$50.00	$75.00	$50.00	$73.00
PBX 1-Way Out Flat Rate	$50.00	$33.00	$50.00	$32.00
PBX 1-Way In Flat Rate	$50.00	$33.00	$50.00	$32.00
PBX 1-Way In/Hunting for DID Flat Rate	$50.00	$41.00	$50.00	$39.00
PBX Measured Rate 1-Way Out Trunk	$50.00	$19.00	$50.00	$18.00
PBX Measured Rate 2-Way In Trunk	$50.00	$19.00	$50.00	$18.00
PBX Measured Rate 1-Way In w/Hunting DID	$50.00	$19.00	$50.00	$18.00

3. SERVICE DESCRIPTIONS AND RATES (Cont'd)

3.1. Local Exchange Telephone Service (Cont'd)

3.1.12. Miscellaneous Services

3.1.12.1. Listings

	Non-Recurring	Recurring
Listing/Order Charge	$10.50	$2.00
Listing/Telephone Answering Service Bureau	$10.50	$5.00
Listing/Additional Listing Bus.	$10.50	$2.00
Listing/E-Mail Listing	$10.50	$5.00
Listing/Enterprise	$10.50	$2.00
Listing/Special Reversed Charge LD Service Addl Listing	$10.50	$2.00
Listing/Foreign Listing	$10.50	$2.00
Listing/Additional Listing at No Charge	$55.00	$2.00
Listing/Companion Line	$21.00	$20.50
Listing/Non-Companion Line	$21.00	$27.00
Listing/PBX & Semi-Pub PBX	$21.00	$27.00
Listing/Mobile Radio	$10.50	$2.00
Listing/Client Main Listing	$10.50	$4.50
Listing/Mobile Unit #	$10.50	$2.00
Listing/URL / Internet Address	$10.50	$20.50
Listing/Non-List Service at No Charge	$55.00	$2.00
Listing/Non-List Service	$10.50	$1.00
Listing/Non-Pub Listing at No Charge	$55.00	$2.00
Listing/Non-Pub Service	$10.50	$2.50
Listing/Residence Additional Listing	$4.50	$1.00
Listing/Alpha Listing	$10.50	$2.00
Add/Listing/WATS Listing	$10.50	$2.00

Issued by: Nathan Glazier
Regulatory Specialist
Western CLEC Corporation
3650 131st Ave., SE
Bellevue, WA 98006

3. SERVICE DESCRIPTIONS AND RATES (Cont'd)

3.1. Local Exchange Telephone Service (Cont'd)

3.1.12. Miscellaneous Services (Cont'd)

3.1.12.2. Premise Visit: Where required, the following premise visit charges apply:

	Non-Recurring	Recurring
Premise Visit Charge - First 15 minutes	$40.00	$0.00
Premise Visit Charge - Additional 15 Minutes	$10.00	$0.00

3.1.12.3. Other Services

	Month to Month Non-Recurring	Month to Month Recurring	Yearly Contract Non-Recurring	Yearly Contract Recurring

3. SERVICE DESCRIPTIONS AND RATES (Cont'd)

3.1. Local Exchange Telephone Service (Cont'd)

3.1.13. Other Charges

Additional charges and surcharges may apply, including the following:

3.1.13.1. Federal Access Charge

Multiline Key and PBX Trunk: $9.00
Individual Line: $3.50

3.1.13.2. Surcharges: As applicable.

Issued by: Nathan Glazier
Regulatory Specialist
Western CLEC Corporation
3650 131st Ave., SE
Bellevue, WA 98006

3. SERVICE DESCRIPTIONS AND RATES (Cont'd)

3.2. Directory Assistance

A Customer may obtain Directory Assistance at the following rates:

Regional Directory Assistance	$0.57
National Directory Assistance	$0.64
Directory Assistance Call Completion	$0.58
Directory Assistance Call Completion Link	$0.75
Connect to Directory Assistance	$0.92

3.3. Operator Assistance

A Customer may obtain the assistance of a local Operator to complete local exchange telephone calls.

Operator-Handled Calling Card Call	$0.77
Machine Handled Call	$0.30
Busy Line Verification	$1.20
Busy Line Interrupt	$1.45
Operator Assistance	$0.60

3. SERVICE DESCRIPTIONS AND RATES (Cont'd)

3.4. Vanity Telephone Numbers

At the request of the Customer, the Company may assign a telephone number with the last four digits selected by the Customer. The assignment is subject to availability of a particular number and subject to the terms and conditions set forth in Subsection 2.1.3. There will be a $200.00 non-recurring charge for Vanity Telephone Numbers.

4. PROMOTIONAL AND TRIAL OFFERINGS

4.1. Promotional Offerings

The Company, from time to time, may make promotional offerings of its Services which may include waiving or reducing the applicable charges for the promoted service. The promotional offerings may be limited as to the duration, the date and times of the offerings and the locations where the offerings are made.

4.2. Trial Service Offering (TSO)

In the normal course of business the Company, at its discretion, may elect to offer certain Services to Customer on a "trial basis." These trial offerings do not obligate the Company to continue the trial beyond a stated period or to offer said Service as general tariffed offering in the future.

5. INDIVIDUAL CASE BASIS (ICB) ARRANGEMENTS

Arrangements will be developed on a case-by-case basis in response to a bona fide request from a Customer or prospective Customer to develop a competitive bid for a service offered under this tariff. Rates quoted in response to such competitive request may be different than those specified for such service in this tariff. ICB rates will be offered to the Customer in writing and on a non-discriminatory basis.

