SWIDLER BERLIN SHEREFF FRIEDMAN, LLP

3000 K STREET, NW, SUITE 300
WASHINGTON, DC 20007-5116
TELEPHONE (202)424-7500
FACSIMILE (202) 424-7647

NEW YORK OFFICE
919 THIRD AVENUE
NEW YORK, NY 10022

May 5, 1999

VIA OVERNIGHT MAIL

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

990560-TX

Re: Application of Metromedia Fiber Network Services, Inc. for Authority to Provide Alternative Local Exchange Service in Florida

Dear Ms. Bayo:

Enclosed for filing on behalf of Metromedia Fiber Network Services, Inc. ("MFNS") please find an original and six (6) copies of MFNS's application for authority to provide alternative local exchange service in Florida. Please find enclosed a check in the amount of $250.00 to cover the application filing fee.

Please date-stamp the enclosed extra copy of this filing and return in the self-addressed, stamped envelope provided. Should you have any questions concerning this filing, please do not hesitate to contact Kevin Minsky at (202) 945-6920.

Respectfully yours,

Kevin Minsky

Russell M. Blau
Kevin D. Minsky

Counsel for Metromedia Fiber Network Services, Inc.

Enclosures

cc: Dennis Codlin
Jim Urbelis

MAIL ROOM
99 MAY -6 PM 1:45

DOCUMENT NUMBER-DATE
05782 MAY-6 99

280830.1

SWIDLER BERLIN SHEREFF FRIEDMAN, LLP

3000 K STREET, NW, SUITE 300
WASHINGTON, DC 20007-5116
TELEPHONE (202) 424-7500
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VIA OVERNIGHT MAIL

DEPOSIT DATE
D133 MAY 06 1999

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Russell M. Blau
Kevin D. Minsky

Counsel for Metromedia Fiber Network Services, Inc.

Enclosures

cc: Dennis Codlin
Jim Urbelis

Check received with filing and
Initials of person who forwarded check:

280830.1

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Respectfully yours,

Kevin Minsky

Russell M. Blau

SWIDLER BERLIN SHEREFF FRIEDMAN, LLP
3000 K STREET, N.W., SUITE 300
WASHINGTON, DC 20007

FIRST UNION FIRST UNION NATIONAL BANK

15-122/540

0107479

NO. 107479

:*EXACTLY*******250*DOLLARS AND*00*CENTS

DATE	AMOUNT
04/30/99	$$$$$250.00

AY THE ORDER: FLORIDA PUBLIC SERVICE COMMISS

GENERAL ACCOUNT
TWO SIGNATURES REQUIRED ABOVE $10,000

2/9

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

DIVISION OF TELECOMMUNICATIONS
BUREAU OF CERTIFICATION AND SERVICE EVALUATION

APPLICATION FORM
for
AUTHORITY TO PROVIDE
ALTERNATIVE LOCAL EXCHANGE SERVICE
WITHIN THE STATE OF FLORIDA

Instructions

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

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

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

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

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

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

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

FORM PSC/CMU 8 (11/95)
Required by Commission Rule Nos. 25-24.805, 25-24.810, and 25-24.815

APPLICATION

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

   (√) **Original certificate** (new company).

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

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

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

2. Name of company:

   Metromedia Fiber Network Services, Inc. ("MFNS" or "Applicant")

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

   Metromedia Fiber Network Services, Inc.

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

   1 North Lexington Avenue

   White Plains, NY 10601

   Telephone: (914) 421-6700 Facsimile: (914) 421-6777

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

   MFNS currently plans to establish an office in Florida and will provide the requested information to the Commission when it has done so.

6. Structure of organization:

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

7. **If individual**, provide:

Name: **Not applicable.**

Title: ____________________

Address: ____________________

City/State/Zip: ____________________

Telephone No.: ____________________ **Fax No.:** ____________________

Internet E-Mail Address: ____________________

Internet Website Address: ____________________

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

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

   Not applicable.

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

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

   F99000002024 - See Exhibit 1.

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

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

   Not applicable.

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

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

Not applicable.

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

Name: **Not applicable.**

Title: ______

Address: ______

City/State/Zip: ______

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

Internet E-Mail Address: ______

Internet Website Address: ______

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

(a) **The Florida registration number:** **Not applicable.**

14. Provide **F.E.I. Number** (if applicable): **Not applicable.**

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

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

None of MFNS' officers, directors, or ten largest stockholders have previously been adjudged bankrupt, mentally incompetent, or found guilty of any felony or any crime nor are any such proceedings pending.

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

None.

16. Who will serve as liaison to the Commission with regard to the following?

(a) The application:

Name: Russell M. Blau, Esq. & Kevin D. Minsky, Esq.

Title: Counsel for the Applicant; Swidler Berlin Shereff Friedman, LLP

Address: 3000 K Street, N.W., Suite 300

City/State/Zip: Washington, D.C. 20007-5116

Telephone No.: (202)424-7500 Fax No.: (202) 424-7645

Internet E-Mail Address: rmblau@swidlaw.com and kdminsky@swidlaw.com

Internet Website Address: http://www.swidlaw.com

(b) Official point of contact for the ongoing operations of the company:

Name: Dennis E. Codlin

Title: Vice President of Legal Affairs and Assistant Secretary

Address: 1 North Lexington Avenue

City/State/Zip: White Plains, NY 10601

Telephone No.: (914) 421-6700 Fax No.: (914) 421-7688

Internet E-Mail Address: dcodlin@mmfn.com

Internet Website Address: http://www.mmfn.com

(c) Complaints/Inquiries from customers:

Name: Ron French

Title: Vice President - Product Development

Address: 1 North Lexington Avenue

City/State/Zip: White Plains, NY 10601

Telephone No.: (914) 421-6700 Fax No.: (914) 421-6777

Internet E-Mail Address: rfrench@mmfn.com

Internet Website Address: http://www.mmfn.com

17. List the states in which the applicant:

(a) has operated as an alternative local exchange company.

MFNS has not operated as an alternative local exchange company in any state.

(b) has applications pending to be certificated as an alternative local exchange company.

MFNS is in the process of seeking authorization to provide non-switched dedicated and private line, high capacity telecommunications services in Georgia.

(c) is certificated to operate as an alternative local exchange company.

MFNS is certificated to provide non-switched dedicated and private line, high capacity telecommunications services in California, Connecticut, the District of Columbia, Delaware, Illinois, Maryland, Massachusetts, New Jersey, New York, Oregon, Pennsylvania, Rhode Island, Virginia, and Washington.

(d) has been denied authority to operate as an alternative local exchange company and the circumstances involved.

MFNS has not been denied authority to operate in any state.

(e) has had regulatory penalties imposed for violations of telecommunications statutes and the circumstances involved.

No regulatory penalties have been imposed against the Applicant for violations of the telecommunications statutes in any state.

(f) has been involved in civil court proceedings with an interexchange carrier, local exchange company or other telecommunications entity, and the circumstances involved.

MFNS has not been involved in any civil court proceedings with any interexchange carrier, local exchange company, or other telecommunications entity.

18. Submit the following:

A. Financial capability. **See Exhibits 2 and 3.**

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

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

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

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

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

1. **written explanation** that the applicant has sufficient financial capability to provide the requested service in the geographic area proposed to be served. **See Exhibit 2.**

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

3. **written explanation** that the applicant has sufficient financial capability to meet its lease or ownership obligations. **See Exhibit 2.**

B. Managerial capability: give resumes of employees/officers of the company that would indicate sufficient managerial experiences of each. **See Exhibit 4.**

C. Technical capability: give resumes of employees/officers of the company that would indicate sufficient technical experiences or indicate what company has been contracted to conduct technical maintenance. **See Exhibit 4.**

** APPLICANT ACKNOWLEDGMENT STATEMENT **

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

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

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

4. **APPLICATION FEE:** I understand that a non-refundable application fee of $250.00 must be submitted with the application.

UTILITY OFFICIAL:

Signature: [signature] Date: 5/5/99

Title: Vice President Legal Affairs Telephone No.: 914-421-6708

Address: Metromedia Fiber Network Services, Inc. Fax No.: 914-421-7688

One North Lexington Ave

White Plains NY 10601

ATTACHMENTS:

A - CERTIFICATE SALE, TRANSFER, OR ASSIGNMENT STATEMENT
B - INTRASTATE NETWORK
C - AFFIDAVIT

APPENDICES

APPENDIX A	Certificate Sale, Transfer, or Assignment Statement
APPENDIX B	Intrastate Network
APPENDIX C	Affidavit

EXHIBITS

EXHIBIT 1	Certificate of Authority to Transact Business
EXHIBIT 2	Financial Qualifications
EXHIBIT 3	Guaranty
EXHIBIT 4	Managerial and Technical Capability
EXHIBIT 5	Illustrative Price List

** APPENDIX A **

CERTIFICATE SALE, TRANSFER, OR ASSIGNMENT STATEMENT

1. (Name) DENNIS E. CODLIN

(Title) VICE PRESIDENT, LEGAL AFFAIRS of (Name of Company)

and current holder of Florida Public Service Commission Certificate Number #__________

__________, have reviewed this application and join in the petitioner's request for a:

( ) sale *** Not applicable. MFNS is applying for original authority.**

( ) transfer

( ) assignment

of the above-mentioned certificate.

UTILITY OFFICIAL:

Dennis E. Codlin	5/5/99
Signature	Date
VICE PRESIDENT, LEGAL AFFAIRS	914-421-6708
Title	Telephone No.
Address: METROMEDIA FIBER NETWORK SERVICES, INC.	914-421-7688
	Fax No.

ONE NORTH LEXINGTON AVENUE

WHITE PLAINS NY 10601

FORM PSC/CMU 8 (11/95)
Required by Commission Rule Nos. 25-24.805, 25-24.810, and 25-24.815

**** APPENDIX B ****

INTRASTATE NETWORK (if available)

Chapter 25-24.825 (5), Florida Administrative Code, requires the company to make available to staff the alternative local exchange service areas only upon request.

1. **POP:** Addresses where located. and indicate if owned or leased.

1) **To be determined.** ______ 2) ______

______ ______

3) ______ 4) ______

______ ______

2. **SWITCHES:** Address where located, by type of switch, and indicate if owned or leased.

1) **Not applicable.** ______ 2) ______

______ ______

3) ______ 4) ______

______ ______

3. **TRANSMISSION FACILITIES:** POP-to-POP facilities by type of facilities (microwave, fiber, copper, satellite, etc.) and indicate if owned or leased.

POP-to-POP	OWNERSHIP
1) **MFNS will install a self-healing SONET ring architecture that will include as many as 432 fibers per route mile and support OC-192 transmission capacity.**	**MFNS**

** APPENDIX C **

AFFIDAVIT

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

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

UTILITY OFFICIAL:

Signature: Arnold E. [signature] | Date: 5/5/99

Title: VICE PRESIDENT, LEGAL AFFAIRS | Telephone No.: 914-421-6708

Address: METROMEDIA FIBER NETWORK SERVICES, INC. | Fax No.: 914-421-7688

ONE NORTH LEXINGTON AVE.
WHITE PLAINS, NY 10601

<u>EXHIBIT 1</u>

Certificate of Authority to Transact Business

FLORIDA DEPARTMENT OF STATE
Katherine Harris
Secretary of State

April 20, 1999

CSC

,

Qualification documents for METROMEDIA FIBER NETWORK SERVICES, INC. were filed on April 20, 1999 and assigned document number F99000002024. Please refer to this number whenever corresponding with this office.

Your corporation is now qualified and authorized to transact business in Florida as of the file date.

A corporation annual report will be due this office between January 1 and May 1 of the year following the calendar year of the file date. A Federal Employer Identification (FEI) number will be required before this report can be filed. If you do not already have an FEI number, please apply NOW with the Internal Revenue by calling 1-800-829-3676 and requesting form SS-4.

Please be aware if the corporate address changes, it is the responsibility of the corporation to notify this office.

Should you have any questions regarding this matter, please telephone (850) 487-6091, the Foreign Qualification/Tax Lien Section.

Michael Mays
Document Specialist
Division of Corporations

Letter Number: 899A00020389

Account number: 072100000032

Account charged: 70.00

APPLICATION BY FOREIGN CORPORATION FOR AUTHORIZATION TO TRANSACT BUSINESS IN FLORIDA

IN COMPLIANCE WITH SECTION 607.1503, FLORIDA STATUTES, THE FOLLOWING IS SUBMITTED TO REGISTER A FOREIGN CORPORATION TO TRANSACT BUSINESS IN THE STATE OF FLORIDA:

1. Metromedia Fiber Network Services, Inc.
(Name of corporation: must include the word "INCORPORATED", "COMPANY", "CORPORATION" or words or abbreviations of like import in language as will clearly indicate that it is a corporation instead of a natural person or partnership if not so contained in the name at present.)

2. Delaware
(State or country under the law of which it is incorporated)

3. 13-3982836
(FEI number, if applicable)

4. January 6, 1998
(Date of Incorporation)

5. Perpetual
(Duration: Year corp. will cease to exist or "perpetual")

6. Upon Qualification
(Date first transacted business in Florida. (SEE SECTIONS 607.1501, 607.1502, AND 817.155, F.S.)

7. 1 North Lexington Avenue, White Plains, New York 10601
(Current mailing address)

8. Provide Fiber Optic Telecommunications Services and Facilities
(Purpose(s) of corporation authorized in home state or country to be carried out in the state of Florida)

9. **Name and street address of Florida registered agent:** (P.O. Box or Mail Drop Box <u>NOT</u> acceptable)

Name: Corporation Service Company

Office Address: 1201 Hays Street

Tallahassee, Florida, 32301
(Zip Code)

10. **Registered agent's acceptance:**

Having been named as registered agent and to accept service of process for the above stated corporation at the place designated in this application, I hereby accept the appointment as registered agent and agree to act in this capacity. I further agree to comply with the provisions of all statutes relative to the proper and complete performance of my duties, and I am familiar with and accept the obligations of my position as registered agent.

Corporation Service Company
By: Cassandra Antonio
(Registered agent's signature)

11. Attached is a certificate of existence duly authenticated, not more than 90 days prior to delivery of this application to the Department of State, by the Secretary of State or other official having custody of corporate records in the jurisdiction under the law of which it is incorporated.

12. Names and addresses of officers and/or directors: (Street address **ONLY**- P. O. Box **NOT** acceptable)

A. DIRECTORS (Street address only- P. O . Box NOT acceptable)

Chairman: See attached officers/directors rider

Address: ____________________

Vice Chairman: ____________________

Address: ____________________

Director: ____________________

Address: ____________________

Director: ____________________

Address: ____________________

B. OFFICERS (Street address only- P. O. Box NOT acceptable)

President: See attached officers/directors rider

Address: ____________________

Vice President: ____________________

Address: ____________________

Secretary: ____________________

Address: ____________________

Treasurer: ____________________

Address: ____________________

NOTE: If necessary, you may attach an addendum to the application listing additional officers and/or directors.

13. Steve Joffe
(Signature of Chairman, Vice Chairman, or any officer listed in number 12 of the application)

14. Steven J. Joffe, Vice President
(Typed or printed name and capacity of person signing application)

METROMEDIA FIBER NETWORK SERVICES, INC.

DIRECTORS LIST

Stephen A. Garofalo
Howard M. Finkelstein

OFFICERS LIST

Business Address
c/o Metromedia Fiber Network Services, Inc.
One North Lexington Avenue
White Plains, NY 10601

***Business Address**
c/o Metromedia Fiber Network Services, Inc.
One Meadowlands Plaza
East Rutherford, NJ 07073

Name	Title
Stephen A. Garofalo	Chairman and Chief Executive Officer
Howard M. Finkelstein	President and Chief Operating Officer
Gerard Benedetto	Chief Financial Officer and Treasurer
Vincent A. Galluccio	Senior Vice President
Dennis E. Codlin	Vice President - Legal Affairs and Assistant Secretary
Steven J. Joffe	Vice President - Taxes
Jerry Marcus	Vice President – Business Development
Ron French	Vice President – Market Development
John S. Mahon	Vice President - System Engineering
John McLeod	Vice President - Marketing
Nicholas M. Tanzi	Vice President - Sales
Richard Romanski	Vice President - Engineering and Construction
James Urbelis	Vice President - Easements and Construction
Arnold L. Wadler	General Counsel and Secretary*

EXHIBIT 2

Financial Qualifications

MFNS is financially qualified to provide the resold and facilities-based non-switched dedicated and private line services for which it currently seeks authorization. In particular, MFNS, as a direct wholly-owned subsidiary of Metromedia Fiber Network, Inc. ("MFN"), has access to the financing and capital necessary to conduct its telecommunications operations as specified in this application. In support of this application, a copy of MFN's most recent SEC Form 10-K is attached hereto. During an initial transition period, MFNS will rely upon the sizeable financial assets of MFN to ensure that it has sufficient capital to maintain its operations. As MFNS' revenues increase through the acquisition of new customers, MFNS' revenues will supplant MFN's assistance. In further support of MFNS' application, MFNS has attached hereto as Exhibit 3 a Guaranty issued by its parent corporation, MFN, guaranteeing MFNS' financial obligations attendant to MFNS' operations as a telecommunications carrier in the State of Florida.

As shown on the attached financial statements hereto, MFN current assets total over $974 million which includes over $569 million in cash and cash equivalents. Moreover, for the year ended on December 31, 1998, MFN has revenues of over $36 million and net income of over $986,000. Thus, by replying on the financial resources of its parent, MFN, during the initial transition period, Applicant will have sufficient revenues for its proposed operations in Florida.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K
(MARK ONE)

/X/ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE FISCAL YEAR ENDED DECEMBER 31, 1998
OR

// **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)**

FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NUMBER 000-23269

METROMEDIA FIBER NETWORK, INC.

(Exact name of registrant, as specified in its charter)

DELAWARE	**11-3168327**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

C/O METROMEDIA FIBER NETWORK SERVICES, INC.
1 NORTH LEXINGTON AVENUE
WHITE PLAINS, NY 10601
(Address and zip code of principal executive offices)
(914) 421-6700
(Registrant's telephone number, include area code)

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:
None
SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT:
Class A Common Stock, par value $.01 per share

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

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

The aggregate market value of voting stock and non-voting common equity of the registrant held by nonaffiliates of the registrant was approximately $2,693,000,000 as of March 11, 1999 based on the last reported bid quotation on the Nasdaq National Market as of that date. For purposes of this calculation, the value of each share of Class B Common Stock of the registrant held by non-affiliates was determined based on the value of one share of Class A Common Stock as there is no established market for the Class B Common Stock and as each share of Class B Common Stock is convertible into one share of Class A Common Stock.

The number of shares of Class A Common Stock outstanding as of March 11, 1999 was 76,605,110. The number of shares of Class B Common Stock outstanding as of March 11, 1999 was 16,884,636.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Definitive Proxy Statement to be used in connection with the Registrant's 1999 Annual Meeting of Stockholders, to be held May 18, 1999, are incorporated by reference into Part III of this Annual Report on Form 10-K.

METROMEDIA FIBER NETWORK, INC. & SUBSIDIARIES
ANNUAL REPORT ON FORM 10-K
FOR THE YEAR ENDED DECEMBER 31, 1998
TABLE OF CONTENTS

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this Annual Report on Form 10-K (this "Form 10-K"), including statements under "Item 1. Business," "Item 3 Legal Proceedings" and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995 (collectively, the "Reform Act"). Certain, but not necessarily all, of such forward-looking statements can be identified by the use of forward-looking terminology such as "believes," "expects," "may," "will," "should," or "anticipates" or the negative thereof or other variations thereon or comparable terminology, or by discussions of strategy that involve risks and uncertainties. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Metromedia Fiber Network, Inc. and its subsidiaries (collectively, the "Company", "we" or "us") to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, but are not limited to, the following: general economic and business conditions; competition in the telecommunications industry; industry capacity; success of acquisitions and operating initiatives; management of growth; dependence on senior management; brand awareness; general risks of the telecommunications industries; development risk; risk relating to the availability of financing; the existence or absence of adverse publicity; changes in business strategy or development plan; availability, terms and deployment of capital; business abilities and judgment of personnel; availability of qualified personnel; labor and employee benefit costs; changes in, or failure to comply with, government regulations; construction schedules; the costs and other effects of legal and administrative proceedings; changes in methods of marketing and technology; changes in political, social and economic conditions and other factors referenced in this Form 10-K. The Company will not undertake and specifically declines any obligation to publicly release the results of any revisions which may be made to any forward-looking statement to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.

ITEM 1. BUSINESS

THE COMPANY

We are a facilities-based provider of technologically advanced, high-bandwidth, fiber optic communications infrastructure to carrier and corporate/government customers in the United States and Europe.

THE INTRACITY NETWORKS. We have installed local intracity networks that as of December 31, 1998, consisted of approximately 160,000 fiber miles (the number of strands of fiber in a length of fiber optic cable multiplied by the length of the cable in miles) covering approximately 400 route miles (the number of miles spanned by fiber optic cable calculated without counting more than once physically overlapping segments of cable) in four major metropolitan areas (New York, Philadelphia, Washington, D.C. and Chicago) that constitute key telecommunications markets among the 15 largest cities in the United States based on population. We currently operate a high bandwidth fiber optic communications network in the New York metropolitan area and the greater Philadelphia area and within the next two quarters will begin operating such networks in the Washington, D.C. metropolitan area.

We are currently planning to expand our existing local intracity networks in these metropolitan areas, which will bring our total infrastructure in these markets to approximately 357,000 fiber miles covering approximately 846 route miles. We have also begun engineering and constructing networks in the San Francisco and Boston metropolitan areas.

Within the next two years, we plan to complete an expansion into five additional markets: Los Angeles, Seattle, Dallas, Houston and Atlanta. We anticipate that our total intracity network infrastructure, as currently planned, will encompass ultimately approximately 810,000 fiber miles covering approximately 1,896 route miles. We are currently in the planning process for construction of those networks.

THE INTERCITY NETWORKS. In addition to intracity networks in these 11 major metropolitan areas, we are expanding the capacity of our intercity network between the New York and Washington, D.C. metropolitan areas to a total of approximately 180,000 fiber miles covering approximately 250 route miles. We have also obtained, through exchanges of fiber capacity or "fiber swaps" with other carriers and in certain instances, the payment of certain additional consideration, the right to use fiber optic strands linking New York-Chicago, Chicago-Seattle-Portland and New York-Boston. These intercity networks give us the ability to offer our customers capacity both within the 11 major metropolitan areas where we will operate networks within the United States and between many of these same markets.

TRANSATLANTIC CONNECTIVITY. We have entered into a 50/50 joint venture, called ION, with Racal Telecommunications, Inc., a United Kingdom manufacturer of electronics and other equipment and a provider of telecommunications services. Through this joint venture, we are able to offer our customers seamless broadband connectivity between our New York network and London.

THE EUROPEAN NETWORKS. We also plan to offer our customers an expanded presence in Europe through:

- a joint venture with Carrier 1 Holdings, Ltd. and Viatel, Inc. that will engineer and construct, in excess of, a 1,350 route-mile fiber optic telecommunications network in Germany connecting to 13 of its largest cities, including Hamburg, Berlin, Munich, Frankfurt and Dusseldorf, (of which, following completion of the German network, our joint venture with Carrier 1 and Viatel will dissolve and we will end up owning our own conduit of fiber infrastructure in Germany) and

- a fiber lease with Viatel under which we will receive the right to use approximately 3,880 fiber miles covering approximately 970 route miles of a broadband fiber optic network that will travel between Germany, France, The Netherlands and the United Kingdom.

GENERAL. We focus on leasing or otherwise making available for use our broadband communications infrastructure to two main customer groups: communications carriers and corporate/government customers located in selected top 15 cities in the United States based on population (or "Tier I" markets). Our target carrier customers include a broad range of communications companies such as:

- incumbent local exchange carriers,

- local exchange carriers competing with incumbent local exchange carriers in the local services market,

- long distance carriers,

- paging, cellular and PCS companies,

- cable companies, and
- vendors providing direct access to the Internet.

These carrier customers typically lease fiber optic capacity with which they develop their own communications networks as a low-cost alternative to building their own infrastructure or purchasing metered services from incumbent local exchange carriers or facilities-based competing carriers in the local services market. Our corporate and government customers typically lease fiber optic infrastructure and other broadband services on a point-to-point basis for high-bandwidth, secure voice and data networks. We believe that we are well-positioned to penetrate the corporate and government markets since we plan to continue to install most of our fiber in Tier I markets. Please refer to the section entitled "--Customers."

The fiber communications infrastructure leased to our customers provides high-bandwidth capacity for customers that seek to establish secure communications networks for the transmission of large amounts of voice, data and video. For example, a pair of our fiber optic strands can transmit up to 8.6 gigabits of data per second or the equivalent of approximately 129,000 simultaneous voice conversations.

We tailor the amounts of capacity leased to the needs of our customers. Certain customers that lease fiber optic capacity from us connect their own transmission equipment to the leased fiber, and therefore obtain a fixed-cost, secure telecommunications alternative to the metered communications services offered by traditional providers. Other customers that require lesser amounts of transmission capacity will have the option to lease a much smaller broadband capacity on our network, as we are able to divide a single strand of fiber into multiple smaller communications channels. We believe that we have installation, operating, and maintenance cost advantages per fiber mile relative to our competitors because we generally install our networks with 432 fibers and may install as many as 864 fibers as compared to a generally lower number of fibers in existing competitive networks.

Our intracity networks support a self-healing SONET (synchronous optical network, which is an electronics and network architecture for variable bandwith products which enables transmission of voice, data and video (multimedia) at very high speeds) architecture that minimizes the risk of downtime in the event of a fiber cut and provides our customers with high security and reliability. We install most of our fiber inside high density polyethylene conduit to protect the cable and, where practicable, we install additional unused conduits to accommodate future network expansion.

We benefit from the support of our controlling stockholder, Metromedia Company. On April 30, 1997, Metromedia Company and certain of its affiliates made a substantial equity investment in Metromedia Fiber Network. Metromedia Company and its partners own all of the outstanding shares of Class B Common Stock. The Class B Common Stock is entitled to 10 votes per share and to vote separately to elect at least 75% of the members of the Board of Directors. As a result, Metromedia Company and its partners own and control approximately 64% of the outstanding voting power (on a fully diluted basis) of Metromedia Fiber Network.

Metromedia Fiber Network was founded in 1993 and is a Delaware corporation.

Financial information about the Company may be found in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Item 8. Financial Statements and Supplementary Data" of this Form 10-K.

BUILD-OUT OF NETWORKS

We have concentrated on developing and constructing our networks. As we discuss in more detail below we have either obtained or are currently pursuing the acquisition of necessary licenses, franchises and rights-of-way to construct these networks. In constructing our fiber optic networks, we seek to create strategic alliances with the engineering and construction management firms that have been engaged to develop routes and easements and manage deployment plans. Firms with which we are allied in this regard have deployed local loop network infrastructure for regional Bell operating companies as well as for competing carriers in the local services markets. Though we anticipate outsourcing much of the actual construction to various construction firms, we maintain strict oversight of the design and implementation of our fiber optic communications networks. We utilize only commercially available advanced fiber. We have ordered a substantial portion of our fiber optic cable from Lucent Technologies, Inc. However, we believe that we could obtain advanced fiber from other suppliers on acceptable terms.

We intend to finance the build-out of our networks with the net proceeds we received from the November 25, 1998 issuance and sale of $650.0 million principal amount of 10% Senior Notes, additional cash on-hand and cash generated from the sale of capacity on our networks, including substantial up-front payments for certain long term leases and rights to use agreements, which are already under contract. Please see Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations-Liquidity and Capital Resources."

THE NEW YORK NETWORK. When complete, our intracity network in the New York/New Jersey metropolitan area as currently planned will be approximately 169,400 fiber miles covering approximately 440 route miles. As expanded, the entire New York/New Jersey network will create a SONET capable fiber ring focused in Manhattan and extending into each of the other four boroughs, as well as east to Brookhaven, Long Island, north to Stamford, Connecticut, and west to Northern and Central New Jersey.

THE PHILADELPHIA NETWORK. When complete, our network in the Philadelphia metropolitan area as currently planned will be approximately 29,000 fiber miles covering approximately 67 route miles. As completed, the entire Philadelphia network will create a SONET capable fiber ring throughout Center City Philadelphia as well as the surrounding areas of Bala-Cynwyd, Bryn Mawr, Radnor, Berwyn, Paoli, Malvern and King of Prussia.

THE WASHINGTON, D.C. NETWORK. When complete, our network in the Washington, D.C. metropolitan area as currently planned will be approximately 55,000 fiber miles covering approximately 127 route miles. As completed, the entire Washington network will create a SONET capable fiber ring throughout Washington, D.C. and will extend to vital government and business centers in Arlington, Fairfax, the Dulles airport area, Bethesda, Rockville, Silver Spring and other locations in northern Virginia and suburban Maryland.

THE CHICAGO NETWORK. When complete, our network in the Chicago metropolitan area as currently planned will be approximately 104,000 fiber miles covering approximately 212 route miles. As completed, the entire Chicago network will create a SONET capable fiber ring throughout Chicago and will extend to Oak Brook, Downers Grove, Franklin Park, Arlington Heights, Des Plaines, Rosemont, Schaumburg and O'Hare Airport.

