

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE SOUTHERN DISTRICT OF NEW YORK**

In re

Teligent, Inc., et al.,<sup>1</sup>

Debtors.

Chapter 11

Case No. 01-12974 (SMB)

Jointly Administered

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**SECOND AMENDED DISCLOSURE STATEMENT FOR SECOND AMENDED JOINT  
PLAN OF REORGANIZATION UNDER CHAPTER 11 OF THE BANKRUPTCY CODE**

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**IMPORTANT DATES**

- Date by which Ballots must be received: August 7, 2002
  - Date by which objections to Confirmation of the Plan must be filed and served: August 7, 2002
  - Hearing on Confirmation of the Plan: August 14, 2002
- 

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ATTORNEYS FOR DEBTORS AND  
DEBTORS-IN-POSSESSION

Dated: July 10, 2002  
New York, New York

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<sup>1</sup> The Debtors are the following entities: Teligent, Inc.; Teligent Services, Inc.; Xandu Shell Corp. (f/k/a American Long Lines, Inc.); Association Communications, Inc.; Auctel, Inc.; BackLink, L.L.C.; Winston Shell Corp. (f/k/a Easton Telecom Services, Inc.); Quincy Shell Corp. (f/k/a Executive Conference, Inc.); FirstMark Communications, Inc.; Sawyer Shell Corp. (f/k/a InfiNet Telecommunications, Inc.); JTel, L.L.C.; KatLink, L.L.C.; OMC Communications, Inc.; Quadrangle Investments, Inc.; Atlantis II Shell Corp. (f/k/a Telecommunications Concepts, Inc.); Teligent Communications, L.L.C.; Teligent License Co. I, L.L.C.; Teligent License Co. II, L.L.C.; Teligent of Virginia, Inc.; Teligent Professional Services, Inc.; and Teligent Telecommunications, L.L.C.

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THIS DISCLOSURE STATEMENT AND ITS RELATED DOCUMENTS ARE THE ONLY DOCUMENTS AUTHORIZED BY THE COURT TO BE USED IN CONNECTION WITH THE SOLICITATION OF VOTES ACCEPTING OR REJECTING THE DEBTORS' SECOND AMENDED JOINT PLAN OF REORGANIZATION, DATED JULY 10, 2002 (AS MAY BE FURTHER AMENDED, THE "PLAN"). NO REPRESENTATIONS HAVE BEEN AUTHORIZED BY THE BANKRUPTCY COURT CONCERNING THE DEBTORS, THEIR BUSINESS OPERATIONS OR THE VALUE OF THEIR ASSETS, EXCEPT AS EXPLICITLY SET FORTH IN THIS DISCLOSURE STATEMENT.

BY ORDER DATED ON OR ABOUT JULY 10, 2002, THE BANKRUPTCY COURT (A) APPROVED THIS DISCLOSURE STATEMENT, IN ACCORDANCE WITH SECTION 1125 OF THE BANKRUPTCY CODE, AS CONTAINING "ADEQUATE INFORMATION" TO ENABLE A HYPOTHETICAL, REASONABLE INVESTOR TYPICAL OF HOLDERS OF CLAIMS AGAINST THE DEBTORS TO MAKE AN INFORMED JUDGMENT AS TO WHETHER TO ACCEPT OR REJECT THE PLAN, AND (B) AUTHORIZED ITS USE IN CONNECTION WITH THE SOLICITATION OF VOTES WITH RESPECT TO THE PLAN. APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT, HOWEVER, CONSTITUTE A DETERMINATION BY THE BANKRUPTCY COURT AS TO THE FAIRNESS OR MERITS OF THE PLAN. NO SOLICITATION OF VOTES MAY BE MADE EXCEPT PURSUANT TO THIS DISCLOSURE STATEMENT AND SECTION 1125 OF THE BANKRUPTCY CODE. IN VOTING ON THE PLAN, HOLDERS OF CLAIMS SHOULD NOT RELY ON ANY INFORMATION RELATING TO THE DEBTORS AND THEIR BUSINESSES, OTHER THAN THAT CONTAINED IN THIS DISCLOSURE STATEMENT, THE PLAN AND ALL EXHIBITS HERETO AND THERETO.

THIS DISCLOSURE STATEMENT CONTAINS ONLY A SUMMARY OF THE PLAN, AND IS NOT INTENDED TO REPLACE A CAREFUL AND DETAILED REVIEW AND ANALYSIS OF THE PLAN, BUT TO AID AND SUPPLEMENT SUCH REVIEW. THIS DISCLOSURE STATEMENT IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE MORE DETAILED PROVISIONS SET FORTH IN THE PLAN (WHICH IS INCLUDED AS EXHIBIT A TO THIS DISCLOSURE STATEMENT). IN THE EVENT OF A CONFLICT BETWEEN THE PLAN AND THE DISCLOSURE STATEMENT, THE PROVISIONS OF THE PLAN WILL GOVERN. ALL HOLDERS OF CLAIMS IN CLASS 4 ARE ENCOURAGED TO REVIEW THE FULL TEXT OF THE PLAN AND TO READ CAREFULLY THIS ENTIRE DISCLOSURE STATEMENT, INCLUDING ALL EXHIBITS HERETO, BEFORE DECIDING WHETHER TO VOTE TO ACCEPT THE PLAN.

THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE AS OF THE DATE HEREOF, AND THE DELIVERY OF THIS DISCLOSURE STATEMENT DOES NOT IMPLY THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AT ANY TIME SUBSEQUENT TO THE DATE HEREOF.

HOLDERS OF CLAIMS AND EQUITY INTERESTS SHOULD NOT CONSTRUE THE CONTENTS OF THIS DISCLOSURE STATEMENT AS PROVIDING ANY LEGAL, BUSINESS, FINANCIAL OR TAX ADVICE. EACH SUCH HOLDER SHOULD, THEREFORE, CONSULT WITH ITS OWN LEGAL, BUSINESS, FINANCIAL

AND TAX ADVISORS AS TO ANY SUCH MATTERS CONCERNING THE SOLICITATION, THE PLAN AND THE TRANSACTIONS CONTEMPLATED THEREBY.

**THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS SUPPORTS THE PLAN AND BELIEVES THAT THE PLAN IS THE BEST AVAILABLE ALTERNATIVE TO CREDITORS UNDER THE CIRCUMSTANCES.**

**THE DEBTORS AND THE AGENT FOR THE LENDERS BELIEVE THAT THE PLAN IS THE BEST AVAILABLE ALTERNATIVE FOR CREDITORS AND RECOMMEND THAT ALL HOLDERS OF CLAIMS IN CLASS 4 VOTE TO ACCEPT THE PLAN.**

**THE DEBTORS BELIEVE THAT IF THE PLAN IS NOT CONFIRMED, THEY WILL LIKELY BE FORCED TO CONVERT THESE CASES TO CHAPTER 7. IN THAT EVENT, ALL HOLDERS OF CLAIMS (OTHER THAN HOLDERS OF SECURED CLAIMS) WILL LIKELY RECEIVE NO DISTRIBUTION.**

THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED THEREIN.

AS TO CONTESTED MATTERS, ADVERSARY PROCEEDINGS AND OTHER ACTIONS OR THREATENED ACTIONS, THIS DISCLOSURE STATEMENT SHALL NOT BE CONSTRUED AS AN ADMISSION OR STIPULATION, BUT RATHER AS A STATEMENT MADE IN SETTLEMENT NEGOTIATIONS.

## I. INTRODUCTION

This disclosure statement (the “Disclosure Statement”) of Teligent, Inc.; Teligent Services, Inc.; Xandu Shell Corp. (f/k/a American Long Lines, Inc.); Association Communications, Inc.; Auctel, Inc.; BackLink, L.L.C.; Winston Shell Corp. (f/k/a Easton Telecom Services, Inc.); Quincy Shell Corp. (f/k/a Executive Conference, Inc.); FirstMark Communications, Inc.; Sawyer Shell Corp. (f/k/a InfiNet Telecommunications, Inc.); JTel, L.L.C.; KatLink, L.L.C.; OMC Communications, Inc.; Quadrangle Investments, Inc.; Atlantis II Shell Corp. (f/k/a Telecommunications Concepts, Inc.); Teligent Communications, L.L.C.; Teligent License Co. I, L.L.C.; Teligent License Co. II, L.L.C.; Teligent of Virginia, Inc.; Teligent Professional Services, Inc.; and Teligent Telecommunications, L.L.C., as debtors and debtors in possession in these chapter 11 cases (collectively, the “Debtors”), is filed in connection with the Second Amended Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code, dated as of July 10, 2002 (the “Plan”), a copy of which is annexed hereto as Exhibit “A.”

### A. Definitions; Exhibits

#### 1. Definitions

Unless otherwise defined herein, capitalized terms used in this Disclosure Statement shall be defined as set forth in the Plan.

#### 2. Exhibits

All exhibits to this Disclosure Statement are incorporated as if fully set forth and are a part of this Disclosure Statement.

### B. Disclosure Statement and Plan

#### 1. Purpose of Disclosure Statement

The purpose of the Disclosure Statement is to set forth information that (i) summarizes the Plan and alternatives to the Plan, (ii) advises Holders of Claims and Equity Interests of their rights under the Plan, (iii) assists Holders of Claims in Class 4 in making an informed decision as to whether they should vote to accept or reject the Plan, and (iv) assists the Bankruptcy Court in determining whether the Plan complies with the provisions of chapter 11 of the Bankruptcy Code and should be confirmed. Holders of Claims in Class 4 should carefully read the Disclosure Statement, in its entirety, prior to voting on the Plan.

**PLEASE READ THIS DISCLOSURE STATEMENT, INCLUDING THE PLAN, IN ITS ENTIRETY. THE DISCLOSURE STATEMENT SUMMARIZES THE TERMS OF THE PLAN FOR THE CONVENIENCE OF HOLDERS OF CLAIMS AND EQUITY INTEREST, BUT THE PLAN ITSELF QUALIFIES ALL SUCH SUMMARIES. ACCORDINGLY, IF THERE EXISTS ANY INCONSISTENCY BETWEEN THE PLAN AND THIS DISCLOSURE STATEMENT, THE TERMS OF THE PLAN SHALL CONTROL.**

## **C. Disclosure Statement Enclosures**

Accompanying the Disclosure Statement are the following enclosures:

### **1. Disclosure Statement Approval Order**

A copy of the order of the Bankruptcy Court approving the Disclosure Statement and, among other things, establishing procedures for voting on the Plan, and scheduling the hearing to consider, and the deadline for objecting to, confirmation of the Plan (the “Disclosure Statement Approval Order”).

### **2. Notice of Confirmation Hearing**

A copy of the notice (the “Notice of Confirmation Hearing”) of the deadline for submitting ballots to accept or reject the Plan and, among other things, the date, time, and place of the Confirmation Hearing and the deadline for filing objections to confirmation of the Plan.

### **3. Ballots**

One or more ballots (and return envelopes) for voting to accept or reject the Plan, unless you are not entitled to vote. Pursuant to the provisions of the Bankruptcy Code, only classes of Claims or Equity Interests which are (a) impaired by a plan of reorganization and (b) entitled to receive a distribution under such a plan are entitled to vote on the Plan. In these Chapter 11 Cases, only classified Claims in Classes 1, 3, 4, 5 and 6 are impaired by the Plan, and the  **Holders of Claims in Class 4 are the only parties entitled to vote to accept or reject the Plan.** Claims in Classes 1, 3, 5 and 6 are deemed to have rejected the Plan. Classified Claims in Class 2 are deemed unimpaired by the Plan, and the Holders thereof are conclusively presumed to have accepted the Plan.

### **4. Consent Forms**

If you are a Holder of a General Administrative Claim or a Priority Claim and you are not entitled to be paid in full under the Plan, you should have received a Consent Form.

## **II. HISTORICAL BACKGROUND AND CHAPTER 11 CASES**

### **A. Historical Background of Debtors**

#### **1. Business of the Debtors Prior to the Petition Date**

Teligent, Inc. is the ultimate parent corporation to the twenty domestic subsidiaries, all of whom are debtors and debtors in possession herein, as well as to many non-debtor foreign subsidiaries (the “Foreign Subsidiaries” and, collectively with the Debtors, “Teligent”).

Prior to the Petition Date, Teligent provided communication services in the form of local and long distance telephone, high-speed data, and Internet access services through its SmartWave™ local networks to 43 major domestic markets and internationally through various

joint ventures. The SmartWave™ local networks combined advanced wireless technologies with traditional wireline technologies and provided an efficient method for the delivery of broadband services to small and medium size business customers. This delivery was effected by the use of “fixed wireless” technology, which provides for the wireless transmission of voice and data traffic directly to a customer’s premises, thus obviating the need for the expensive and disruptive deployment of fiber optic cable.