904195.1

ATTACHMENT F

BEFORE THE ARIZONA CORPORATION COMMISSION

AZ CORP COMMISSION

SEP 23 11 42 AM '99

DOCUMENT CONTROL

CARL J. KUNASEK
Commissioner-Chairman

JIM IRVIN
Commissioner

WILLIAM A. MUNDELL
Commissioner

IN THE MATTER OF THE APPLICATION FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY OF ECLIPSE COMMUNICATIONS CORPORATION TO PROVIDE COMPETITIVE INTRASTATE TELECOMMUNICATIONS SERVICES AS A RESELLER, LOCAL EXCHANGE SERVICES AS A RESELLER, AND FACILITIES-BASED LOCAL AND INTRASTATE INTEREXCHANGE TELECOMMUNICATIONS IN THE STATE OF ARIZONA	**DOCKET NO. T-03590A-98-0364** **NOTICE OF FILING AFFIDAVIT OF PUBLICATION**

Snell & Wilmer
L.L.P.
LAW OFFICES
One Arizona Center
Phoenix, AZ 85004-0001
(602) 382-6000

Notice is hereby given that Eclipse Communications Corporation has filed this day a copy of the Affidavit of Publication from *The Arizona Republic* evidencing that it has published statewide notice of its application for a certificate of convenience and necessity in the above-captioned proceeding.

RESPECTFULLY submitted this 23rd day of September, 1999.

SNELL & WILMER

Jeffrey W. Crockett, Esq.
One Arizona Center
Phoenix, Arizona 85004-0001
Attorneys for Eclipse
Communications Corporation

ORIGINAL AND TEN (10)
copies filed this 23rd day of
of September, 1999, with:

Crocked\PHX\705765.01

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

COPIES HAND-DELIVERED
this 23rd day of September, 1999, to:

Jerry L. Rudibaugh, Chief Hearing Officer
Hearing Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Deborah R. Scott, Director
Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Maureen A. Scott, Staff Attorney
Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

COPIES MAILED this 23rd day
of September, 1999, to:

Timothy Berg, Esq.
Fennemore Craig, P.C.
3003 North Central Avenue
Suite 2600
Phoenix, Arizona 85012

L.L.P.
LAW OFFICES
One Arizona Center
Phoenix, AZ 85004-0001
(602) 382-6000

PUBLIC NOTICE

PUBLIC NOTICE OF APPLICATION BY ECLIPSE COMMUNICATIONS CORPORATION TO PROVIDE COMPETITIVE INTRASTATE TELECOMMUNICATIONS SERVICES AS A FACILITIES-BASED PROVIDER AND RESELLER

Eclipse Communications Corporation (the "Company") has filed with the Arizona Corporation Commission (the "Commission") an application for a Certificate of Convenience and Necessity to provide competitive intrastate telecommunications services as a facilities-based provider and reseller in the State of Arizona at rates and terms specified in the tariff filed with the application (Docket No. T-03590A-98-0364). The Company's application is available for inspection during regular business hours at the offices of the Arizona Corporation Commission in Phoenix, Arizona, at 1200 West Washington Street and at the offices of the Company at 3650 131st Avenue SE, Suite 400, Bellevue, Washington 98006.

Interested persons shall have twenty (20) days from the publication of this notice to file objections to the application and petition. The law provides that the Commission may schedule a public hearing at which, under appropriate circumstances, Interested parties may intervene, Intervention shall be permitted to any person entitled by law to intervene and having a direct and substantial interest in this matter. Persons desiring to intervene must file a written motion to intervene with the Commission within twenty (20) days from the date of publication of this notice. This motion should be sent to the Company or its counsel and to all parties of record, and which, at the minimum, shall contain the following:

1. The name, address, and telephone number of the proposed intervenor and any party upon whom service of documents is to be made if different than the intervenor.
2. A short statement of the proposed intervenor's interest in the proceeding (e.g., a customer of the Company, a shareholder of the Company, a competitor, etc.)
3. A statement certifying that a copy of the motion to intervene has been mailed to the Company or its counsel and to all parties of record in the case.

The granting of motions to intervene shall be governed by A.A.C. R14-3-105. The granting of intervention, among other things, entitles a party to present sworn evidence at hearing and to cross-examine other witnesses. However, failure to intervene will not preclude any interested person or entity from appearing at the hearing and making a statement on their own behalf.

If you have any questions concerning this application, or want information on intervention, you should contact the Consumer Services Section of the Commission by calling 1-800-222-7000.

99420-August 18, 1999

AFFIDAVIT OF PUBLICATION

THE ARIZONA REPUBLIC

STATE OF ARIZONA }
COUNTY OF MARICOPA } SS.

TOM BIANCO, being first duly sworn, upon oath deposes and says: That he is the legal advertising manager of the Arizona Business Gazette, a newspaper of general circulation in the county of Maricopa, State of Arizona, published at Phoenix, Arizona, by Phoenix Newspapers Inc., which also publishes The Arizona Republic, and that the copy hereto attached is a true copy of the advertisement published in the said paper on the dates as indicated.

The Arizona Republic

August 18, 1999

Tom

Sworn to before me this
20 day of
August A.D. 1999

OFFICIAL SEAL
MARILYN GREENWOOD
NOTARY PUBLIC-ARIZONA
MARICOPA COUNTY
My Comm. Expires May 23, 2003

Marilyn Greenwood
Notary Public