THE OTHER INTRACITY NETWORKS. Subject to the receipt of the necessary franchises, licenses and rights-of-way, we plan to construct additional fiber optic communications networks in San Francisco, Boston, Los Angeles, Seattle, Dallas, Houston and Atlanta. Although we cannot assure you that we will obtain the necessary franchises, licenses and rights-of-way in these cities or that these franchises, licenses and rights-of-way will provide all of the rights needed to implement our strategy on acceptable terms, we are not aware of any reason why we will not be able to obtain such franchises, licenses and rights-of-way and we plan to construct our networks in these cities in a manner similar to our existing networks. Construction is underway in San Francisco and the Boston metropolitan areas. When complete, our network in the San Francisco metropolitan area as currently planned will be approximately 65,000 fiber miles covering approximately 150 route miles with a SONET capable fiber ring through San Francisco, Oakland and San Jose. When complete, our network in the Boston metropolitan area as currently planned will be approximately 32,000 fiber miles covering approximately 75 route miles with a SONET capable fiber ring through Boston, Cambridge, Burlington, Bedford, Lexington and Walthem. We are currently in the planning process for the construction of the other intracity networks. In January 1999, we entered into an agreement to acquire a provider of dark fiber that is constructing an intracity network in Dallas. This acquisition was completed on March 11, 1999.

THE INTERCITY NETWORKS. We are in the process of completing the construction of the first 432 cable for our intercity network between New York City and Washington, D.C. When we complete its construction, this intercity network will cover approximately 180,000 fiber miles over approximately 250 route miles. When completed, this network will extend from New York to Washington, D.C. and will pass through Philadelphia, Pennsylvania, Wilmington, Delaware, and Baltimore, Maryland. We have obtained all of the necessary rights-of-way for this network.

We have also obtained, through exchanges of fiber capacity or "fiber swaps" with other carriers and the payment of certain other consideration, the right to use fiber optic strands linking New York and Chicago, Chicago and Seattle, Seattle and Portland and New York and Boston. As a result of these transactions, we have obtained approximately 33,000 fiber miles covering approximately 4,474 route miles of broadband fiber optic capacity. We believe we have the ability to lease broadband capacity between our intracity networks that will enhance our ability to market our intracity networks to both our carrier and corporate customers. These intercity network agreements will give us the ability to offer our customers not only capacity within 11 major metropolitan areas within the United States but also seamless connectivity from coast to coast.

THE INTERNATIONAL NETWORKS. We have entered into a forty-year agreement with a subsidiary of Racal Telecommunications, Inc., a United Kingdom manufacturer of electronics and other equipment and a provider of telecommunications services, to create ION, a joint venture in which we hold a 50% equity interest. ION has obtained transatlantic fiber optic cable rights on Gemini and AC-1, which link our New York network to London, England. Through ION, we are able to offer our customers seamless broadband transatlantic communications services between New York and London. Under the ION joint venture agreement, each party may contribute additional capital as agreed by the parties. As of December 31, 1998, we had made capital contributions of approximately $4.3 million to ION. In May 1998, ION was awarded a 25 year contract providing for payments in excess of $25 million from a leading provider of undersea cable capacity to provide inland capacity services from such provider's undersea cable landing stations in the U.K. and the U.S.

We have entered into an agreement with Carrier 1 and Viatel to develop, jointly, the German network of approximately 64,800 fiber miles covering approximately 1,350 route miles. The German network will include 13 of Germany's largest cities such as Hamburg, Berlin, Munich, Frankfurt and Dusseldorf. We have also entered into an additional agreement to acquire fiber optic capacity from Viatel. Under this second agreement, we will receive the right to use approximately 3,880 fiber miles covering approximately 970 route miles on the European network that will travel between France, Germany, The Netherlands and the United Kingdom. We anticipate that both the German network and the European network will be high-capacity broadband networks capable of supporting high-quality voice, video, Internet protocol and data traffic and built using a self-healing SONET architecture. Following completion of the German network, our joint venture with Carrier 1 and Viatel would dissolve and we would end up owning our own conduit of fiber infrastructure in Germany. We believe that the German network will be completed in stages with the first segment available by the third quarter of 1999.

TECHNOLOGY

Our networks consist of fiber optic communications networks which allow for high speed, high quality transmission of voice, data and video. Fiber optic systems use laser-generated light to transmit voice, data and video in digital formats through ultra-thin strands of glass. Fiber optic systems are generally characterized by large circuit capacity, good sound quality, resistance to external signal interference and direct interface to digital switching equipment or digital microwave systems.

We plan to install backbone fiber optic cables containing up to 864 fiber optic strands, which have significantly greater bandwidth than traditional analog copper cables. Using current electronic transmitting devices, a single pair of glass fibers used by our network can transmit up to 8.6 gigabits of data per second or the equivalent of approximately 129,000 simultaneous voice conversations, which is substantially more than traditional analog copper cable installed in many current communications networks. We believe that continuing developments in compression technology and multiplexing equipment will increase the capacity of each fiber optic strand, thereby providing more bandwidth carrying capacity at relatively low incremental costs. Our network is capable of using the highest commercially available capacity transmission (OC192) and thereby can handle advanced, capacity-intensive data applications such as voice over Internet Protocol, video teleconferencing, Frame Relay, ATM, multimedia and Internet-related applications.

In our intracity networks, we offer end-to-end fiber optic capacity, capable of utilizing SONET ring architecture, which has the ability to route customer traffic in either direction around its ring design thereby assuring that fiber cuts do not interrupt service to customers on our networks. Our networks are also capable of supporting DWDM (dense wave division multiplexing). Currently, a state-of-the-art network operating system continuously monitors and maintains quality control of networks on a 24-hour basis, alerts us of any degradation or loss of fiber capacity and pinpoints the location of such degradation. This network operating system also enables us to repair or replace impaired fiber without any loss of service. In addition, the monitoring system automatically reroutes traffic in the event of a catastrophic break in the system, enabling us to ensure that our customers obtain continuous service.

FRANCHISE, LICENSE AND RELATED AGREEMENTS

When we decide to build a fiber optic communications network, our corporate development staff seeks to obtain the necessary rights-of-way and governmental authorizations. In some jurisdictions, a construction permit is all that is required. In other jurisdictions, a license agreement, permit or franchise is also required. Such licenses, permits and franchises are generally for a term of limited duration. Where possible, rights-of-way are leased under multi-year agreements with renewal options and are generally non-exclusive. We lease underground conduit and pole space and other rights-of-way from entities such as ILECs, utilities, railroads, IXCs, state highway authorities, local governments and transit authorities. We strive to obtain rights-of-way that afford us the opportunity to expand our communications networks as business develops. We currently have all rights-of-way and other authorizations necessary for our existing intra-city networks in the New York, Philadelphia, and Chicago metropolitan areas.

NEW YORK. We have entered into a 15-year nonexclusive franchise agreement with the City of New York to install, operate, repair, maintain, remove and replace cable, wire, fiber or other transmission media that may be used in lieu of cable, wire or fiber on, over and under the inalienable property of the City of New York in order to provide telecommunications services which originate and/or terminate in or transit the City of New York. This agreement expires in December 2008 and provides that we may submit a written petition to the City of New

York to renew the term of the franchise at least 12 months (but not more than 18 months) before the expiration of the 15-year term. However, the City of New York has no obligation to renew this agreement. We believe that the City of New York has granted approximately 11 franchises to date. However, we are not aware of any limit on the number of franchises that the City of New York may grant and believe that the City of New York has begun the process that will result in the awarding of additional licenses.

This agreement requires us to provide the City of New York with certain telecommunications infrastructure and, by November 1999, to complete construction of our initial network as described in the agreement. We believe that we are on schedule to complete such construction by November 1999. On December 21, 1998, this agreement was amended to extend the period of time to June 30, 2001 to complete construction of the initial backbone to the borough of Staten Island.

Both the City of New York and we have the right, at any one time after December 20, 2000, upon six months notice, to renegotiate in good faith certain terms of this agreement, including the annual compensation payable to the City of New York, based on changes in technological, regulatory or market conditions which may occur after the effective date of the agreement. If we cannot reach an agreement upon any such renegotiations, the agreement will be subject to early termination on a date, which would be one half of the number of days between the date of the notice to renegotiate and January 1, 2009.

Under the agreement, we are obligated to pay the City of New York an annual franchise fee at a rate of 5% of gross revenues for each year of the franchise. All revenues received directly or indirectly by us or any of our affiliates from or in connection with telecommunications services which originate in, terminate in or transit the City of New York constitute "gross revenues" for purposes of the agreement. Revenues that are generated from transmissions, which transit the City of New York, but also include transmission through other areas, are to be prorated. We are obligated to pay a minimum franchise fee to the City of New York of $200,000 per year.

The agreement requires that we obtain the consent of the City of New York for any acquisition of 5% or more of the shares of the Company by any person other than Mr. Stephen A. Garofalo, Metromedia Company, Mr. Howard M. Finkelstein, Mr. Peter Sahagen or any other 5% stockholder on the date of the consummation of our initial public offering.

We entered into a nonexclusive conduit occupancy agreement with Bell Atlantic Corporation in May 1993. This agreement authorizes us to install our cable facilities in Bell Atlantic's conduit system throughout the State of New York. We are required to pay Bell Atlantic certain rates and charges pursuant to the terms of this agreement. This conduit occupancy agreement is terminable without cause by either party upon three months' written notice. Under certain circumstances, a petition may be brought to the Public Services Commission requesting that it decide a dispute arising over termination prior to the termination of this conduit occupancy agreement.

On June 16, 1998, we entered into a nonexclusive franchise agreement with the City of White Plains, New York, that grants us the necessary rights for our expanded New York/New Jersey network in the White Plains area. Under this agreement, we are obligated to pay the City of White Plains an annual franchise fee at the rate of 5% of gross revenues generated from the network within the White Plains area for fifteen years, renewable once. We do not anticipate that this fee will result in a material cost to us. Upon termination of this agreement, ownership of the telecommunications network in the White Plains area will revert to the City of White Plains at fair market value.

PHILADELPHIA. We have obtained all necessary rights-of-way and authorizations for the Philadelphia network in the Philadelphia metropolitan area under an ordinance from the City of Philadelphia. The ordinance allows us, subject to certain conditions to be set forth under a license agreement being currently negotiated with the City of Philadelphia, to construct, maintain and operate, replace and remove a telecommunications system in, under and across the public rights-of-way and city streets and/or to place such telecommunications system within the existing facilities owned by Bell Atlantic, PECO Energy Company, Southeastern Pennsylvania Transportation Authority, Consolidated Rail Corporation or any other entity holding a grant by way of ordinances from the City of Philadelphia within the Philadelphia metropolitan area.

CHICAGO. In Chicago, we have also obtained the required franchises, licenses, permits and other agreements needed to complete our Chicago network. In addition, we have entered into agreements with various entities, which provide us with infrastructure of approximately 4,300 fiber miles along approximately 40 route miles on key routes within our Chicago market, in addition to the necessary easements and rights-of-way for the Chicago network.

WASHINGTON D.C. In Washington, D.C., we have obtained rights-of-way and authorizations for the Washington network in the District of Columbia under a Certificate of Public Convenience and are in the process of obtaining all necessary permits for the network in the downtown area. We do not anticipate any difficulty in obtaining such permits. We are currently negotiating the necessary franchise agreements with certain municipalities that make up part of the expanded Washington network.

We are currently pursuing our efforts to obtain all rights-of-way and authorizations for the build-out of our networks in Los Angeles, San Francisco, Boston, Seattle, Dallas, Houston and Atlanta. We have recently signed a conduit agreement within the Bay Area Rapid Transit and SAMTRANS right-of-ways for portions of the network in the San Francisco area, and have obtained the necessary permits for our intracity network in the downtown San Francisco area. In January 1999, we entered into an agreement to acquire a provider of dark fiber that is constructing an intracity network in Dallas. This acquisition was completed on March 11, 1999.

SALES AND MARKETING

Our sales and marketing strategy includes:

o positioning ourselves as the preferred carriers' carrier of broadband communications infrastructure,

o focusing on high dollar volume corporate and government customers, and

o emphasizing the cost advantages which will allow us to lease our fiber optic infrastructure at fixed prices which represent potentially significant savings for our large volume carrier and corporate customers relative to their present build or buy alternatives.

We also believe that communications carriers and corporate and government customers will be attracted to our dark fiber product and our unmetered pricing structure. Dark fiber is installed fiber optic cable which is not otherwise carrying a signal originated by the service provider (i.e., Metromedia Fiber Network), but which will carry a signal generated by the customer. We intend initially to centralize our sales and marketing efforts on carrier customers through a national sales team and we are currently in the process of hiring additional sales professionals to focus on these customers. As we have constructed fiber optic networks in new cities, we have hired sales forces in these areas to target regional corporate, government and, to a lesser extent, carrier customers and we plan to continue this strategy.

CUSTOMERS

CARRIERS. We expect that communications carriers will account for a majority of our business, in the near term. We currently target the major carriers, such as resellers, data services, regional Bell operating companies, long distance carriers, competing local exchange carriers, vendors providing direct access to the Internet, wireless providers, and major information service providers. We believe that we can compete effectively with other providers due to our rapid deployment, pricing, reliability, customer service and the capacity of our networks. We traditionally lease dark fiber to communications carriers, providing them with point-to-point and long distance carriers point of presence to end user non-switched access, which connects their customers to our network. This enables them to eliminate or reduce costly access charges.

We have entered into contracts with approximately 19 communications carriers, including providers of wireless, cellular, Internet, interexchange and competitive local exchange services, as of January 1, 1999. In addition, we are currently in the process of negotiating agreements with certain other major communications carriers and will continue to target such carriers in the future.

NEXTLINK AGREEMENTS. In June 1997 and February 1998, we entered into two major agreements with NextLink New York, L.L.C. ("NextLink") a competitive local exchange carrier, which provide NextLink with certain exclusive long-term rights to certain fiber strands and innerducts on specified intracity routes.

Pursuant to the agreements, we received $11.0 million in scheduled up-front payments with respect to one agreement and will receive an additional $92.0 million in additional payments from NextLink with respect to the second agreement. Of the $92.0 million, $11.75 million was paid up-front and $80.25 million has been placed in escrow and will be released to us periodically as delivery of the fibers and innerducts are completed during 1999 in accordance with the agreement.

We have also entered into an agreement with NextLink Illinois, Inc. which provides for the sharing of certain construction costs in connection with the build-out of our Chicago network.

WINSTAR AGREEMENTS. We are a party to agreements with WinStar Communications, Inc., a national competitive local exchange carrier, for long term leases of high-capacity fiber optic infrastructure on our intracity networks in the New York, Washington, D.C., Philadelphia, Chicago and San Francisco areas and on our intercity network from New York to Washington, D.C. Pursuant to the agreements, we will receive in excess of $40.0 million in payments from WinStar.

CORPORATE/GOVERNMENT CUSTOMERS. We expect that our corporate and government customers, including members of the international financial and commercial community, will primarily be entities with multiple locations and high volume communications requirements. We expect to provide these customers with dedicated point-to-point communications that have the capacity to carry a wide range of communications services (e.g., high speed intranet access). We offer our high-bandwidth services to such customers at prices that are lower than those currently offered by regulated competitive local exchange carriers and incumbent local exchange carriers. However, our customers currently provide their own transmission or switching equipment.

We believe that we can effectively compete for corporate and government customers based upon price, nonmetered usage, reliability and solutions tailored to the customers' needs. In addition, our New York/New Jersey and Philadelphia networks utilize, and the other intracity networks will permit use of, SONET technology, which offers reliability that we believe is generally superior to that provided by the incumbent local exchange carriers. We currently have dark fiber infrastructure leasing arrangements with a variety of financial services firms, including investment and commercial banks, securities and accounting firms and a financial exchange, although we have not yet completed installation of the dark fiber to be leased pursuant to certain of the contracts.

COMPETITION

Fiber optic systems are currently under construction both locally and nationally. In New York City, for example, we believe that approximately 11 franchisees have been granted the right to install and operate a telecommunications network within the city. Development of fiber optic networks is also continuing on a national scale. The construction of these networks enables their owners to lease access to their networks to other communications carriers or large corporate or government customers seeking high bandwidth capacity, without these customers having to incur costly expenditures associated with building networks of their own. Alternatively, some network owners may choose to use their infrastructure to provide switched voice and data services, competing directly with incumbent local exchange carriers and long distance carriers. Currently, we do not provide such services or plan to provide such services.

In New York City, Philadelphia, Washington, D.C., and the other cities where we plan to deploy fiber optic communications networks, we face significant competition from the incumbent local exchange carriers, which currently dominate their local communications markets. We also face competition from competitive local exchange carriers and other potential competitors in these markets and will face competition in the cities in which we plan to build our networks. Many of our competitors have financial, management and other resources substantially greater than ours, as well as other competitive advantages over us, including established reputations in the communications market.

Various communications carriers already own fiber optic cables as part of their communications networks. Accordingly, each of these carriers could, and some do, compete directly with us in the market for leasing fiber capacity. In addition, although competitive local exchange carriers generally provide a wider array of services to their customers than we presently provide to our customers, competitive local exchange carriers nevertheless represent an alternative means by which our potential customers could obtain direct access to a long distance carrier point of presence or other site of the customer's choosing. Thus, competitive local exchange carriers could compete with us.

Some communications carriers and local cable companies have extensive networks in place that could be upgraded to fiber optic cable, as well as numerous personnel and substantial resources to undertake the requisite construction to so equip their networks. To the extent that communications carriers and local cable companies decide to equip their networks with fiber optic cable, they are potential direct competitors provided that these competitors are willing to offer this capacity to all of their customers.

We believe that as competition in the local exchange market develops, a fundamental division between the needs of corporate, governmental and institutional end users and residential end users will drive the creation of differentiated communications services and service providers. We believe that the competitive local exchange carriers, long distance carriers, vendors providing direct access to the Internet, wireless carriers and corporate and government customers on which we focus will have distinct requirements, including maximum reliability, consistent high quality transmissions, capacity for highspeed data transmissions, diverse routing and responsive customer service. We believe that we will be able to continue to satisfy the needs of such customers.

REGULATION

As explained in the section entitled "Business--The Company," we plan to offer telecommunications infrastructure to customers in two forms. First, customers may lease fiber optic capacity from us and attach their own transmission equipment (we call this "dark fiber"). Second, customers will have the option to lease smaller amounts of broadband capacity (less than a full strand of fiber) of facilities where we operate our own transmission equipment (we call this "transmission services"). These two offerings are subject to varying degrees of regulation in each of the jurisdictions in which we operate. In the United States, some aspects of our services are regulated by the Federal Communications Commission and various State regulatory bodies. In other countries where we operate we may also be subject to regulations by the agencies having jurisdiction over the provision of telecommunications services.

FEDERAL

In the United States, federal telecommunications law directly shapes the market in which we compete. Telecommunications facilities and services are subject to varying degrees of regulation by the Federal Communications Commission pursuant to the provisions of the Communications Act of 1934, as amended by the Telecommunications Act of 1996 and the Federal Communications Commission regulations issued under these laws.

Federal telecommunications law imposes special legal requirements on "common carriers" who engage in "interstate or foreign communication by wire or radio," and on "telecommunications carriers." Telecommunications carriers and common carriers are essentially the same, and are companies that provide communications services "directly to the public" or to all potential users on an indiscriminate basis subject to standardized rates, terms, and conditions.

DARK FIBER. We believe that we are not a "telecommunications carrier" or "common carrier" with respect to our leasing of dark fiber, and therefore that these leases are not subject to special legal requirements applicable to such carriers. First, we do not believe that the leasing of dark fiber is a "telecommunications service" that is subject to Federal Communications Commission regulation. The Federal Communications Commission generally regulates "communication by wire or radio" or the "transmission" of "information of the users' choosing," neither of which describes the leasing of dark fiber. Second, we do not intend to offer dark fiber facilities as a common carrier, I.E., to all potential users on an indiscriminate basis. Instead, we intend to enter into individualized negotiations on a selective basis with prospective lessees of our dark fiber to determine whether and on what terms to serve each potential lessee. Our dark fiber offerings should therefore not be subject to the common carrier jurisdiction of the Federal Communications Commission or to the common carrier provisions of the Communications Act of 1934.

If our offering of dark fiber facilities were deemed to constitute "telecommunications," then our revenues from such leases to end users (but not to other telecommunication carriers), whether or not provided on a common carrier basis, would become subject to assessment for the Federal Communications Commission's Universal Service Fund, a fund that was established by the Federal Communications Commission pursuant to the Telecommunications Act of 1996 to assist in ensuring the universal availability of basic telecommunications services at affordable prices. Such assessments could create a liability equal to a percentage of these gross revenues. We anticipate that the rate of assessment would be approximately 4% of gross interstate and 1% of gross intrastate end-user revenues for the year 1999, and may be higher in subsequent years. We may also be liable for assessments by state commissions for state universal service programs.

TRANSMISSION SERVICES. With respect to our offering of telecommunications transmission services, we will likely offer some of these services as a common carrier (I.E., we will offer such transmission services to all potential users indiscriminately) and, therefore, will be subject to the regulatory requirements applicable to these carriers. For example, we will be required, with respect to our transmission services, to (1) provide such services indiscriminately upon any reasonable request; (2) charge rates and adopt practices, classifications and regulations that are just and reasonable; and (3) avoid unreasonable discrimination in charges, practices, regulations, facilities and services. We may also be required to file tariffs setting forth the rates for our services. Under current Federal Communications Commission policies, these regulatory requirements should not impose any substantial burdens on us. The Federal Communications Commission has recently determined, for example, that providers of "access" services (intracity transmission services used to originate and/or terminate interstate and foreign communications) need not file tariffs and may offer such services to customers on a private, contractual basis. Our revenues from transmission services will also be subject to Federal Communications Commission Universal Service Fund assessments as discussed above, to the extent that these services are purchased by end users and to other Federal Communications Commission fees and assessments. Since the revenues of our competitors will be subject to comparable assessments, this should not reduce our competitiveness.

Also, having some of our services regulated as a "telecommunications carrier" will give us certain legal benefits. In particular, we will be entitled, like other competing local exchange carriers, to insist upon access to the existing telecommunications infrastructure by interconnecting our fiber-optic networks with incumbent local exchange carrier central offices and other facilities. Under the Telecommunications Act of 1996, incumbent local exchange carriers must, among other things: (i) interconnect at any technically feasible point and provide service equal in quality to that provided to others, (ii) provide unbundled access to network elements, and (iii) provide access to their poles, ducts, conduits and other rights-of-way.

Incumbent local exchange carriers must also provide "physical collocation" for other telecommunications carriers. Physical collocation is an offering by an incumbent local exchange carrier that enables another telecommunications carrier to enter the incumbent local exchange carrier's premises to install, maintain and repair its own equipment that is necessary for interconnection or access to the incumbent local exchange carrier's network elements. An incumbent local exchange carrier allocates reasonable amounts of space to carriers on a first-come, first-served basis. If space limitations or practical or technical reasons prohibit physical collocation, an incumbent local exchange carrier must offer "virtual collocation," by which the other carrier may specify incumbent local exchange carrier's equipment to be dedicated to its use and electronically monitor and control communications terminating in such equipment. We intend, in some instances, to collocate portions of our network on the premises of certain incumbent local exchange carriers. Our ability to do this on a cost-effective basis will depend on the rates, terms and conditions established for collocation, which will be established by state regulators in arbitration proceedings and therefore may vary from one state to the next.

The Federal Communications Commission has responsibility under the interconnection provisions of the Telecommunications Act of 1996 to determine what elements of an incumbent local exchange carrier's network must be provided to competitors on an unbundled basis. The Federal Communications Commission has decided not to declare dark fiber an unbundled network element under these provisions, but has announced that state commissions may decide to add network elements to the Federal Communications Commission's list of elements that incumbent carriers are required to unbundle. To date, state commissions in several states (including New York) have either refused to require the incumbent local exchange carriers to offer dark fiber to competitors or have stated that the issue would be addressed at a later time. On the other hand, other state commissions have found dark fiber to be a network element and required the incumbent local exchange carriers to offer it on an unbundled basis to competitive local exchange carriers. This decision is currently subject to petitions for reconsideration before the Federal Communications Commission. In addition, a federal district court in North Carolina has interpreted the Telecommunications Act of 1996 to include dark fiber as a network element.

However, the U.S. Supreme Court recently directed the Federal Communications Commission to change its rules defining unbundled network elements, because the existing rules fail to recognize statutory limits to the incumbent carriers' unbundling obligation. The decisions described above may have to be reconsidered once the FCC completes this review of its rules. Although we cannot predict the specific results of future federal and state regulatory proceedings, it is likely that the Supreme Court will result in a narrowing, rather than an expansion, of the available unbundled network elements. This development should be beneficial to us, because unbundling of incumbent carriers' dark fiber as a network element could reduce the demand for our dark fiber capacity.

Incumbent local exchange carriers, competing local exchange carriers and long distance carriers are subject to additional federal telecommunications laws. These laws may affect our business by virtue of the interrelationships that exist among us and many of these regulated telecommunications entities. For example, the Federal Communications Commission recently issued an order requiring, among other things, that access charges (fees charged by incumbent local exchange carriers to long distance carriers for use of local telephone facilities for the origination and termination of long-distance calls) shift in part from being usage driven to a fixed flat cost-based structure. The Federal Communications Commission has also asked for public comments on proposed rules that would grant incumbent local exchange carriers greater pricing flexibility for their access services (both switched and non-switched), which may permit the incumbent local exchange carriers to compete more effectively against some of our service offerings. While it is not possible to predict the precise effect the access charge changes will have on our business or financial condition, the reforms will reduce access charges paid by long distance carriers, likely making the use of incumbent local exchange carriers facilities by long distance providers/interexchange carriers more attractive, which could have a material adverse effect on the use of our fiber optic telecommunications networks by long distance carriers.

STATE

The Telecommunications Act of 1996 prohibits state and local governments from enforcing any law, rule or legal requirement that prohibits or has the effect of prohibiting any person from providing any interstate or intrastate telecommunications service. This provision of the Telecommunications Act of 1996 should enable us and our customers to provide telecommunications services in states that previously prohibited competitive entry.

However, states retain jurisdiction under the Telecommunications Act of 1996 to adopt regulations necessary to preserve universal service, protect public safety and welfare, ensure the continued quality of communications services and safeguard the rights of consumers.

States continue to determine the rates that incumbent local exchange carriers can charge for most of their services. They are also responsible for mediating and arbitrating incumbent local exchange carriers' interconnection arrangements with other carriers if voluntary agreements are not reached. Accordingly, state involvement in local telecommunications services is substantial.

Each state (and the District of Columbia, which is treated as a state for the purpose of regulation of telecommunications services) has its own statutory scheme for regulating providers of certain telecommunications-related services as "common carriers," as "public utilities," or under similar rubrics. As with the federal regulatory scheme, we believe that the offering of dark fiber facilities is not subject to this type of regulation in most jurisdictions, in which we currently have or plan to construct facilities. Our offering of transmission services (as distinct from dark fiber capacity), however, will likely be subject to regulation in each of these jurisdictions to the extent that these services are offered for intrastate use. Even though many of our facilities will be physically intrastate, we anticipate that most customers will use our facilities and services for the purpose of originating and/or terminating interstate and foreign communications. Under current Federal

Communications Commission policies, any dedicated transmission service or facility that is used more than 10% of the time for the purpose of interstate or foreign communication is subject to Federal Communications Commission jurisdiction to the exclusion of any state regulation. Therefore, only a small portion of our business should be subject to state regulation.

State regulation of the telecommunications industry is changing rapidly, and the regulatory environment varies substantially from state to state. Our subsidiaries are currently authorized to provide intrastate telecommunications services in California, Connecticut, Delaware, District of Columbia, Illinois, Maryland, Massachusetts, New Jersey, New York, Pennsylvania, Rhode Island, Virginia, and Washington, and have an application pending in Oregon. At present, we do not anticipate that the regulatory requirements to which we will be subject in the states in which we currently intend to operate will have any material adverse effect on our operations. These regulations may require, among other things, that we obtain certification to operate, and that we provide notification of, or obtain authorization for, certain corporate transactions. We will incur certain costs to comply with these and other regulatory requirements such as the filing of tariffs, submission of periodic financial and operational reports to regulators, and payment of regulatory fees and assessments, including contributions to state universal service programs. In some jurisdictions, our pricing flexibility for intrastate services may be limited because of regulation, although our direct competitors will be subject to similar restrictions. However, we make no assurances that future regulatory, judicial, or legislative action will not materially adversely affect us.

As a result of the Telecommunications Act of 1996, Bell Atlantic "unbundled" its local loop in October 1996. This enables carriers such as us to gain access to Bell Atlantic's existing wiring infrastructure in buildings on an economical basis, which we believe enhances the strategic value of the New York/New Jersey network to potential customers. By virtue of the unbundling, Bell Atlantic must make a significant portion of its in-house apartment wiring available for $2 per month per apartment. We expect that the availability of an unbundled local loop will enable new carriers to enter the residential voice market on a competitive basis with Bell Atlantic, and these carriers will be potential customers for our services.

LOCAL

In addition to federal and state laws, local governments exercise legal authority that may impact our business. For example, local governments, such as the City of New York, typically retain the ability to license public rights-of-way, subject to the limitation that local governments may not prohibit persons from providing telecommunications services. Local authorities affect the timing and costs associated with our use of public rights-of-way. These regulations may have an adverse effect on our business.