As of April 30, 2001, Teligent had approximately 35,000 customers. For the fiscal year ended December 31, 2000, Teligent, on a consolidated basis, reported revenues of approximately \$152,072,000 and net losses of approximately \$807,986,000. As of December 31, 2000, Teligent’s consolidated books and records reflected assets totaling approximately \$1,209,476,000 and liabilities totaling approximately \$2,170,061,000. As of the Petition Date, the Debtors had approximately 1,480 full-time and part-time employees.

As of the Petition Date, the Debtors were parties to that certain Credit Agreement, dated as of July 2, 1998 (as amended, supplemented or otherwise modified prior to the Petition Date, the “Credit Agreement”), among Teligent, Inc., the several banks and other financial institutions from time to time parties thereto (the “Lenders”) and JPMorgan Chase Bank, in its capacity as administrative agent for the Lenders (in such capacity, the “Agent”). Before the Petition Date, the Lenders made loans to the Debtors, and otherwise advanced credit to or for the benefit of the Debtors pursuant to and in accordance with the terms and conditions of the Credit Agreement. All such loans, financial accommodations and other amounts owing to the Lenders and the Agent (including, without limitation, amounts owing to the Agent or the Lenders in connection with the maintenance or participation in the Debtors’ cash management system) under, or in connection with, the Credit Agreement and all collateral and ancillary documentation executed in connection therewith (collectively, the “Loan Documents”) are hereinafter referred to as the “Prepetition Obligations.”

In November 1997, Teligent, Inc. issued \$300 million of 11 1/2% senior notes due 2007 (the “Senior Notes”) pursuant to that certain indenture dated November 26, 1997, between Teligent, Inc., as issuer, and First Union National Bank, as trustee (the “Indenture Trustee”). Under a 1998 exchange offer, Teligent, Inc. issued \$440 million of 11 1/2% Series B Discount Notes due 2008 (the “Discount Notes”), in exchange for certain previously issued securities. The Discount Notes are governed by that certain Indenture dated February 20, 1998, between Teligent, Inc., as issuer, and the Indenture Trustee.

The nature of Teligent’s business required significant capital expenditures to finance the deployment of services, including purchasing and installing equipment, operating the network, obtaining spectrum licenses, and hiring and retaining employees. However, the rapid expansion of Teligent’s business and the associated expenditures resulted in operating losses and negative cash flow in every year since Teligent’s inception in 1997.

Teligent, Inc. has received waivers from the Lenders since December 31, 2000 relating to covenants in the Credit Agreement regarding the achievement of certain financing and performance targets and the maintenance of certain financial ratios. However, the last waiver from the Lenders expired on May 21, 2001. Based on the Debtors’ financial condition, liquidity and prospects, the Debtors determined that a financial restructuring of their businesses through a



chapter 11 process was necessary and appropriate. As of the Petition Date, the Prepetition Obligations outstanding to the Lenders under the Loan Documents were approximately \$800,000,000.

## **B. The Chapter 11 Cases**

### **1. Commencement of Cases**

On May 21, 2001 (the “Petition Date”), the Debtors commenced their cases under chapter 11 of the Bankruptcy Code in the Bankruptcy Court. The Debtors are authorized to operate their businesses and manage their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. The Chapter 11 Cases are being jointly administered, but have not yet been substantively consolidated.

### **2. Cash Collateral Order**

On June 13, 2001, the Bankruptcy Court entered the Cash Collateral Order. Pursuant to the Cash Collateral Order, the Lenders agreed to allow the Debtors to use the Lenders’ Cash Collateral subject to the terms and conditions of the Cash Collateral Order and the applicable Budget (as defined in the Cash Collateral Order) then in effect in the ordinary course of the Debtors’ business operations. In addition, the Debtors provided certain adequate protection in favor of the Lenders’ interest in the Debtors’ property. The validity of the Lenders’ liens on all of the Debtors’ property as well as the Lenders’ claims were confirmed. In addition, the time period reserved under the Cash Collateral Order for other parties in interest to investigate and challenge such liens and claims expired in November 2001 without any such challenge being filed. Accordingly, pursuant to the Cash Collateral Order, all of the Lenders’ claims are allowed, as all liens are valid, for all purposes of these Chapter 11 Cases and successor proceedings (if any). The Debtors have continued to use funds pursuant to the Cash Collateral Order pursuant to approved budgets. As set forth in the Cash Collateral Order, all amounts advanced to the Debtors thereunder are deemed loans (the “Postpetition Loans”). As of the date of this Disclosure Statement, there are approximately \$72 million in Postpetition Loans outstanding in favor of the Lenders.

### **3. Employment of Debtors’ Professionals**

On the Petition Date, the Debtors filed applications to retain Kirkland & Ellis (“Kirkland”) as bankruptcy counsel for each of the Debtors. By order of the Bankruptcy Court dated June 13, 2001, the Bankruptcy Court approved the retention of Kirkland. Separately, by orders of the Bankruptcy Court dated June 13, 2001, E&Y Capital Advisors LLC was retained as accounting advisors, (E&Y Capital Advisors’ role as accounting advisors was assigned to Ernst & Young Corporate Finance by order of the Bankruptcy Court dated September 21, 2001), The Blackstone Group L.P. (“Blackstone”) was retained as financial advisors and Patton Boggs LP (“Patton Boggs”) was retained as Special Regulatory Counsel. On December 28, 2001, Patton Boggs’ retention was expanded to include the handling of certain collection matters. By order of the Bankruptcy Court dated August 30, 2001, Ernst & Young LLP was retained *nunc pro tunc* to June 22, 2001 as the Debtors’ auditors. By order of the Bankruptcy Court dated November 20, 2001, Dovebid, Inc. was retained as the Debtors’ equipment auctioneer. By order of the

Bankruptcy Court dated December 10, 2001, Venture Asset Group LLC was retained to sell assets related to switch sites operated by the Debtors.

**4. Formation of the Creditors' Committee**

On May 30, 2001 and as amended on November 5, 2001, the United States Trustee for the Southern District of New York appointed the Creditors' Committee. The Creditors' Committee currently consists of: First Union National Bank, as Indenture Trustee; Nortel Networks Inc.; Dean & Company Strategy Consultants, Inc.; Webmethods; DMR Consulting Group, Inc.; and Sidata (SC), Inc. f/k/a Timebridge Technologies, Inc.

By order of the Bankruptcy Court dated June 27, 2001, the Creditors' Committee retained Milbank, Tweed, Hadley & McCloy LLP *nunc pro tunc* to May 30, 2001 as its attorneys. By order of the Bankruptcy Court dated August 15, 2001, the Creditors' Committee also retained Deloitte & Touche *nunc pro tunc* to June 11, 2001 as its accounting and restructuring consultants and by order of the Bankruptcy Court dated August 28, 2001, the Creditors' Committee retained Boies, Schiller & Flexner LLP *nunc pro tunc* June 7, 2001 as its special litigation counsel.

**5. Notice and Claims Agent**

By order of the Bankruptcy Court dated May 29, 2001, the Debtors' retained Bankruptcy Management Corporation ("BMC") as the Debtors' notice and claims agent.

**6. Schedules and Administrative Claims Bar Date**

On July 22, 2001, the Debtors filed their Statement of Financial Affairs and Schedules of Assets and Liabilities (collectively, as amended, the "Schedules"). The Debtors' Schedules are available on the Bankruptcy Court's website: [www.nysb.uscourts.gov](http://www.nysb.uscourts.gov).

At the request of the Debtors, the Court entered an order fixing February 20, 2002 as the last date and time at which proofs of claim may be filed against the Debtors' estates (the "Administrative Claims Bar Date") with respect to certain administrative claims accrued from the Petition Date through February 20, 2002. On or about January 17, 2002, BMC mailed a notice of entry of the order establishing the Administrative Claims Bar Date to all creditors listed on the Debtors' creditor matrix filed with the Bankruptcy Court. The Debtors estimate that approximately \$60 million of claims were filed prior to the Administrative Claims Bar Date. The Debtors believe that many of the Claims filed are either (i) duplicative, (ii) redundant, (iii) inaccurate or (iv) represent no liability on behalf of the Debtors and will be reduced or withdrawn in accordance with the Claims reconciliation process. The Debtors also believe that many of the Claims filed may have been improperly classified. However, the Debtors are unable to estimate the actual amount of valid administrative claims until a reconciliation of such Claims is completed.

**C. The Sale Process**

After the Petition Date, the Debtors, with the assistance of their legal and financial advisors, began to evaluate various reorganization strategies. These efforts focused

primarily on two different alternatives – reorganizing their businesses around their core retail operations and divesting their operations as a going concern to one or more purchasers.

After evaluating their restructuring alternatives, the Debtors determined that selling their businesses would provide the best opportunity to maximize the value of their estates. The Debtors began concerted efforts to identify potential suitors for their businesses and to solicit offers from such parties.

## **1. Sale of Core Retail Business**

The Debtors' initial efforts to divest assets focused on a sale of their core retail business. With the assistance of Blackstone, the Debtors identified and solicited over 50 financial and strategic potential purchasers for the business. Ultimately, after many weeks of negotiations, on August 23, 2001, certain of the Debtors entered into an Asset Purchase Agreement (the "Agreement") with Teligent Acquisition Corp. ("TAC") for the sale and purchase of substantially all of the Debtors' core domestic retail business and assets. Under the Agreement, TAC agreed to pay, subject to certain financing and regulatory contingencies, in excess of \$115 million for the Debtors' core domestic fixed wireless business and assets. On August 24, 2001, the Debtors filed a motion with the Bankruptcy Court requesting authority to sell the Debtors' core assets to TAC, subject to higher and better offers. The hearing to consider and approve the transaction with TAC, or an alternative higher and better offer, was initially scheduled for October 3, 2001. After the initial adjournment on October 12, 2001, the Debtors requested that the Court further adjourn the hearing regarding the transaction with TAC until October 30, 2001. The Court granted the request and adjourned the hearing until October 30, 2001. On October 30, 2001, the Debtors requested that the Bankruptcy Court adjourn the hearing regarding the TAC transaction until November 15, 2001, which request was granted by the Court. Despite modifications to lower the consideration payable by TAC under the Agreement, the inability of TAC to raise sufficient funds, in part due to changes in the capital markets in the wake of the September 11, 2001 attacks, forced the Debtors to seek the adjournments. On November 15, 2001, the Debtors provided notice to TAC terminating the Agreement due to TAC's inability to raise the funding required under the Agreement.

Upon the termination of the Agreement, the Debtors sought approval from the Bankruptcy Court to reconfigure their retail operations. These actions to restructure the Debtors' retail operations were taken due to their inability to attract a suitable investor and/or purchaser in the time frame available. On November 14, 2001, the Bankruptcy Court authorized the Debtors to substantially reduce their workforce, file regulatory applications and notices regarding the discontinuance of certain services to a substantial number of customers in their then eleven remaining retail local markets, and to issue notices to such affected customers. The Debtors have completed the reconfiguration of their retail operations.

## **2. Sale of Enterprise Companies**

In addition to seeking purchasers for their core retail operations, the Debtors began evaluating sale alternatives for the businesses of their enterprise companies. As of the Petition Date, the Debtors had 5 separate enterprise companies: InfiNet Telecommunications, Inc.; American Long Lines, Inc.; Telecommunications Concepts, Inc.; Easton Telecom Services,

Inc. and Executive Conference, Inc. As of the date of this Disclosure Statement, all or substantially all of the assets of each of the enterprise companies have been sold or otherwise disposed.

**a. InfiNet Telecommunications, Inc. Sale**

On June 26, 2001, the Debtors filed a motion with the Bankruptcy Court seeking approval of a purchase agreement to sell substantially all of the assets of InfiNet Telecommunications, Inc. to Sysborne LLC. Pursuant to the purchase agreement, the purchase price for the assets was approximately \$385,600. The sale was approved by the Bankruptcy Court on July 13, 2001 and was closed by the Debtors shortly thereafter.

**b. American Long Lines, Inc. Sale**

On August 16, 2001, the Debtors filed a motion with the Bankruptcy Court seeking approval of a purchase agreement to sell substantially all of the assets of American Long Lines, Inc. to ALL Acquisition Corporation. Pursuant to the purchase agreement, the purchase price for the assets was \$3,100,000. The sale was approved by the Bankruptcy Court on August 30, 2001 and was closed by the Debtors shortly thereafter.

**c. Telecommunications Concepts, Inc. Sale**

On October 9, 2001, the Debtors filed a motion with the Bankruptcy Court seeking approval of a purchase agreement to sell substantially all of the assets of Telecommunications Concepts, Inc. to Telcept Holdings LLC. Pursuant to the purchase agreement, the purchase price for the assets was \$696,197. The sale was approved by the Bankruptcy Court on October 30, 2001 and was closed by the Debtors shortly thereafter.

**d. Easton Telecom Services, Inc. Sale**

On October 9, 2001, the Debtors filed a motion with the Bankruptcy Court seeking approval of a purchase agreement to sell substantially all of the assets of Easton Telecom Services, Inc. to Weston Telecommunications LLC. Pursuant to the purchase agreement, the purchase price for the assets was \$700,000. The sale was approved by the Bankruptcy Court on November 15, 2001 and was closed by the Debtors shortly thereafter.

**e. Executive Conference, Inc. Sale**

On November 30, 2001, Executive Conference, Inc. (“ECI”) entered into an Asset Purchase Agreement (the “ECI Purchase Agreement”) with Summit Acquisition LLC (“Summit”) for the sale and purchase of substantially all of ECI’s assets. Under the terms of the ECI Purchase Agreement, Summit agreed to pay \$60 million in cash for ECI’s assets. On December 12, 2001, ECI filed a motion with the Bankruptcy Court requesting authority to sell ECI’s assets to Summit, subject to higher and better offers. On December 28, 2001, an auction was held for the assets of ECI and the transaction with Summit was determined to be the highest and best offer for such assets. On January 3, 2002, the U.S. Bankruptcy Court approved the transaction with Summit, which was closed by the Debtors on January 7, 2002.

### **3. Fixed Wireless Business**

Currently, the Debtors continue providing services based on their fixed-wireless spectrum and facilities, including private line, transport, and wholesale services in all 74 of the Debtors' markets (the "Remaining Business"). In addition, the Debtors continue to provide resold services in those markets and other locations nationwide. The Debtors have discontinued all local switched telecommunications services at this time.

## **III. SUMMARY OF PLAN**

**THE FOLLOWING IS A SUMMARY OF CERTAIN OF THE MATTERS CONTEMPLATED TO OCCUR EITHER PURSUANT TO OR IN CONNECTION WITH CONFIRMATION OF THE PLAN. THIS SUMMARY HIGHLIGHTS THE SUBSTANTIVE PROVISIONS OF THE PLAN AND IS NOT, NOR IS IT INTENDED TO BE, A COMPLETE DESCRIPTION OR A SUBSTITUTE FOR A FULL AND COMPLETE READING OF THE PLAN.**

### **A. General**

The Debtors filed the Plan on July 10, 2002 after evaluating their remaining alternatives for emerging from chapter 11. The Plan is the product of substantial discussions and negotiations among the Debtors and their primary creditor constituents, principally the Lenders. The Debtors believe that the terms of the Plan are fair to all Holders of Claims and Equity Interests taking into account the financial situation of the Debtors and the legal priority of such Claims and Equity Interests. At this time, the Debtors do not believe that there is a viable alternative for emerging from chapter 11 other than through the confirmation of the Plan. If the Plan is not confirmed, the Debtors believe that these Chapter 11 Cases will be converted to chapter 7. Based on negotiations with the Lenders, distributions are being made available to Holders of General Administrative Claims, Priority Claims and Unsecured Claims pursuant to the Plan that would not be available if the cases were converted to chapter 7.

The Debtors will emerge from chapter 11 and continue to exist as Reorganized Teligent. All of the Property of the Debtors (including operating assets of the fixed wireless and resale business, licenses, certifications, cash, intangible assets, litigation claims (other than Chapter 5 Causes of Action), receivables and other assets) other than the Claim Fund, the Chapter 5 Causes of Action and the Unsecured Claim Fund will be vested in and become property of Reorganized Teligent. Reorganized Teligent is expected to be debt free and funded for at least two years. Pursuant to the Plan, the Lenders will receive 100% of the capital stock of Reorganized Teligent.

**PURSUANT TO THE PLAN, ALL EXISTING INTERESTS IN THE DEBTORS (INCLUDING WITHOUT LIMITATION ALL ISSUED AND OUTSTANDING PREFERRED AND COMMON STOCK, WARRANTS AND OPTIONS) WILL BE EXTINGUISHED AND CANCELED.**

**1. Substantive Consolidation**

The Plan contemplates and is predicated upon the substantive consolidation of the estates of the Debtors as set forth in the Plan for purposes of confirmation, consummation and Plan implementation.

**B. Summary Table of Classification and Treatment of Classified Claims and Equity Interests Under the Plan**

The categories of Claims and Equity Interests listed below classify Claims and Equity Interests for all purposes, including, voting, confirmation and distribution pursuant to the Plan and pursuant to sections 1122 and 1123(a)(1) of the Bankruptcy Code. A Claim or Equity Interest shall be deemed classified in a particular Class only to the extent that the Claim or Equity Interest qualifies within the description of that Class and shall be deemed classified in a different Class to the extent that any remainder of such Claim or Equity Interest qualifies within the description of such different Class. A Claim or Equity Interest is in a particular Class only to the extent that such Claim or Equity Interest is Allowed in that Class and has not been paid or otherwise settled prior to the Effective Date.

<u>Class</u>	<u>Status</u>
Class 1 - Other Priority Claims	Impaired - deemed to reject the Plan and, therefore, not entitled to vote
Class 2 – Priority Convenience Claims	Unimpaired – deemed to accept the Plan, and therefore, not entitled to vote
Class 3 - Other Secured Claims	Impaired - deemed to reject the Plan and, therefore, not entitled to vote
Class 4 - Prepetition Lender Secured Claims	Impaired - entitled to vote
Class 5 - General Unsecured Claims	Impaired - deemed to reject the Plan and, therefore, not entitled to vote
Class 6 – Old Equity Interests	Impaired - deemed to reject the Plan and, therefore, not entitled to vote

**THE TREATMENT OF ALLOWED CLAIMS PURSUANT TO THE PLAN IS IN FULL AND COMPLETE SATISFACTION OF THE ALLOWED CLAIMS ON ACCOUNT OF WHICH SUCH TREATMENT IS GIVEN.**

In general, the Plan provides for the establishment of the Claim Fund, which shall contain \$4,000,000 (subject to adjustments set forth in the Plan), from which distributions to General Administrative Claims, Administrative Convenience Claims, Priority Convenience Claims, Priority Tax Claims and Other Priority Claims will be made. For purposes of distributions, General Administrative Claims and Priority Claims are being treated equally, regardless of their legal priorities under the Bankruptcy Code.

## **1. General Administrative Claims**

Administrative Expense Claims are generally those Claims for the actual, necessary costs and expenses of preserving the Debtors' estates under section 503 of the Bankruptcy Code.

As described in section II.B.6 of the Disclosure Statement, the Debtors received approximately \$60 million of administrative proofs of claim prior to the Administrative Claims Bar Date. The Debtors have concluded a preliminary review of these Claims, which if allowed, would be treated as General Administrative Claims under the Plan, and have identified 3 general categories of Claims: (i) Claims relating to telecommunications services provided to the Debtors; (ii) Claims relating to leases for property leased to the Debtors; and (iii) all other Claims, which includes Claims for goods sold or services performed pursuant to agreements or in the ordinary course of business, taxes, utility services and other miscellaneous Claims. While the Debtors estimate that over 600 administrative proofs of claim were filed, Holders of the 50 largest filed Claims hold approximately \$56.7 million of the total amount filed. Within this group, the Debtors estimate that 20 Claims were filed by Holders of telecommunications-related Claims in the aggregate amount of \$43.7 million; 14 Claims were filed by Holders of lease-related Claims in the aggregate amount of \$5.8 million; and 16 Claims were filed by Holders of other Claims in the aggregate amount of \$7.2 million.

Except as set forth below, the Plan provides that, on the later to occur of (i) 90 days after the Effective Date and (ii) the date on which such Claim shall become an Allowed Claim, Reorganized Teligent shall either (a) pay to each Holder of an Allowed General Administrative Claim a Pro Rata distribution based on the amount of available cash in the Claim Fund, after the establishment of an appropriate reserve from the Claim Fund for Disputed Claims and payments of Allowed Convenience Claims, and thereafter make periodic cash payments as set forth in the next sentence, or (b) satisfy and discharge such General Administrative Claim in accordance with such other terms as may be agreed upon by and between the Holder thereof and Reorganized Teligent acting with the consent of the Agent. As often as reasonably practicable thereafter, in the sole discretion of Reorganized Teligent, after the establishment or maintenance of an appropriate reserve for Disputed Claims that are payable from the Claim Fund, Reorganized Teligent shall make additional periodic cash distributions to Holders of Allowed General Administrative Claims on a Pro Rata basis until the earlier of the date that (i) such Claims are paid in full and (ii) the Claim Fund has been exhausted.

The Plan provides for Holders of Administrative Convenience Claims in an amount equal to or less than \$3,000 to be paid their Allowed Claims in full in cash on or as soon as practicable after the Effective Date. It is common in large chapter 11 cases to create a convenience class under a plan for smaller claims and to pay such claims in full. This allows for a more efficient management of claims, thus reducing the costs of administration and increasing recoveries to other creditors. Thus, the Debtors believe that creating a convenience class for General Administrative Claims is in the best interests of all Holders of General Administrative Claims. Under the Plan, any such payments shall be made from the Claim Fund. Because Holders of Allowed Administrative Convenience Claims will be paid in full under the Plan, the recovery to the other Holders of General Administrative Claims could be substantially reduced as a result of such payments. Any Holder of a General Administrative Claim that is not an

Administrative Convenience Claim shall have the right to reduce its General Administrative Claim such that it would be considered an Administrative Convenience Claim. Each such electing Holder would be paid the lesser of its Allowed Claim or \$3,000. This right will only be available until the Voting Deadline. After the Voting Deadline, Holders of General Administrative Claims do not have the right to reduce their claims and be treated as Administrative Convenience Claims. Except as set forth in the Plan, all payments made on account of Administrative Claims shall be final and not subject to disgorgement.

**Other than as set forth under the Plan with respect to Administrative Convenience Claims, there is no assurance that General Administrative Claims will be paid in full under the Plan. As a general matter, the Debtors currently believe that except for amounts relating to such General Administrative Claims, Holders of administrative claims generally have otherwise been paid in full for post-petition obligations incurred by the Debtors. Accordingly, certain parties will be paid a higher percentage of their total administrative claims incurred during these chapter 11 cases. Moreover, the Plan provides that all professional fees will be paid in full without regard to the date incurred.**

**All known Holders of General Administrative Claims (other than Holders of Administrative Convenience Claims, who will be paid their Allowed Claims in full) have been sent an Administrative Claim Consent Form pursuant to which the Debtors are seeking the agreement of such party to the treatment afforded to such Holder under the Plan. The treatment afforded to Holders of General Administrative Claims under the Plan is only available if each such Holder agrees to such treatment. At the hearing to confirm the Plan, Debtors will ask the Court to hold that the failure to return the Administrative Claim Consent Form or to object to confirmation of the Plan by a Holder of a General Administrative Claim prior to August 7, 2002 shall be deemed to be such Holder's consent and agreement to receive treatment for such Claim that is different from that set forth in 11 U.S.C. § 1129(a)(9), which otherwise requires payment in full in cash. If an administrative creditor objects to confirmation of the Plan asserting that it is entitled to payment in full under section 1129(a)(9) of the Bankruptcy Code, the Debtors may not be able to confirm the Plan. If the Plan cannot be confirmed for any reason, including, as a result of any such objections, and the Debtors are forced to convert the Chapter 11 Cases to chapter 7, Holders of General Administrative Claims will likely receive no distribution on account of their Claims.**

**2. Prepetition Lender Superiority Administrative Claims**

Under the Plan, on account of the Prepetition Lender Superpriority Administrative Claims (estimated to be approximately \$72 million) all of which Claims are Allowed pursuant to the Plan and the Prepetition Lender Secured Claims all of which Claims are Allowed pursuant to the Plan, the Lenders shall receive and retain the Bank Distribution.

**3. Priority Tax Claims**

Priority Tax Claims are those Allowed Claims entitled to payment pursuant to section 507(a)(8) of the Bankruptcy Code.



Except as set forth below, the Plan provides that, on the later to occur of (i) 90 days after the Effective Date and (ii) the date on which such Claim shall become an Allowed Claim, Reorganized Teligent shall either (a) pay to each Holder of an Allowed Priority Tax Claim a Pro Rata distribution based on the amount of available cash in the Claim Fund, after the establishment of an appropriate reserve for Disputed Claims and payments of Allowed Convenience Claims, and thereafter make periodic cash payments as set forth in the next sentence, or (b) satisfy and discharge such Allowed Priority Tax Claim in accordance with such other terms as may be agreed upon by and between the Holder thereof and Reorganized Teligent acting with the consent of the Agent. As often as reasonably practicable thereafter, in the sole discretion of Reorganized Teligent, after the establishment or maintenance of an appropriate reserve for Disputed Claims, Reorganized Teligent shall make additional periodic cash distributions to Holders of Allowed Priority Tax Claims until the earlier of the date that (1) such Claims are paid in full and (2) the Claim Fund has been exhausted.