FEDERAL REGULATION OF INTERNATIONAL SERVICE

Various regulatory requirements and limitations also will influence our business as it attempts to enter international markets. Although we have not fully determined our specific international business strategy, we have entered into a 50/50 joint venture, ION, with a subsidiary of Racal Telecommunications that contemplates jointly acquiring and selling international, facilities-based telecommunications capacity between the U.S. and the United Kingdom and possibly between the U.S. and other markets. ION is an U.S. international common carrier subject to U.S. regulation under Title II of the Communications Act of 1934, and we have also applied to become an U.S. international common carrier subject to the same regulations. Under current Federal Communications Commission rules, international carriers that do not exercise market power and that are not affiliated with dominant foreign carriers (carriers possessing market power in their local markets) are subject to relatively relaxed U.S. regulation as non-dominant international carriers. As such a non-dominant common carrier, ION is and we will be subject to, among other policies, the common carrier obligations of nondiscrimination. In addition, Federal Communications Commission rules prohibit U.S. carriers from bargaining for special concessions from certain foreign partners. ION is and we will be required, under Sections 214 and 203 of the Communications Act of 1934 to obtain authorization and file an international service tariff containing rates, terms and conditions prior to initiating service. As a non-dominant carrier, ION has received and we have applied for "global" authorization under Section 214 to operate as facilities-based and/or resale carriers. International carriers are also subject to certain annual fees and filing requirements, such as the requirement to file contracts with other carriers, including foreign carrier agreements, and reports setting forth international circuit, traffic and revenue data. Failure to obtain an appropriate U.S. license for international service or the revocation of a license could materially adversely affect our future operations.

To the extent that we and ION operate as international common carriers, we and ION may also be required to comply with the Federal Communications Commission's International Settlement Policy which defines the permissible boundaries for U.S. carriers and their foreign correspondents to settle the cost of terminating each other's traffic over their respective networks. The International Settlement Policy is designed to eliminate a foreign carrier's opportunity to discriminate among different U.S. carriers by bargaining for accounting rates or other terms that benefit the foreign carrier but is inconsistent with the U.S. public interest. The International Settlement Policy generally provides that U.S. carriers may only enter into foreign carrier agreements for the exchange of switched traffic that contain the same accounting rate and settlement rate (typically one-half of the accounting rate) offered to all other U.S. carriers. The International Settlement Policy also requires U.S. carriers to adhere to the principle of proportionate return so that competing U.S. carriers have comparable opportunities to receive the return traffic that reduces the marginal cost of providing international service.

If we provide public switched services over international private lines, we would be subject to Federal Communications Commission rules governing such activity rather than to the International Settlement Policy. These rules limit us from providing switched services over international private lines between the United States and certain countries and impose certain conditions on carriers engaging in such activity.

The Federal Communications Commission continues to refine its international service rules to promote competition, reflect and encourage liberalization in foreign countries, and reduce accounting rates toward cost. Among other things, the Federal Communications Commission has recognized the advent of competition in the U.K. market by designating the U.K. as a country that offers U.S. carriers effective competitive opportunities. The Federal Communications Commission has also amended its rules to reflect the U.S. participation in the WTO Agreement on Basic Telecommunications Services in which 72 countries have agreed to eliminate barriers to competition in their markets for basic telecommunications services. For example, the Federal Communications Commission has decided to permit U.S. carriers to enter into "flexible" termination arrangements with carriers in WTO countries, unless such arrangements would not promote competition. By taking these actions, the Federal Communications Commission has relaxed or eliminated regulatory limitations on many U.S. carrier services between the U.S. and the U.K. (as well as between the U.S. and other members of the WTO). The Federal Communications Commission has also proposed to eliminate the International Settlements Policy contract requirements for agreements with certain carriers in certain foreign countries. In addition, the Federal Communications Commission has established reduced "benchmark" rates for the amounts U.S. carriers will be allowed to pay foreign carriers for terminating U.S.-originated traffic. For example, effective as of January 1, 1999, U.S. carriers may ask the Federal Communications Commission to require that U.S. carriers pay foreign carriers in "high income" countries such as the United Kingdom no more than $.15 per minute to terminate such calls. Different rates would apply at different deadlines in different countries depending on the countries' income level.

Regulation of the international telecommunications industry is changing rapidly. We are unable to predict how the Federal Communications Commission will resolve the various pending international policy issues and the effect of such resolutions on us.

REGULATION OF INTERNATIONAL OPERATIONS

Our international services would also be subject to regulation in other countries where we operate. Such regulation, as well as policies and regulations on the European Union level, may impose separate licensing, service and other conditions on our international service operations, and these requirements may have a material adverse impact on Metromedia Fiber Network. The following discussion is intended to provide a general outline of certain regulations and current regulatory posture in certain foreign jurisdictions in which we currently operate or intend to operate, and is not intended as a comprehensive discussion of such regulations or regulatory posture. Local laws and regulations differ significantly among these jurisdictions, and, within such jurisdictions, the interpretation and enforcement of such laws and regulations can be unpredictable.

THE EUROPEAN UNION

The European Union was established by the Treaty of Rome and subsequent treaties. European Union member states are required to implement directives issued by the European Commission and the European Council by passing national legislation. The European Commission and European Council have issued a number of key directives establishing basic principles for the liberalization of the European Union telecommunications market. This basic framework has been advanced by a series of harmonization directives, which include the so-called Open Network Provision directives and the Licensing Directive of April 1997 and the Interconnection Directive of June 1997, which address the procedures for granting license authorizations and conditions applicable to such licenses and the interconnection of networks and the interoperability of services as well as the achievement of universal service. The Licensing Directive sets out framework rules for the procedures associated with the granting of national authorizations for the provision of telecommunications services and for the establishment or operation of any infrastructure for the provision of telecommunications services. It distinguishes between "general authorizations," which should normally be easier to obtain since they do not require an explicit decision by the national regulatory authority, and "individual licenses." European Union member states may impose individual license requirements for the establishment and operation of public telecommunications networks and for the provision of voice telephony, among other things. Consequently, ION's operations in the U.K., our operation with respect to the German network and European network may require that ION or Metromedia Fiber Network, respectively, be subject to an individual licensing system rather than to a general authorization in the majority of European Union member states. In some countries where we operate, we may also be required to contribute to a fund for the provision of universal service. The United Kingdom and each other European Union member state in which ION currently conducts or we intend to conduct our business has a different regulatory regime and such differences are expected to continue. The requirement that ION or we obtain necessary approvals varies considerably from country to country.

UNITED KINGDOM

The U.K. Telecommunications Act of 1984 provides a licensing and regulatory framework for telecommunications activities in the United Kingdom. The Secretary of State for Trade and Industry at the Department of Trade and Industry (the "Secretary of Trade") is responsible for granting licenses under the U.K. Telecommunications Act of 1984 and for overseeing telecommunications policy, while the Director General of

Telecommunications (the "Director General") and his office (the Office of Telecommunications ("OFTEL")) are responsible, among other things, for enforcing the terms of such licenses. Operators wishing to use their own facilities to provide international services are currently required to obtain an international facilities license. An international facilities license licenses the running of telecommunication systems within the U.K. and permits the licensee to connect U.K. systems to overseas systems, and to offer international services subject to certain restrictions. ION was awarded an international facilities license on December 9, 1998. The U.K. Government is currently consulting on proposals to amend licenses to create one license authorizing both international and domestic services. The changes are expected to come into force in 1999 and may result in ION being licensed to provide both international and domestic services. We have not applied for an international facilities license or any other authorization for the U.K. portion of our European network. OFTEL is consulting on which operators will have the right and obligation to interconnect with the networks of other operators under the regime established by the Interconnection Directive. OFTEL is expected to announce its findings shortly. Currently all operators with international facilities licenses have the right and obligation to interconnect, and this position is not expected to change. Therefore ION has the right to request and receive interconnection from all other operators deemed to be entitled to such rights and obligations (as notified by the Director General) and also the obligation to offer to enter into an agreement to interconnect at the request of any such operator. The U.K. Government is currently consulting on changing the obligation to offer to enter into an agreement to interconnect to an obligation to negotiate with a view to concluding an interconnection agreement in response to the concern raised by operators that the current obligation exceeds the requirements of the Interconnection Directive. The U.K. Government passed the Competition Act 1998 on November 9, 1998, which introduces concurrent powers to the industry specific regulators and the Director General of Fair Trading for the enforcement of prohibitions against anti-competitive behavior modeled on Articles 85 and 86 of the Treaty of Rome. The Act introduces into U.K. legislation prohibitions on the abuse of a dominant position and anti-competitive agreements, and provides for third party rights of action, stronger investigative powers, interim measures and effective enforcement powers. The new rules are expected to come into force on March 1, 2000. The Act gives the Director General power to exercise concurrent powers with the Director General of Fair Trading in relation to "commercial activities connected with telecommunications". The Act will enable third parties to seek court orders directly against telecommunications operators who are in breach of the prohibitions contained in the Act and seek damages rather than have to wait for the Director General to issue an enforcement order. Depending on how these provisions of the Act are implemented, it may give Metromedia Fiber Network (and its competitors) greater ability to challenge anti-competitive behavior in the U.K. telecommunications market.

GERMANY

The German Telecommunications Act of July 25, 1996 liberalized all telecommunications activities. Under the German Telecommunications Act, voice telephony was liberalized as of January 1, 1998. The German Telecommunications Act has been complemented by several Ordinances. The most significant Ordinances concern license fees, rate regulation, interconnection, universal service, frequencies and customer protection.

Under the German regulatory scheme, licenses can be granted within four license classes. A license is required for operation of transmission lines that extend beyond the limits of a property and that are used to provide telecommunications services for the general public. The licenses required for the operation of transmission lines are divided into 3 infrastructure license classes: mobile telecommunications (license class 1); satellite (license class 2); and telecommunications services for the general public (license class 3). Beside the infrastructure licenses, an additional license is required for the provision of voice telephony services on the basis of self-operated telecommunications networks (license class 4). A class 4 license does not include the right to operate transmission lines. According to the License Fees Ordinance, a nationwide class 4 license costs a onetime fee of DM 3,000,000. The costs for a territorial class 3 license will be determined by the

Regulierungsbehorde fur Telekommunikation und Post, known as the "RegTP", and is dependent on the population and the geographical area covered by the territorial class 3 license. A nationwide territorial class 3 license costs DM 10,600,000. Licensees that operate transmission lines crossing the boundary of a property have the right to install transmission lines on, in and above public roads, squares, bridges and public waterways without payment; however, when installing transmission lines a planning agreement must be obtained from the relevant authorities.

A company, which operates a public telecommunications network, has the right to receive favorable interconnection rates from Deutsche Telekom, as a dominant carrier. If the company does not agree with the offered rates or Deutsche Telekom refuses to interconnect for whatever reason, the company can refer the case to the RegTP which shall decide upon the request for interconnection within a period of six weeks; if the RegTP decides to extend this deadline, it must decide within ten weeks of the request, at the latest. Whether, and under which conditions, carrier to carrier operators will receive favorable interconnection rates or less favorable "special network access rates" from Deutsche Telekom depends largely on whether they operate a "public telecommunications network." No definition of "public telecommunications network" has yet been provided. A public hearing on the regulatory treatment of carrier networks-defined in the German Telecommunications Act as a telecommunications network to which customers are not directly connected and which interconnects access networks--and public telecommunications networks in respect of interconnection has recently been conducted. The RegTP is expected to publish the outcome of the hearing which shall include the RegTP's understanding of the constituting elements of a public telecommunications network shortly. In December 1998, the RegTP presented its preliminary views on the results of the hearing to an audience of interested parties in Bonn. According to this presentation, a carrier network constitutes a "public telecommunications network" if it consists of at least one switch and more than two connected transmission lines and is used to provide telecommunications services to the public, irrespective of whether or not customers are directly or (in the case of a carrier network) indirectly connected to such network. The RegTP indicated that it did not intend to establish a minimum number of points of interconnection that are required for interconnections with Deutsche Telekom. However, the RegTP acknowledged that carrier networks with few points of interconnection may cause atypical traffic patterns on Deutsche Telekom's network, which may create additional costs to Deutsche Telekom. The RegTP indicated that Deutsche Telekom will be allowed to recover its additional costs incurred due to atypical traffic patterns from the operations responsible for such traffic patterns if and to the extent that Deutsche Telekom can prove such costs. It is expected that the RegTP's position will become clearer once the RegTP has published its views in writing in the official journal.

In view of this outcome of the public hearing, Deutsche Telekom has terminated a number of interconnection agreements in December 1998, and has announced that it will offer new standard interconnection agreements. In the last few months of 1998, and in view of the public hearing, Deutsche Telekom was only willing to enter into interim interconnection agreements and only if the companies requesting interconnection have direct customer access, have a minimum of eight points of interconnection in the startup phase or commit to establish this number of points of interconnection as ports for interconnection become available and upgrade the network to 23 points of interconnection in the initial phase. The same number of points of interconnection were requested by Deutsche Telekom in a special network offer for carrier networks. The rates offered by Deutsche Telekom to carrier network operators were substantially higher than interconnection rates. In January 1999, Deutsche Telekom presented new drafts for interconnection agreements, which significantly limit the ability of interconnection partners of Deutsche Telekom to obtain Deutsche Telekom's services in connection with an interconnection at favorable interconnection rates. Deutsche Telekom, for example, sets forth requirements to establish additional points of interconnection if traffic at existing points of interconnection increases beyond certain thresholds. These drafts are currently subject to intense discussions between Deutsche Telekom, other telecommunications companies and representatives of the RegTP. At the end of February/beginning of March, two telecommunications companies whose temporary interconnection agreements with Deutsche Telekom had expired at the end of February and who were not willing to accept the new interconnection agreements of Deutsche Telekom started proceedings at the RegTP seeking orders for continued interconnection with Deutsche Telekom at conditions similar to the conditions which Deutsche Telekom offered until the summer of 1998. The rates of Deutsche Telekom's services in conjunction with interconnection and special network access are subject to regulatory approval; such approval is typically granted for a limited period of time. Licensed operators are under an obligation to present their standard terms and conditions to the RegTP. The RegTP may, based upon certain criteria, decide not to accept these terms and conditions. We may become subject to universal service financing obligations. Currently, it is unlikely that the universal service financing system will be implemented in Germany in the foreseeable future. We have applied for licenses of Class 3 under the German Telecommunications Act with regard to parts of the German network.

EMPLOYEES

As of December 31, 1998, we employed 121 people, including 57 in engineering and construction; 32 in sales and marketing; and 32 administrative personnel. Our employees are not represented by any labor union. We consider our relationship with our employees to be good.

ITEM 2. PROPERTIES

Our principal properties currently are our fiber network and its component assets. We own and have contractual rights to use substantially all of the communications equipment required for our business. Our installed fiber optic cable is laid under the various rights-of-way held by us. Please refer to "Item 1. Business-The Company," thereto. Our other fixed assets are located at various leased locations in the geographic areas that we serve. Our executive and administrative offices are located at our principal office at One North Lexington Avenue, White Plains, New York (currently approximately 23,800 square feet) which we lease under an agreement that expires in March 2003. We lease additional space (currently 8,710 square feet) at 60 Hudson Street, New York, New York, from Hudson Telegraph Associates under an agreement that expires in March 2010. We have a sales office at 685 Third Avenue, New York, New York. We lease this space (approximately 9,670 square feet) under an agreement that expires in September 2003. We also lease 2,665 square feet of sales space in Malvern, Pennsylvania, and 3,438 square feet of sales space in McLean, Virginia. We also lease additional space for our operations in New York, New Jersey, Chicago, IL, Boston, MA, Philadelphia, PA, Baltimore, MD, Wilmington, DE, and Washington DC.

ITEM 3. LEGAL PROCEEDINGS

On or about October 20, 1997, Vento & Company of New York, LLC commenced an action against Metromedia Fiber Network, Stephen A. Garofalo, Peter Silverman, the law firm of Silverman, Collura, Chernis & Balzano, P.C., Peter Sahagen, Sahagen Consulting Group of Florida (collectively, the "Sahagen Defendants") and Robert Kramer, Birdie Capital Corp., Lawrence Black, Sterling Capital LLC, Penrush Limited, Needham Capital Group, Arthur Asch, Michael Asch and Ronald Kuzon (the "Kramer Defendants") in the United States District Court for the Southern District of New York (No. 97 CIV 7751). On or about May 29, 1998, Vento & Company filed an amended complaint. In its complaint, as amended, Vento & Company alleges four causes of action in connection with its sale of 900,000 shares (not adjusted for subsequent stock splits) of Class A Common Stock to Peter Sahagen and the Kramer Defendants on January 13, 1997. The four causes of action include: (i) violation of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated under such Act; (ii) fraud and fraudulent concealment; (iii) breach of fiduciary duty; and (iv) negligent misrepresentation and omission. On the first and second causes of action, Vento & Company is seeking, among other things, rescission of the Vento & Company sale, or alternatively, damages in an amount which we cannot currently ascertain but believe to be in excess of $36 million, together with interest. On the third and fourth causes of action, Vento & Company is seeking damages in an amount which we cannot currently ascertain but believe to be in excess of $36 million, together with interest. Vento & Company is also seeking punitive damages in the amount of $50 million, reasonable legal fees and the cost of this action. All the defendants, including Metromedia Fiber Network and Stephen A. Garofalo, have moved to dismiss Vento & Company's amended complaint.

On or about June 12, 1998, Claudio E. Contardi commenced an action against Peter Sahagen, Sahagen Consulting Group of Florida and Metromedia Fiber Network in the United States District Court for the Southern District of New York (No. 98 CIV 4140). Mr. Contardi alleges a cause of action for, among other things, breach of a finder's fee agreement entered into between Mr. Sahagen and Mr. Contardi on or about November 14, 1996 and breach of an implied covenant of good faith and fair dealing contained in the finder's fee agreement. Mr. Contardi is seeking, among other things, a number of shares of Metromedia Fiber Network which we cannot currently ascertain but believe to be approximately 225,000 shares (calculated as of the date on which the complaint was filed) or damages in an amount which we cannot currently ascertain but believe to be approximately $4.9 million (calculated as of the date on which the complaint was filed) and all costs and expenses incurred by him in this action. We have filed an answer to the complaint and have raised affirmative defenses.

We intend to vigorously defend both these actions because we believe that we acted appropriately in connection with the matters at issue in these two cases. However, we cannot assure you that we will not determine that the advantages of entering into a settlement outweigh the risk and expense of protracted litigation or that ultimately we will be successful in defending against these allegations. If we are unsuccessful in defending against these allegations, an award of the magnitude being sought in the Vento & Company litigation would have a material adverse effect on our financial condition or results of operations.

In addition, we are subject to various claims and proceedings in the ordinary course of business. Based on information currently available, we believe that none of such current claims or proceedings, individually, or in the aggregate, including the Vento & Company litigation and the Contardi litigation, will have a material adverse effect on our financial condition or results of operations, although we can make no assurances in this regard.

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

No matters were submitted to a vote of security holders during the fourth fiscal quarter of the year ended December 31, 1998.

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

MARKET INFORMATION. Since October 28, 1997, the Class A Common Stock has been listed and traded on the Nasdaq National Market (the "Nasdaq") under the symbol "MFNX." The following table shows the range of reported high and low closing prices per share of Class A Common Stock for each quarter within the Company's two most recent fiscal years:

1998	High ($)	Low ($)
First Quarter	10 17/32	3 7/8
Second Quarter.	11 21/32	6 1/2
Third Quarter	17 27/32	10 1/2
Fourth Quarter.	34 3/4	12 1/2

1997	High ($)	Low ($)
First Quarter	N/A	N/A
Second Quarter.	N/A	N/A
Third Quarter	N/A	N/A
Fourth Quarter.	6	3 23/32

The above prices reflect the effect of both of our two-for-one stock splits of our Class A and Class B Common Stock in the form of 100 percent stock dividends to all shareholders of record as of August 7, 1998 (completed August 28, 1998) and December 8, 1998 (completed December 22, 1998).

HOLDERS. As of March 11, 1999, there were approximately 134 record holders of Class A Common Stock and three record holders of Class B Common Stock. The closing price for the Class A Common Stock on such date was $49 1/8 per share as reported on the Nasdaq. The Company is aware that it has a substantial number of additional shareholders who hold their shares through The Depository Trust Company.

On October 28, 1997, in connection with our initial public offering, we approved two share exchanges pursuant to which 38,259,760 shares of the old common stock, par value $.01 per share, were exchanged for the same number of shares of Class A Common Stock and a total of 33,613 shares of our Series B Convertible Preferred Stock, par value $.01 per share were exchanged for 17,041,944 shares of our Class B Common Stock. Immediately thereafter, two shareholders converted an aggregate of 157,308 shares of Class B Common Stock into an equivalent number of shares of Class A Common Stock. These exchanges were exempt from registration under the Securities Act of 1933, as amended, by virtue of Section 3(a)(9) thereof.

DIVIDENDS. We have never declared or paid any cash dividends on our Class A Common Stock or our Class B Common Stock and do not expect to do so in the foreseeable future. The terms of the Indenture for the 10% Senior Notes restrict our ability to pay dividends on our shares of common stock. We anticipate that all future earnings, if any, generated from operations will be retained to finance the expansion and continued development of our business. Any future determination with respect to the payment of dividends will be within the sole discretion of our board of directors and will depend upon, among other things, our earnings, capital requirements, the current terms of the indenture governing the Company's 10% Senior Notes or other then-existing indebtedness, applicable requirements of the Delaware General Corporation Law, general economic conditions and such other factors considered relevant by our board.

We are not currently, and do not expect to become, subject to the registration requirements of the Investment Company Act of 1940.

ITEM 6. SELECTED FINANCIAL DATA

METROMEDIA FIBER NETWORK, INC. & SUBSIDIARIES
SELECTED CONSOLIDATED FINANCIAL DATA

The selected financial data set forth below for Metromedia Fiber Network for the years ended December 31, 1998, 1997, and 1996 and as of December 31, 1998 and 1997, is derived from, and qualified by reference to, the audited consolidated financial statements included elsewhere herein. The selected financial data set forth below for Metromedia Fiber Network for the years ended December 31, 1995 and 1994 and as of December 31, 1995 and 1994 are derived from our audited consolidated financial statements not included elsewhere herein. The selected financial data set forth below should be read in conjunction with Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Item 8. "Financial Statements and Supplementary Data" included elsewhere herein.

	Fiscal Year ended December 31,				
	1998	1997	1996	1995	1994
	(in 000's, except per share data)				
Statement of Operations Data					
Revenue	$36,436	$2,524	$236	$56	$--
Expenses:					
Cost of sales	13,937	3,572	699	--	--
Selling, general and administrative	14,712	6,303	2,070	3,886	874
Consulting and employment incentives (a)	248	19,218	3,652	--	--
Settlement agreement	3,400	--	--	--	--
Depreciation and amortization	1,532	757	613	162	--
Income (loss) from operations	2,607	(27,326)	(6,798)	(3,992)	(874)
Interest income (expense), net	1,927	1,067	(3,561)	(327)	--
(Loss) from joint venture	(146)	--	--	--	--
Income taxes	3,402	--	--	--	--
Net income (loss)	$986	$(26,259)	$(10,359)	$(4,319)	$(874)
Net income (loss) applicable to common stockholders per share-basic	$0.01	$(0.56)	$(0.29)	$(0.17)	$(0.04)
Net income applicable to common stockholders per share-diluted	$0.01	N/A	N/A	N/A	N/A
Number of shares of common stock assumed outstanding-basic (b)	93,495	47,447	35,858	24,829	23,336
Number of shares of common stock assumed outstanding-diluted (b)	109,762	N/A	N/A	N/A	N/A

	As of December 31,				
	1998	1997	1996	1995	1994
	(in 000's, except per share data)				
Summary Balance Sheet Data					
Current assets	$665,823	$140,557	$645	$254	$271
Working capital (deficiency)	555,050	133,030	(12,887)	(11,542)	(1,735)
Fiber optic transmission network and related equipment, net	244,276	24,934	6,369	5,885	2,288
Property and equipment, net	2,716	759	525	468	--
Total assets	974,417	167,378	7,977	7,077	2,952
Long-term debt	672,675	--	--	--	1,968
Total liabilities	816,903	17,838	14,835	12,413	3,974
Stockholders' equity (deficiency)	157,514	149,540	(6,858)	(5,336)	(1,022)

(a) Represents value of common stock, warrants and options issued to consultants and officers to provide services to Metromedia Fiber Network.

(b) Based upon the weighted average shares outstanding after giving retroactive effect to stock splits; see Note 1 to "Notes to Consolidated Financial Statements."

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

The following discussion and analysis relates to our financial condition and our results of operations for the three years ended December 31, 1998. This information should be read in conjunction with the Item 6. "Selected Financial Data" and our consolidated Financial Statements and related notes thereto beginning on page F-1.

STATEMENT ON FORWARD-LOOKING INFORMATION

Certain statements in this section are "forward-looking statements." You should read the information under Part I, "Special Note Regarding Forward-Looking Statements" for more information about our presentation of forward-looking information.

GENERAL

We are a facilities-based provider of technologically advanced, high-bandwidth, fiber optic communications infrastructure to communications carriers and corporate/government customers in the United States. We focus our operations on domestic intracity fiber optic networks in clusters of the 15 largest cities throughout the United States based on population. We currently operate high-bandwidth fiber optic communications networks in New York and the greater Philadelphia area and within the next two quarters we will begin to operate similar networks in Washington, D.C. We have also begun engineering and constructing networks in Chicago, San Francisco and Boston and within the next two years, we plan to complete an expansion into five additional markets, including Los Angeles, Seattle, Dallas, Houston and Atlanta. We expect that our domestic intracity networks will ultimately encompass approximately 810,000 fiber miles covering approximately 1,896 route miles.

We have also built or obtained intercity fiber optic capacity that links certain of our intracity networks. We expect to complete construction of the first 432 cable along our 250-route mile network from New York to Washington, D.C. during the first quarter of 1999. We have also obtained rights for fiber optic capacity with other facilities-providers and obtained fiber optic capacity linking certain of the metropolitan areas (New York-Chicago, New York-Boston, Chicago-Seattle-Portland) in which we plan to construct intracity networks, except in Portland.

In addition, we have entered into a joint venture with a U.K. telecommunications company to connect our New York network to London. We also have formed a joint venture to construct a high-bandwidth fiber optic network connecting 13 major cities in Germany and obtain certain additional fiber optic capacity in Western Europe.

RESULTS OF OPERATIONS

YEAR ENDED DECEMBER 31, 1998 COMPARED TO YEAR ENDED DECEMBER 31, 1997:

REVENUES. Revenues for 1998 were $36.4 million or 1,356% greater than revenues of $2.5 million for 1997. The increase in revenue for 1998 versus 1997 reflected higher revenues associated with commencement of service to an increased total number of customers, as well as revenue recognized related to grants of indefeasible rights of use to portions of our network and sales of dark fiber classified as sales type leases.

COST OF SALES. Cost of sales was $13.9[illegible]ion in 1998, a 286% increase over cost of sales o[illegible]6 million in 1997. Cost of sales increased for 1998 as compared to 1997 due to costs associated with the commencement of service to customers, higher fixed costs associated with the operation of our network in service and the allocated costs of the network related to revenue recognized for grants of indefeasible rights of use to portions of our network and sales type leases of portions of our dark fiber classified as capital leases. Costs of sales, as percentages of revenue for 1998 and 1997 were 38% and 142%, respectively, declining as a result of the significant increase in the number of customers and revenues.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses increased to $14.7 million during 1998, from $6.3 million during 1997, an increase of $8.4 million, or 133%. The increase in selling, general and administrative expenses for 1998 as compared to 1997 resulted primarily from increased overhead to accommodate our network expansion.

CONSULTING AND EMPLOYMENT INCENTIVES EXPENSE. Consulting and employment incentives expense for 1998 were $0.2 million compared with $19.2 million for 1997. Consulting and employment incentives expense incurred in 1997 reflects the value of stock options issued to key employees, officers and directors in order to attract or retain their services. For 1998, the amount recorded reflects amortization for the unvested component of options issued in 1997 to key employees.

SETTLEMENT AGREEMENT. We recorded $3.4 million for a settlement agreement in 1998. The amount was recorded in the first quarter of 1998 for the expense associated with the issuance of stock options and payment of cash related to a settlement agreement.

DEPRECIATION AND AMORTIZATION EXPENSE. Depreciation and amortization expense was $1.5 million during 1998, as compared to $0.8 million during 1997, an increase of $0.7 million, or 88%. The increases in depreciation and amortization expense resulted from increased investment in our completed fiber optic network and property and equipment.

INTEREST INCOME (EXPENSE). Interest income was $8.8 million during 1998 as compared to $1.8 million during 1997, an increase of $7.0 million, or 389%. Interest income during 1998 was derived from investment of our excess cash received as proceeds from our initial public offering in October 1997 and the additional cash received in November 1998 from the proceeds of our $650 million note issuance. Interest expense increased in 1998 to $6,861,000 as compared to $741,000 for 1997. The increase in interest expense reflects interest accrued for the senior notes issued in November 1998.

INCOME (LOSS) FROM JOINT VENTURE. We recorded a $146,000 loss from our 50% share of the ION joint venture's loss for 1998. The loss primarily represents startup costs and operating activities for the joint venture.

INCOME TAXES. We recorded a provision for income taxes for 1998 in the amount of $3.4 million. This represents an estimated effective tax rate, for federal and state taxes, of 77.5%.

NET INCOME (LOSS). Net income was $1.0 million for 1998, as compared to a net loss of $26.3 million for 1997. For 1998, basic net income per share was $0.01 as compared to a basic net loss per share of $.56 for 1997. On a diluted basis, net income per share for 1998 was $0.01.

The improvements in results for 1998 were primarily attributable to the growth of revenues and the improvements in gross margins, as noted above, as well as the increase in net interest income related to the investment made by Metromedia Company and the funds raised through our initial public offering as compared to net interest expense.

YEAR ENDED DECEMBER 31, 1997 COMPARED TO YEAR ENDED DECEMBER 31, 1996:

REVENUES. Revenues for 1997 were $2.5 million, a 1,150% increase as compared to 1996 revenues of $0.2 million. The revenue increase was generated by one-time revenues associated with commencement of services to customers as well as increased recurring lease revenues, which reflects the growth in the number of our customers.

COST OF SALES. Cost of sales for 1997 was $3.6 million, an increase of 414% as compared to the $0.7 million that was recorded as cost of sales in 1996. The increase in cost of sales was associated with the increased revenues. Cost of sales as a percentage of revenues improved to 142% in 1997 from 296% in 1996. The improvement in cost of sales as a percentage of revenues reflects the increases in revenue outdistancing the increases in cost, as the components of cost were mostly of a fixed nature.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses increased to $6.3 million in 1997 from $2.1 million in 1996, a 200% increase. This increase resulted primarily from increased legal expenses as a result of our increased business activities and the increased staffing to accommodate our anticipated growth.

CONSULTING AND EMPLOYMENT INCENTIVES EXPENSE. Consulting and employment incentives expense of $19.2 million was recorded in 1997 as compared to $3.7million in 1996. The 1997 expense represents the value of stock options issued to key employees, officers, directors and consultants in order to attract or retain their services. The amount recorded in 1996 reflects the expense associated with issuance of stock and warrants to consultants in consideration for services rendered.

DEPRECIATION AND AMORTIZATION EXPENSE. Depreciation and amortization expense was $0.8 million in 1997 as compared to $0.6 million in 1996. The increase in depreciation and amortization expense resulted from increased investment in our fiber optic network.

INTEREST INCOME (EXPENSE). We had interest income of $1.8 million in 1997 as compared to no interest income during 1996. The interest income in 1997 arose from the investment of our excess cash during the year. In 1996, we had no excess cash to invest and, accordingly, earned no interest income. Interest expense (including financing costs) decreased in 1997 to $0.7 million from $3.6 million in 1996. The decrease in interest expense reflects the repayment of all of our debt during the year with the proceeds of the investment made by Metromedia Company, as well as lower financing costs.

NET LOSS. We recorded a net loss of $26.2 million in 1997 as compared to a net loss of $10.4 million in 1996. The increase in the net loss was primarily attributable to costs associated with organizing to meet our growth objectives. In particular, such costs include the consulting and employment incentive, described above, to attract and retain key employees, officers and directors, as well as increased overhead to meet our growth objectives.

LIQUIDITY AND CAPITAL RESOURCES

On November 3, 1997, our initial public offering of 36,432,000 shares of Class A Common Stock generated net proceeds of $133.9 million, after deducting the underwriters' commission and expenses relating to such initial public offering.

For 1998, our operating activities generated [illegible]8.0 million of cash, compared with $2.2 million during 1997. The increase in cash provided by operations was primarily due to the increase in advance payments received from customers as well as the improvement in net income as a result of increases in revenues and interest income in 1998 as compared to 1997. For 1998, we used $218.0 million of cash for investing activities as compared to $19.7 million for 1997. This increase was due primarily to investments in the expansion of our networks and related construction in progress as well as capital contributions to our ION joint venture and a deposit on our German network build. For 1998, we received $630.4 million of net cash from financing activities, compared to $155.9 million for 1997. The cash from financing activities in 1998 came mainly from the issuance and sale of 10% Senior Notes in November 1998, while the 1997 amount related to the sale of securities of Metromedia Fiber Network net of the repayment of certain of our indebtedness.

Cash used in operating activities during 1996 was $2.8 million. Cash was utilized to support the operations through our startup phase. Cash flows used in investing activities were $1.1 million in 1996. The investing activities cash outflows in both years were primarily used for the building of our New York/New Jersey network. Financing activities provided cash flows of $4.3 million in 1996 with the issuance of equity and debt. The cash flows from financing activities in 1996 were utilized to fund our operating and investing activities.

We anticipate that we will continue to incur net operating losses as we expand and complete our existing networks, construct additional networks and market our services to an expanding customer base. We anticipate spending approximately $300 million for the year ending December 31, 1999 and approximately $200 million for the year ending December 31, 2000 on the build-out of our fiber optic networks in 11 of the 15 largest cities in the United States based on population and our planned international networks. We believe that the net proceeds from the issuance and sale of $650.0 million of 10% Senior Notes in November 1998, other cash on hand, certain vendor financing and cash generated in 1999 and 2000 (including advance customer payments), will be sufficient to fund the planned build-out of our fiber optic networks and our other working capital needs through the year ended December 31, 2000. The indenture for the notes permits us to incur additional indebtedness to finance the construction of our networks. As a result, we may also consider from time to time private or public sales of additional equity or debt securities, entering into senior credit facilities and other financings, depending upon market conditions, in order to finance the continued build-out of our network. We cannot assure you that we will be able to successfully consummate any such financing at all, or on acceptable terms. Accordingly, we expect to continue experiencing net operating losses and negative cash flows for the foreseeable future.

YEAR 2000 SYSTEM MODIFICATIONS

We are currently working to evaluate and resolve the potential impact of the Year 2000 on our processing of date-sensitive information and network systems. The Year 2000 problem is the result of computer programs being written using two digits (rather than four) to define the year 2000, which could result in miscalculations or system failures resulting from recognition of a date using "00" as the year 1900 rather than the year 2000.

We have delegated responsibility to a group of executives to coordinate the identification, evaluation and implementation of changes to computer systems and applications necessary to achieve our goal of a Year 2000 date conversion which would minimize the effect on our customers and avoid disruption to business operations. We are also focusing on hardware and software tools, programming and outside forces that may affect our operations, including our vendors, banks and utility companies. Our analysis of the Year 2000 threat is ongoing and will be continuously updated throughout 1999 as necessary.

We have completed a questionnaire and project plan to our systems and operating personnel to identify all business and computer applications so that we can identify potential compliance problems. We plan to initiate communications with our significant customers, suppliers, contractors and major systems developers to determine their plans to remedy any Year 2000 issues that arise in their business with us. We plan to compile a database of information based upon these responses, which we expect to complete during the second quarter of 1999. To the extent problems are identified, we will implement corrective procedures where necessary, then test the applications for Year 2000 compliance. We expect to complete this project prior to January 1, 2000.

Based on preliminary data, our estimate is that the Year 2000 effort will have a nominal cost impact, although we can make no assurances as to the ultimate cost of the Year 2000 effort or the total cost of information systems. Such costs will be expensed as incurred, except to the extent such costs are incurred for the purchase or lease of capital equipment. We expect to make some of the necessary modifications through our ongoing investment in system upgrades. We believe that our exposure to this issue, based on our internal systems, is somewhat limited by the fact that substantially all of our existing systems have been purchased or replaced since 1996.

As of December 31, 1998, we had incurred nominal consulting costs in respect of our Year 2000 conversion effort. We have not deferred any other information systems projects due to the Year 2000 efforts. We expect that the source of funds for Year 2000 costs will be cash on hand. Accordingly, we are devoting the necessary resources to resolve all significant Year 2000 issues.

If our customers, suppliers, contractors or major systems developers are unable to resolve Year 2000 processing issues in a timely manner, a material adverse effect on our results of operations and financial condition could result.

Because the risk factors referred to above could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements made by us, you should not place undue reliance on any such forward- looking statements. Further, any forward-looking statement speaks only as of the date on which it is made and we undertake no obligation to update any forward- looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for us to predict which will arise. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business, the financial position of the Company is routinely subjected to a variety of risks. In addition to the market risk associated with interest movements on the Company's outstanding debt, the Company is subject to other types of risk such as the collectibility of its accounts receivables. The Company's principal long term obligation is its $650 million 10% Senior Notes. The fair value of the long-term debt at December 31, 1998 was $650 million. A 10% decrease and a 10% increase in the level of interest rates would result in an increase in the fair value of the Company's long term obligation by $6.5 million and a decrease in the fair value of the Company's long term obligation by $6.5 million respectively.

The Company has also purchased a portfolio of U.S. government securities, which mature at dates sufficient to provide for payment in full of interest on the Company's $650 million 10% Senior Notes through May 15, 2000. The pledged securities are stated at cost, adjusted for premium amortization and accrued interest. The fair value of the pledged securities approximates its carrying value.

The Company has $569 million in cash and cash equivalents at December 31, 1998. To the extent the Company's cash and cash equivalents (3 months) exceed its funding requirements the Company may invest its excess cash and cash equivalents on longer term high-quality financial instruments. Such investments when made will be subject to changes in interest rates.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The response to this item is incorporated by reference to pages F-1 through F-29 and S-1 herein.

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

None.

PART III

The information called for by this Part III (Items 10, 11, 12 and 13) is not set forth herein because the Company intends to file with the SEC not later than 120 days after the end of the fiscal year ended December 31, 1998 the Definitive Proxy Statement for the 1999 Annual Meeting of Stockholders to be held on May 18, 1999. Such information to be included in the Definitive Proxy Statement is hereby incorporated into these Items 10, 11, 12 and 13 by this reference.

PART IV

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

a) 1. Financial Statements:

See Index to Consolidated Financial Statements on Page F-1.

2. Financial Statement Schedules:

Schedule II Valuation and Qualifying Accounts

All other schedules not listed above have been omitted since they are either not applicable or the information is contained elsewhere in the financial statements or the notes thereto, or the amounts are insignificant or immaterial.

b) Current Reports on Form 8-K

On December 4, 1998, the Company filed a Current Report on Form 8-K related to the Company's announcement of the unregistered offering for $650,000,000 aggregate principal amount of 10% Senior Notes due 2008. The notes were issued on November 25, 1998 at a price per note of 100%. Further details, were disclosed in a Press Release, dated November 20, 1998, filed as an exhibit to such current report.

As of the date of the filing of this Annual Report on Form 10-K no proxy materials have been furnished to security holders. Copies of all proxy materials will be sent to the Commission in compliance with its rules.

c) Exhibits.

EXHIBIT NUMBER	DESCRIPTION
3.1	Form of Amended and Restated Certificate of Incorporation of Metromedia Fiber Network, Inc. (incorporated by reference to the Company's Registration Statement on Form S-1 (Registration No. 333-33653)).
3.2	Form of Amended and Restated Bylaws of Metromedia Fiber Network, Inc. (incorporated by reference to the Company's Registration Statement on Form S-1 (Registration No. 333-33653)).
4.1	Specimen Class A Common Stock Certificate of Metromedia Fiber Network, Inc. (incorporated by reference to the Company's Registration Statement on Form S-1

(Registration No. 333-33653)).

4.2 Indenture, dated as of November 25, 1998, between Metromedia Fiber Network, Inc. and IBJ Whitehall Bank & Trust Company (formerly IBJ Schroder Bank & Trust Company) (incorporated by reference to the Company's Registration Statement on Form S-4 (Registration No. 333-71129)).

4.3 Form of 10% Series A Senior Notes due 2008 of Metromedia Fiber Network, Inc. (incorporated by reference to the Company's Registration Statement on Form S-4 (Registration No. 333-71129))

4.4 Form of 10% Series B Senior Notes due 2008 of Metromedia Fiber Network, Inc. (incorporated by reference to the Company's Amendment No. 1 to Registration Statement on Form S-4 (Registration No. 333-71129)).

10.1 Form of Metromedia Fiber Network, Inc. 1997 Incentive Stock Plan (incorporated by reference to the Company's Registration Statement on Form S-1 (Registration No. 333-33653)).

10.2 Employment Agreement by and between National Fiber Network, Inc. and Stephen A. Garofalo, dated as of February 26, 1997 (incorporated by reference to the Company's Registration Statement on Form S-1 (Registration No. 333-33653)).

10.3 Employment Agreement by and between National Fiber Network, Inc. and Howard M. Finkelstein, dated as of April 30, 1997 (incorporated by reference to the Company's Registration Statement on Form S-1 (Registration No. 333-33653)).

10.4 Agreement dated as of April 30, 1997, as amended by a Modification Agreement dated as of October, 1997 by and among Metromedia Company, Stuart Subotnick, Arnold Wadler, Silvia Kessel, Stephen A. Garofalo and National Fiber Network, Inc. (incorporated by reference to the Company's Registration Statement on Form S-1 (Registration No. 333-33653)).

10.5 Franchise Agreement between the City of New York and National Fiber Network, Inc., dated as of December 20, 1993 (incorporated by reference to the Company's Registration Statement on Form S-1 (Registration No. 333-33653)).

10.6 Conduit Occupancy Agreement by and between New York Telephone Company and National Fiber Network, Inc., dated as of May 1993 (incorporated by reference to the Company's Registration Statement on Form S-1 (Registration No. 333-33653)).

10.7 Consulting Agreement between National Fiber Network and Realprop Capital Corporation, dated as of February 1, 1996 (incorporated by reference to the Company's Registration Statement on Form S-1 (Registration No. 333-33653)).

10.8 Letter Agreement from National Fiber Network, Inc. to Peter Sahagen, dated February 11, 1997 (incorporated by reference to the Company's Registration Statement on Form S-1 (Registration No. 333-33653)).

10.9 Office Lease by and between National Fiber Network, Inc. and 110 East 42nd Street Associates, dated as of March 19, 1997 (incorporated by reference to the Company's Registration Statement on Form S-1 (Registration No. 333-33653)).

10.10 Office Lease by and between National Fiber Network, Inc. and 110 East 42nd Street, dated as of June 1997 (incorporated by reference to the Company's Registration Statement on Form S-1 (Registration No. 333-33653)).

10.11 Trademark License Agreement by and between Metromedia Company and Metromedia Fiber Network, Inc., dated as of August 14, 1997 (incorporated by reference to the Company's Registration Statement on Form S-1 (Registration No. 333-33653)).

10.12 Fiber Optic Use Agreement between National Fiber Network, Inc. and NextLink New York, L.L.C., dated as of June 3, 1997 (portions of this exhibit are subject to a request to the Securities and Exchange Commission for confidential treatment, and omitted material has been separately filed with the Securities and Exchange Commission) (incorporated by reference to the Company's Registration Statement on Form S-1 (Registration No. 333-33653)). 10.13 Amended and Restated Agreement for the Provision of a Fiber Optic Transmission Network, dated as of the Effective Date by and between US ONE Communications of New York, Inc. and National Fiber Network, Inc. (portions of this exhibit are subject to a request to the Securities and Exchange Commission for confidential treatment, and omitted material has been separately filed with the Securities and Exchange Commission) (incorporated by reference to the Company's Registration Statement on Form S-1 (Registration No. 333-33653)).

10.14 Fiber Lease and Innerduct Use Agreement by and between Metromedia Fiber Network, Inc. and NextLink Communications, Inc., dated as of February 23, 1998 (portions of this exhibit are subject to a request to the Securities and Exchange Commission for confidential treatment, and omitted material has been separately filed with the Securities and Exchange Commission) (incorporated by reference to the Company's 1997 Annual Report on Form 10-K (File No.000-23269)). 10.15 Amendment No. 1 to Fiber Lease and Innerduct Use Agreement by and between Metromedia Fiber Network, Inc. and NextLink Communications, Inc., made and entered into as of March 4, 1998 (portions of this exhibit are subject to a request to the Securities and Exchange Commission for confidential treatment, and omitted material has been separately filed with the Securities and Exchange Commission) (incorporated by reference to the Company's 1997 Annual Report on Form 10-K (File No. 000-23269)). 10.16 Agreement of Lease by and between Connecticut General Life Insurance Company and Metromedia Fiber Network Services, Inc., dated as of March 9, 1998 (incorporated by reference to the Company's 1997 Annual Report on Form 10-K (File No. 000-23269)). 10.17 Purchase Agreement, dated November 20, 1998 among Metromedia Fiber Network, Inc., Salomon Smith Barney, Inc., Chase Securities, Inc., Deutsche Bank Securities Inc. and Donaldson Lufkin & Jenrette Securities Corporation (incorporated by reference to the Company's Registration Statement on Form S-4 (Registration No. 333-71129)).

10.18 Registration Rights Agreement, dated as of November 25, 1998 among Metromedia Fiber Network, Inc., Salomon Smith Barney, Inc., Chase Securities, Inc., Deutsche Bank Securities Inc. and Donaldson Lufkin & Jenrette Securities Corporation (incorporated by reference to the Company's Registration Statement on Form S-4 (Registration No. 333-71129)). 10.19 Security Agreement, dated as of November 25, 1998, between Metromedia Fiber Network, Inc. and IBJ Whitehall Bank & Trust Company (incorporated by reference to the Company's Registration Statement on Form S-4 (Registration No. 333-71129)).

10.20 Employment Agreement by and between Metromedia Fiber Network, Inc. and Vincent A. Galluccio, dated as of August 31, 1998 (incorporated by reference to the Company's Amendment No. 1 to Registration Statement on Form S-4 (Registration No. 333-71129)).

10.21 Employment Agreement by and between Metromedia Fiber Network, Inc. and Gerard Benedetto, dated as of August 31, 1998 (incorporated by reference to the Company's Amendment No. 1 to Registration Statement on Form S-4 (Registration

No. 333-71129)).

10.22 Employment Agreement by and between Metromedia Fiber Network, Inc. and Nicholas M. Tanzi, dated as of August 31, 1998 (incorporated by reference to the Company's Amendment No. 1 to Registration Statement on Form S-4 (Registration No. 333-71129)).

21.1* List of Subsidiaries of Metromedia Fiber Network, Inc. 23.1* Consent of Ernst & Young LLP.

24.1 Power of Attorney from officers and directors.

27.1* Financial Data Schedule.

* Filed herewith

SIGNATURES

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

METROMEDIA FIBER NETWORK, INC.

By: /s/ Stephen A. Garofalo

Stephen A. Garofalo
CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Dated: March __, 1999

We, the undersigned officers and directors of Metromedia Fiber Network, Inc., hereby severally constitute Arnold L. Wadler, Howard M. Finkelstein and Gerard Benedetto, and each of them singly, our true and lawful attorneys with full power to them, and each of them singly, to sign for us and in our names in the capacities indicated below, any and all reports (including any amendments thereto), with all exhibits thereto and any and all documents in connection therewith, and generally do all such things in our name and on our behalf in such capacities to enable Metromedia Fiber Network, Inc. to comply with the applicable provisions of the Securities Exchange Act of 1934, as amended, and all requirements of the Securities and Exchange Commission, and we hereby ratify and confirm our signatures as they may be signed by our said attorneys, or either of them, to any and all such reports (including any amendments thereto) and other documents in connection therewith.

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange of 1934, as amended, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

SIGNATURES	TITLE OR CAPACITIES	DATE
/s/ Stephen A. Garofalo ---------------------------- Stephen A. Garofalo	Chairman of the Board and Chief Executive Officer	March __, 1999
/s/ Howard M. Finkelstein ---------------------------- Howard M. Finkelstein	President, Chief Operating Officer and Director	March __, 1999
/s/ Gerard Benedetto ---------------------------- Gerard Benedetto	Vice President, Chief Financial Officer and Chief Accounting Officer	March __, 1999
/s/ Silvia Kessel ---------------------------- Silvia Kessel	Executive Vice President and Director	March __, 1999
/s/ Arnold L. Wadler ---------------------------- Arnold L. Wadler	Executive Vice President, Secretary and Director	March __, 1999

/s/ Vincent A. Galluccio ---------------------------- Vincent A. Galluccio	ior Vice President and Director	March __ 99
/s/ John W. Kluge John W. Kluge	Director	March __, 1999
/s/ Stuart Subotnick Stuart Subotnick	Director	March __, 1999
/s/ David Rockefeller David Rockefeller	Director	March __, 1999
/s/ Leonard White Leonard White	Director	March __, 1999

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Shareholders of Metromedia Fiber Network, Inc.

We have audited the accompanying consolidated balance sheets of Metromedia Fiber Network, Inc. and Subsidiaries (the "Company") as of December 31, 1998 and 1997, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 31, 1998. Our audits also included the financial statement schedule listed in the index at Item 14(a). These consolidated financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and schedule based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Metromedia Fiber Network, Inc. and Subsidiaries as of December 31, 1998 and 1997, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1998 in conformity with generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ Ernst & Young LLP

New York, New York
March 4, 1999

METROMEDIA FIBER NETWORK, INC. & SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(IN 000'S, EXCEPT SHARE AMOUNTS)

	DECEMBER 31, 1998	DECEMBER 31, 1997
ASSETS		
Current assets:		
Cash and cash equivalents	$569,319	$138,846
Pledged securities, current portion	61,384	-
Accounts receivable	30,910	837
Prepaid expenses and other current assets	4,210	874
Total current assets.	665,823	140,557
Fiber optic transmission network and related equipment, net	244,276	24,934
Property and equipment, net	2,716	759
Pledged securities.	30,512	-
Investment in/advance to joint venture.	4,156	56
Other assets.	26,934	1,072
Total assets.	$974,417	$167,378
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable.	$6,106	$3,072
Accrued liabilities	96,512	3,271
Deferred revenue, current portion	8,100	1,184
Capital lease obligations, current portion.	55	-
Total current liabilities	110,773	7,527
Senior notes payable.	650,000	-
Capital lease obligations	22,675	-
Deferred revenue.	33,455	10,311
Commitments and contingencies (see notes)		
Stockholders' equity:		
Class A common stock, $.01 par value; 180,000,000 shares authorized; 77,605,110 and 74,896,568 shares issued and outstanding, respectively.	776	749
Class B common stock, $.01 par value; 20,000,000 shares authorized; 16,884,636 shares issued and outstanding	169	169
Additional paid-in capital.	198,806	191,845
Accumulated deficit	(42,237)	(43,223)
Total stockholders' equity.	157,514	149,540
Total liabilities and stockholders' equity.	$974,417	$167,378

See accompanying notes

METROMEDIA FIBER NETWORK, INC. & SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(IN 000'S, EXCEPT PER SHARE AMOUNTS)

	FOR THE YEAR ENDED DECEMBER 31,		
	1998	1997	1996
Revenue	$36,436	$2,524	$236
Expenses:			
Cost of sales	13,937	3,572	699
Selling, general and administrative	14,712	6,303	2,070
Consulting and employment incentives.	248	19,218	3,652
Settlement agreement.	3,400	-	-
Depreciation and amortization	1,532	757	613
Income (loss) from operations	2,607	(27,326)	(6,798)
Interest income	8,788	1,808	-
Interest expense (including financing costs).	(6,861)	(741)	(3,561)
Loss from joint venture	(146)	-	-
Income (loss) before income taxes	4,388	(26,259)	(10,359)
Income taxes.	3,402	-	-
Net income (loss)	$986	$(26,259)	$(10,359)
Net income (loss) per share, basic.	$0.01	$(0.56)	$(0.29)
Net income per share, diluted	$0.01	N/A	N/A
Weighted average number of shares outstanding, basic.	93,495	47,447	35,858
Weighted average number of shares outstanding, diluted.	109,762	N/A	N/A

See accompanying notes.

METROMEDIA FIBER NETWORK, INC. & SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN 000'S)

	FOR THE YEAR ENDED DECEMBER 31,		
	1998	1997	1996
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	$986	$(26,259)	$(10,359)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	1,532	757	613
Stock options and warrants issued for services.	248	19,439	5,395
Warrants issued for settlement agreement.	3,000	-	-
Deferred taxes.	2,707		
Reserve for note receivable	-	338	-
Loss from joint venture	146	-	-
CHANGE IN OPERATING ASSETS AND LIABILITIES:			
Accounts receivable	(30,073)	(656)	2
Accounts payable and accrued expenses	13,449	(12)	758
Deferred revenue.	30,060	10,387	833
Other	(4,070)	(1,806)	12
Net cash provided by (used in) operating activities	17,985	2,188	(2,746)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures on fiber optic transmission network and related equipment.	(114,849)	(19,206)	(974)
Deposit payments	(4,675)	(87)	-
Investment in / advance to joint venture.	(4,246)	(56)	-
Purchase of pledged securities.	(91,896)	-	-
Capital expenditures on property and equipment.	(2,305)	(318)	(95)
Net cash used in investing activities.	(217,971)	(19,667)	(1,069)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of common stock.	1,038	133,975	123
Proceeds from issuance of preferred stock and warrants	-	32,500	2,025
Dividends paid on preferred stock	-	(77)	-
Repayments of notes payable- private placement.	-	(1,408)	25
Repayments of notes payable	-	(5,950)	(3,350)
Proceeds from notes payables, net	630,000	-	5,450
Payments of capital lease obligations	(579)	-	-
Purchase of common stock.	-	(1,140)	-
Purchase of preferred stock	-	(2,039)	-
Net cash provided by financing activities.	630,459	155,861	4,273
NET INCREASE IN CASH AND CASH EQUIVALENTS	430,473	138,382	458
CASH AND CASH EQUIVALENTS-BEGINNING OF PERIOD	138,846	464	6
CASH AND CASH EQUIVALENTS-END OF PERIOD	$569,319	$138,846	$464
Supplemental information:			
Interest paid	$219	$1,145	$996
Income taxes paid	$3,760	$-	$-
Supplemental disclosure of significant non-cash investing activities:			
Capital lease obligations	$23,309	$-	$-
Accrued capital expenditures.	$82,916	$-	$-

See accompanying notes

METROMEDIA FIBER NETWORK, INC. & SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIENCY)
($000'S)

SERIES A & B
PREFERRED STOCK COMMON STOCK COMMON STOCK CLASS A CLASS B ADDITIONAL
ACCUMULATED COMMON STOCK PAID-IN
SHARES AMOUNT SHARES AMOUNT SHARES AMOUNT SHARES AMOUNT SHARES AMOUNT
CAPITAL DEFICIT TOTAL

Balance at December 31, 1995	-	-	24,960	$249	-	$-	-	$-	$(205)	$(5,381)	(5,336)
Issuance of common stock and warrants for services rendered.	-	-	10,652	106	-	-	-	-	4,810	-	4,916
Issuance of common stock and warrants related to debt financing activities.	-	-	3,435	34	-	-	-	-	1,738	-	1,772
Issuance of common stock in connection with the exercise of warrants	-	-	762	8	-	-	-	-	(8)	-	-
Sale of common stock and warrants.	-	-	196	3	-	-	-	-	121	-	124
Sale of preferred stock with warrants.	150	15	-	-	-	-	-	-	2,010	-	2,025
Net loss for the year.	-	-	-	-	-	-	-	-	-	(10,359)	(10,359)
Balance at December 31, 1996	150	15	40,006	400	-	-	-	-	8,467	(15,739)	(6,857)
Issuance of common stock and connection with the exercise of warrants	-	-	608	6	-	-	-	-	4	-	10
Issuance of options to employees	-	-	-	-	-	-	-	-	19,218	-	19,218
Issuance of warrants in connection with debt extension.	-	-	-	-	-	-	-	-	220	-	220
Dividends on preferred stock	-	-	-	-	-	-	-	-	-	(77)	(77)
Repurchase and retirement of Series A preferred stock and warrants.	(150)	(15)	-	-	-	-	-	-	(2,011)	(13)	(2,039)
Repurchase and retirement of commons stock and warrants.	-	-	(2,354)	(23)	-	-	-	-	18	(1,134)	(1,139)
Sale of Series B preferred stock	8	-	-	-	-	-	-	-	32,500	-	32,500

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIENCY) (CONTINUED)
($000'S)

	SERIES A & B PREFERRED STOCK		COMMON STOCK		CLASS A COMMON STOCK		CLASS B COMMON STOCK		ADDITIONAL PAID-IN	ACCUMULATED	
	SHARES	AMOUNT	SHARES	AMOUNT	SHARES	AMOUNT	SHARES	AMOUNT	CAPITAL	DEFICIT	TOTAL
Net proceeds from initial Public Offering.	-	-	-	-	36,432	364	-	-	133,514	-	133,879
Conversion of Common Stock to Series A Common Stock	-	-	(38,261)	(383)	38,260	383	-	-	-	-	-
Conversion of Series B Preferred Stock to Series A & B Common Stock	(8)	-	-	-	157	2	16,885	169	(171)	-	-
Sale of Series A Common Stock for warrant	-	-	-	-	48	-	-	-	86	-	86
Net loss for the year.	-	-	-	-	-	-	-	-	-	(26,259)	(26,259)
Balance at December 31, 1997	-	-	-	-	74,897	748	16,885	169	191,845	(43,223)	149,540
Issuance of options to employees	-	-	-	-	-	-	-	-	248	-	248
Issuance of warrants in connection with settlement agreement	-	-	-	-	-	-	-	-	3,000	-	3,000
Issuance of common stock in connection with the exercise of warrants.	-	-	-	-	2,159	22	-	-	139	-	161
Issuance of common stock in connection with the exercise of stock options	-	-	-	-	550	6	-	-	867	-	873
Net income for the year.	-	-	-	-	-	-	-	-	-	986	986
Income tax benefit from exercises of employee stock options	-	-	-	-	-	-	-	-	2,707	-	2,707
Balance at December 31, 1998	-	-	-	$-	77,606	$776	16,885	$169	$198,806	$(42,237)	$157,514

NOTE 1: BUSINESS OPERATIONS AND LINE OF BUSINESS

The Company is a facilities-based provider of a technologically advanced, high-bandwidth, fiber optic communications infrastructure to communications carriers and corporate/government customers in the United States. The Company focuses its operations on domestic intracity fiber optic networks in clusters of the 15 largest cities, based on population, throughout the United States.

The Company operates high-bandwidth fiber optic communications networks in New York and Philadelphia. The Company also is engineering and constructing networks in Washington, D.C., Chicago, San Francisco and Boston. The Company is designing networks in Atlanta, Dallas, Houston, Seattle and Los Angeles.

The Company has also built or obtained intercity fiber optic capacity that links certain of its intracity networks. . The Company has under construction a 250-route mile network from New York to Washington, D.C. The Company has also obtained rights for fiber optic capacity with other facilities-providers and obtained fiber optic capacity linking certain of the metropolitan areas (New York-Chicago, New York-Boston, Chicago-Seattle-Portland) in which it plans to construct intracity networks, except in Portland.