The Plan provides for Holders of Allowed Priority Convenience Claims (which include Priority Tax Claims) in an amount equal to or less than \$3,000 to be paid in full in cash on or as soon as practicable after the Effective Date. It is common in large chapter 11 cases to create a convenience class under a plan for smaller claims and to pay such claims in full. This allows for a more efficient management of claims, thus reducing the costs of administration and increasing recoveries to other creditors. Thus, the Debtors believe that creating a convenience class for Priority Claims is in the best interests of all Holders of Priority Claims. Under the Plan, any such payments shall be made from the Claim Fund. Because Holders of Allowed Priority Convenience Claims will be paid in full under the Plan, the recovery to the other Holders of Priority Tax Claims could be substantially reduced as a result of such payments. Any Holder of a Priority Tax Claim that is not a Priority Convenience Claim shall have the right to reduce its Priority Tax Claim such that it would be considered a Priority Convenience Claim. Each such electing Holder would be paid the lesser of its Allowed Claims or \$3,000. This right will only be available until the Voting Deadline. After the Voting Deadline, Holders of Priority Tax Claims do not have the right to reduce their claims and be treated as Priority Convenience Claims.

**There is no assurance that Priority Tax Claims will be paid in full under the Plan.**

**All known Holders of Priority Tax Claims (other than Holders of Priority Tax Claims that are Priority Convenience Claims, who will be paid their Allowed Claims in full) have been sent a Priority Claim Consent Form pursuant to which the Debtors are seeking the agreement of such party to the treatment afforded to such Holder under the Plan. The treatment afforded to Holders of Priority Tax Claims under the Plan is only available if each such Holder agrees to such treatment. At the hearing to confirm the Plan, the Debtors will ask the Court to hold that the failure to return the Priority Claim Consent Form or to object to confirmation prior to any deadline set by the Bankruptcy Court of the Plan by a Holder of a Priority Tax Claim shall be deemed to be such Holder's consent and agreement to receive treatment for such Claim that is different from that set forth in 11 U.S.C. § 1129(a)(9), which otherwise requires deferred payments in full. If a priority tax creditor objects to confirmation of the Plan asserting that it is entitled to payment in full under section 1129(a)(9) of the Bankruptcy Code, the Debtors may not be able to confirm the Plan. If the Plan cannot be confirmed for any reason, including, as a result of any such**

**objections, and the Debtors are forced to convert the Chapter 11 Cases to chapter 7, then Holders of Priority Tax Claims will likely receive no distribution on account of their Claims.**

**SUMMARY OF CLASSIFICATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS UNDER THE PLAN**

Class	Description	Estimate of Total Allowed Amount	Treatment Under the Plan
1	Other Priority Claims	N/A	<ul style="list-style-type: none"> <li>• Treatment: The Plan provides that except as set forth below, on the later to occur of: (a) 90 days after the Effective Date and (b) the date on which such Claim shall become an Allowed Claim, Reorganized Teligent shall either (i) pay to each Holder of an Allowed Other Priority Claim a Pro Rata distribution based on the amount of cash in the Claim Fund, after the establishment of an appropriate reserve for Disputed Claims and payments of Allowed Convenience Claims, and thereafter make periodic cash payments as set forth in the next sentence, or (ii) satisfy and discharge such Allowed Other Priority Claim in accordance with such other terms as may be agreed upon by and between the Holder thereof and Reorganized Teligent acting with the consent of the Agent. As often as reasonably practicable thereafter, in the sole discretion of Reorganized Teligent, after the establishment or maintenance of an appropriate reserve for Disputed Claims that are payable from the Claim Fund, Reorganized Teligent shall make additional periodic cash distributions to Holders of Allowed Other Priority Claims until the earlier of the date that (a) such Claims are paid in full and (b) the Claim Fund has been exhausted. The Plan provides that Holders of Other Priority Claims that are Priority Convenience Claims shall be paid their Allowed Claims in full in cash on or as soon as practicable after the Effective Date. Any Holder of a Priority Tax Claim that is not a Priority Convenience Claim shall have the right to reduce its Priority Tax Claim such that it would be considered a Priority Convenience Claim. Such Holders would be paid the lesser of their Allowed Claims or \$3,000. This right will only be available until the Voting Deadline. After the Voting Deadline, Holders of Other Priority Claims do not have the right to reduce their claims and be treated as Priority Convenience Claims. <b>There can be no assurance that Other Priority Claims will be paid in full under the Plan.</b></li> <li>• Voting: Class 1 is impaired. Holders of Other Priority Claims in Class 1 are deemed to reject the Plan, and are therefore, not entitled to vote to accept or reject the Plan. <b>All known Holders of Other Priority Claims (other than Holders of Priority Convenience Claims, who will be paid their</b></li> </ul>

Class	Description	Estimate of Total Allowed Amount	Treatment Under the Plan
			<p><b>Allowed Claims in full) have been sent a Priority Consent Form pursuant to which the Debtors are seeking the affirmative agreement of such party to the treatment afforded to such Holder under the Plan. The treatment afforded to Holders of Other Priority Claims under the Plan is only available if each such Holder in the Class agrees to such treatment. At the hearing to confirm the Plan, the Debtors will ask the Court to hold that the failure to return the Priority Consent Form or to object to confirmation of the Plan by a Holder of an Other Priority Claim prior to any deadline set by the Bankruptcy Court shall be deemed to be such Holder's consent and agreement to receive treatment for such Claim that is different from that set forth in 11 U.S.C. § 1129(a)(9), which otherwise requires payment in full.</b></p>
2	Priority Convenience Claims		<ul style="list-style-type: none"> <li>• Treatment: The Plan provides that on the later to occur of (a) 90 days after the Effective Date and (b) the date on which such Claim shall become an Allowed Claim, Reorganized Teligent shall pay each Holder of an Allowed Priority Convenience Claim such Holder's Claim in full in cash.</li> <li>• Voting: Class 2 is deemed unimpaired.</li> </ul>
3	Other Secured Claims	N/A	<ul style="list-style-type: none"> <li>• Treatment: The Plan provides that each Holder, if any, of an allowed Other Secured Claim will (i) be paid such Holder's Allowed Other Secured Claim in full in cash; (ii) be paid the sale or disposition proceeds of the property securing such Allowed Other Secured Claim, to the extent of the value of the Debtors' interest in such property; (iii) receive the property securing such Claim; or (iv) be paid such other distributions as necessary to satisfy the requirements of the Bankruptcy Code. The election of the treatment for each such Holder will be made by Reorganized Teligent (acting with the consent of the Agent).</li> <li>• Voting: Class 3 is impaired. Holders of Other Secured Claims in Class 3 are deemed to reject the Plan, and therefore not entitled to vote to accept or reject the Plan.</li> </ul>

Class	Description	Estimate of Total Allowed Amount	Treatment Under the Plan
4	Prepetition Lender Secured Claims	Approximately \$130 million	<ul style="list-style-type: none"> <li>• Treatment: The Plan provides that the Lenders shall receive the Bank Distribution on account of the Prepetition Lender Secured Claims and the Prepetition Lender Superpriority Administrative Claims. The Lenders shall retain any payments made after the Petition Date on account of the Postpetition Loans. Each Holder of a Prepetition Lender Secured Claim or a Prepetition Lender Superpriority Administrative Claim shall on the Effective Date automatically, regardless of whether such Lender votes to accept or reject the Plan or executes the Stockholders Agreement, become a party to the Stockholders Agreement, unless such Holder votes to reject the Plan and declines to accept the shares of New Teligent Common Stock to which such Holder would otherwise be entitled.</li> <li>• Voting: Class 4 is impaired, Holders of Claims in Class 4 are entitled to vote to accept or reject the Plan.</li> </ul>
5	General Unsecured Claims	Approximately \$1,000,000,000	<ul style="list-style-type: none"> <li>• Treatment: The Plan provides that on the Effective Date, the Chapter 5 Causes of Action and the Unsecured Claim Fund will be transferred to the Unsecured Claims Estate Representative. Any proceeds from the Chapter 5 Causes of Action will be used first to reimburse Reorganized Teligent for the Unsecured Claim Fund. Any remaining proceeds will be distributed Pro Rata to holders of Allowed Class 5 Claims. In consideration for the Creditors' Committee support of the Plan, the Lenders have made this portion of their recovery available to Holders of Allowed Unsecured Claims.</li> <li>• Voting: Class 5 is impaired. Because Holders of Claims in Class 5 will be deemed to receive no distribution under the Plan (other than the distribution being made available by the Lenders from the Lenders' recovery), the Class will be deemed to have voted to reject the Plan.</li> </ul>
6	Old Equity Interests	N/A	<ul style="list-style-type: none"> <li>• Treatment: The Plan provides that holders shall not retain or receive any property under the Plan. All such Old Equity Interests will be canceled and extinguished.</li> <li>• Voting: Class 6 is impaired. Because holders of Old Equity Interests in Class 6 will receive no distribution under the Plan, Class 6 will be deemed to have voted to reject the Plan.</li> </ul>

**C. Potential Range of Recovery for General Administrative Claims, Priority Claims and General Unsecured Claims**

The Debtors are unable at this time to determine the actual recovery that Holders of General Administrative Claims and Priority Claims (other than Holders of Convenience

Claims, who will be paid their Allowed Claim in full) will receive under the Plan until such Claims are fully identified and reconciled. The Debtors have, however, been engaged in ongoing discussions with many Holders of General Administrative Claims and Priority Claims who have indicated a desire to settle such Claims. Recently, the Bankruptcy Court approved a stipulation between the Debtors and QWEST Corporation and QWEST Communications Corporation (collectively, "QWEST") pursuant to which QWEST agreed to resolve General Administrative Claims filed prior to the Administrative Claims Bar Date in the amount of approximately \$4.2 million for a cash payment of \$150,000 (a 3.57% recovery). Under the Stipulation, QWEST has agreed to waive any additional rights to assert an administrative expense priority with respect to such filed Claims. The Debtors anticipate that other Holders of General Administrative Claims will execute stipulations with the Debtors resolving General Administrative Claims on economic terms and conditions similar to those between the Debtors and QWEST. **The Debtors currently believe that the recovery of QWEST pursuant to such stipulation is within or below the possible range of recovery for General Administrative Claims and Priority Claims under the Plan.**

With respect to General Unsecured Claims, the Debtors are unable to determine the actual recovery that Holders of such Claims will receive under the Plan until a complete investigation of the Chapter 5 Causes of Action is completed. The Debtors have conducted some very preliminary analysis of the Chapter 5 Causes of Action and currently believe that there may be certain actions that can be brought, but the value of such actions cannot be determined at this time. Under the Plan, the Debtors will transfer \$300,000 to the Unsecured Claims Estate Representative to investigate and pursue the Chapter 5 Causes of Action. Such party would be authorized to conduct a complete analysis of the Chapter 5 Causes of Actions and commence litigation to recover funds from third parties.

#### **D. Acceptance or Rejection of the Plan**

##### **1. Voting Classes**

Each Holder of an Allowed Claim in Class 4 shall be entitled to vote to accept or reject the Plan.

##### **2. Acceptance by Impaired Classes of Claims**

Class 4 shall have accepted the Plan if (i) the Holders (other than any Holder designated under section 1126(e) of the Bankruptcy Code) of at least two-thirds in amount of the Allowed Claims actually voting in such class have voted to accept the Plan and (ii) more than one-half in number of the Holders (other than any Holder designated under section 1126(c) of the Bankruptcy Code) of such Allowed Claims actually voting in such class have voted to accept the Plan.

##### **3. Presumed Acceptance of Plan**

Class 2 is deemed unimpaired under the Plan, and therefore, is deemed to accept the Plan under section 1126(f) of the Bankruptcy Code.

**4. Presumed Rejection of Plan**

Classes 1, 3, 5 and 6 are deemed to reject the Plan under section 1126(g) of the Bankruptcy Code.

**5. Nonconsensual Confirmation**

Under the Plan, the Debtors reserve the right to request that the Bankruptcy Court confirm the Plan in accordance with section 1129(b) of the Bankruptcy Code with respect to Classes 1, 3, 5 and 6. In the event that Holders of Claims in Class 4 fail to accept the Plan, the Debtors reserve the right, with the Agent's consent, to modify the Plan.

**E. Disputed, Contingent and Unliquidated Claims**

The Debtors expect to request that the Court set a bar date for General Administrative Claims that have accrued after the Administrative Claims Bar Date, as well as for Other Secured Claims, Priority Claims and Unsecured Claims. The Debtors are unable to estimate the total amount of such Claims until such a bar date is set and the Debtors (or the Unsecured Claim Estate Representative in the case of the Unsecured Claims) have an opportunity to determine the amount, validity and priority of such Claims.