In addition, the Company has entered into a joint venture with a United Kingdom telecommunications company to connect its New York network to London. The Company has formed a joint venture to construct a high-bandwidth fiber optic network connecting 13 major cities in Germany and obtain certain additional fiber optic capacity in Western Europe.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant inter-company balances and transactions have been eliminated in consolidation. The investment in a 50% owned joint venture with a United Kingdom telecommunications company is accounted for by the equity method. Certain balances in the consolidated financial statements have been restated to conform to the current period presentation.

MANAGEMENT ESTIMATES

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results may differ from those estimates.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts for cash, accounts receivable, accounts payable and accrued liabilities approximate their fair value. The fair value of long-term debt is determined based on quoted market rates or the cash flows from such financial instruments discounted at the Company's estimated current interest rate to enter similar financial instruments. At December 31, 1998, the fair value of the Company's fixed rate long-term debt for the 10% Senior Notes due in 2008, was $650 million. The recorded amounts for all other long-term debt of the Company approximates fair values.

CASH AND CASH EQUIVALENTS

For purposes of the consolidated financial statements, the Company considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

PLEDGED SECURITIES

In connection with the sale of 10% Senior Notes (see Note 9), a portion of the net proceeds was utilized to purchase a portfolio consisting of U.S. government securities, which mature at dates sufficient to provide for payment in full of interest on the 10% Senior Notes through May 15, 2000. The pledged securities are stated at cost, adjusted for premium amortization and accrued interest. The fair value of the pledged securities approximates the carrying value.

ACCOUNTS RECEIVABLE

Accounts receivable includes trade receivables and costs and estimated earnings in excess of billings for those contracts where the Company utilizes the percentage of completion method for recognizing revenue.

FIBER OPTIC TRANSMISSION NETWORK AND RELATED EQUIPMENT

The fiber optic transmission network and related equipment are stated at cost. Costs in connection with the installation and expansion of the network are capitalized. Depreciation is computed using the straight-line method through the life of either the franchise agreement or right of way for the related network.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

OTHER ASSETS

Other assets include debt issuance costs, franchise agreements and deposits. Those costs, which are amortizable, are amortized on a straight-line basis over a period ranging from ten to fifteen years.

LONG-LIVED ASSETS

The Company reviews for the impairment of long-lived assets and certain identifiable intangibles whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company has identified no such impairment indicators.

INCOME TAXES

In accordance with Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes," the Company recognizes deferred income taxes for the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial reporting amounts at each year end, based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount that is "more likely than not" to be realized. The provision for income taxes is the tax payable for the period and the change, during the period, in deferred tax assets and liabilities.

RECAPITALIZATIONS

In April 1997, the Company increased its authorized common stock of $.01 par value to 60,000,000 shares; in addition, authorized preferred stock with a par value of $.01 was increased to 2,000,000 shares. On April 29, 1997, the Company effected a 3-for-one stock split of its outstanding shares of common stock.

In September 1997, the Company effected a .507-for-one reverse stock split of its common stock.

On October 28, 1997, the total authorized nu[illegible] of shares of common stock of the Company was [illegible]eased to 200 million shares, par value $0.01 per share, of which 180 million shares were designated Class A common stock and 20 million shares were designated Class B common stock.

On August 28, 1998, the Company completed a two-for-one stock split of the Company's Class A and Class B Common Stock in the form of a 100 percent stock dividend to all shareholders of record as of the close of business on August 7, 1998. In addition, on December 22, 1998, the Company completed another two-for-one stock split of the Company's Class A and Class B Common Stock in the form of a 100 percent stock dividend to all shareholders of record as of the close of business on December 8, 1998.

The accompanying financial statements give retroactive effect to the above recapitalizations.

RECOGNITION OF REVENUE

The Company recognizes revenue on telecommunications services ratably over the term of the applicable lease agreements with customers. Amounts billed in advance of the service provided are recorded as deferred revenue. The Company also provides installation services for its customers, and as these services typically are completed within a year, the Company records the revenues and related costs for these services under the completed contract method. In addition, the Company occasionally grants Indefeasible Rights of Use ("IRU's") to portions of its network. For those grants occurring prior to completion of the portion of the network granted, the Company recognizes revenue on these telecommunication services using the percentage of completion method. Under the percentage of completion method, progress is generally measured on performance milestones relating to the contract where such milestones fairly reflect the progress toward contract completion. Network construction costs include all direct material and labor costs and those indirect costs related to contract performance. General and administrative costs are charged to expense as incurred. If necessary, the estimated loss on an uncompleted contract is expensed in the period in which it is identified. Contract costs are estimated using allocations of the total cost of constructing the specific phase of the network. Revisions to estimated profits on contracts are recognized in the period that they become known.

STOCK OPTIONS

The Company has adopted the disclosure-only provisions of SFAS No. 123, "Accounting for Stock-Based Compensation." The Company applies APB Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations in accounting for its stock options.

CONSULTING AND EMPLOYMENT INCENTIVES

The amounts represent the value of common stock, warrants and options issued to consultants, officers, employees and directors of the Company as incentive to provide services to the Company. The 1997 amounts represent the value of options to purchase 12,381,300 shares of the Company's common stock issued in 1997 to officers, employees and directors of the Company. The options have been valued in accordance with APB Opinion No. 25 at the difference between the exercise price of the options and the fair market value of the Company's common stock at the date of grant.

EARNINGS PER SHARE

In accordance with the Financial Accounting Standards Board's ("FASB") Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings Per Share," basic earnings per share is computed based upon the weighted average number of common shares outstanding during the periods. Diluted earnings per share is computed based upon the weighted average number of common shares outstanding plus the assumed issuance of common stock equivalents computed in accordance with the treasury stock method.

DEFERRED REVENUE

Deferred revenue represents prepayments received from customers for future use of the Company's fiber optic network as well as prepayment for installation services, which have not yet been provided. Lease payments are structured as either prepayments or monthly recurring charges. Prepayments are accounted for as deferred revenues and recognized over the term of the respective customer lease agreement. At December 31, 1998, the Company had received prepaid lease payments in excess of revenue recognized totaling $41.6 million.

IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

In June 1997, the FASB released SFAS No. 130 "Reporting Comprehensive Income," governing the reporting and display of comprehensive income and its components. This statement is effective for financial statements issued for periods beginning after December 15, 1997. The Company adopted this standard as required in fiscal 1998 in its Statement of Changes in Stockholders' Equity (Deficiency).

In June 1997, the FASB issued SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information." SFAS No. 131 redefines how operating segments are determined and requires disclosure of certain financial and descriptive information about a company's operating segments. In 1998 the Company adopted SFAS No. 131. The Company currently operates in one business segment.

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivatives and Hedging Activities," which establishes accounting and reporting standards for derivative instruments and hedging activities. This standard is effective for all fiscal quarters of fiscal years beginning after June 15, 1999. The Company does not expect the adoption of SFAS No. 133 to have an impact on its results of operations, financial position or cash flows.

NOTE 3: ACCOUNTS RECEIVABLE

Accounts receivable consists of the following (in 000's):

	DECEMBER 31,	
	1998	1997
Trade accounts receivable.	$560	$837
Costs and earnings in excess of billings	30,134	-
Other.	216	-
	$30,910	$837

At December 31, 1998, three customers accounted for 43%, 40% and 14%, respectively, of the Company's combined accounts receivable.

NOTE 4: FIBER OPTIC TRANSMISSION NETWORK AND RELATED EQUIPMENT

Fiber optic transmission network and related equipment consists of the following (in 000's):

	DECEMBER 31,	
	1998	1997
Material-fiber optic cable.	$23,436	$1,133
Engineering and layout costs.	7,101	3,322
Fiber optic cable installation costs	16,639	1,869
Other	4,242	2,019
Construction in progress.	195,256	17,835
	246,674	26,178
Less: accumulated depreciation.	(2,398)	(1,244)
	$244,276	$24,934

Construction in progress includes amounts incurred in the Company's expansion of its network. These amounts include fiber optic cable and other materials, engineering and other layout costs, fiber optic cable installation costs and other network assets held under capital leases. Construction in progress also includes payments for rights of way for the underlying sections of the network build.

NOTE 5: PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	DECEMBER 31,		
	1998	1997	USEFUL LIFE
Leasehold improvements.	$614	$538	174 months
Furniture, equipment and software	2,581	352	5 years
	3,195	890	
Less: accumulated depreciation and amortization	(479)	(131)	
	$2,716	$759	

NOTE 6: INVESTMENT IN/ADVANCES TO JOINT VENTURE

The Company has a joint venture agreement with Racal Telecommunications, Inc. ("Racal"), that provides broad-based transatlantic communication services between New York and London. As of December 31, 1997, neither party had made a capital contribution. The balance of the investment at December 31, 1997 represents advances made to the joint venture by the Company. During 1998, each party made capital contributions of $4.3 million. The Company and Racal may each be required to contribute additional capital as needed for their respective 50% interests. The Company accounts for its investment using the equity method. For 1998, the Company recorded a $146,000 loss from the joint venture based on its 50% interest in the joint venture. Included within the Company's accounts receivable is $70,000 for administrative services provided to the joint venture which were not reimbursed as of December 31, 1998.

NOTE 7: GERMAN NETWORK BUILD

In February, 1999, the Company entered into a joint venture with Viatel, Inc. and Carrier 1 Holdings, Ltd. to jointly build a national fiber optic telecommunications network in Germany. Upon completion of construction, the joint venture will be dissolved and the Company will own its own separate

German broadband network. In connection with the terms of this agreement, the Company made a deposit payment of $4.7 million, during the third quarter of 1998. Upon signing a definitive agreement, the Company provided an irrevocable standby letter of credit in the amount of $64 million as security for the construction costs of the network, which, in addition to the deposit payment made, covers the Company's portion of the estimated construction costs.

NOTE 8: RELATED PARTY TRANSACTIONS

The Company is a party to a management agreement under which the Company's controlling shareholder, Metromedia Company, provides consultation and advisory services relating to legal matters, insurance, personnel and other corporate policies, cash management, internal audit and finance, taxes, benefit plans and other services as are reasonably requested. The management agreement terminates on December 31, of each year, and is automatically renewed for successive one-year terms unless either party terminates upon 60 days prior written notice. The 1998 management fee under the agreement was $500,000 per year, payable quarterly at a rate of $125,000. The Company is also obligated to reimburse Metromedia Company for all its out-of-pocket costs and expenses incurred and advances paid by Metromedia Company in connection with the management agreement. In 1997, Metromedia Company received no money for its out-of-pocket costs and expenses or for interest on advances extended by it to the Company under the management agreement.

In March and June 1997, the Company entered into two one-year leases for office space with an affiliate. Subsequent to June 1997, the affiliate sold this property. For the year ended December 31, 1997, office rent expenses for these leases amounted to approximately $110,000.

NOTE 9: SETTLEMENT AGREEMENTS

In February 1996, the Company entered into a settlement agreement with a former officer regarding the termination of his employment. This agreement provided for the Company to make payments to the officer totaling $1,003,000, including interest. The former officer's services effectively terminated prior to December 31, 1995. Accordingly, as of December 31, 1995, the Company recorded $876,146 as a liability in accordance with the terms of the settlement agreement. The settlement agreement also reaffirmed an option previously issued to this former officer on May 1, 1995, which entitles the holder to purchase 207,883 shares of the Company's common stock at $0.006 per share through February 1, 1999. In 1997 the Company repurchased and retired the warrants held by this former officer. On November 14, 1996, the Company amended the above referenced settlement agreement with the former officer, whereby a consultant to the Company agreed to purchase common stock of the company from the former officer and certain of his affiliates in exchange for $640,000 and the complete satisfaction of the aforementioned liability.

On February 11, 1997, the Company entered into an agreement with a consultant/director. Pursuant to the agreement the Company agreed to pay the consultant/director a fee of $250,000 in full and complete payment for all services provided to the Company by the consultant/director and for any fees or compensation due to the consultant/director resulting from any prior agreements with the Company, and the consultant/director agreed to release the Company from any claims against the Company.

In March 1998, the Company entered into a settlement agreement with Howard Katz, Realprop Capital Corporation and Evelyn Katz, among others, which settled and resulted in the dismissal of litigation for which the Company was a defendant in KATZ, ET AL. V. NATIONAL FIBER NETWORK, INC., ET AL., No. 97 Civ. 2764 (JGK) (the "Katz Litigation").

NOTE 10: NOTES PAYABLE

On November 25, 1998, the Company issued and sold $650.0 million of 10% Senior Notes due November 15, 2008. The net proceeds of the 10% Senior Notes were approximately $630.0 million, after deducting offering costs, which are included in other long-term assets. Interest on the 10% Senior Notes is payable semi-annually in arrears on May 15 and November 15 of each year, commencing May 15, 1999. Approximately $91.5 million of the net proceeds was utilized to purchase certain pledged securities, the proceeds of which, together with interest earned on such securities, will be used to satisfy the Company's semi-annual interest obligations through May 15, 2000. The 10% Senior Notes are subject to redemption at the option of the Company, in whole or in part, at any time on or after November 15, 2003, at specified redemption prices. In addition, prior to November 15, 2001, the Company may use the net cash proceeds from certain specified equity transactions to redeem up to 35% of the 10% Senior Notes at specified redemption prices.

The indentures pursuant to which the 10% Senior Notes are issued contain certain covenants that, among other matters, limit the ability of the Company and its subsidiaries to incur additional indebtedness, issue stock in subsidiaries, pay dividends or make other distributions, repurchase equity interests or subordinated indebtedness, engage in sale and leaseback transactions, create certain liens, enter into certain transactions with affiliates, sell assets, and enter into certain mergers and consolidations.

In the event of a change in control of the Company as defined in the indentures, holders of the 10% Senior Notes will have the right to require the Company to purchase their Notes, in whole or in part, at a price equal to 101% of the stated principal amount thereof, plus accrued and unpaid interest, if any, thereon to the date of purchase. The 10% Senior Notes are senior unsecured obligations of the Company, and are subordinated to all current and future indebtedness of the Company's subsidiaries, including trade payables.

NOTE 11: EQUITY TRANSACTIONS

COMMON STOCK

On November 3, 1997, the Company completed the initial public offering ("the "IPO") of 36,432,000 shares of its Class A common stock, at an offering price of $4 per share. The net proceeds to the Company from the IPO, after deducting expenses of the IPO, were approximately $133.9 million.

In addition, on October 28, 1997, a total of 38,259,760 shares of the common stock of the Company owned by stockholders prior to the IPO were exchanged for an equal number of shares of Class A common stock. The Company also reserved for issuance 17,041,944 shares of Class A common stock for conversion of the Class B common stock.

On October 28, 1996, a shareholder granted to the Company's Chairman of the Board an option to purchase 1,599,556 shares of common stock of the company for an aggregate exercise price of $500,000. By letter dated December 3, 1996, the option was amended to reduce the number of option shares to 1,295,356 shares. The Chairman thereafter assigned the option to the Company. On February 11, 1997, the Company exercised the option by payment of $500,000.

On April 15, 1996, the Company entered into a stock purchase agreement with Vento & Company of New York, LLC ("VCNY"). Pursuant to this agreement, the Company issued 6,084,000 shares of common stock to VCNY as consideration for services provided by VCNY. The Company estimated the value of the stock issued approximated $2,760,000.

Concurrent with the execution of the aforementioned stock purchase agreement, the parties entered into a consulting agreement. The term of the agreement was from April 15, 1996 to April 15, 2001. Under the terms of the agreement, VCNY was to provide guidance and advice with respect to the management of the day-to-day operations of the Company's fiber optic transmission network. In consideration for such services, the Company reimbursed VCNY for all reasonable personnel and travel costs incurred by VCNY with respect to the performance of these services. On October 9, 1996, the Company entered into a settlement agreement with the Company's former chief executive officer and VCNY regarding the termination of such officer's employment and services provided by VCNY. The agreement provided for VCNY to deliver a total of 6,084,000 shares of common stock in exchange for payments made by the Company. The payments were not made and the sale of the shares and the Company's obligation to buy the shares was deemed null and void.

In September 1996, the Company sold 43,736 shares of common stock to three individuals for total proceeds of $23,500.

In August 1996, the Company issued 730,080 shares of common stock for consulting services. The Company recorded a non-cash charge of $334,800 for such issuance.

In July 1996, the Company issued 48,672 shares of common stock as consideration for consulting services. The Company recorded a non-cash charge of $21,200 for such issuance. In addition, the Company issued 602,316 shares to three employees for services rendered. The transaction was later rescinded and the shares were returned to the Company.

In June 1996, the Company sold a total of 152,100 shares of common stock to two individuals for total proceeds of $100,000. Concurrent with the issuance of these shares, the Company issued warrants to these shareholders entitling the holders to purchase a total of 152,100 shares at $0.66 per share for a three-year period.

On January 12, 1996, the Company entered into an agreement with its legal counsel to issue common stock as additional consideration for legal services provided. Pursuant to this agreement, as amended, the Company issued a total of 1,964,420 shares of its common stock. Management has estimated the value of the 1,964,420 shares issued to be $907,301 and has recorded a non-cash charge in connection with such issuance.

PREFERRED STOCK

On April 30, 1997, the Company sold an aggregate of 33,613,300 shares of Series B convertible preferred stock, par value $0.01 per share (the "Series B preferred stock"), to Metromedia Company and affiliates ("Metromedia") for an aggregate purchase price of $32.5 million (the "Metromedia Investment"). Each share of the Series B preferred stock was convertible into 507 shares of the Company's common stock. On October 28, 1997, the Series B convertible preferred shares were converted into 17,041,944 shares of Class B common stock. Further, on October 28,1997, a total of 157,308 shares of Class B common stock outstanding were converted into an equivalent number of shares of Class A common stock.

A portion of the proceeds from the Metromedia Investment was used to repay the Metromedia Loan, discussed below, and accrued interest thereon ($4,058,127), repay other short-term indebtedness ($3,485,000), and redeem (for $2,115,000) all of the outstanding shares of the Company's preferred stock (the "Series A preferred stock") and related warrants.

Through April 30, 1997, Metromedia loaned the Company an aggregate of $4,000,000 (the "Metromedia Loan"). A portion of the proceeds from the Metromedia Loan was used to purchase 2,353,880 shares of the Company's common stock and warrants to purchase 831,532 shares of its common stock.

No shares of the Company's Series A preferred stock or Series B preferred stock remained outstanding at December 31, 1997. Both the Series A and Series B preferred stock of the Company have been eliminated pursuant to actions by the Board of Directors.

STOCK WARRANTS

A. In 1996, the Company entered into an agreement with a Customer for exclusive usage rights for fibers on portions of its network. In connection with this agreement, the Company borrowed $4.9 million from the customer. On April 30, 1997, the Company amended this agreement to satisfy the obligations of the above-referenced note by providing (i) additional leased fiber miles, (ii) a cash payment of $1,370,000 and (iii) a warrant to purchase common stock of the Company. In July 1998, the agreement was amended to include additional fiber miles on the Company's network and for cancellation of the warrants.

B. From October 1995 through February 1996, the Company issued and sold a private offering of $858,000 of convertible subordinated notes. Concurrent with the issuance of these notes, warrants were issued by the Company to the noteholders to purchase 522,008 shares of common stock at $2.00 per share through November 2000. In 1996 and 1997, in exchange for the extension of the due dates of the notes, the Company issued warrants to purchase 659,042 shares of its common stock at $2.00 per share and recorded a charge of $111,306 and $220,036 in 1996 an 1997, respectively. In 1997, the Company repaid the outstanding balance of these notes plus all accrued interest. As of December 31, 1998, 782,016 of such warrants have been exercised.

C. In September 1996, the Company entered into a loan agreement with a finance company for $550,000. The loan bore interest at 10% per annum and was repaid in 1997. As an incentive for the loan, the Company issued to the finance company warrants to purchase 377,208 shares of common stock at an exercise price of $1.48. The warrants are exercisable through September 1999. In 1996, the Company recorded a non-cash charge of $13,640 in connection with the issuance of the warrants. All of the warrants have been exercised.

D. In August 1995, the Company initiated a $600,000 private offering of subordinated notes which bore interest at an annual rate of 15% and were repaid in 1997. With the issuance of the notes, warrants were issued to the noteholders. In April 1996, the Company issued a total of 237,436 shares of the Company's common stock in exchange for the surrender and cancellation of the warrants and a three-month extension of the maturity date of the notes. In 1996, the Company recorded a non-cash charge of $107,322 in connection with such issuance.

E. In April 1995, the Company entered into a loan agreement with a customer for $500,000 bearing interest at 11% per annum. In July 1997, the note was repaid in full. In connection with this loan, the Company issued the customer a warrant entitling the holder to purchase a total of 2,676,668 shares of the Company's common stock. In February 1997, this warrant was exchanged for a new warrant to purchase 1,825,200 shares of the Company's common stock at $1.21 per share. The new warrant expires on February 13, 2000. As of December 31, 1998, none of the warrants have been exercised.

F. On December 13, 1996, the Company issued and sold to a private investor, for an aggregate cash consideration of $2,025,000, (i) 600,000 shares of 10% cumulative convertible preferred stock (the "Series A preferred stock") bearing dividends at a rate of $.34 per share per annum, (ii) warrants to purchase 456,300 shares of Class A common stock at an exercise price of $1.24 per share and (iii) a contingent stock subscription warrant to purchase a number of shares of Class A common stock (such number to be determined based on certain future events) at an exercise price of $0.01 per share. In connection with the Metromedia Investment, the private investor allowed the Series A preferred stock and the contingent warrants to be redeemed at an aggregate redemption price of $2,115,000 (which includes accrued but unpaid dividends on the Series A preferred stock) and the number of shares underlying the private investor's warrants to be increased from 456,300 to 912,600. In January 1998, the private investor made a cashless exercise of all its warrants and the number of its shares issuable upon exercise was reduced by the number of shares at the closing on the day of exercise having a value equal to the aggregate exercise price. Accordingly, the Company issued the private investor 691,060 common shares for all its warrants.

G. In June 1996, the Company granted 608,400 common stock purchase warrants to the Company's legal counsel exercisable at $.02 per share for a period of four years as additional consideration for legal services provided. The Company recorded a non-cash charge of $200,000 for such issuance. As of December 31, 1998, all of the warrants have been exercised.

As of December 31, 1998, in the aggregate, the Company had reserved approximately 2,228,050 shares of its Class A common stock for exercise of outstanding warrants.

STOCK OPTIONS

In 1997, the Company granted to certain officers, employees and directors options to purchase up to 12,380,944 shares of its Class A common stock. The options have exercise prices between $0.49 and $1.91 per share and expire in 2007. The Company recorded a non-cash charge of $19,218,591 for such issuance.

On October 28, 1997, the Stockholders of the Company approved the Metromedia Fiber Network, Inc. 1997 Incentive Stock Plan ("1997 Option Plan"). The 1997 Option Plan authorized the award of up to 4,000,000 options to acquire Class A common stock of the Company to directors, officers and employees of the Company and others who are deemed to provide substantial and important services to the Company. In 1997, options to purchase 2,450,000 shares of the Company's Class A common stock were granted at an exercise price of $4.00 per share, the market price at the date of grant. In 1998, options to purchase 1,700,000 shares of the Company's Class A common stock were granted at exercise prices ranging from $3.88 to $8.59 per share, the market price at the date of grant. Of these grants, 557,500 were canceled and 117,500 were exercised as of December 31, 1998.

On May 18, 1998, the Stockholders of the Company approved the Metromedia Fiber Network, Inc. 1998 Incentive Stock Plan ("1998 Option Plan"). The 1998 Option Plan authorized the award of up to 10,000,000 options to acquire Class A common stock of the Company to directors, officers and employees of the Company and others who are deemed to provide substantial and important services to the Company. Options to purchase 3,459,000 shares of the Company's Class A common stock were granted at exercise prices ranging from $7.28 to $26.50 per share, the market prices at the dates of grant.

The compensation committee of the Company's Board of Directors is responsible for determining the type of award, when and to whom awards are granted, the number of shares and terms of the awards and the exercise price. The options are exercisable for a period not to exceed ten years from the date of the grant. Vesting periods range from immediate vesting to four years.

The following table summarizes the stock option transactions for the two years ended December 31, 1998:

	NUMBER OF OPTIONS	EXERCISE PRICES	
Granted prior to December 31, 1997.	14,830,944	$0.49 to	$4.00
Balance outstanding at December 31, 1997.	14,830,944	0.49 to	4.00
Granted	5,159,000	3.88 to	26.50
Excercised.	550,024	0.49 to	7.47
Cancelled	567,500	0.49 to	8.59
Balance outstanding at December 31, 1998.	18,872,420	0.49 to	26.50
Exercisable at:			
December 31, 1997	12,241,172	0.49 to	1.91
December 31, 1998	12,440,920	0.49 to	4.00

The following table summarizes information about stock option outstanding at December 31, 1998:

					Options Granted		Options Exercisable	
Year of Grant	Ranges of Exercise Prices			Number Outstanding at 12/31/98	Weighted Average Remaining Life (Years)	Average Exercise Price	Number Exercisable at 12/31/98	Weighted Average Exercise Price
1997	$0.49	to	$4.00	13,798,420	8.40	$0.98	12,440,920	$0.65
1998	3.88	to	26.50	5,074,000	9.42	9.75	-	-
				18,872,420	8.67	$3.33	12,440,920	$0.65

Pro forma information regarding net income and earnings per share is required by Statement of Financial Standards No. 123, "Accounting for Stock-Based Compensation", and has been determined as if the Company had accounted for its employees' stock options under the fair value method provided by that Statement. The fair value of the options was estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions for vested and non-vested options:

	DECEMBER 31,	
	1998	1997
Risk-free interest yield.	5.53 - 6.56%	5.73 - 6.56%
Volatility factor	.499	.369
Dividend yield.	-----	-----
Average life.	5 years	5 years

The Black-Scholes options valuation model was developed for use in estimating the fair value of traded options, which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility.

Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the vesting period of the options. The Company's pro forma information is as follows (000's):

	YEAR ENDED DECEMBER 31,	
	1998	1997
Pro forma net loss applicable to common stock	$(864)	$(28,043)
Pro forma net loss per share applicable to common stock, basic	$(0.01)	$(0.59)

NOTE 12: SIGNIFICANT CUSTOMERS

During the years ended December 31, 1998 and 1997 one customer accounted for 40% and 21%, respectively of the Company's total revenue. During the years ended December 31, 1998 and 1997 another customer accounted for 35% and 15%, respectively of the Company's total revenue. During the years ended December 31, 1998 a third customer accounted for 12% of the Company's total revenue.

NOTE 13: INCOME TAXES

Income tax expense (benefit) for the years ended December 31, 1998, 1997 and 1996 is as follows (in thousands):

	1998	1997	1996
CURRENT			
Federal	$4,513	$-	$-
State and local	2,720	-	-
	7,233	-	-
DEFERRED			
Federal	(2,375)	-	-
State and local	(1,456)	-	-
	(3,831)	-	-
	$3,402	$-	$-

Total income tax expense (benefit) differed from the amounts computed by applying the federal statutory income tax rate (35%) to earnings (loss) before income tax expense (benefit) as a result of the following items for the years ended December 31, 1998, 1997 and 1996 (in thousands):

	1998	1997	1996
U.S. statutory rate applied to pre-tax income (loss)	$1,492	$-	$-
State and local taxes, net of federal tax benefit	834	-	-
Non deductible expenses	1,118	-	-
Valuation allowance	-	-	-
Others, net	(42)	-	-
	$3,402	$-	$-

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at December 31, 1998 and 1997 are as follows (in thousands):

	1998	1997	1996
DEFERRED TAX ASSETS			
Deferred revenue	$19,923	$5,173	$499
Employee benefits	9,893	10,074	1,425
Cost of sales of IRU's and sales type leases	5,599	573	-
Net operating loses	-	1,125	3,668
Others	2,522	1,465	1,047
	$37,937	$18,410	$6,639
Valuation allowance	(18,309)	(18,309)	(6,579)
	19,628	101	60
DEFERRED TAX (LIABILITIES)			
Capitalized leases	(14,782)	-	-
Depreciation and amortization	(1,003)	(89)	(48)
Other	(12)	(12)	(12)
	(15,797)	(101)	(60)
Net deferred asset	$3,831	$-	$-

A portion of the deferred tax asset has been reserved since it is not certain that future taxable income will be realized in the carryforward period or in year of asset turnaround.

There was no provision for federal or state income taxes for the years ended December 31, 1997 and 1996. At December 31, 1998, the Company expects to have fully utilized its net operating losses

NOTE 14: 401(K) PLAN

In 1998, the Company implemented a 401(k) Plan (the "Plan") which permits employees to make contributions to the Plan on a pre-tax salary reduction basis in accordance with the Internal Revenue Code. All full-time employees are eligible to participate at the beginning of the quarter following three months of service. Eligible employees may contribute up to 15% of their annual compensation. The Company matches 50% of the employees first 6% of contributions. The Company contributed $78,000 for 1998 as these matching contributions. The company bore the nominal administrative cost of the plan during 1998.

NOTE 15: RECONCILIATION OF EARNINGS PER SHARE (IN THOUSANDS):

	YEAR ENDED DECEMBER 31,		
	1998	1997	1996
Net income (loss)	$986	$(26,259)	$(10,359)
Deduct dividend on preferred shares	-	77	-
Net loss applicable to common stock	986	(26,336)	(10,359)
Shares			
Weighted average number of common shares outstanding-basic	93,495	47,447	35,858
Net income (loss) per common share-basic	$0.01	$(0.56)	$(0.29)
Weighted average number of common shares outstanding-basic	93,495	47,447	35,858
Assuming conversion of warrants and options outstanding	16,267	-	-
Weighted average number of common shares outstanding - diluted	109,762	47,447	35,858
Net income (loss) per common share - diluted	$0.01	N/A	N/A

NOTE 16: COMMITMENTS AND CONTINGENCIES

NETWORK CONSTRUCTION PROJECTS

In 1998, the Company commenced construction of various networks outside of the New York Metropolitan area. The Company's commitment to purchase materials and contracts for the construction of fiber optic network systems was approximately $70 million as of December 31, 1998.

FRANCHISE, LICENSE, RIGHT-OF WAY AGREEMENTS AND OPERATING AND CAPITAL LEASES

The Company has entered into various franchise and license agreements with municipalities and utility-related companies to, in most instances, install, operate, repair, maintain and replace cable, wire, fiber or other transmission media and the related equipment and facilities. The terms for these agreements vary in length, with various renewal and termination provisions. The Company charges the portions of these agreements incurred to construction-in-progress until the related portion of the network is completed. The fees charged to operations in connection with these agreements were approximately $1,673,000, $607,000 and $459,000 for the years ended December 31, 1998, 1997 and 1996, respectively.

In addition, the company leases office and operation facilities and various equipment, which expire at various times through March 31, 2010. Rent expense charged to operations was approximately $958,000, $268,000 and $158,000 for the years ended December 31, 1998, 1997 and 1996, respectively.

The Company has entered into capital lease agreements for certain network assets and for certain rights-of-ways. Total assets acquired under capital leases were approximately $27,876,000 at December 31, 1998. The capital leases are held as construction-in-progress until the related portion of the network is completed.

Approximate minimum payments under the aforementioned agreements are (in thousands):

	Franchise, License and Right-of-way Agreements	Capital Leases	Operating Leases
For the year ended December 31,			
1999	$1,018	$1,551	$1,994
2000	1,121	1,797	2,032
2001	1,121	1,859	2,054
2002	971	1,923	2,050
2003	661	1,991	1,532
Thereafter	7,922	42,972	7,339
Total minimum lease payments	$12,814	52,093	$17,001
Less amounts representing interest		29,363	
Present value of future minimum lease payments.		22,730	
Less amounts due in one year.		55	
		$22,675	

EMPLOYMENT AGREEMENTS

The Company has executed employment contracts for future services, for up to five years, with certain senior executives for whom the Company has a minimum commitment aggregating approximately $3.4 million at December 31, 1998. This amount is not included in the consolidated financial statements at December 31, 1998.

LITIGATION

On or about October 20, 1997, Vento & Company of New York, LLC commenced an action against Metromedia Fiber Network, Stephen A. Garofalo, Peter Silverman, the law firm of Silverman, Collura, Chernis & Balzano, P.C., Peter Sahagen, Sahagen Consulting Group of Florida (collectively, the "Sahagen Defendants") and Robert Kramer, Birdie Capital Corp., Lawrence Black, Sterling Capital LLC, Penrush Limited, Needham Capital Group, Arthur Asch, Michael Asch and Ronald Kuzon (the "Kramer Defendants") in the United States District Court for the Southern District of New York (No. 97 CIV 7751). On or about May 29, 1998, Vento & Company filed an amended complaint. In its complaint, as amended, Vento & Company alleges four causes of action in connection with its sale of 900,000 shares (not adjusted for subsequent stock splits) of Class A Common Stock to Peter Sahagen and the Kramer Defendants on January 13, 1997. The four causes of action include: (i) violation of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated under such Act; (ii) fraud and fraudulent concealment; (iii) breach of fiduciary duty; and (iv) negligent misrepresentation and omission. On the first and second causes of action, Vento & Company is seeking, among other things, rescission of the Vento & Company sale, or alternatively, damages in an amount which we cannot currently ascertain but believe to be in excess of $36 million, together with interest. On the third and fourth causes of action, Vento & Company is seeking damages in an amount which we cannot currently ascertain but believe to be in excess of $36 million, together with interest. Vento & Company is also seeking punitive damages in the amount of $50 million, reasonable legal fees and the cost of this action. All the defendants, including Metromedia Fiber Network and Stephen A. Garofalo, have moved to dismiss Vento and Company's amended complaint.

On or about June 12, 1998, Claudio E. Contardi commenced an action against Peter Sahagen, Sahagen Consulting Group of Florida and Metromedia Fiber Network in the United States District Court for the Southern District of New York (No. 98 CIV 4140). Mr. Contardi alleges a cause of action for, among other things, breach of a finder's fee agreement entered into between Mr. Sahagen and Mr. Contardi on or about November 14, 1996 and breach of an implied covenant of good faith and fair dealing contained in the finder's fee agreement. Mr. Contardi is seeking, among other things, a number of shares of Metromedia Fiber Network which we cannot currently ascertain but believe to be approximately 225,000 shares (calculated as of the date on which the complaint was filed) or damages in an amount which we cannot currently ascertain but believe to be approximately $4.9 million (calculated as of the date on which the complaint was filed) and all costs and expenses incurred by him in this action. We have filed an answer to the complaint and has raised affirmative defenses.

We intend to vigorously defend both these actions because we believe that we acted appropriately in connection with the matters at issue in these two cases. However, we cannot assure you that we will not determine that the advantages of entering into a settlement outweigh the risk and expense of protracted litigation or that ultimately we will be successful in defending against these allegations. If we are unsuccessful in defending against these allegations, an award of the magnitude being sought in the Vento & Company litigation would have a material adverse effect on our financial condition or results of operations.

In addition, we are subject to various claims and proceedings in the ordinary course of business. Based on information currently available, we believe that none of such current claims, or proceedings, individually, or in the aggregate, including the Vento & Company litigation and the Contardi litigation, will have a material adverse effect on our financial condition or results of operations, although we can make no assurances in this regard.

EXHIBIT INDEX

METROMEDIA FIBER NETWORK, INC. & SUBSIDIARIES

SCHEDULE II

VALUATION AND QUALIFYING ACCOUNTS

DESCRIPTION	Balance at Beginning of Year	Additions Charged to Costs and Expenses	Deductions	Balance at End of Year
Reserves deducted from assets to which they apply:				
OTHER CURRENT ASSETS				
1997	$-	$337,500	$-	$337,500
1998	$337,500	$-	$-	$337,500

EXHIBIT 3

Guaranty of Metromedia Fiber Network, Inc.

Metromedia Fiber Network, Inc. hereby guarantees the financial obligations of Metromedia Fiber Network Services, Inc. ("MFNS") attendant to MFNS' operation as a telecommunications carrier in the State of Florida. Metromedia Fiber Network, Inc. is the owner of all of the issued and outstanding common stock of MFNS, and issues this Guaranty in support of MFNS' application to the Florida Public Service Commission for certification as a provider of non-switched dedicated and private line, high capacity fiber optic transmission services to customers within the State of Florida.

METROMEDIA FIBER NETWORK, INC.

By: [signature]

Title: VP Legal Affairs

State of New Jersey)
) ss.
County of Bergen)

The above-named Dennis E. Codlin appeared before me today and swore that he is the Vice Pres., Legal Affairs of Metromedia Fiber Network, Inc., and is duly authorized by it to execute the foregoing Guaranty on its behalf.

Subscribed and Sworn to me this 29th day of April, 1999.

[signature]
Notary Public

SCHUBERT LEVEILLE
NOTARY PUBLIC OF NEW JERSEY
Commission Expires 9/23/2002

My Commission expires ____________

EXHIBIT 4

Managerial and Technical Qualifications

Managerial Qualifications

Stephen A. Garofalo: Chairman and Chief Executive Officer

Stephen A. Garofalo is Chairman and Chief Executive Officer of MFNS. In addition, Mr. Garofalo founded MFN in April 1993, and has been serving as Chairman of the Board since MFN's inception and as Chief Executive Officer since October 1996. Mr. Garofalo also served as MFN's President from 1993 to 1996 and as Secretary from 1993 to 1997. From 1979 to 1993, Mr. Garofalo served as president and chief executive officer of F. Garofalo Electric Co., Inc.

Howard M. Finkelstein: President and Chief Operating Officer

Howard M. Finkelstein is MFNS' President and Chief Operating Officer. In addition, Mr. Finkelstein has been President, Chief Operating Officer and a Director of MFN since April 1997. Prior to joining MFN, Mr. Finkelstein was employed by various affiliates of Metromedia Company for 16 years. His most recent position was as Executive Vice President and Chief Operating Officer of Metromedia International Telecommunications, Inc. From 1984 to 1993, Mr. Finkelstein served as President of Metromedia Communications Corporation, a national long distance telecommunications carrier. In addition, Mr. Finkelstein served as Executive Vice President and Chief Operating Officer of Metromedia Restaurant Group from 1993 to 1995. Mr. Finkelstein is a Director of Multimedia Medical Systems, Incorporated, a privately held company.

Gerard Benedetto: Vice President and Chief Financial Officer

Gerard Benedetto is MFNS' Vice President and Chief Financial Officer. His most recent position was as Chief Accounting Officer for Metromedia International Telecommunications, Inc., a subsidiary of Metromedia International Group, from July 1997 to December 1997. Prior to that he was Chief Financial Officer of Metromedia Restaurant Group from October 1993 to July 1995. In addition, Mr. Benedetto was Chief Financial Officer of Metromedia Communications Corporation, a national long distance telecommunications carrier, from 1985 to 1993. Mr. Benedetto is also a Certified Public Accountant.

Vincent A. Galluccio: Senior Vice President--Business Development

Vincent A. Galluccio is MFNS' Senior Vice President of Business Development. In addition, Mr. Galluccio has been a Director of MFN since February 1997 and has served as a Senior Vice President since December 1995. From January 1992 to October 1994, Mr. Galluccio was employed by British Telecommunications Plc. as a global sales manager for network outsourcing operations. Prior to joining British Telecommunications Plc., Mr. Galluccio spent 25 years with International Business Machines Corporation in various sales, marketing, and business development positions and was involved in both domestic and world trade assignments.

Managerial Qualifications (Cont'd)

Dennis E. Codlin: Vice President of Legal Affairs and Assistant Secretary

Dennis E. Codlin is MFNS' Vice President of Legal Affairs and Assistant Secretary. In addition, Mr. Codlin has been Vice President-Legal Affairs of MFN since November 1997. Prior to joining the Company, Mr. Codlin was employed by Metromedia Company in its Legal Department since 1980, most recently as Senior Associate General Counsel and Assistant Secretary. Mr. Codlin was also an Assistant Secretary of Metromedia International Group, Inc.

John S. Mahon: Vice President--Network Engineering

John S. Mahon is MFNS' Vice President of Network Engineering. In addition, Mr. Mahon has been MFN's Vice President–Network Engineering since 1994. Prior to joining MFN, Mr. Mahon was employed by NYNEX (formerly known as New York Telephone Company) from 1965 to 1994 as staff director for engineering design, construction and maintenance of all telecommunications infrastructure in New York City.

John McLeod: Vice President--Marketing

John McLeod is MFNS' Vice President of Marketing. In addition, Mr. McLeod has been Vice President of Marketing of MFN since June 1997. From October 1995 to June 1997, he served as Vice President–Venture Support at Metromedia International Telecommunications, Inc. From January 1994 to October 1995, Mr. McLeod was Vice President–Field Support at Metromedia Restaurant Group. From September 1986 to January 1994, he was employed at Metromedia Communications Corporation where his last position was Vice President and General Manager–National Customer Service Center.

Nicholas M. Tanzi: Vice President--Sales

Nicholas M. Tanzi is MFNS' Vice President of Sales. In addition, Mr. Tanzi has been Vice President of Sales of MFN since August 1997. From March 1995 to July 1997, he served as Vice President, Enterprise Networks Division at Fujitsu Business Communications Systems. From April 1993 to February 1995, Mr. Tanzi was Director of Sales, Eastern Region at Asante Technologies, Inc. Mr. Tanzi was employed in various capacities from November 1979 through October 1993 at Digital Equipment Corporation.

Richard Romanski: Vice President--Engineering and Construction

Richard Romanski is MFNS' Vice President of Engineering and Construction. From September 1989 to December 1997, he was Director of Engineering for Metromedia Communications Company. In addition, he served as Director of Engineering for WorldCom from January 1993 to December 1997. From 1975 to 1989, Mr. Romanski was the Transmissions Manager for ITT/United States Transmissions Services, Inc.

Managerial Qualifications (Cont'd)

James Urbelis: Vice President--Easements and Construction

James Urbelis is MFNS' Vice President of Easements and Construction. In addition, Mr. Urbelis has been Vice President of Easements and Construction of MFN since 1994. Mr. Urbelis was formerly employed by F. Garofalo Electric Co., Inc. as construction manager from 1968 to 1994. Prior to that time he was a civilian employee of the Army Corps of Engineers engaged in civil works projects.

Arnold L. Wadler: General Counsel and Secretary

Arnold L. Wadler is MFNS' General Counsel and Secretary. In addition, Mr. Wadler is General Counsel and Secretary of MFN and has served as a Director of MFN since July 1997. Mr. Wadler has served as Executive Vice President, General Counsel and Secretary of Metromedia International Group, Inc. since August 29, 1996, and from November 1, 1995, until that date, as Senior Vice President, General Counsel and Secretary of Metromedia International Group, Inc. In addition, Mr. Wadler serves as a Director of Metromedia International Group, Inc. and has served as a Director of Orion from 1991 until July 1997 and as Senior Vice President, Secretary and General Counsel of Metromedia Company for over five years.

Steven Joffe: Vice President of Taxes

Steven Joffe is MFNS' Vice President of Taxes. In addition, Mr. Joffe has been Vice President of Taxes and Associate General Counsel of Metromedia Company since 1994. From 1993-1998, Mr. Joffee was associated with Price Waterhouse, and from 1986-1998, he was an attorney with the law firm of Sullivan, Grave & Karabell.

Technical Qualifications

Applicant is technically qualified to operate and manage its telecommunications operations. MFNS currently has authority to provide dedicated and private line services in 14 states which, in the first instance, is proof of the Applicant's technical qualifications. Furthermore, MFNS will rely upon the operational resources of its parent corporation, MFN.

MFNS was formed to construct a facilities-based dedicated and private line fiber optic communications infrastructure that would be leased to communications carriers and corporate/government customers. Applicant's parent, MFN, was formed in 1993 and currently operates a 54 route mile fiber optic communications network (the "NY Network") in the New York/New Jersey metropolitan area consisting of 7,188 fiber miles, approximately two-thirds of which are currently available for lease.

Applicant believes that the advanced technical characteristics of its network will allow it to provide high levels of reliability, security, and capacity that its target customers typically demand. MFNS' proposed network will support a self-healing SONET architecture that minimizes the risk of downtime in the event of a fiber cut and provides customers with high security and reliability. Future extensions of the intra-city networks will also support a SONET ring architecture. MFNS will also continuously monitor and maintain high quality control of its network on a 24-hour basis through its network operations center.

Furthermore, MFNS installs as many as 432 fibers per route mile, compared to generally lower number of fibers per mile used by its competitors, thus providing it with installation, operating, and maintenance cost advantages per mile relative to its competitors. MFNS' network is capable of using the highest commercially available capacity transmission (OC-192) and, therefore, can support advanced capacity-intensive data applications such as frame relay, ATM, multimedia, and Internet-related applications.

EXHIBIT 5

Illustrative Price List

Please note that MFNS' tariff attached hereto -- Florida P.S.C. No. 1 - is identical to MFNS' tariff filed as Exhibit 5 to its Application to Provide Interexchange Telecommunications Service filed with the Commission on May 5, 1999.

TITLE SHEET

TELECOMMUNICATIONS SERVICES

This tariff applies to the provision of dedicated one-way and/or two-way information transmission services furnished by Metromedia Fiber Network Services, Inc. ("MFNS" or "Company" or "Carrier") between one or more points in the State of Florida. This tariff is on file with the Florida Public Service Commission, and copies may be inspected during normal business hours, at MFNS' principal place of business, 1 North Lexington Avenue, White Plains, New York 10601.

Issued by: Metromedia Fiber Network Services, Inc.
1 North Lexington Avenue
White Plains, NY 10601
(914) 421-6700 (Tel.)

CHECK SHEET

The Title Page and pages 1 through 132, inclusive of this tariff are effective as of the date shown at the bottom of the respective sheet(s). Original and revised pages as named below comprise all changes from the original tariff and are currently in effect as of the date on the bottom of this page.

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Page

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

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

D	-	To signify discontinued rate or regulation.
I	-	To signify a change resulting in an increase to a Customer's bill.
M	-	To signify a move in the location of text.
N	-	To signify new rate or regulation.
R	-	To signify a change resulting in an reduction to a Customer's bill.
T	-	To signify a change in text but no change in rate or regulation.

1.1 TARIFF FORMAT

1.1.1 Page Numbering - Page numbers appear in the upper right corner of the page. Pages are numbered sequentially. However, new pages are occasionally added to the tariff. When a new page is added between pages already in effect, a decimal is added. For example, a new page added between pages 14 and 15 would be 14.A.

1.1.2 Page Revision Numbers - Revision numbers also appear in the upper right corner of each page. These numbers are used to determine the most current page version on file with the Commission. For example, the 4th revised Page 14 cancels the 3rd revised Page 14. Because of various suspension periods, deferrals, etc. the Commission follows in their tariff approval process, the most current page number on file with the Commission is not always the tariff page in effect.

1. EXPLANATION OF SYMBOLS, REFERENCE MARKS, AND ABBREVIATIONS OF TECHNICAL TERMS USED IN THIS TARIFF (Cont'd)

1.1 TARIFF FORMAT (Cont'd)

1.1.3 Paragraph Numbering Sequence - There are nine levels of paragraph coding. Each level of coding is subservient to its next higher level:

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1.1.4 Check Sheets - When a tariff filing is made with the Commission, an updated check sheet accompanies the tariff filing. The check sheet lists the sheets contained in the tariff, with a cross reference to the current revision number. When new pages are added, the check sheet is changed to reflect the revision. All revisions made in a given filing are designated by an asterisk (*). There will be no other symbols used on the check sheet if these are the only changes made to it (i.e., the format, etc. remains the same, just revised revision levels on some pages). The tariff user should refer to the latest check sheet to find out if a particular sheet is the most current on file with the Commission.

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2. DEFINITIONS

Certain terms used generally throughout this tariff are described below.

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

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

Carrier or Company or MFNS
Metromedia Fiber Network Services, Inc., the issuer of this tariff.

Commission
The Florida Public Service Commission.

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

Dedicated
A facility or equipment system or subsystem set aside for the sole use of a specific Customer.

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

Individual Case Basis (ICB)
A service arrangement in which the regulation, rates and charges are developed based on the specific circumstances of the case.

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2. DEFINITIONS (Cont'd)

LATA
A Local Access and Transport Area established pursuant to the Modification of Final Judgment entered by the United States District Court for the District of Columbia in Civil Action No. 82-0192; or any other geographic area designated as a LATA in the NATIONAL EXCHANGE CARRIER ASSOCIATION, Inc. Tariff F.C.C. No. 4.

Network
Refers to the Company's facilities, equipment, and services provided under this Tariff.

Network Service
Intrastate communications service providing dedicated one-way and/or two-way information transmission paths between points within the State of Florida.

Service Commencement Date
The first date on which the Company notifies the Customer that the requested service or facility is available for use, unless extended by the Customer's refusal to accept service which does not conform to standards set forth in the Service Order or this tariff, in which case the Service Commencement Date is the date of the Customer's acceptance. The Company and the Customer may mutually agree on a substitute Service Commencement Date. If the Company does not have an executed Service Order from a Customer, the Service Commencement Date will be the first date on which the service or facility was used by a Customer.

2. DEFINITIONS (Cont'd)

Service Order
The written request for dedicated services executed by the Customer and the Company in the format devised by the Company. The signing of a Service Order by the Customer and acceptance by the Company initiates the respective obligations of the parties as set forth therein and pursuant to this tariff, but the duration of the service is calculated from the Service Commencement Date. Should a Customer use the Company's dedicated service without an executed Service Order, the Company will then request the Customer to submit a Service Order.

Shared
A facility or equipment system or subsystem that can be used simultaneously by several Customers.

User
A Customer, joint user, or any other person authorized by a Customer to use service provided under this tariff.

3. APPLICATION OF TARIFF

3.1 This tariff applies to intrastate dedicated communications service supplied to Customers by the Company.

This tariff applies only to the extent that services provided hereunder are used by a Customer for the purpose of originating, terminating, or completing intrastate communications. A communication is "intrastate" only if all points of origination and termination are located within the State of Florida.

4. REGULATIONS

4.1 Undertaking of the Company

4.1.1 Scope

The Company undertakes to furnish dedicated services in accordance with the terms and conditions set forth in this Tariff.

4.1.2 Shortage of Facilities

All service is subject to the availability of suitable facilities. The Company reserves the right to limit the length of communications or to discontinue furnishing services when necessary because of the lack of transmission medium capacity or because of any causes beyond its control.

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4. REGULATIONS (Cont'd)

4.1 Undertaking of the Company (Cont'd)

4.1.3 *Terms and Conditions*

(A) Service is provided on the basis of a minimum period of at least one month, 24-hours per day. For the purpose of computing charges in this Tariff, a month is considered to have 30 days.

(B) Customers may be required to enter into written service orders which shall contain or reference a specific description of the service ordered, the rates to be charged, the duration of the services, and the terms and conditions in this Tariff. Customers will also be required to execute any other documents as may be reasonably requested by the Company.

(C) In any action between the parties to enforce any provision of this tariff, the prevailing party shall be entitled to recover its legal fees and court costs from the non-prevailing party in addition to other relief a court may award.

(D) This tariff shall be interpreted and governed by the laws of the State of Florida regardless of its choice of laws provision.

4. REGULATIONS (Cont'd)

4.1 Undertaking of the Company (Cont'd)

4.1.4 Limitations on Liability

(A) Except as otherwise stated in this section, the liability of the Company for damages arising out of either: (1) the furnishing of its services, including but not limited to mistakes, omissions, interruptions, delays, or errors, or other defects, representatives, or use of these services; or (2) the failure to furnish its service, whether caused by acts or omission, shall be limited to the extension of allowances to the Customer for interruptions in service as set forth in this Tariff.

(B) Except for the extension of allowances to the Customer for interruptions in service as set forth in this Tariff, the Company shall not be liable to a Customer or third party for any direct, indirect, special, incidental, reliance, consequential, exemplary or punitive damages, including, but not limited to, loss of revenue or profits, for any reason whatsoever, including, but not limited to, any act or omission, failure to perform, delay, interruption, failure to provide any service or any failure in or breakdown of facilities associated with the service.

(C) The liability of the Company for errors in billing that result in overpayment by the Customer shall be limited to a credit equal to the dollar amount erroneously billed or, in the event that payment has been made and service has been discontinued, to a refund of the amount erroneously billed.

4. REGULATIONS (Cont'd)

4.1 Undertaking of the Company (Cont'd)

4.1.4 Limitations on Liability (Cont'd)

(D) The Company shall not be liable for any claims for loss or damages involving:

(1) Any act or omission of: (a) the Customer; (b) any other entity furnishing service, equipment or facilities for use in conjunction with services or facilities provided by the Company; or (c) common carriers or warehousemen;

(2) Any delay or failure of performance or equipment due to causes beyond the Company's control, including but not limited to, acts of God, fires, floods, earthquakes, hurricanes, or other catastrophes; national emergencies, insurrections, riots, wars or other civil commotions; strikes, lockouts, work stoppages or other labor difficulties; criminal actions taken against the Company; unavailability, failure or malfunction of equipment or facilities provided by the Customer or third parties; and any law, order, regulation or other action of any governing authority or agency thereof;

(3) Any unlawful or unauthorized use of the Company's facilities and services;

4. REGULATIONS (Cont'd)

4.1 Undertaking of the Company (Cont'd)

4.1.4 Limitations on Liability (Cont'd)

(D) (Cont'd)

(4) Libel, slander, invasion of privacy or infringement of patents, trade secrets, or copyrights arising from or in connection with the transmission of communications by means of Company-provided facilities or services; or by means of the combination of Company-provided facilities or services with Customer-provided facilities or services;

(5) Breach in the privacy or security of communications transmitted over the Company's facilities;

(6) Changes in any of the facilities, operations or procedures of the Company that render any equipment, facilities or services provided by the Customer obsolete, or require modification or alteration of such equipment, facilities or services, or otherwise affect their use or performance, except where reasonable notice is required by the Company and is not provided to the Customer, in which event the Company's liability is limited as set forth in this Tariff.

(7) Defacement of or damage to Customer premises resulting from the furnishing of services or equipment on such premises or the installation or removal thereof;

4. REGULATIONS (Cont'd)

4.1 Undertaking of the Company (Cont'd)

4.1.4 Limitations on Liability (Cont'd)

(D) (Cont'd)

(8) Injury to property or injury or death to persons, including claims for payments made under Workers' Compensation law or under any plan for employee disability or death benefits, arising out of, or caused by, any act or omission of the Customer, or the construction, installation, maintenance, presence, use or removal of the Customer's facilities or equipment connected, or to be connected to the Company's facilities;

(9) Any intentional, wrongful act of a Company employee when such act is not within the scope of the employee's responsibilities for the Company and/or is not authorized by the Company; or

(10) Any representations made by Company employees that do not comport, or that are inconsistent, with the provisions of this Tariff.

4. REGULATIONS (Cont'd)

4.1 Undertaking of the Company (Cont'd)

4.1.4 Limitations on Liability (Cont'd)

(E) The Company shall be indemnified, defended, and held harmless by the Customer or end user from and against any and all claims, loss, demands, suits, expense, or other action or any liability whatsoever, including attorney fees, whether suffered, made, instituted, or asserted by the Customer or by any other party, for any personal injury to or death of any person or persons, and for any loss, damage or destruction of any property, including environmental contamination, whether owned by the Customer or by any other party, caused or claimed to have been caused directly or indirectly by the installation, operation, failure to operate, maintenance, presence, condition, location, use, or removal of any Company or Customer equipment or facilities or service provided by the Company.

(F) The Company does not guarantee nor make any warranty with respect to installations provided by it for use in an explosive atmosphere. The Company shall be indemnified, defended and held harmless by the Customer from and against any and all claims, loss, demands, suits, or other action, or any liability whatsoever, including attorney fees, whether suffered, made, instituted, or asserted by the Customer or by any other party, for any personal injury to or death of any person or persons, and for any loss, damage, or destruction of any property, including environmental contamination, whether owned by the Customer or by any other party, caused or claimed to have been caused directly or indirectly by the installation, operation, failure to operate, maintenance, presence, condition, location, use, or removal of any equipment or facilities or the service.

4. REGULATIONS (Cont'd)

4.1 Undertaking of the Company (Cont'd)

4.1.4 Limitations on Liability (Cont'd)

(G) The Company assumes no responsibility for the availability or performance of any cable or satellite systems or related facilities under the control of other entities, or for other facilities provided by other entities used for service to the Customer, even if the Company has acted as the Customer's agent in arranging for such facilities or services. Such facilities are provided subject to such degree of protection or nonpreemptibility as may be provided by the other entities.

(H) Except as otherwise stated in this Tariff, any claim of whatever nature against the Company shall be deemed conclusively to have been waived unless presented in writing to the Company within thirty (30) days after the date of the occurrence that gave rise to the claim.

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

4. REGULATIONS (Cont'd)

4.1 Undertaking of the Company (Cont'd)

4.1.5 Testing and Adjusting

Upon suitable notice, the Company may make such tests, adjustments, and inspections as may be necessary to maintain the Company's facilities in satisfactory operating condition. No interruption allowance will be credited to the Customer for the period during which the Company makes such tests, adjustments, or inspections.

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4. REGULATIONS (Cont'd)

4.1 Undertaking of the Company (Cont'd)

4.1.6 Provision of Equipment and Facilities

(A) Except as otherwise indicated, Customer-provided station equipment at the Customer's premises for use in conjunction with this service shall be so constructed, maintained, and operated as to work satisfactorily with the facilities of the Company.

(B) The Company shall not be responsible for the installation, operation, or maintenance of any Customer-provided communications equipment. Where such equipment is connected to service furnished pursuant to this tariff, the responsibility of the Company shall be limited to the furnishing of services under this tariff and to the maintenance and operation of such services in the proper manner. Subject to this responsibility, the Company shall not be responsible for:

(1) the through transmission of signals generated by Customer-provided equipment or for the quality of, or defects in, such transmission; or

(2) the reception of signals by Customer-provided equipment; or

(3) network control signaling where such signaling is performed by Customer-provided network control signaling equipment.

4. REGULATIONS (Cont'd)

4.1 Undertaking of the Company (Cont'd)

4.1.7 Special Construction

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

(A) where facilities are not presently available, and there is no other requirement for the facilities so constructed;

(B) of a type other than that which the Company would normally utilize in the furnishing of its services:

(C) over a route other than that which the Company would normally utilize in the furnishing of its services;

(D) in a quantity greater than that which the Company would normally construct;

(E) on an expedited basis;

(F) on a temporary basis until permanent facilities are available;

(G) involving abnormal costs; or

(H) in advance of its normal construction.

Special construction charges will be determined pursuant to Section 5.1.4.

4.1.8 Ownership of Facilities

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

4. REGULATIONS (Cont'd)

4.2 Prohibited Uses

4.2.1 The services the Company offers shall not be used for any unlawful purpose or for any use for which the Customer has not obtained all required governmental approvals, authorization, licenses, consents, and permits.

4.2.2 The Company may require applicants for service who intend to use the Company's offering for resale and/or for shared use to file a letter with the Company confirming that their use of the Company's offering complies with relevant laws and regulations, policies, orders, and decisions.