**1. Objections to and Estimation of Claims; Prosecution of Disputed Claims**

Pursuant to the Plan, Reorganized Teligent will be authorized and empowered to resolve consensually (and without the need for Bankruptcy Court approval) any disputes regarding the amount of any Convenience Claim, General Administrative Claim, Priority Claim, or Other Secured Claim. Nevertheless, Reorganized Teligent may, with the Agent's consent, file with the Bankruptcy Court (or any other court of competent jurisdiction) an objection to the allowance of any Convenience Claim, General Administrative Claim, Priority Claim or Other Secured Claim, or any other appropriate motion or adversary proceeding with respect thereto. In addition, Reorganized Teligent may, at any time, request that the Bankruptcy Court estimate any Contingent General Administrative Claim, Priority Claim or Other Secured Claim under section 502(c) of the Bankruptcy Code, regardless of whether a Debtor has previously objected to such Claim or whether the Bankruptcy Court has ruled on any such objection, and the Bankruptcy Court will retain jurisdiction to estimate any Claim at any time during litigation concerning any objection to any Claim, including during the pendency of any appeal relating to any such objection. In the event that the Bankruptcy Court estimates any Contingent Claim, that estimated amount will constitute either the Allowed amount of such Claim or a maximum limitation on such Claim, as determined by the Bankruptcy Court. If the estimated amount constitutes a maximum limitation on such Claim, Reorganized Teligent may elect to pursue any supplemental proceedings to object to any ultimate payment on such Claim. All of the aforementioned Claims objection, estimation and resolution procedures are cumulative and are not necessarily exclusive of one another. The Unsecured Claim Estate Representative will have the same rights and powers with respect to the Unsecured Claims, which rights shall be exclusively vested in the Unsecured Claim Estate Representative.

**2. Reserve for Disputed Claims**

As set forth in the Plan, Reorganized Teligent shall reserve from the Claim Fund for the benefit of each Holder of a Disputed General Administrative Claim or Priority Claim cash in an amount equal to the distributions that would have been made under the Plan to the Holder of such Disputed Claim under the Plan if it were an Allowed Claim in an amount equal to the greater of (i) the amount listed in the Debtors' schedules, (ii) the amount set forth in a proof of claim filed with the Bankruptcy Court or (iii) the amount as estimated by the Bankruptcy Court under section 502(c) of the Bankruptcy Code. Subject to the terms of the Plan, such amount so reserved shall constitute the maximum amount of distribution to which a Holder of a Disputed General Administrative Claim or Priority Claim may ultimately become entitled.

**3. Payments and Distributions on Disputed Claims**

Notwithstanding any other provision in the Plan, no distributions will be made with respect to a Disputed Claim until the resolution of such dispute by settlement or Final Order. As soon as practicable after a Disputed Claim becomes an Allowed Claim, the Holder of such Allowed Claim will receive all distributions to which such Holder is then entitled under the Plan. Any Person who holds both an Allowed Claim and a Disputed Claim will receive the appropriate distribution on the Allowed Claim, although no distribution will be made on the Disputed Claim until such dispute is resolved by settlement or Final Order.

**4. Bar Date for Professional Claims**

As set forth in the Plan, Persons requesting compensation or reimbursement of expenses pursuant to section 328 or 330 of the Bankruptcy Code for services rendered before the Confirmation Date will be required to file with the Bankruptcy Court and serve on Reorganized Teligent and the Agent and the U.S. Trustee an application for final allowance of compensation and reimbursement of expenses no later than 60 days after the Effective Date; provided, however, that any Person who fails to file and serve a timely application for final allowance of compensation and reimbursement of expenses will be forever barred from asserting such Claims against the Debtors or Reorganized Teligent, who will be discharged from such Claims and will not be obligated to pay such Claims; provided further, that any professional employed by Reorganized Teligent may receive compensation and reimbursement of expenses for services rendered after the Confirmation Date, without an order of the Bankruptcy Court.

5. **Distributions Under the Plan**

- a. **Reorganized Teligent.** As set forth in the Plan, Reorganized Teligent shall make all distributions to Holders of Allowed General Administrative Claims, Administrative Convenience Claims, Professional Fee Claims, Priority Claims, Priority Convenience Claims, Other Secured Claims, Prepetition Lender Superpriority Administrative Claims and Prepetition Lender Secured Claims provided for in the Plan in the manner set forth in the Plan.
- b. **Unsecured Claim Estate Representative.** As set forth in the Plan, the Unsecured Claim Estate Representative shall make distributions to Holders of Allowed Unsecured Claims in the manner set forth in the Plan.
- c. **Transfer to Reorganized Teligent.** As set forth in the Plan, on the Effective Date, all of the Debtors' Property shall vest with Reorganized Teligent free and clear of all Claims and Equity Interests of Creditors and other Persons, except for the rights to distribution afforded to such Creditors under the Plan. In consideration of these transfers, Reorganized Teligent shall make the distributions required under the Plan in accordance with the Plan's terms. The total recovery for all Holders of General Administrative Claims, Administrative Convenience Claims, Priority Tax Claims, Priority Convenience Claims and Other Priority Claims shall be limited to distributions from the Claim Fund pursuant to the terms of the Plan. After the Effective Date, Reorganized Teligent shall have no liability to Holders of Claims or Equity Interests other than as provided for in the Plan.
- d. **Investments.** As set forth in the Plan, cash held by Reorganized Teligent in any Fund shall be maintained in United States dollars or shall be invested by Reorganized Teligent in (i) direct obligations of, or obligations guaranteed by, the United States of America, (ii) obligations of any agency or corporation which is or may hereafter be created by or pursuant to an act of Congress of the United States of America as an agency or instrumentality thereof, or (iii) such other obligations or instruments as may from time to time be permitted under section 345 of the Bankruptcy Code or as may have been authorized by an order of the Bankruptcy Court; provided, that, Reorganized Teligent may, to the extent necessary to implement the provisions of the Plan, deposit moneys in demand deposits at any banking institution or trust having combined capital stock and surplus in excess of \$100,000,000.00 based upon its most recently available audited financial statements, regardless of whether such investments and deposits are insured. Such investments will mature in such amounts and at such times as Reorganized Teligent will deem appropriate to provide funds when needed to transfer funds or make distributions under the Plan.



- e. **Setoffs.** As set forth in the Plan, consistent with applicable law, Reorganized Teligent may, but shall not be required to, set off against any General Administrative, Priority or Other Secured Claim, and the payments to be made under the Plan in respect of such Claim, any claims of any nature whatsoever the Debtor may have against the Holder thereof, but neither the failure to do so nor the allowance of any Claim hereunder shall constitute a waiver or release of any such claim Reorganized Teligent or the Debtors may have against any such Person.
- f. **Cancellation of Notes, Instruments, Debentures and Equity Securities.** Except to the extent provided otherwise in the Plan, all notes, instruments, debentures, certificates and other documents evidencing Claims and all Equity Interests in any of the Debtors will be canceled and deemed terminated and surrendered (regardless of whether such notes, instruments, debentures, certificates or other documents are in fact surrendered for a cancellation to the appropriate indenture trustee or other such person), except for purposes of distribution in accordance with the terms of the Plan. On the Effective Date, any indentures to which any Debtors are a party will be deemed canceled as permitted by section 1123(a)(5) of the Bankruptcy Code. Notwithstanding the termination of any indenture and any notes issued under any such indenture, the provisions of such indenture, including those provisions relating to distributions and the indenture trustee's rights to payment will not be affected by the confirmation of the Plan, other than as specifically set forth in the Plan.
- g. **Cooperation.** For a period of 18 months after the Effective Date, Reorganized Teligent will provide cooperation to the Unsecured Claims Estate Representative as may be reasonably requested in respect of the investigation and prosecution of the Chapter 5 Causes of Action and the reconciliation of General Unsecured Claims. In this regard, Reorganized Teligent will make relevant documents and personnel available, to the extent Reorganized Teligent has the ability to do so, for such period. At the end of such 18 month period, or earlier if Reorganized Teligent is no longer able to make personnel available to the Unsecured Claims Estate Representative, Reorganized Teligent will, at the request of the Unsecured Claims Estate Representative, provide the Unsecured Claims Estate Representative with copies of such books and records as may be reasonably necessary to prosecute Chapter 5 Causes of Action and to reconcile General Unsecured Claims. The Unsecured Claims Estate Representative shall reimburse Reorganized Teligent for reasonable costs and expenses associated with providing such copies. Reorganized Teligent will not be responsible for any costs or expenses incurred by the Unsecured Claims Estate Representative in respect of evaluating, prosecuting or settling any of the Chapter 5 Causes of Action. To the extent Reorganized Teligent incurs costs or expenses as a result of such cooperation, such reasonable costs and expenses will be reimbursed by the Unsecured Claims Estate Representative.

- h. Business Day.** The Plan provides that if any payment or act under the Plan is required to be made or performed on a date that is not a Business Day, then the making of such payment or the performance of such act may be completed on the next succeeding Business Day, but shall be deemed to have been completed as of the required date.
- i. Timing.** Wherever the Plan provides that a payment or distribution shall occur “on” any date, it shall mean “on, or as soon as practicable after” such date.
- j. Manner of Payment.** Any payment made under the Plan by Reorganized Teligent may be made either by check or by wire transfer, unless otherwise agreed to by the Agent.
- k. Effectiveness of Documents.** From and after the Effective Date, all agreements entered into under the Plan and all other obligations imposed under the Plan shall be valid, binding and in full force and effect, and shall be fully enforceable in accordance with their terms.
- l. Winding Up Affairs.** The Plan provides that Reorganized Teligent may take actions as set forth in the Plan without supervision or Bankruptcy Court approval and free of all restrictions of the Bankruptcy Code or the Bankruptcy Rules, other than any restrictions expressly imposed by the Plan or the Confirmation Order. Without limiting the foregoing, Reorganized Teligent may pay charges incurred after the Confirmation Date for professional fees that, but for the occurrence of the Confirmation Date, would constitute Professional Fee Claims, without application to the Bankruptcy Court.
- m. Corporate Action Issuance of New Teligent Common Stock.** The issuance of the New Teligent Common Stock will be authorized without the need for any further corporate action. The New Teligent Common Stock will consist of shares of new common stock of Teligent, Inc., \$0.001 par value per share. Pursuant to Section III.B.4 of the Plan, shares will be issued and distributed only to the Lenders, which shares will be duly authorized, fully paid and nonassessable shares of capital stock of Teligent, Inc. Any remaining authorized shares authorized but not issued to the Lenders shall be reserved for future corporate purposes as determined by the Board of Directors of Reorganized Teligent consistent with its New Charter, subject to the Stockholders Agreement.
- n. New Charter and New Bylaws for Reorganized Teligent.** On the Effective Date or as soon thereafter as is practicable, Reorganized Teligent will file with the Secretary of State of the State of Delaware, in accordance with the applicable corporation laws of such state, the New Teligent Charter and such New Teligent Charter will be the charter for Reorganized Teligent. The New Teligent Charter will provide, among other things, for

(a) the authorization of New Teligent Common Stock, (b) to the fullest extent permitted by the corporate law of Delaware, a limitation on the personal liability of directors to Reorganized Teligent or its stockholders for monetary damage for breach of fiduciary duty as a director, (c) actions of Reorganized Teligent which require consent of the stockholders or the Stockholder Committee (or the Chairperson of the Stockholder Committee, as the case may be, pursuant to the Stockholders Agreement, and (d) a prohibition on the issuance of nonvoting equity securities to the extent required by the section 1123(a)(6) of the Bankruptcy Code. The New Teligent Bylaws shall provide, among other things, that the Board of Directors shall initially consist of three members, and on the Effective Date, the New Teligent Bylaws shall become the bylaws of Reorganized Teligent.

- o. Board of Directors.** On the Effective Date, the operation of Reorganized Teligent shall become the general responsibility of their Board of Directors, subject to, and in accordance with, their certificates of incorporation, bylaws and the Stockholders Agreement. The initial Board of Directors for Reorganized Teligent shall consist of the individuals identified at or prior to the hearing to consider confirmation of the Plan. Such directors shall be deemed elected or appointed, as the case may be, pursuant to the order confirming the Plan, but shall not take office and shall not be deemed to be elected or appointed until the occurrence of the Effective Date. Those directors and officers not continuing in office shall be deemed removed therefrom as of the Effective Date pursuant to the order confirming the Plan.
- p. Stockholders Agreement.** On the Effective Date, Reorganized Teligent and the Lenders as holders of the New Teligent Common Stock shall become parties to and bound by the Stockholders Agreement. The Stockholders Agreement shall provide, among other things, for (a) actions which require consent of the stockholders or the Stockholders Committee (or the Chair), as the case may be, (b) indemnification by Reorganized Teligent and the stockholders of each member of the Stockholder Committee, subject to limitation on indemnification for gross negligence and willful misconduct, and exculpation of liability of Stockholder Committee members to other stockholders or Reorganized Teligent other than for gross negligence or willful misconduct, (c) reimbursement of expenses of members of the Stockholder Committee or their advisors by Reorganized Teligent (members of the Stockholders Committee shall initially receive no compensation from Reorganized Teligent for serving on the Stockholder Committee), and (d) restrictions on the transfer by sale, assignment or otherwise of New Teligent Common Stock by holders thereof, unless the transferee signs the Stockholders Agreement.
- q. Authorization of Corporate Action.** Subject to the terms of the New Teligent Charter, the New Teligent Bylaws for Reorganized Teligent and

the Stockholders Agreement, the occurrence of the Effective Date shall constitute authorization for the Debtors or Reorganized Teligent to take or cause to be taken any corporate action necessary or appropriate before or after the Effective Date for the effectuation of the Plan, including, all steps necessary, if any, for Reorganized Teligent to issue the New Teligent Common Stock and to file tax returns or to terminate the Debtors' corporate existence. All such actions shall be deemed to have been approved by the Bankruptcy Court, and all such actions and the other matters provided for under the Plan involving corporate action to be taken by or required of a Debtor will occur and be effective as provided in the Plan, and will be authorized and approved in all respects and for all purposes without any requirement of further action by any stockholders, voting trustees or directors of any of the Debtors.