4.2.3 The Company may require a Customer to immediately shut down its transmission if such transmission is causing interference to others.

4.2.4 A Customer, joint user, or authorized user may not assign, or transfer in any manner, the service or any rights associated with the service without the written consent of the Company. The Company will permit a Customer to transfer its existing service to another entity if the existing Customer has paid all charges owed to the Company for regulated access services. Such a transfer will be treated as a disconnection of existing service and installation of new service, and non-recurring installation charges as stated in this Tariff will apply.

4. REGULATIONS (Cont'd)

4.3 Obligations of the Customer

4.3.1 Customer Premises Provisions

(A) The Customer shall provide the personnel, power, and space required to operate all facilities and associated equipment installed on the premises of the Customer.

(B) The Customer shall be responsible for providing Company personnel access to premises of the Customer at any reasonable hour for the purpose of testing the facilities or equipment of the Company.

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4. REGULATIONS (Cont'd)

4.3 Obligations of the Customer (Cont'd)

4.3.2 Liability of the Customer

(A) The Customer will be liable for damages to the facilities of the Company and for all incidental and consequential damages caused by the negligent or intentional acts or omissions of the Customer, its officers, employees, agents, invitees, or contractors where such acts or omissions are not the direct result of the Company's negligence or intentional misconduct.

(B) To the extent caused by any negligent or intentional act of the Customer as described in (A), preceding, the Customer shall indemnify, defend, and hold harmless the Company from and against all claims, actions, damages, liabilities, costs and expenses, including reasonable attorneys' fees, for (1) any loss, destruction, or damage to property of any third party, (2) the death of or injury to persons, including, but not limited to, employees or invitees of either party, and (3) any liability incurred by the Company to any third party pursuant to this or any other tariff of the Company, or otherwise, for any interruption of, interference to, or other defect in any service provided by the Company to such third party.

(C) The Customer shall not assert any claim against any other Customer or user of the Company's services for damages resulting in whole or in part from or arising in connection with the furnishing of service under this Tariff including but not limited to mistakes, omissions, interruptions, delays, errors, or other defects or misrepresentations, whether or not such other Customer or user contributed in any way to the occurrence of the damages, unless such damages were caused solely by the negligent or intentional act or omission of the other Customer or user and not by any act or omission of the Company. Nothing in this Tariff is intended either to limit or to expand Customer's right to assert any claims against third parties for damages of any nature other than those described in the preceding sentence.

4. REGULATIONS (Cont'd)

4.4 Customer Equipment and Channels

4.4.1 Interconnection of Facilities

(A) Customer Provided Equipment

Customer provided terminating equipment such as CSUs, multiplexers, and other terminating equipment may, at the Customer's request, be provided by the Customer, at the Customer's expense. Carrier makes no guarantees or warranties as to the performance of Customer provided equipment.

(B) In order to protect the Company's facilities and personnel and the services furnished to other Customers by the Company from potentially harmful effects, the signals applied to the Company's service shall be such as not to cause damage to the facilities of the Company. Any special interface equipment necessary to achieve the compatibility between facilities of the Company and the channels or facilities of others shall be provided at the Customer's expense.

4. REGULATIONS (Cont'd)

4.4 Customer Equipment and Channels (Cont'd)

4.4.2 Inspections

(A) The Company may, upon notification to the Customer, at a reasonable time, make such tests and inspections as may be necessary to determine that the requirements regarding the equipment and interconnections are being complied with in respect to the installation, operation and maintenance of Customer-provided equipment and in the wiring of the connection of Customer channels to Company-owned facilities.

(B) If the protective requirements in connections with Customer provided equipment are not being complied with, the Company may take such action as necessary to protect its facilities and personnel and will promptly notify the Customer by registered mail in writing of the need for protective action. In the event that the Customer fails to advise the Company within 10 days after such notice is received or within the time specified in the notice that corrective action has been taken, the Company may take whatever additional action is deemed necessary, including canceling service, to protect its facilities and personnel from harm. The Company will upon request 24 hours in advance provide Customer with a statement of technical parameters that the Customer's equipment must meet.

4. REGULATIONS (Cont'd)

4.4 Customer Equipment and Channels

4.4.3 Station Equipment

(A) Customer-provided terminal equipment on the premises of the Customer or other authorized user, the operating personnel there, and the electric power consumed by such equipment shall be provided by and maintained at the expense of the Customer, authorized user, or joint user.

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

4.4.4 Interconnection Provisions

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

4. REGULATIONS (Cont'd)

4.5 Customer Deposits and Advance Payments

4.5.1 Advance Payments

To safeguard its interests, the Company may require a Customer to make an advance payment before services and facilities are furnished. The advance payment will not exceed an amount up to two months of estimated monthly usage charges. In addition, where special construction is involved, the advance payment may also include an amount equal to the estimated non-recurring charges for the special construction and recurring charges (if any) for a period to be set between the Company and the Customer. The advance payment will be credited to the Customer's initial bill. An advance payment may be required in addition to a deposit.

4. REGULATIONS (Cont'd)

4.5 Customer Deposits and Advance Payments (Cont'd)

4.5.2 Deposits

(A) To safeguard its interests, the Company may require the Customer to make a deposit to be held as a guarantee for the payment of charges. A deposit does not relieve the Customer of the responsibility for the prompt payment of bills on presentation. The deposit will not exceed an amount equal to:

(1) three months' charges for a service or facility which has a minimum payment period of one month; or

(2) the charges that would apply for the minimum payment period for a service or facility which has a minimum payment period of more than one month; except that the deposit may include an additional amount in the event that a termination charge is applicable.

(B) A deposit may be required in addition to an advance payment.

(C) When a service or facility is discontinued, the amount of a deposit, if any, will be applied to the Customer's account and any credit balance remaining will be refunded. Before the service or facility is discontinued, the Company may, at its option, return the deposit or credit it to the Customer's account. If the amount of the deposit is insufficient to cover the balance due to the Customer's account, the Company retains the right to collect any amounts owing after the deposit has been applied plus any costs related to the collection of any remaining balance.

(D) Deposits held will accrue interest at a rate of 7% per annum. Interest will not accrue on any deposit after the date on which reasonable effort has been made to return it to the Customer.

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4. REGULATIONS (Cont'd)

4.6 Payment Arrangements

4.6.1 Payment for Service

The Customer is responsible for the payment of all charges for facilities and services furnished by the Company to the Customer.

(A) Taxes

The Customer is responsible for payment of any sales, use, gross receipts, excise, access, or other local, state and federal taxes, charges or surcharges (however designated) (excluding taxes on the Company's net income) imposed on or based upon the provision, sale, or use of Network Services.

4. REGULATIONS (Cont'd)

4.6 Payment Arrangements

4.6.2 Billing and Collection of Charges

The Customer is responsible for payment of all charges incurred by the Customer or other users for services and facilities furnished to the Customer by the Company.

(A) Non-recurring charges are due and payable within 30 days after the date of the invoice.

(B) The Company shall present invoices for Recurring Charges monthly to the Customer, in advance of the month in which service is provided, and Recurring Charges shall be due and payable within 30 days after the date of the invoice. When billing is based upon Customer usage, usage charges will be billed monthly for the preceding billing period.

(C) When service does not begin on the first day of the month, or end on the last day of the month, the charge for the fraction of the month in which service was furnished will be calculated on a pro rata basis. For this purpose, every month is considered to have 30 days.

4. REGULATIONS (Cont'd)

4.6 Payment Arrangements (Cont'd)

4.6.2 Billing and Collection of Charges (Cont'd)

(D) Billing of the Customer by the Company will begin on the Service Commencement Date, which is the day on which the Company notifies the Customer that the service or facility is available for use, except that the Service Commencement Date may be postponed by mutual agreement of the parties, or if the service or facility does not conform to standards set forth in this Tariff or the Service Order. Billing accrues through and includes the day that the service, circuit, arrangement, or component is discontinued.

(E) If any portion of the payment is received by the Company after the date due, or if any portion of the payment is received by the Company in funds which are not immediately available upon presentment, then a late payment penalty shall be due to the Company. The late payment penalty shall be the portion of the payment not received by the date due, multiplied by a late factor. The late factor shall be the lesser of:

(1) a rate of 1.5 percent per month; or

(2) the highest interest rate which may be applied under Florida state law for commercial transactions.

(F) The Customer will be assessed a charge of twenty-five dollars ($25.00) for each check submitted by the Customer to the Company which a financial institution refuses to honor.

(G) If service is disconnected by the Company in accordance with Section 4.6.4 following and later reinstalled, service will be subject to all applicable installation charges. If service is suspended by the Company and later restored, service will be subject to all applicable restoration charges.

4. REGULATIONS (Cont'd)

4.6 Payment Arrangements (Cont'd)

4.6.3 Billing Disputes

(A) General

All bills are presumed accurate, and shall be binding on the Customer unless notice of the disputed charge(s) is received by the Company within 90 days (commencing 5 days after such bills have been mailed or otherwise rendered per the Company's normal course of business). For the purposes of this section, "notice" is defined as written notice to the Company, containing sufficient documentation to investigate the dispute, including the account number under which the bill has been rendered, the date of the bill, and the specific items on the bill being disputed.

(B) Late Payment Charge

(1) The undisputed portions of the bill must be paid by the payment due date to avoid assessment of a late payment charge on the undisputed amount as provided in this Tariff.

(2) In the event that a billing dispute is resolved by the Company in favor of the Customer, any disputed amount withheld pending resolution of the billing dispute shall not be subject to the late payment charge.

(3) In the event that a billing dispute is resolved in favor of the Company, the Customer shall pay the late payment charge.

4. REGULATIONS (Cont'd)

4.6 Payment Arrangements (Cont'd)

4.6.3 Billing Disputes (Cont'd)

(C) Adjustments or Refunds to the Customer

(1) In the event that the Company resolves the billing dispute in favor of a Customer who has withheld payment of the disputed amount pending resolution of the disputed bill, the Company will credit the Customer's account for the disputed amount in the billing period following the resolution of the dispute.

(2) In the event that the Company resolves the billing dispute in favor of a Customer who has paid the total amount of the disputed bill, the Company will credit the Customer's account for any overpayment by the Customer in the billing period following the resolution of the dispute.

(3) In the event that the Company resolves the billing dispute in favor of a Customer who has paid the total amount of the disputed bill but canceled the service, the Company will issue a refund of any overpayment by the Customer.

(4) All adjustments or refunds provided by the Company to the Customer at the Customer's request, or provided by the Company to the Customer by way of compromise of a billing dispute, and which are accepted by the Customer, are final and constitute full satisfaction, settlement, and/or compromise of all of the Customer's claims for the billing period for which the adjustment or refund was issued.

4. REGULATIONS (Cont'd)

4.6 Payment Arrangements (Cont'd)

4.6.4 Discontinuance of Service for Cause

(A) Upon nonpayment of any amounts owing to the Company, the Company may, by giving five (5) workings days prior written notice to the Customer, discontinue or suspend service without incurring any liability. For purposes of this section, the term "working day" means any day on which the Company's business office is open and the U.S. Mail is delivered.

(B) Upon violation of any of the other material terms or conditions for furnishing service the Company may, by giving 24 hours prior notice in writing to the Customer, discontinue or suspend service without incurring any liability if such violation continues during that period.

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

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

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

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4. REGULATIONS (Cont'd)

4.6 Payment Arrangements (Cont'd)

4.6.4 Discontinuance of Service for Cause (Cont'd)

(F) In the event of fraudulent use of the Company's network, the Company may without notice suspend or discontinue service. The Customer will be liable for all related costs. The Customer will also be responsible for payment of any reconnection charges.

(G) Upon the Company's discontinuance of service to the Customer under this section, the Company, in addition to all other remedies that may be available to the Company at law or in equity or under any other provision of this tariff, may declare all future monthly and other charges which would have been payable by the Customer during the remainder of the term for which such services would have otherwise been provided to the Customer to be immediately due and payable (discounted to present value at six percent).

4.6.5 Notice to Company for Cancellation of Service

Customers desiring to terminate service shall provide Company thirty (30) days written notice of their desire to terminate service.

4. REGULATIONS (Cont'd)

4.6 Payment Arrangements (Cont'd)

4.6.6 Customer Overpayment

The Company will pay interest on a Customer overpayment. Customer overpayment shall mean a payment to the Company in excess of the correct charges for service when caused by erroneous billing by the Company. The rate of interest shall be the unadjusted interest rate paid on Customer deposits or the late payment penalty rate, whichever is greater. Interest shall be paid from the date when the Customer overpayment was made, adjusted for any changes in the deposit interest rate or late payment penalty rate, and compounded monthly, until the date when the overpayment is refunded. No interest shall be paid on Customer overpayments that are refunded within thirty (30) days after such overpayment is received by the Company.

4. REGULATIONS (Cont'd)

4.6 Payment Arrangements (Cont'd)

4.6.7 Cancellation of Application for Service

(A) The Customer may cancel an application for service prior to installation of the equipment provided that the Customer immediately pay the Company any out of pocket expenses incurred by the Company plus a cancellation fee of two times the applicable monthly recurring service charge.

(B) Out of pocket expenses include but are not limited to the cost of the equipment, facilities, and material, the cost of installation, engineering, labor, and supervision, general and administrative expense, other disbursements, depreciation, maintenance, taxes, provision for return on investment, and any other costs associated with the special construction or arrangements.

4. REGULATIONS (Cont'd)

4.7 Allowances for Interruptions in Service

4.7.1 General

(A) A credit allowance will be given when service is interrupted, except as specified below. A service is interrupted when it becomes inoperative to the Customer, e.g., the Customer is unable to transmit or receive, because of a failure of a component furnished by the Company under this tariff.

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

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

4. REGULATIONS (Cont'd)

4.7 Allowances for Interruptions in Service (Cont'd)

4.7.2 Limitations of Allowances

No credit allowance will be made for any interruption in service:

(A) Due to the negligence of or noncompliance with the provisions of this Tariff by any person or entity other than the Company, including but not limited to the Customer or other common carriers connected to the service of the Company;

(B) Due to the failure of power, equipment, systems, connections, or services not provided by the Company;

(C) Due to circumstances or causes beyond the control of the Company;

(D) During any period in which the Company is not given full and free access to its facilities and equipment for the purposes of investigating and correcting interruptions;

(E) During any period in which the Customer continues to use the service on an impaired basis;

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

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

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

4. REGULATIONS (Cont'd)

4.7 Allowances for Interruptions in Service (Cont'd)

4.7.3 Use of Another Means of Communications

If the Customer elects to use another means of communications during the period of interruption, the Customer must pay the charges for the alternative service used.

4.7.4 Application of Credits for Interruptions in Service

(A) Credits for interruptions in service that is provided and billed on a flat rate basis for a minimum period of at least one month, beginning on the date that billing becomes effective, shall in no event exceed an amount equivalent to the proportionate charge to the Customer for the period of service during which the event that gave rise to the claim for a credit occurred. A credit allowance is applied on a pro rata basis against the rates specified hereunder and is dependent upon the length of the interruption. Only those facilities on the interrupted portion of the circuit will receive a credit.

(B) For calculating credit allowances, every month is considered to have thirty (30) days.

(C) A credit allowance will be given for interruptions in service of 15 minutes or more. Two or more interruptions of 15 minutes or more during any one 24-hour period shall be considered as one interruption.

4. REGULATIONS (Cont'd)

4.7 Allowances for Interruptions in Service (Cont'd)

4.7.4 Application of Credits for Interruptions in Service (Cont'd)

(D) Interruptions of 24 Hours or Less

Length of Interruption	Interruption Period To Be Credited
Less than 15 minutes	None
15 minutes up to but not including 3 hours	1/10 Day
3 hours up to but not including 6 hours	1/5 Day
6 hours up to but not including 9 hours	2/5 Day
9 hours up to but not including 12 hours	3/5 Day
12 hours up to but not including 15 hours	4/5 Day
15 hours up to but not including 24 hours	One Day

(E) Continuous Interruption Over 24 Hours and Less Than 72 Hours.

Interruptions over 24 hours and less than 72 hours will be credited 1/5 day for each three-hour period or fraction thereof that occurs following the expiration of the initial 24-hour period. No more than one full day's credit will be allowed for any period of 24 hours.

(F) Interruptions Over 72 Hours.

Interruptions over 72 hours will be credited 2 days for each full 24-hour period that occurs following the expiration of the initial 72-hour period. No more than 30 days credit will be allowed for any one-month period.

4. REGULATIONS (Cont'd)

4.7 Allowances for Interruptions in Service (Cont'd)

4.7.5 Cancellation For Service Interruption

Cancellation or termination for service interruption is permitted only if any circuit experiences a single continuous outage of 8 hours or more or cumulative service credits equaling 16 hours in a continuous 12-month period. The right to cancel service under this provision applies only to the single circuit which has been subject to the outage or cumulative service credits.

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4. REGULATIONS (Cont'd)

4.8 Cancellation of Service/Termination Liability

If a Customer cancels a Service Order or terminates services before the completion of the term for any reason whatsoever other than a service interruption, Customer agrees to pay to Company termination liability charges, which are defined below. These charges shall become due and owing as of the effective date of the cancellation or termination and be payable within the period set forth in this Tariff.

4.8.1 Termination Liability

Customer's termination liability for cancellation of service shall be equal to:

(A) all unpaid Non-Recurring charges reasonably expended by Company to establish service to Customer, plus;

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

(C) all Recurring Charges specified in the applicable Service Order for the balance of the then current term discounted at the prime rate announced in the Wall Street Journal on the third business day following the date of cancellation;

(D) minus a reasonable allowance for costs avoided by the Company as a direct result of Customer's cancellation.

4. REGULATIONS (Cont'd)

4.9 Customer Liability for Unauthorized Use of the Network

4.9.1 Unauthorized Use of the Network

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

(B) The following activities constitute fraudulent use:

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

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

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

4. REGULATIONS (Cont'd)

4.9 Customer Liability for Unauthorized Use of the Network (Cont'd)

4.9.1 Unauthorized Use of the Network (Cont'd)

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

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4. REGULATIONS (Cont'd)

4.9 Customer Liability for Unauthorized Use of the Network (Cont'd)

4.9.2 Liability for Unauthorized Use

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

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

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

5. SERVICE DESCRIPTIONS AND RATES

5.1 DS-1 Service

5.1.1 General

(A) DS-1 Service is furnished for Private Line IntraLATA Communications by the Company.

(B) DS-1 Service is a service for the transmission of digital signals only and uses only digital transmission facilities.

(C) DS-1 Service provides for the simultaneous two-way transmission of isochronous digital signals at DS1 speeds of 1.544 mbps, where facilities are available.

(D) To ensure satisfactory operation, the terminal equipment provided by the Customer must be compatible with the DS1/1.544 Mbps channel facility provided by the Company. The technical specifications and standard network interfaces for DS-1 Service are contained in BellSouth Services Technical Reference Publication 73525. This publication is available from BellSouth Services Documentation Operations, North W5A1, 3535 Colonnade Parkway, Birmingham, Alabama 35243.

(E) The rates specified for DS-1 Service in Section 5.1.3 following, contemplate the provision of a digital quality facility over existing interoffice carrier equipment and/or exchange cable facilities compatible with this service. If such equipment, new facilities or changes to existing facilities are required for the provision of this service, a special construction charge based on the cost incurred to make the changes will apply in addition to the rates for DS-1 Service.

5. SERVICE DESCRIPTIONS AND RATES (Cont'd)

5.1 DS-1 Service (Cont'd)

5.1.2 Regulations

(A) Description of Service

(1) DS-1 Service is furnished for the simultaneous two-way transmission of serial, Bipolar, Return-to-Zero (BPRZ) isochronous digital signals , except where intentional bipolar violations are introduced by Bipolar with 8 Zero Substitution (B8ZS) format, at a speed of DS1/1.544 Mbps between two-points located within a LATA.

(2) Multipoint service is not available.

(3) DS-1 Service is available on a month-to-month basis, under variable rate periods, and also subject to an ICB in accordance with Section 5.1.4.

(4) Connection of DS1/1.544 Mbps communications systems provided by others may be made on a permissive basis; the Company does not represent its DS-1 Service as adapted for such connections, and shall not be responsible for the through transmission of signals, or the quality of such transmission on such connections.

(5) A Channel Service Unit (CSU) or appropriate Termination Equipment (TE) provided by the Customer is required at a Customer's or authorized user's premises to perform such functions as:

- proper termination of the service
- amplification
- signal shaping
- remote loop-back.

5. SERVICE DESCRIPTIONS AND RATES (Cont'd)

5.1 DS-1 Service (Cont'd)

5.1.2 Regulations (Cont'd)

(A) Description of Service (Cont'd)

(6) The design, maintenance and operation of DS-1 Service contemplates communications originating and terminating as (1) a Customer premises to Customer premises channel via the Company's Serving Wire Center, (SWC) - and/or through remote SWCs; (2) a Customer premises to the Serving Wire Center - and/or to remote SWCs - partial channel (link); or (3) a central office to central office (interoffice) partial channel (link).

(7) DS-1 Service may also be furnished on a link (partial channel) basis when connected to Centrex Type Services[1], another DS-1 Service, Diverse Loop DS-1 Service, and/or DS-1/DS-3 Channel service.

(8) All appropriate rates specified in other tariff sections are in addition to the monthly rate per package or single channel for DS-1 Service specified in this Tariff.

[1] Connection from DS-1 Service and/or DS-1/DS-3 Channel Service to Centrex Type Services may not be available from all serving wire centers.

5. SERVICE DESCRIPTIONS AND RATES (Cont'd)

5.1 DS-1 Service (Cont'd)

5.1.2 Regulations (Cont'd)

(B) Definitions

Channel Service Unit

The term "Channel Service Unit" (CSU) denotes equipment provided by the Customer to terminate a digital facility on the Customer's or user's premises.

DS-1

This denotes a channel service expressed in terms of its digitally encoded data bit rate in accordance with the North American hierarchy of digital signal levels. It has a 1.544 Mbps transmission data rate, and provides for the two-way simultaneous transmission of isochronous timed, Bipolar Return-to-Zero (BPRZ) bit stream format except where intentional bipolar violations are introduced by Bipolar with 8 Zero Substitution (B8ZS) format. Unframed signal formats are not permitted or compatible with Company equipment. The required format and interface specifications are contained in BellSouth Services Technical Reference Publication 73525.

Digital Local Channel

The term "Digital Local Channel" denotes a path for DS-1 Service furnished from the demarcation point on a Customer's premises to their Serving Wire Center.

Interoffice Channel

The term "Interoffice channel" denotes a path (or paths) for digital transmission between Company Serving Wire Centers within a LATA. An interoffice channel may be furnished in such manner as the Company may elect.

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5. SERVICE DESCRIPTIONS AND RATES (Cont'd)

5.1 DS-1 Service (Cont'd)

5.1.2 Regulations (Cont'd)

(C) Application of Rates

(1) Digital Local Channels furnished between a Serving Wire Center and the Customer's premises will be charged at rates based on the first ½ mile and each additional ½ mile for the airline distance measured between the Customer's premises and their Serving Wire Center.

(2) Interoffice Channels furnished between Central Offices will be charged at rates based on airline distance between the Central Offices.

(3) DS-1 Service is available on a month-to-month basis, under variable rate periods, or on conditions specified in Section 5.1.4.

(4) DS-1 Service rates under contract will not be increased by Company initiative until the contract period expires. Rates in effect at the time the service is installed and/or as of the service order application date, will be applicable until the contract expires. At the expiration date of the Customer's payment period option, the Customer may select a new payment period option at current rates or revert to current rates on a month-to-month basis.

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5. SERVICE DESCRIPTIONS AND RATES (Cont'd)

5.1 DS-1 Service (Cont'd)

5.1.2 Regulations (Cont'd)

(C) Application of Rates (Cont'd)

(5) A Termination Liability Charge is applicable at the date of termination. The applicable charge is dependent on the contract period subscribed to and will be equal to the number of months remaining in the contract times the monthly rate provided under the contract.

(6) Airline distance between Company central offices shall be developed using the methodology, found in Section 5.1.5 of this Tariff. Fractional mileage shall be rounded up to the next full mile.

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5. SERVICE DESCRIPTIONS AND RATES (Cont'd)

5.1 DS-1 Service (Cont'd)

5.1.2 Regulations (Cont'd)

(D) Connections

(1) Customer-Provided Terminal Equipment, Customer-Provided Derivation Equipment and Customer-Provided Communications Systems may be connected to DS-1 Service when such connection is made in accordance with the provision specified in 2., 3., and 4. following.

(2) Responsibility of the Company

a. The responsibility of the Company shall be limited to the furnishing and maintenance of DS-1 Service to a network interface on the Customer's premises where provision is made for the connection of local service.

b. The Company shall not be responsible for installation, operation, or maintenance of any terminal equipment or communications systems provided by a Customer. DS-1 Service is not represented as adapted for the use of such equipment or system. Where such equipment or system is connected to Company facilities the responsibility of the Company shall be limited to the furnishing of facilities suitable for DS-1 Service and to the maintenance and operation in a manner proper for such digital service. The Company shall not be responsible for:

- the through transmission of signals generated by such equipment or system, or for the quality of, or defects in, such transmission, or

- the reception of signals by such equipment or systems, or

- damage to terminal equipment or communications systems provided by a Customer or authorized user due to testing.

5. SERVICE DESCRIPTIONS AND RATES (Cont'd)

5.1 DS-1 Service (Cont'd)

5.1.2 Regulations (Cont'd)

(D) Connections (Cont'd)

(2) Responsibility of the Company (Cont'd)

c. The Company shall not be responsible to the Customer if changes in any of the facilities, operations or procedures of the Company utilized in the provision of DS-1 Service render any facilities or equipment provided by a Customer obsolete, or require modification or alteration of such equipment or system or otherwise affects its use or performance.

d. The Company undertakes to maintain and repair the facilities which it furnishes. The Customer may not rearrange, disconnect, remove or attempt to repair any equipment installed by the Company without prior written consent of the Company.

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5. SERVICE DESCRIPTIONS AND RATES (Cont'd)

5.1 DS-1 Service (Cont'd)

5.1.2 Regulations (Cont'd)

(D) Connections (Cont'd)

(3) Responsibilities of the Customer

a. The Customer is responsible for installing and testing his premises equipment or facilities to insure that when they are connected to DS-1 Service such equipment or facilities are operating properly.

b. The operating characteristics of the Customer premises equipment or facilities shall be such as to not interfere with any of the services offered by the Company. Such use is subject to the further provisions that the equipment provided by a Customer does not: endanger the safety of Company employees or the public; damage, require change in or alteration of the equipment or other facilities of the Company; interfere with the proper functioning of such equipment or facilities; impair the operation of the Company's facilities or otherwise injure the public in its use of the Company's services. Upon notice that the equipment provided by a Customer is causing or is likely to cause such hazard or interference, the Customer shall take such steps as shall be necessary to remove or prevent such hazard or interference.

c. The Customer's responsibility shall include cooperative testing with the Company as may be necessary. Where regeneration and/or equalization adjustments or changes may be required to compensate for rearrangements and/or changes in outside plant facilities, the Customer will be responsible for all expenses incurred in changes to his premises equipment.

5. SERVICE DESCRIPTIONS AND RATES (Cont'd)

5.1 DS-1 Service (Cont'd)

5.1.2 Regulations (Cont'd)

(D) Connections (Cont'd)

(4) Connection of Customer-Provided Terminal Equipment, Customer-Provided Derivation Equipment and Customer-Provided Communications Systems

a. The following provisions will apply:

I. Customer-Provided Terminal Equipment and/or Customer-Provided Communications Systems may be connected at the premises of the Customer to DS-1 Service.

II. The Customer, by use of its own derivation equipment, may create digital bit streams from a DS-1 Service and such equipment may be connected for transmission of such bit streams when connected thru a Customer-provided CSU/TE.

III. The undertaking of the Company is to furnish DS-1 Service as ordered and specified by the Customer as specified in d. following.

b. Connections to Other Services Furnished by the Company to the Same Customer

DS-1 Service furnished by the Company may be connected by the Customer to another service or to other services furnished by the Company as specified in D.2 preceding. Connected services are subject to all rules and regulations governing the provisioning of those services.

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5. SERVICE DESCRIPTIONS AND RATES (Cont'd)

5.1 DS-1 Service (Cont'd)

5.1.2 Regulations (Cont'd)

(D) Connections (Cont'd)

(4) Connection of Customer-Provided Terminal Equipment, Customer-Provided Derivation Equipment and Customer-Provided Communications Systems (Cont'd)

c. Connections to other services furnished by the Company to different Customers

The Customer may connect at the premises of the Customer, another DS-1 Service or other services furnished by the Company to different customers as specified in D.2. preceding. Connected services are subject to all rules and regulations governing provisioning of those services.

d. Connection of Channel Service Units

A Channel Service Unit (CSU) or appropriate Termination Equipment (TE) must be provided by the Customer to connect a Company-provided digital facility. In accordance with Part 68 of the FCC's Rules and Regulations, new grandfathered CSU/TEs may be connected, moved, and reconnected until June 30, 1987. After this date only registered and previously connected grandfathered CSU/TEs may be connected to Company-provided digital facilities. Grandfathered CSU/TE equipment must comply with the requirements outlined in BellSouth Services Technical Reference 73525. This publication is now available from BellSouth Services Documentation Operations, North W5A1, 3535 Colonnade Parkway, Birmingham, AL 35243. Registered technical requirements for CSU/TEs are outlined in Part 68 of the FCC's Rules and Regulations. A copy may be obtained from the Federal Communications Commission, Room BB300, Washington, D. C. 20054.