- r. **Compromise of Controversies.** Pursuant to Bankruptcy Rule 9019, and in consideration for the classification, distribution and other benefits provided by the Lenders under the Plan, the provisions of the Plan, including without limitation the distributions to be made to Holders of Allowed General Unsecured Claims, General Administrative Claims, Administrative Convenience Claims, Priority Claims, Priority Convenience Claims and Other Secured Claims pursuant to the Plan, will constitute a good faith compromise and settlement of all Claims and controversies resolved pursuant to the Plan. The entry of the Confirmation Order will constitute the Bankruptcy Court's approval of each of the foregoing compromises or settlements, and all other compromises and settlements provided for in the Plan, and the Bankruptcy Court's findings will constitute its determination that such compromises and settlements are in the best interests of the Debtors, the estates, the creditors and other parties in interest, and are fair, equitable and within the range of reasonableness.
- s. **Insurance Preservation.** Nothing in the Plan, including any releases, shall diminish or impair the enforceability of any Insurance Policies that may cover Claims against the Debtors or any other Person.

## **F. EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

### **1. Rejection of Executory Contracts and Unexpired Leases**

Except as otherwise set forth in the Plan, on the Confirmation Date, all executory contracts or unexpired leases of the Debtors will be deemed rejected in accordance with sections 365 and 1123 of the Bankruptcy Code, except those executory contracts and unexpired leases that (i) have been assumed by order of the Bankruptcy Court, (ii) are the subject of a motion to assume pending on the Effective Date, (iii) are identified on a list to be filed with the Bankruptcy Court on or before the Confirmation Date, or (iv) are assumed under the Plan. Entry of the Confirmation Order by the clerk of the Bankruptcy Court shall constitute approval of such rejections pursuant to sections 365(a) and 1123 of the Bankruptcy Code.

**2. Benefit Plans**

On the Confirmation Date, all benefit plans of the Debtors for any of their employees set forth in the Plan Supplement shall be deemed terminated.

**G. CONDITIONS PRECEDENT TO CONFIRMATION AND EFFECTIVE DATE OF THE PLAN**

**1. Conditions Precedent to Confirmation Date of the Plan**

As set forth in the Plan, the occurrence of the Confirmation Date shall be subject to satisfaction of the following conditions precedent:

- a. The entry of the Confirmation Order in form and substance satisfactory to the Debtors and the Agent.
- b. The Holders of all General Administrative Claims and Priority Claims have consented to or have been deemed to consent to the treatment set forth in Article IV of the Plan, including without limitation, their potential receipt of less than the full amount to which they would otherwise be entitled under the Bankruptcy Code.
- c. Class 4 shall have voted to accept the Plan.

**2. Conditions Precedent to Effective Date of the Plan**

As set forth in the Plan, the occurrence of the Effective Date and the substantial consummation of the Plan are subject to satisfaction of the following conditions precedent:

- a. Confirmation Order: The Confirmation Order shall be in full force and effect and shall not be subject to appeal, reconsideration, modification, or stay, or a motion, pleading, or other filing seeking an appeal, reconsideration, modification, or stay.
- b. Execution of Documents/Other Actions: All other actions and documents necessary to implement the Plan, including as set forth in the Plan Supplement, shall have been effected or executed.
- c. Funds: The Professional Fee Reserve Fund, the Claim Fund and the Unsecured Claim Fund shall be funded.
- d. Class 3 Claims: The Debtors and the Agent have determined that the business plan and financial projections for Reorganized

Teligent will not be modified in any material respect as a result of any distributions to Holders in Class 3.

- e. Regulatory Approvals: All federal, state and local regulatory approvals necessary to implement the Plan shall have been received.
- f. Budget: An initial Budget for the four-month period after the Effective Date shall have been accepted by the Agent.
- g. Date: The Effective Date shall not occur later than August 25, 2002.

### **3. Waiver of Conditions Precedent**

As set forth in the Plan, to the extent legally permissible, each of the conditions precedent may be waived, in whole or in part, by the Debtors, with the consent of the Agent. Any such waiver of a condition precedent may be effected at any time, without notice or leave or order of the Bankruptcy Court and without any formal action other than proceeding as if such condition did not exist.

## **H. PLAN MODIFICATION**

The Plan provides that the Debtors may alter, amend, or modify the Plan under section 1127 of the Bankruptcy Code and Bankruptcy Rule 3019 at any time before the Confirmation Date, with the Agent's consent, without an additional vote if the Bankruptcy Court finds, after notice and a hearing, that the proposed modification does not adversely change the treatment of any Class 4 Claim. After the Confirmation Date and before substantial consummation of the Plan, the Debtors have the right under section 1127 of the Bankruptcy Code, to amend or modify the Plan in accordance with the Bankruptcy Code, if circumstances warrant amendment or modification and if, after notice and hearing, to the extent necessary, the Bankruptcy Court confirms the Plan as amended or modified.

## **I. RETENTION OF JURISDICTION**

The Plan provides that the Bankruptcy Court will retain and have exclusive jurisdiction over the Chapter 11 Cases for the following purposes:

- 1. to determine objections to the allowance of Claims;
- 2. to determine motions to estimate Claims at any time, regardless of whether the Claim to be estimated is the subject of a pending objection, a pending appeal, or otherwise;
- 3. to determine motions to subordinate Claims at any time and on any basis permitted by applicable law;
- 4. to determine applications for the rejection or assumption of executory contracts or unexpired leases to which the Debtors are a party or with respect to which any

Debtor may be liable, and to hear and determine, and if need be to liquidate, any and all Claims arising therefrom;

5. to determine applications, adversary proceedings and contested or litigated matters related to the Chapter 5 Causes of Action, whether pending on the Effective Date or commenced thereafter;

6. to consider any Plan modifications, to cure any defect or omission, or reconcile any inconsistency in any order of the Bankruptcy Court;

7. to determine all controversies, suits and disputes that may arise in connection with the interpretation or consummation of the Plan or the documents filed pursuant to the Plan Supplement or Reorganized Teligent's obligations under the Plan;

8. to issue orders in aid of execution of the Plan to the extent authorized by section 1142 of the Bankruptcy Code;

9. to determine such other matters as may be set forth in the Confirmation Order or as may arise in connection with the Plan, the documents filed pursuant to the Plan Supplement or the Confirmation Order;

10. to determine any and all applications for allowance of compensation and reimbursement of expenses and any other fees and expenses authorized to be paid or reimbursed under the Bankruptcy Code or the Plan;

11. to enforce creditors' rights to payments and to the delivery of money or other Property to which holders of Allowed Claims may be entitled under the Plan;

12. to determine any matter or dispute in connection with the Funds;

13. to issue injunctions, enter and implement other orders to take such other actions as may be necessary or appropriate to restrain interference by any Person with consummation, implementation or enforcement of the Plan, the documents filed pursuant to the Plan Supplement or the Confirmation Order; and

14. to enter a final decree closing the Chapter 11 Cases.

## **J. RELEASES AND INJUNCTION**

### **1. Subordination**

As set forth in the Plan, the classification and manner of satisfying all Claims and Equity Interests and the respective distributions and treatments hereunder take into account and/or conform to the relative priority and rights of the Claims and Equity Interests in each Class in connection with any contractual, legal and equitable subordination rights relating thereto whether arising under general principles of equitable subordination, section 510(b) of the Bankruptcy Code or otherwise, and any and all such rights are settled, compromised and released pursuant hereto. The Confirmation Order shall permanently enjoin, effective as of the Effective

Date, all Persons from enforcing or attempting to enforce any such contractual, legal and equitable subordination rights satisfied, compromised and settled in this manner.

## **2. Limited Releases by Debtors**

As set forth in the Plan, for good and valuable consideration, including in the case of the Lenders, the funding of the Chapter 11 cases pursuant to the Cash Collateral Order, the funding to be provided by the Lenders under the Plan, and the obligations and undertakings of the Lenders set forth in the Plan; and in the case of the D&O Releasees and the Committee Releasees, the service of the D&O Releasees and the Committee Releasees to facilitate the expeditious reorganization of the Debtors and the implementation of the restructuring contemplated by the Plan, the D&O Releasees, the Bank Releasees and the Committee Releasees, on and after the Effective Date, are released by the Debtors and Reorganized Teligent from any and all Claims (as defined in section 101(5) of the Bankruptcy Code), obligations, rights, suits, damages, causes of action, remedies and liabilities whatsoever, whether known or unknown, foreseen or unforeseen, existing or hereafter arising, in law, equity or otherwise, that any Debtor or the subsidiary of any Debtor, or any person claiming derivatively through or on behalf of any Debtor or any such subsidiary would have been legally entitled to assert in their own right (whether individually or collectively) or on behalf of the Holder of any Claim or Equity Interest or other Person, based in whole or in part upon any act or omission, transaction, agreement, event or other occurrence taking place on or before the Effective Date.

## **3. Limited Releases by Holders of Claims**

As set forth in the Plan, each Holder of a Claim (a) who has accepted or is deemed to accept the Plan or (b) who may be entitled to receive a distribution of property in connection with the Plan (in each case regardless of whether a proof of claim was filed, whether or not Allowed and whether or not the Holder of such claim has voted on the Plan), shall be deemed to have unconditionally released the D&O Releasees, the Bank Releasees and the Committee Releasees from any and all Claims (as defined in section 101(5) of the Bankruptcy Code), obligations, rights, suits, damages, causes of action, remedies and liabilities whatsoever, including any derivative claims on behalf of Debtor, whether known or unknown, foreseen or unforeseen, existing or hereafter arising, in law, equity or otherwise, that such Person would have been legally entitled to assert (whether individually or collectively), based in whole or in part upon any act or omission, transaction, agreement, event or other occurrence taking place on or before the Effective Date in any way relating or pertaining to (w) the purchase or sale, or the rescission of a purchase or sale, of any security of Debtor, (x) the Debtor or Reorganized Teligent, (y) the Chapter 11 Cases, or (z) the negotiation, formulation and preparation of the Plan, or any related agreements, instruments or other documents; except that nothing herein shall be deemed a release of any claims or causes of action held by the Lenders with respect to or arising as a result of loans made under the Prepetition Credit Agreement after October 1, 2000.

## **4. Injunction**

**As set forth in the Plan, except as provided in the Plan or the Confirmation Order, all Persons that have held, currently hold or may hold a Claim or other debt or liability, or Equity Interest that is addressed in the Plan are permanently enjoined from**



taking any of the following actions on account of any such Claims, debts, interests or liabilities, other than actions brought to enforce any rights or obligations under the Plan: (i) commencing or continuing in any manner any action or other proceeding against the Debtors, Reorganized Teligent, the Releasees or their respective properties; (ii) enforcing, attaching, collecting or recovering in any manner any judgment, award, decree or order against the Debtors, Reorganized Teligent, the Releasees or their respective properties; (iii) creating, perfecting or enforcing any lien or encumbrance against the Debtors, Reorganized Teligent, the Releasees or their respective properties; (iv) asserting a setoff, right of subrogation or recoupment of any kind against any debt, liability or obligation due to the Debtors, Reorganized Teligent, the Releasees or their respective properties, and (v) commencing or continuing, in any manner or any place, any action that does not comply with or is inconsistent with the provisions of the Plan or the Confirmation Order.

## **K. MISCELLANEOUS PROVISIONS**

### **1. Title to Assets**

Except as otherwise provided by the Plan, on the Effective Date, title to all Property shall vest in Reorganized Teligent free and clear of all claims, security interest, liens and equity interests in accordance with section 1141 of the Bankruptcy Code.

### **2. Payment of Statutory Fees**

The Plan provides that all fees payable under 28 U.S.C. § 1930, as determined by the Bankruptcy Court at the hearing under section 1128 of the Bankruptcy Code, shall be paid on or before the Effective Date.

### **3. No Transfer Taxes**

The Plan provides that pursuant to section 1146 of the Bankruptcy Code, the issuance, transfer or exchange of any security under the Plan, or the making or delivery of an instrument to transfer under the Plan, may not be taxed under any law imposing a stamp or similar tax.

### **4. Section 1145 Exemption**

The Plan provides that to the maximum extent provided by section 1145 of the Bankruptcy Code and applicable nonbankruptcy laws, the issuance of the New Teligent Common Stock will be exempt from registration under the Securities Act of 1933, as amended.

### **5. Exculpation**

The Plan provides that the Debtor, Reorganized Teligent, the D&O Releasees, the Bank Releasees and the Committee Releasees, and their members and professionals (acting in such capacity) shall neither have nor incur any liability to any Person for any act taken or omitted to be taken in connection with or related to the formulation, preparation, dissemination, implementation, administration, Confirmation or Consummation of the Plan, the Disclosure Statement or any contract, instrument, release or other agreement or document created or entered

into in connection with the Plan, or any other act taken or omitted to be taken in connection with, in contemplation of, during or in any way related to the Chapter 11 Cases.

**6. Committee**

The Plan provides that the Creditors' Committee shall be dissolved on the Effective Date. On such date, its members, professionals and agents shall be deemed released of their duties and obligations, and shall be without further duties or authority in connection with the Debtors, the Chapter 11 Cases, the Plan or its implementation.

**7. Binding Effect**

The Plan is binding upon and inures to the benefit of the Debtors, Reorganized Teligent, the Holders of Claims and Equity Interests, and their respective successors and assigns.

**8. Revocation or Withdrawal**

- a. **Right to Revoke.** The Plan provides that the Debtors reserve the right to revoke or withdraw the Plan prior to the Effective Date, with the Agent's consent.
- b. **Effect of Withdrawal or Revocation.** The Plan provides that if the Debtors revoke or withdraw the Plan prior to the Effective Date, or if the Effective Date does not occur, then the Plan shall be deemed null and void. In such event, nothing contained herein shall be deemed to constitute a waiver or release of any claims by or against the Debtors or any other Person or to prejudice in any manner the rights of the Debtors or any Person in any further proceedings involving the Debtors.

**IV. CONFIRMATION OF THE PLAN**

The Bankruptcy Court will confirm the Plan only if all of the requirements of section 1129 of the Bankruptcy Code are met. Among the requirements for confirmation are that the Plan (i) is accepted by all impaired classes of Claims entitled to vote or, if rejected by an impaired Class, that the Plan "does not discriminate unfairly" and is "fair and equitable" as to such Class.

**A. Acceptance of the Plan**

The Bankruptcy Code defines acceptance of a plan of reorganization by a class of creditors as acceptance by creditors holding two-thirds (2/3) in dollar amount and a majority in number of the claims in such class (other than any such creditor designated under section 1126(e) of the Bankruptcy Code), but for that purpose counts only those creditors that actually cast ballots. Holders of claims that fail to vote are not counted as either accepting or rejecting a plan.

## **B. No Unfair Discrimination/Fair and Equitable Test**

In the event that any impaired Class of Claims does not accept the Plan, the Bankruptcy Court may still confirm the Plan at the request of the Debtors if, as to each impaired Class of Claims which has not accepted the Plan, the Plan “does not discriminate unfairly” and is “fair and equitable.” Because the holders of General Unsecured Claims in Class 5 and the holders of Old Equity Interests in Class 6 are deemed to have rejected the Plan, the Bankruptcy Court may only confirm the Plan if the Plan “does not discriminate unfairly” and is “fair and equitable” with respect to Classes 5 and 6. The Debtors reserve the right to request that the Court determine that the Plan “does not discriminate unfairly” and is “fair and equitable” with respect to Class 1 and Class 3.

A chapter 11 plan does not discriminate unfairly, within the meaning of the Bankruptcy Code, if the legal rights of a dissenting class are treated in a manner consistent with the treatment of other classes whose legal rights are substantially similar to those of the dissenting class and if no class of claims or equity interests receives more than it legally is entitled to receive for its claims or equity interests.

Under the Bankruptcy Code, “fair and equitable” has different meanings for secured and unsecured claims. With respect to a secured claim, “fair and equitable” means (i) the impaired secured creditor retains its liens to the extent of its allowed claim and receives deferred cash payments at least equal in value to the allowed amount of its claim with a present value as of the effective date of the plan at least equal in value to such creditor’s interest in the Debtors’ interest in the property securing its claim, (ii) if property subject to the lien of the impaired secured creditor is sold free and clear of that lien, the lien attaches to the proceeds of the sale, and such lien proceeds are treated in accordance with clause (i) or (iii) of this paragraph, or (iii) the impaired secured creditor realizes the “indubitable equivalent” of its claim under the plan.

With respect to an unsecured claim, “fair and equitable” means either (i) each impaired unsecured creditor receives or retains property of a value, as of the effective date of the plan, equal to the amount of its allowed claim, or (ii) the holders of claims or interests that are junior to the claims or interests of the dissenting class will not receive or retain any property under the plan.

With respect to equity interests, “fair and equitable” means that each equity interest holder (a) will receive or retain property of a value, as of the effective date of the plan, equal to the greatest of (i) the allowed amount of any fixed liquidation preference to which such holder is entitled, (ii) any fixed redemption price to which such holder is entitled, or (iii) the value of such interest; or (b) the holder of any interest that is junior to the interests of such class will not receive or retain any property under the plan on account of such junior interest.

As to holders of General Unsecured Claims, the Plan provides that on the Effective Date, the Chapter 5 Causes of Action will be transferred to the Unsecured Claims Estate Representative with the Unsecured Claim Fund. Any proceeds from the Chapter 5 Causes of Action will be used first to reimburse Reorganized Teligent for the Unsecured Claim Fund. Any remaining proceeds will be distributed Pro Rata to holders of allowed Class 5 Claims. The

Debtors believe that the Plan “does not discriminate unfairly” and is “fair and equitable” with respect to Class 5 because all Holders of similar Claims are treated consistently and the Holders of claims and interests that are junior to the Class 5 Claims (i.e. Class 6 Holders of Equity Interests) will not receive or retain any property under the Plan.

As to holders of Equity Interests, the Plan provides that Holders shall not retain or receive any property under the Plan. All such Equity Interests will be canceled and extinguished. As to Holders of Allowed Equity Interests, although such Holders will not receive or retain any property under the Plan, there is no class junior to such Equity Interests which receives or retains any property under the Plan. Accordingly, the Debtors believe that the Plan “does not discriminate unfairly” with respect to Class 6 and is fair and equitable with respect to such Class.

### **C. The Best Interests Test**

The Bankruptcy Code provides that the Plan will not be confirmed, regardless of whether or not anyone objects to Confirmation, unless the Bankruptcy Court finds that the Plan is in the “best interests” of all Classes of Claims and Equity Interests which are impaired. The “best interests” test will be satisfied by a finding of the Bankruptcy Court that either (i) all holders of impaired Claims or Equity Interests have accepted the Plan, or (ii) the Plan will provide such a holder that has not accepted the Plan with a recovery at least equal in value to the recovery such holder would receive if the Debtors were liquidated under chapter 7 of the Bankruptcy Code.

The starting point in determining whether the Plan meets the “best interests” test is a determination of the amount of proceeds that would be generated from the liquidation of the Debtors’ remaining assets in the context of a chapter 7 liquidation. Such value must then be reduced by the costs of such liquidation, including costs incurred during the Chapter 11 Cases and allowed under chapter 7 of the Bankruptcy Code (such as professionals’ fees and expenses), a trustee’s fees, and the fees and expenses of professionals retained by a trustee. The potential chapter 7 liquidation distribution in respect of each Class must be further reduced by costs imposed by the delay caused by conversion to chapter 7. The net present value of a hypothetical chapter 7 liquidation distribution in respect of an impaired Class is then compared to the recovery in respect of such Class provided for in the Plan. For the reasons set forth herein, the Debtors submit that each impaired Class will receive under the Plan a recovery at least equal in value to the recovery such Class would receive pursuant to a liquidation of each Debtor under chapter 7 of the Bankruptcy Code. The Lenders have only agreed in the context of the Debtors’ efforts to seek to confirm a liquidating chapter 11 plan to make available to Holders of General Administrative Claims, Priority Claims and General Unsecured Claims the distribution set forth in the Plan. The Debtors have no reason to believe such distribution would be made available in a chapter 7 case.

### **D. Feasibility**

Section 1129(a)(11) of the Bankruptcy Code provides that a Chapter 11 plan may be confirmed only if the Bankruptcy Court finds that such plan is feasible. A feasible plan is one which will not lead to a need for further reorganization or liquidation of the debtor. Since the Plan provides for the Debtors to emerge as Reorganized Teligent, which will have adequate

capitalization and resources to operate, the Bankruptcy Court should find that the Plan is feasible if it determines that the Debtors will be able to satisfy the conditions precedent to the Effective Date and otherwise have sufficient funds to meet its post-Confirmation Date obligations to pay for the costs of administering and fully consummating the Plan and closing the Chapter 11 Cases. The Debtors believe that the Plan satisfies the feasibility requirement imposed by the Bankruptcy Code.

## **V. ALTERNATIVES TO THE PLAN**

The Plan reflects the negotiations held among the Debtors and their major constituents. The Debtors have determined that the Plan is the most practical means of providing for maximum recoveries to creditors. Alternatives to the Plan which have been considered and evaluated by the Debtors during the course of the Chapter 11 Cases include a liquidation of the Debtors' remaining assets under chapter 7 of the Bankruptcy Code. Thorough consideration of other alternatives to the Plan has led the Debtors to conclude that the Plan, in comparison, provides a greater recovery to creditors on a more expeditious timetable, and in a manner which minimizes certain inherent risks than in any other course of action available to the Debtors.

### **A. Liquidation Under Chapter 7**

If the Plan or any other Chapter 11 plan for the Debtors cannot be confirmed under section 1129(a) and (b) of the Bankruptcy Code, the Chapter 11 Cases may be converted to cases under chapter 7 of the Bankruptcy Code, in which case a trustee would be elected or appointed to liquidate any remaining assets of the Debtors for distribution to creditors pursuant to chapter 7 of the Bankruptcy Code. If a trustee is appointed and the remaining assets of the Debtors are liquidated under chapter 7 of the Bankruptcy Code, all creditors holding Claims will likely receive distributions of a lesser value on account of their Allowed Claims and would have to wait a longer period of time to receive such distributions than they would under the Plan.

### **B. Alternative Chapter 11 Plan**

If the Plan is not confirmed, the Debtors, or any other party in interest, may attempt to formulate an alternative chapter 11 plan which might provide for the liquidation of its remaining assets other than as provided by the Plan. However, since substantially all of the Debtors' assets have already been liquidated and converted to Cash and any such plan would have to provide for the distribution of the sale proceeds in accordance with the statutory priorities established by the Bankruptcy Code, the Debtors believe that any alternative plan will necessarily be substantially similar to the Plan. Any attempt to formulate an alternative plan would unnecessarily delay creditors' receipt of distributions and, due to the incurrence of additional administrative expenses during such period of delay, may provide for smaller distributions to holders of Claims than are currently provided for in the Plan. Accordingly, the Debtors believe that the Plan will enable all creditors to realize the greatest possible recovery on their respective Claims with the least delay.

### **C. Certain Risk Factors**

1. There can be no assurances that Holders of General Administrative Claims, Priority Tax Claims or Other Priority Claims will not object to the treatment afforded to such Holder pursuant to the Plan. If the Debtors are not able to resolve objections to the Plan, the Debtors may not be able to confirm the Plan. In the event that the Plan is not confirmed or the Chapter 11 Cases are converted to cases under chapter 7 of the Bankruptcy Code, the Debtors believe that such inaction or action, as the case may be, will cause the Debtors to incur substantial expenses and otherwise serve only to prolong unnecessarily the administration of the Debtors' assets and negatively affect creditors' recoveries on their Claims.

2. There can be no assurances as to the operational success of Reorganized Teligent. Such business will operate in a highly competitive and regulated environment. The value of the New Teligent Common Stock will be based on the operational success of Reorganized Teligent and therefore there can be no assurances as to the value of the New Teligent Common Stock.

3. There can be no assurances that the Debtors will receive all of the requisite federal, state and local regulatory approvals necessary to effectuate the transactions contemplated in the Plan. If there is any material delay in securing the necessary regulatory approvals, the Debtors may not be able to consummate the transactions, and will likely be required to convert their cases to chapter 7.

## **VI. VOTING PROCEDURES AND REQUIREMENTS**

This section of the Disclosure Statement applies to Holders of Claims in Class 4. If you received an Administrative Claim Consent Form or a Priority Claim Consent Form, please refer to the instructions in that document. In addition to using the self-addressed stamped envelope that was included with the Consent Form, you can also fax the document or respond via e-mail.

### **A. Ballots and Voting Deadline**

Each holder of a Claim in Class 4 has been sent a ballot together with this Disclosure Statement. The ballot is to be used for voting to accept or reject the Plan.

The Bankruptcy Court has directed that, to be counted for voting purposes, ballots for the acceptance or rejection of the Plan must be mailed or delivered by hand or courier so that they are ACTUALLY RECEIVED no later than 5:00 p.m. (Prevailing Eastern Time) on August 7, 2002, at the following address:

**IF BY MAIL:**

**Bankruptcy Management Corporation  
6096 Upland Terrace South  
Seattle, WA 98118  
Attn: Tauheed Williams**

**IF BY HAND DELIVERY OR  
OVERNIGHT COURIER:**

**Bankruptcy Management Corporation  
6096 Upland Terrace South  
Seattle, WA 98118  
Attn: Tauheed Williams**

**TO BE COUNTED, YOUR BALLOT MUST BE ACTUALLY RECEIVED  
BY 5:00 P.M. (PREVAILING EASTERN TIME) ON AUGUST 7, 2002.**

**B. Parties in Interest Entitled to Vote**

The Record Date for determining which holders of Class 4 Claims are entitled to vote on the Plan is June 25, 2002. A vote of any creditor may be disregarded if the Bankruptcy Court determines that such vote was not solicited or procured in good faith and in accordance with the Bankruptcy Code.

Each holder of an Allowed Claim in Class 4 shall be entitled to vote to accept or reject the Plan as provided for in the Disclosure Statement Approval Order.

Holders of Other Priority Claims in Class 1 are deemed to reject the Plan and, accordingly, are not entitled to vote on the Plan.

As Holders of Priority Convenience Claims in Class 2 are deemed unimpaired under the Plan, such Holders are deemed to accept the Plan and, accordingly, are not entitled to vote on the Plan.

Holders of Other Secured Claims in Class 3 are deemed to reject the Plan and, accordingly, are not entitled to vote on the Plan.

As Holders of General Unsecured Claims in Class 5 and Equity Interests in Class 6 are not entitled to receive any distribution under the Plan, such Holders are deemed to reject the Plan, accordingly, and not entitled to vote.

**IF YOU HAVE ANY QUESTIONS REGARDING THE PROCEDURES  
FOR VOTING ON THE PLAN, PLEASE CONTACT:**

Bankruptcy Management Corporation  
6096 Upland Terrace South  
Seattle, WA 98118  
Attn: Tauheed Williams

**VII. CERTAIN FEDERAL TAX CONSIDERATIONS**

The following is a summary of certain U.S. federal income tax consequences of the Plan to the Debtors and Holders. This summary is based on the Internal Revenue Code of 1986, as amended (the "Code"), Treasury Regulations thereunder, and administrative and judicial interpretations and practice, all as in effect on the date hereof and all of which are subject to change, with possible retroactive effect. Due to the lack of definitive judicial and administrative authority in a number of areas, substantial uncertainty may exist with respect to

some of the tax consequences described below. No opinion of counsel has been obtained, and the Debtors do not intend to seek a ruling from the Internal Revenue Service (the “IRS”) as to any of such tax consequences, and there can be no assurance that the IRS will not challenge one or more of the tax consequences of the Plan described below.

This summary does not apply to Holders that are not United States persons (as defined in the Code) or that are otherwise subject to special treatment under U.S. federal income tax law (including, for example, banks, governmental authorities or agencies, financial institutions, insurance companies, pass-through entities, tax-exempt organizations, brokers and dealers in securities, mutual funds, small business investment companies, and regulated investment companies). This summary does not purport to cover all aspects of U.S. federal income taxation that may apply to the Debtors and Holders based upon their particular circumstances. Additionally, this summary does not discuss any tax consequences that may arise under state, local, or foreign tax law.

**The following summary is not a substitute for careful tax planning and advice based on the particular circumstances of each Holder. All Holders are urged to consult their own tax advisors as to the U.S. federal income tax consequences, as well as any applicable state, local, and foreign consequences of the Plan.**

## **A. CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES TO HOLDERS**

### **1. Consequences to Holders of Prepetition Lender Secured Claims**

The Holders of Prepetition Lender Secured Claims should be treated as exchanging their Prepetition Lender Secured Claims for New Teligent Common Stock in a taxable exchange under Section 1001 of the Code. Accordingly, a Holder of Prepetition Lender Secured Claims should recognize gain or loss equal to the difference between (i) the fair market value of New Teligent Common Stock received therefor that is not allocable to accrued but untaxed interest and (ii) the Holder’s basis in the Prepetition Lender Secured Claims. Such gain or loss should be capital in nature and should be long-term capital gain or loss if the Prepetition Lender Secured Claims were held for more than one year. To the extent that a portion of the New Teligent Common Stock received in exchange for the Prepetition Lender Secured Claims is allocable to accrued but untaxed interest, the Holder may recognize ordinary income. See “Accrued But Untaxed Interest” below. A Holder’s tax basis in New Teligent Common Stock received should equal the fair market value of the New Teligent Common Stock as of the Effective Date. A Holder’s holding period for New Common Teligent Stock should begin on the day following the Effective Date.

### **2. Accrued But Untaxed Interest**

To the extent that any amount received by a Holder of Prepetition Lender Secured Claims under the Plan is attributable to accrued but untaxed interest, such amount should be taxable to the Holder as interest income if such accrued interest has not been previously included in the Holder’s gross income for U.S. federal income tax purposes. Conversely, a Holder of Prepetition Lender Secured Claims may be able to recognize a deductible loss (or, possibly, a write-off against a reserve for bad debts) for such purposes to the extent that any accrued interest



was previously included in the Holder's gross income but was not paid in full by the Debtors. The extent to which New Teligent Common Stock received by a Holder of Prepetition Lender Secured Claims will be attributable to accrued but untaxed interest is unclear. Treasury Regulations generally treat payments under a debt instrument first as a payment of accrued and unpaid interest and then as a payment of principal.

### **3. Consequences to Holders of General Unsecured Claims and Equity Interests**

Holders of General Unsecured Claims and/or Equity Interests of the Debtors should be allowed a worthless securities deduction in an amount equal to the Holder's adjusted basis in his or her General Unsecured Claims and/or Equity Interests of the Debtors. If the Holder held the General Unsecured Claims and/or Equity Interests of the Debtors as a capital asset, the loss will be treated as a loss from the sale or exchange of such capital asset.

## **B. CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES TO REORGANIZED DEBTOR**

### **1. Cancellation of Indebtedness and Reduction of Tax Attributes**

Subject to certain exceptions, a debtor generally recognizes an amount of cancellation of debt ("COD") income upon satisfaction of its outstanding indebtedness equal to the excess of (i) the adjusted issue price of the indebtedness satisfied over (ii) the sum of the issue price of any new indebtedness issued, the amount of cash paid, and the fair market value of any other consideration (including stock of the debtor) given in satisfaction of the indebtedness. As discussed below, there is a bankruptcy exception to the recognition of COD income which will apply to the Debtors in connection with the Plan.

A debtor is not required to include COD income in gross income if the debt discharge occurs in a Title 11 case. However, under the Tax Code the debtor must, as of the first day of the next taxable year, reduce its tax attributes (in general, first its net operating loss ("NOL") carryovers and then tax credits and capital loss carryovers, and then the tax basis of its assets) by the amount of COD income excluded from gross income by this exception. As an exception to the order of tax attribute reduction described above, a taxpayer can elect to reduce its tax basis in its depreciable assets first, then its NOL carryovers.

The Debtors estimate that under the Plan they will realize COD income attributable to satisfaction of certain of the Claims for less than their adjusted issue price. Because the COD income will be realized in a Title 11 case, the Debtors will not be required to include the COD income in taxable income, but will be required to reduce their NOL carryovers by the amount of the COD income.

### **2. Limitation of Net Operating Loss Carryovers and Other Tax Attributes**

Code Section 382 generally limits a corporation's use of its NOLs (and may limit a corporation's use of certain built-in losses if such built-in losses are recognized within a five-year period following an ownership change) if a corporation undergoes an "ownership change." This discussion describes the limitation determined under Code Section 382 in the case of an "ownership change" as the "Section 382 Limitation". The Section 382 Limitation on the use of

pre-change losses (the NOLs and built-in losses recognized within the five year post-ownership change period) in any “post change year” is generally equal to the product of the fair market value of the loss corporation’s outstanding stock immediately before the ownership change and the long term tax-exempt rate in effect for the month in which the ownership change occurs (5.01% for ownership changes occurring in May 2002). Code Section 383 applies a similar limitation to capital loss carryforward and tax credits. As discussed below, however, special rules may apply in the case of a corporation which experiences an ownership change as the result of a bankruptcy proceeding.

In general, an ownership change occurs when the percentage of the corporation’s stock owned by certain “5 percent shareholders” increases by more than 50 percentage points over the lowest percentage owned at any time during the applicable “testing period” (generally, the shorter of (a) the three-year period proceeding the testing date or (b) the period of time since the most recent ownership change of the corporation). A “5 percent shareholder” for these purposes includes, generally, an individual or entity that directly or indirectly owns 5 percent or more of a corporation’s stock during the relevant period, and may include one or more groups of shareholders that in the aggregate own less than 5 percent of the value of the corporation’s stock.

The issuance of New Teligent Common Stock pursuant to the Plan will cause an ownership change to occur with respect to the Debtors on the Effective Date. As a result, the Section 382 Limitation will apply to the utilization by the Debtors of its NOLs and built-in losses following the Effective Date. This limitation is independent of, and in addition to, the reduction of tax attributes described in the preceding section resulting from the exclusion of COD Income. Similarly, the ability of the Debtors to use any remaining capital loss carryforwards and tax credits will also be limited.

There are two provisions in Code Section 382 that mitigate its consequences in certain bankruptcy and insolvency transactions. Code Section 382(l)(5) provides that the general Code Section 382 limitation shall not apply where the old loss corporation is under the jurisdiction of the court in a title 11 (bankruptcy) case and the shareholders and certain creditors of the old loss corporation receive stock of the reorganized corporation which possesses at least 50% of the total voting power and 50% of the value of the reorganized corporation. However, if the reorganized corporation has an ownership change to which Code Section 382 applies within two years of reorganization, the 382 limitation will be zero.

Code Section 382(l)(6) applies to bankruptcy transactions to which Code Section 382(l)(5) does not apply or for which a debtor elects Code Section 382(l)(6) to apply. As noted above, the Section 382 Limitation is generally determined by reference to the fair market value of the loss corporation’s outstanding stock immediately before the ownership change. Code Section 382(l)(6) provides, however, that in the case of an ownership change resulting from a bankruptcy proceeding of a debtor, the value of a debtor’s stock for the purpose of computing the Section 382 Limitation will generally be calculated by reference to the net equity value of a debtor’s stock immediately after the ownership change. Accordingly, under this provision the Section 382 Limitation would generally reflect the increase in the value of a debtor’s stock resulting from the conversion of debt to equity in the proceeding.

**THE FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN ARE COMPLEX. THE FOREGOING SUMMARY DOES NOT DISCUSS ALL ASPECTS OF FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO A PARTICULAR HOLDER IN LIGHT OF SUCH HOLDER'S CIRCUMSTANCES AND INCOME TAX SITUATION. ALL HOLDERS SHOULD CONSULT WITH THEIR TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF THE PLAN, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL OR FOREIGN TAX LAWS, AND OF ANY CHANGE IN APPLICABLE TAX LAWS.**

### **VIII. CONCLUSION**

**THE DEBTORS AND THE AGENT FOR THE LENDERS RECOMMEND THAT HOLDERS OF CLAIMS IN CLASS 4 VOTE TO ACCEPT THE PLAN. THE DEBTORS REMIND SUCH HOLDERS THAT, TO BE COUNTED, EACH BALLOT, SIGNED AND MARKED TO INDICATE THE HOLDER'S VOTE, MUST BE ACTUALLY RECEIVED NO LATER THAN 5:00 P.M. (PREVAILING EASTERN TIME) ON AUGUST 7, 2002.**

Dated: July 10, 2002

Respectfully submitted,

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By: /s/ James V. Continenza

TELIGENT SERVICES, INC.

By: /s/ James V. Continenza

XANDU SHELL CORP. (f/k/a AMERICAN  
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By: /s/ James V. Continenza

ASSOCIATION COMMUNICATIONS, INC.

By: /s/ James V. Continenza

AUCTEL, INC.

By: /s/ James V. Continenza

BACKLINK, L.L.C.

By: /s/ James V. Continenza

WINSTON SHELL CORP. (f/k/a EASTON  
TELECOM SERVICES, INC.)

By: /s/ James V. Continenza

QUINCY SHELL CORP. (f/k/a EXECUTIVE  
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FIRSTMARK COMMUNICATIONS, INC.

By: /s/ James V. Continenza

SAWYER SHELL CORP. (f/k/a INFINET  
TELECOMMUNICATIONS, INC.)

By: /s/ James V. Continenza

JTEL, L.L.C.

By: /s/ James V. Continenza

KATLINK, L.L.C.

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OMC COMMUNICATIONS, INC

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QUADRANGLE INVESTMENTS, INC.

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By: /s/ James V. Continenza

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**EXHIBIT A**