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5. SERVICE DESCRIPTIONS AND RATES (Cont'd)

5.1 DS-1 Service (Cont'd)

5.1.2 Regulations (Cont'd)

(E) Features

(1) Clear Channel Capability

a. Clear Channel Capability (CCC) is an arrangement that alters a DS1/1.544 Mbps signal with unconstrained information bits, to meet pulse density requirements outlined in Technical Reference 73525. This will allow a Customer to transport an all zero octet over a DS-1 Service channel providing an available combined maximum 1.536 Mbps data rate. This arrangement requires the Customer signal at the channel interface to conform to Bipolar with 8 Zero Substitution (B8ZS) line code as described in Technical Reference 73525.

b. CCC is provided on DS-1 Service channels between two Customer designated premises, from a Customer premises to their Serving Wire Center or Node Central Office and/or to a remote Serving Wire Center or Node Central Office, and from a Central Office to a Central Office, and is subject to the availability of facilities. This optional feature may be ordered at the same time the DS-1 Service channel is ordered, or it may be ordered as an additional feature of an existing DS-1 Service channel.

c. When providing CCC via a DS3/44.736 Mbps High Capacity channel, that DS3 channel must be designated, in Company records, as having Clear Channel Capability prior to the provisioning of a DS1/1.544 Mbps High Capacity channel with CCC. Customers must agree to out-of-service periods required to add this feature to an existing DS-1 Service channel to be optioned for B8ZS.

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5. SERVICE DESCRIPTIONS AND RATES (Cont'd)

5.1 DS-1 Service (Cont'd)

5.1.2 Regulations (Cont'd)

(F) Payment Arrangements and Credit Allowance

(1) The minimum period for which DS-1 Service is furnished and for which charges are applicable is one month.

(2) Suspension of service is not allowed.

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5. SERVICE DESCRIPTIONS AND RATES (Cont'd)

5.1 DS-1 Service (Cont'd)

5.1.3 Rates and Charges

(A) A Digital Local Channel is furnished between a Serving Wire Center and the Customer's premises. Rates are based on the airline distance between the Serving Wire Center and the Customer's premises.

	Nonrecurring Charge	Month To Month	24 to 48 Months	49 to 72 Months	73 to 96 Months
(1) Digital Local Channel, each[1]					
a. First ½ Mile	$385.00	$106.59	$104.56	$104.56	$104.56
b. Each additional ½ Mile, or fraction thereof	--	$48.40	$47.30	$45.10	$42.90

[1] Contract lengths are flexible to allow Customer choice of payment period.

5. SERVICE DESCRIPTIONS AND RATES (Cont'd)

5.1 DS-1 Service (Cont'd)

5.1.3 Rates and Charges (Cont'd)

(B) Interoffice Channels are furnished between Central Offices. Rates are based on the airline distance between Central Offices. [1, 2]

	Nonrecurring Charge	Month To Month	24 to 48 Months	49 to 72 Months	73 to 96 Months
(1) Interoffice Channel, each channel 0-8 miles					
a. Fixed monthly rate[3]	$110.00	$70.79	$65.73	$65.73	$65.73
b. Each airline Mile, or fraction thereof [3]	--	$32.78	$26.68	$24.59	$22.55
(2) Interoffice Channel, each channel 9 - 25 miles					
a. Fixed monthly rate [3]	$110.00	$70.79	$65.73	$65.73	$65.73
b. Each airline mile or fraction thereof [3]	--	$30.75	$24.59	$22.55	$20.52

[1] Contract lengths are flexible to allow Customer choice of payment period.
[2] Refer to Section 5.1.5 of this Tariff for mileage measurement methodology.
[3] Diverse Loop DS-1 Service, specified in Section 5.5 of this Tariff, references rates and charges for this rate element.

5. SERVICE DESCRIPTIONS AND RATES (Cont'd)

5.1 DS-1 Service (Cont'd)

5.1.3 Rates and Charges (Cont'd)

(B) (Cont'd)

	Nonrecurring Charge	Month To Month	24 to 48 Months	49 to 72 Months	73 to 96 Months
(3) Interoffice Channel, each channel over 25 miles					
a. Fixed monthly rate [1]	$110.00	$70.79	$65.73	$65.73	$65.73
b. Each airline mile or fraction thereof [1]	--	$28.71	$22.55	$20.52	$18.43

(C) Clear Channel Capability is furnished on a per DS-1 Service channel basis.

	Monthly Rate	Nonrecurring Charge Initial	Nonrecurring Charge Subsequent
(1) Per DS-1 Service channel optioned as:			
a. Superframe Format (SF)	--	--	$720.50
b. Extended Superframe Format (ESF)	--	--	$720.50

[1] Diverse Loop DS-1 Service, specified in Section 5.5 of this Tariff, references rates and charges for this rate element.

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5. SERVICE DESCRIPTIONS AND RATES (Cont'd)

5.1 DS-1 Service (Cont'd)

5.1.3 Rates and Charges (Cont'd)

(D) Move Charge

A move charge, per DS-1 Service channel, applies for each Digital Local Channel moved to a new location in the same building. This move charge is equal to the sum of the Digital Local Channel Nonrecurring Charge, Service Change Charge - Inside Moves, and Premises Visit Charge.

A move charge, per DS-1 Service channel under CSPP, applies for each DS-1 Service moved to a new location in Company territory within the same state. This move charge is equal to the sum of all nonrecurring charges applicable to a new DS-1 Service channel installation at the new location.

5. SERVICE DESCRIPTIONS AND RATES (Cont'd)

5.1 DS-1 Service (Cont'd)

5.1.3 Rates and Charges (Cont'd)

(E) Service Connection Charges

(1) Service Establishment Charges are applicable, for each DS-1 Service channel ordered, for receiving and recording information and/or taking action in connection with a Customer's request, and processing the necessary data. These charges include engineering design, common centralized testing and coordination.

(2) Service Change Charges are applicable for receiving and recording information and/or taking action in connection with a Customer's Inside Move or transfer of service responsibility request, for processing the necessary data on an existing DS-1 Service channel. A Service Change Charge is applicable for each DS-1 Service channel associated with the Customer request (in lieu of a Service Establishment Charge).

(3) Premises Visit Charges are applicable, per Digital Local Channel, for the termination of a channel at a Customer's premises or for inside moves. Only one Premises Visit Charge applies when more than one channel service of the same type is terminated or moved at the same premises at the same time.

(4) Connection charges are applicable for the connection and testing of Digital Local Channels and/or Interoffice Channels. The charges are those nonrecurring charges contained in A. and B. preceding.

5. SERVICE DESCRIPTIONS AND RATES (Cont'd)

5.1 DS-1 Service (Cont'd)

5.1.3 Rates and Charges (Cont'd)

(E) Service Connection Charges (Cont'd)

(5) Charges for DS-1 Service

	Nonrecurring Charge
a. Service Establishment Charge	
Per DS-1 Service Channel[1]	
Each	$632.50
b. Service Change Charge	
Per DS-1 Service Channel[1]	
I. For Inside Moves, each	$385.00
II. Per Transfers of Responsibility, each	$385.00
c. Premises Visit Charge	
Per Digital Local Channel or for an Inside Move[2]	
Per Visit	$44.00

[1] Refer to Section 5.1.2.A.7. of this Tariff for description of DS-1 Service channels.
[2] This charge is applicable to additional stations subsequently installed in a building.

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5. SERVICE DESCRIPTIONS AND RATES (Cont'd)

5.1 DS-1 Service (Cont'd)

5.1.4 Contract Rates - Special Pricing Arrangements-ICB

(A) In lieu of the rates otherwise set forth in this tariff, rates and charges, including minimum usage, installation, special construction and recurring charges for Carrier's services may be established at negotiated rates on an ICB, taking into account the nature of the facilities and services, the costs of construction and operation, the volume of traffic, the length of service commitment by the Customer, and use of facilities by other Customers. Such arrangements shall be considered Special Pricing Arrangements, the terms of which will be set forth in individual Customer contracts. However, unless otherwise specified, the terms, conditions, obligations and regulations set forth in this tariff shall be incorporated into, and become a part of, said contract, and shall be binding on Carrier and Customer. Specialized rates or charges will be made available to similarly situated Customers on a non-discriminatory basis. All special Pricing Arrangements, including ICB, shall be filed with the Florida Public Service Commission.

(B) In addition to any rate or charge established by the Carrier, the Customer will also be responsible for any recurring or non-recurring charges imposed by local exchange telephone companies incurred by or on behalf of the Customer in establishing and maintaining service. Such charges may be billed by the Carrier or directly by the local exchange company, at the Carrier's option.

5. SERVICE DESCRIPTIONS AND RATES (Cont'd)

5.1 DS-1 Service (Cont'd)

5.1.5 Mileage Measurements

(A) When station locations of a private line service are located in different wire center serving areas, interoffice channel charges apply. Charges are based on the direct airline distance measured between the serving wire centers. Mileage is determined in accordance with the following:

(1) Obtain the "V" and "H" coordinates for each wire center, as listed in the National Exchange Carrier Association Tariff F.C.C. No. 4.

(2) Obtain the difference between the "V" coordinates of the two wire centers. Obtain the difference between the "H" coordinates. (The difference is always obtained by subtracting the smaller coordinate from the larger coordinate.)

(3) Square each difference obtained in 2. preceding.

(4) Add the squares of the "V" difference and the "H" difference obtained in 3. preceding.

(5) Divide the sum of the squares obtained in 4. preceding by 10.

(6) Obtain the square root of the result obtained in 5. preceding. This is the rate distance in miles. (Fractional miles being considered as full miles.)

EXAMPLE: The rate distance is required between City One and City Two.

	V		H	
City One	7260		2083	
City Two	7364		1865	
Difference	104		218	
Squared	10,816	+	47,524	= 58,340

58,340 divided by 10 = 5834
Square root of 5834 = 76.38 = 77 Airline miles

(B) For the purpose of applying multipoint charges, the bridging or hubbing locations are determined by that combination of airline distances connecting the serving wire center which will produce the lowest interoffice mileage charges. Bridging charges apply when three or more channels connect at the same location.

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5. SERVICE DESCRIPTIONS AND RATES (Cont'd)

5.2 DS-1/DS-3 Channel Service

5.2.1 General

(A) DS-1/DS-3 Channel Service is an Intralata fiber optic based, digital service which provides channelization capability for the Customer in the Company's central office. DS-1/DS-3 Channel Service is provided in packages based on systems with DS3 (44.736 Mbps) and DS1 (1.544 Mbps). It will provide local channels and/or interoffice channels for exchange network access, Foreign Exchange, 1.544 Mbps, and 44.736 Mbps data rates.

(B) Channelization is provided by DS-1/DS-3 Channel Service Option 1 and 2 Systems and D type channel banks which are offered in various system capacities. DS-1/DS-3 Channel Service Option 1 and 2 Systems furnish fiber optic transport from the central office to a Customer's premises featuring digital 1.544 Mbps (DS1) and/or 44.736 Mbps (DS3) channels as appropriate. The Customer may channelize all or part of a DS-1/DS-3 Channel Service package to activate data facilities for interconnection with the exchange network and data facilities for private line channels, as well as other DS-1/DS-3 Channel Services. The Customer may also choose not to channelize all or part of a DS-1/DS-3 Channel Service package allowing direct connection to other DS3 or DS1 services as provided in this Tariff.

(C) This service is available within a LATA where appropriate digital facilities can be made available as determined by the Company. Service inquiries will be necessary to determine availability interval.

(D) All DS-1/DS-3 Channel Services in a Customer's package must be channelized in a single equipment location on a Customer's premises, i.e., a package cannot be split between premises, or multiple locations within a premises. Standard network interfaces will be provided by the Company for analog and digital services consistent with existing practices for single channel services.

5. SERVICE DESCRIPTIONS AND RATES (Cont'd)

5.2 DS-1/DS-3 Channel Service (Cont'd)

5.2.1 General (Cont'd)

(E) Individual channels within a DS-1/DS-3 Channel Service package may be connected with service offered in other sections of this Tariff and the General Subscriber Service Tariff as appropriate. The regulations, rates and charges in this Tariff are applicable for the DS-1/DS-3 Channel Service component of the Customer's end-to-end service. Single channel service components (non-DS-1/DS-3 Service links) are subject to the regulations, rates and charges in their respective tariff sections.

(F) The Customer may activate any number or combination of channels within a DS-1/DS-3 Channel Service package within the limitations set forth in Section 5.2.1.G. following. Channels may be activated coincident with installation or at any time subsequent to basic system installation. Once activated, a channel is subject to a minimum service period in accordance with the contract period. Features (channels) activated under month-to-month rates will have a minimum service period of one month.

(G) Additionally, there are some necessary restrictions in total system capacities where certain types of channel services are channelized. The Company will notify the Customer when a system's capacity is affected.

(H) When the Company provides Customer premises DS-1/DS-3 Channel Service channelization down to a DS1 data rate level it is not necessary for the Customer to provide Channel Service Units (CSU) for associated 1.544 Mbps channels.

(I) The termination of channelization equipment will be in a single equipment location on a Customer's premises. The Customer must provide suitable floor space, controlled environment, and a source of non-switched 120 volt, 60 Hz AC power to support this service. Emergency backup power capability is also available at extra charge on an individual case basis.

5. SERVICE DESCRIPTIONS AND RATES (Cont'd)

5.2 DS-1/DS-3 Channel Service (Cont'd)

5.2.1 General (Cont'd)

(J) Channelization of DS3 (electrical) data rates on a Customer's premises may also be provided by the Customer. Joint provisioning of channelized services introduces joint responsibilities between the Customer and the Company.

(1) Responsibilities of the Company:

a. The Company will endeavor to activate its portion of joint service in a timely manner on the negotiated date to support installation requirements.

b. The Company will provide the Customer with information regarding the type and the manufacturer of central office (C.O.) channelization equipment to be used in each application.

c. The Company will limit its selection of central office equipment to avoid operational and administrative difficulties associated with a multi-vendor central office environment.

d. The Company reserves the right to change its equipment vendors should equipment availability, price or technological advantages make such a change attractive or necessary.

e. The Company will notify the Customer, generally a minimum of six months in advance, of any need to change its central office equipment to allow the Customer sufficient time to respond, make any necessary changes, and schedule cooperative testing for cutover if required.

f. Digital synchronization timing for DS-1/DS-3 Channel Services will be provided by the Company.

5. SERVICE DESCRIPTIONS AND RATES (Cont'd)

5.2 DS-1/DS-3 Channel Service (Cont'd)

5.2.1 General (Cont'd)

(J) (Cont'd)

(2) Responsibilities of the Customer:

a. The Customer must be prepared to activate his portion of joint service in a timely manner on the negotiated date, providing testing equipment and personnel to support installation requirements, as may be necessary.

b. The Customer will be responsible for selecting his own equipment. Customer equipment must be compatible with the Company provided channelization at the central office.

c. The Customer must provide suitable power for his own equipment. Simplex powering will not be provided by the Company for a Customer's channel service units due to the serving arrangements associated with fiber optic facilities.

(3) Trouble resolutions:

The Company will assist the Customer in resolving any installation or day to day channel service problems. However, the Company does not assume responsibility for the compatibility or suitability of the Customer's equipment. Dispatches to Customer premises caused by Customer equipment troubles will result in Trouble Location Charges to the Customer.

5. SERVICE DESCRIPTIONS AND RATES (Cont'd)

5.2 DS-1/DS-3 Channel Service (Cont'd)

5.2.1 General (Cont'd)

(K) The technical specifications and standard network interfaces for DS3, DS1 and associated channelization are contained in BellSouth Technical Reference #73501. This publication is available from BellSouth Services, Documentation Operations, North W5A1, 3535 Colonnade Parkway, Birmingham, Alabama 35243. Channelized DS1 service is available only with D4 channel bank equipment or compatible, equivalent equipment.

(L) Emerging technology, such as low bit rate voice multiplexing techniques may permit additional quantities of individual channels to be channelized on a single DS1 signal. Equipment providing this capability does not generally assure compatibility between different manufacturers. Some equipment may not be suitable for data transmission or tandem network line application. Rates, charges, and availability of this equipment will be negotiated with the Customer on an individual case basis.

5.2.2 Application of Rates

(A) Monthly rates and charges as specified in Section 5.2.4 following apply for each DS-1/DS-3 Channel Service according to the number of voice grade equivalent channel services capacity in each package. These rates apply per package regardless of the number of circuit equivalents within each package that are actually activated by the Customer at a point in time.

(B) Exchange network access is provided for channels within each DS-1/DS-3 Channel Service package at the monthly recurring rates as specified in Section 5.2.4 following and apply for each channel within a package that is activated.

5. SERVICE DESCRIPTIONS AND RATES (Cont'd)

5.2 DS-1/DS-3 Channel Service (Cont'd)

5.2.2 Application of Rates (Cont'd)

(C) Rates and Charges specified in other tariff sections for services are in addition to the monthly rate for DS-1/DS-3 Channel Services. Also, the rates and charges for other services that may be interconnected or extended beyond the basic DS-1/DS-3 Channel Service, such as off-premises stations, tie lines, private lines, etc., are in addition to the rates specified in this Tariff for those portions of channel services necessary to provide end-to-end service. Rates for single DS1/1.544 Mbps channels used to extend DS-1/DS-3 Channel Services when used as part of the same communications system, will be as otherwise specified in Section 5 of this Tariff.

(D) DS-1/DS-3 Channel Service Option 1 or 2 Systems are available under contract only for variable rate periods except as modified below. Contract rate increases are subject to the stipulations of F. following. All elements of a contract will expire at the same time (be coterminous).

(1) DS-1/DS-3 Channel Service Option 1 or 2 Systems are available only under contract as specified preceding.

(2) Channelized DS1/1.544 Mbps channels and Sub-DS1 Feature Activations are available under contract or on a month-to-month basis at the Customer's option.

(3) Individual exchange network access and private line channel services that are connected to DS-1/DS-3 Channel Service are not offered under DS-1/DS-3 Channel Service master contract provisions. They are subject to their standard tariff provisions as appropriate.

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5. SERVICE DESCRIPTIONS AND RATES (Cont'd)

5.2 DS-1/DS-3 Channel Service (Cont'd)

5.2.2 Application of Rates (Cont'd)

(E) DS-1/DS-3 Channel Service rates under contract will not be increased by Company initiative until the contract period expires. Those monthly rates for DS-1/DS-3 Channel Service Option 1 or 2 System, Channelization Capacity, facility mileage, and Feature Activation in effect at the time the service is installed and/or as of the service order application date, will be applicable until the contract expires. At the expiration date of the Customer's payment period option, the Customer may select a new payment period option at current contract rates or revert to current rates on a month-to-month basis.

(F) A Termination Liability Charge is applicable at the date of termination. The applicable charge is dependent on the contract period subscribed to and will be equal to the number of months remaining in the contract times the monthly rates for the DS-1/DS-3 Channel Service Option 1 or 2 service System, Channelization Capacity, facility mileage, and Feature Activation which are provided under contract, and are subject to the exemptions of F.1. and 2. following.

(1) No Termination Liability Charge will be applicable for the DS-1/DS-3 Channel Service Option 1 or 2 System or Channelization Capacity when the Customer renegotiates a new contract for the same system at the same location(s) for a period of time greater than the time remaining on the existing contract.

(2) The Termination Liability Charge basis for Feature Activation (central office specific channel services plug-in equipment) will be 50 percent of the total monthly rate for the activated features (specific channel units) under contract which are being disconnected. All features activated under contract are coterminous with the basic system with which they are associated. Any features subscribed to on a month-to-month basis have a minimum service period of one month and no associated Termination Liability Charge.

(G) Transfer of service responsibility between Customers is permitted subject to payment of a Transfer Charge as specified in Section 5.2.4.C.

5. SERVICE DESCRIPTIONS AND RATES (Cont'd)

5.2 DS-1/DS-3 Channel Service (Cont'd)

5.2.3 Digital Architecture and Definitions

(A) Digital Architecture

(1) DS-1/DS-3 Channel Services differ in provisioning method and numbering format from single channel services. These services will be available from the Company on a link (partial channel) basis rather than as an end-to-end service. This architecture is intended to promote more efficient connectivity of analog and digital networks in the future.

Many DS-1/DS-3 Channel Service channels will be available on a digital basis at the network interface on a Customer's premises. Both the Company and the Customer have joint responsibilities to ensure the proper transmission of the provided services. Normal analog channel network interface specifications will be superceded by the electrical specifications of the 1.544 Mbps (DS1) channel which is actually terminated. Each DS0 channel provided will have identity only as a "time slot" within a DS1 channel. Compatible digital to analog conversion equipment must be provided by the Customer to derive the desired analog services. Any Channel Service Units (CSUs) necessary for digital services are the responsibility of the Customer.

5. SERVICE DESCRIPTIONS AND RATES (Cont'd)

5.2 DS-1/DS-3 Channel Service (Cont'd)

5.2.3 Digital Architecture and Definitions (Cont'd)

(A) Digital Architecture (Cont'd)

(2) The following cross-reference is intended as a guide to digital terms which are used in this section.

Transmission Data Rate	Equivalent Quantity of DS1 Ch.	Equivalent Quantity of DS3 Ch.
1.544 Mbps	1	-
44.736 Mbps	28	1
90.524 Mbps	56	2
135.264 Mbps	84	3
274.176 Mbps	168	6

(B) Definitions

Channel Service Unit (CSU)

This denotes network channel terminating equipment provided by the Customer to terminate digital channel facilities on a Customer's or user's premises.

DS-O

This denotes a channel service expressed in terms of its digitally encoded data bit rate in accordance with the North American hierarchy of digital signal levels. It is generally referred to as having a 64 kbps transmission data rate signal. The required format and interface specifications are referenced in BellSouth Technical Reference #73501.

5. SERVICE DESCRIPTIONS AND RATES (Cont'd)

5.2 DS-1/DS-3 Channel Service (Cont'd)

5.2.3 Digital Architecture and Definitions (Cont'd)

(B) Definitions (Cont'd)

DS-1

This denotes a channel service expressed in terms of its digitally encoded data bit rate in accordance with the North American hierarchy of digital signal levels. It has a 1.544 Mbps transmission data rate, and provides for the two-way simultaneous transmission of isochronous timed, Bipolar Return-to-Zero (BPRZ) bit stream format, except where intentional bipolar violations are introduced by Bipolar with 8 Zero Substitution (B8ZS) format. Unframed signal formats are not permitted or compatible with Company equipment. The required format and interface specifications are contained in BellSouth Technical Reference #73501.

DS-3

This denotes a channel service expressed in terms of its digitally encoded data bit rate in accordance with the North American hierarchy of digital signal levels. It has a 44.736 Mbps transmission data rate, and provides for two-way simultaneous transmission of randomized Non-Return-to-Zero (NRZ) signals with a B3ZS format. The required format and interface specifications are contained in BellSouth Technical Reference #73501.

DS-1/DS-3 CHANNEL SERVICE OPTION 1

This service provides extended service capability of DS3 data rates to the Customer, or multiplexed DS1 channels based upon configurations desired. Appropriate electrical signals will be provided in accordance with the specifications of BellSouth Technical Reference #73501. The total capacity to be provided is a single 44.736 Mbps transmission rate. This offering is intended to be a flexible, link connectable transport service for large Customers with the capability of connecting with individual exchange and private line services, DS-1 Service, and/or other DS-1/DS-3 Channel Services.

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5. SERVICE DESCRIPTIONS AND RATES (Cont'd)

5.2 DS-1/DS-3 Channel Service (Cont'd)

5.2.3 Digital Architecture and Definitions (Cont'd)

(B) Definitions (Cont'd)

DS-1/DS-3 CHANNEL SERVICE OPTION 2

This service provides extended service capability of multiples of DS3 data rates to the Customer. Essentially, it provides three times the potential capacity of DS-1/DS-3 Channel Service Option 1. The associated channelization equipment will permit combinations of DS3 and DS1 services in a flexible building block structure. This service will also permit different levels of automatic protection switching capability dependent on Customer desires. Appropriate electrical signals will be provided in accordance with the specifications of BellSouth Technical Reference #73501. This offering is intended to be a very flexible, link connectable transport service for the very large Customer. It has the capability of connecting with individual exchange and private line services, DS-1 Service, and/or other DS-1/DS-3 Channel Services.

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5. SERVICE DESCRIPTIONS AND RATES (Cont'd)

5.2 DS-1/DS-3 Channel Service (Cont'd)

5.2.4 Rates and Charges[1]

(A) Basic DS-1/DS-3 Channel Service

(1) DS-1/DS-3 Channel Service Option 1 System (One DS3 Capacity)

a. Includes photonic common equipment and first one-half air mile of local channel fiber optic facilities. Additional specific interface equipment is required in the central office (C.O.) and Customer premises, as contained in (2) and (3) following. Mileage charges are as contained in B. following. Channelization for individual analog and digital services is contained in C. and D. following.

	Nonrecurring Charge	Month To Month	24 to 48 Months	49 to 72 Months	73 to 9 Months
I. DS-1/DS-3 Channel Service Option 1 Basic System[2]					
Per System	$3,300.00	$3,080.00	$2,585.00	$2,453.00	$2,343.0

[1] Contract lengths are flexible to allow Customer choice of payment period.
[2] Month to month rates are only available at the end of a contract rate period.

5. SERVICE DESCRIPTIONS AND RATES (Cont'd)

5.2 DS-1/DS-3 Channel Service (Cont'd)

5.2.4 Rates and Charges (Cont'd)

(A) Basic DS-1/DS-3 Channel Service (Cont'd)

(1) DS-1/DS-3 Channel Service Option 1 System (One DS3 Capacity) (Cont'd)

a. (Cont'd)

	Nonrecurring Charge	Month To Month	24 to 48 Months	49 to 72 Months	73 to 9 Months
II. Electrical Interface Equipment - Central Office					
i. Per DS3 [1]	$605.00	$94.60	$72.60	$72.60	$72.60
ii. Per DS1[2]	$165.00	$15.40	$11.00	$11.00	$11.00
iii. DS1 Automatic protection switching[3]	$55.00	$39.60	$35.20	$35.20	$35.20

[1] DS3 capability is provided where the Customer does not desire channelization to DS1 or DS0 channel levels. This interface should not be provided where DS1 and DS0 level signals are provided at that system's termination point. However, if a DS3 signal is extended from the DS-1/DS-3 Channel Service Option 1 System serving central office to a remote central office, a DS3/DS1 multiplexer may be ordered at the remote C.O. by a Customer to derive DS1 channel levels at rates contained in 2. following.

[2] DS1 capability is only available in groups of 4 DS1s. When existing DS1 capacity is exhausted, the Customer must request additional DS1 service in groups of 4 DS1 channels. Each DS1 can transport 24 DS0 channels.

[3] This feature may not be available with lines utilizing the Clear Channel Capability line.

5. SERVICE DESCRIPTIONS AND RATES (Cont'd)

5.2 DS-1/DS-3 Channel Service (Cont'd)

5.2.4 Rates and Charges (Cont'd)

(A) Basic DS-1/DS-3 Channel Service (Cont'd)

(1) DS-1/DS-3 Channel Service Option 1 System (One DS3 Capacity) (Cont'd)

a. (Cont'd)

	Nonrecurring Charge	Month To Month	24 to 48 Months	49 to 72 Months	73 to 9 Months
III. Electrical Interface Equipment - Customer Premises					
i. Per DS3	$605.00	$107.80	$82.50	$82.50	$82.50
ii. Per DS1[1]	$275.00	$18.70	$14.30	$14.30	$14.30
iii. DS1 Automatic protection switching[2]	$55.00	$44.00	$39.60	$39.60	$39.60

[1] DS1 capability is only available in groups of 4 DS1s. When existing DS1 capacity is exhausted, the Customer must request additional DS1 service in groups of 4 DS1 channels. Each DS1 can transport 24 DS0 channels.

[2] This feature may not be available with lines utilizing the Clear Channel Capability.

5. SERVICE DESCRIPTIONS AND RATES (Cont'd)

5.2 DS-1/DS-3 Channel Service (Cont'd)

5.2.4 Rates and Charges (Cont'd)

(A) Basic DS-1/DS-3 Channel Service (Cont'd)

(2) DS-1/DS-3 Channel Service Option 2 System (Three DS3 Capacity)

a. Includes photonic common equipment and first one-half air mile of local channel fiber optic facilities. Additional specific interface equipment is required, as contained in (I)(ii) following. Where channelization is desired to provide DS1 and DS0 channels then a DS3/DS1 multiplexer must also be utilized in the central office and/or at a Customer's premises as contained in (II) and (III) following. Mileage charges are as contained in B. following. Channelization for individual analog and digital services is contained in C. and D. following.

	Nonrecurring Charge	Month To Month	24 to 48 Months	49 to 72 Months	73 to 9 Months
I. DS-1/DS-3 Channel Service Option 2 Basic System[1]					
i. Per System	$3,300.00	$4,279.00	$3,487.00	$3,366.00	$3,245.0
ii. Per DS3 Electrical Interface[2]	$1,210.00	$116.60	$88.00	$88.00	$88.00
iii. Per DS3 Automatic protection switching[2]	$220.00	$85.80	$71.50	$71.50	$71.50

[1] Month to month rates are only available at the end of a contract rate period.

[2] This includes both C.O. and Customer premises equipment. Each DS-1/DS-3 Channel Service Option 2 System can support a maximum of three DS3 signals.

5. SERVICE DESCRIPTIONS AND RATES (Cont'd)

5.2 DS-1/DS-3 Channel Service (Cont'd)

5.2.4 Rates and Charges (Cont'd)

(A) Basic DS-1/DS-3 Channel Service (Cont'd)

(2) DS-1/DS-3 Channel Service Option 2 System (Three DS3 Capacity) (Cont'd)

a. (Cont'd)

	Nonrecurring Charge	Month To Month	24 to 48 Months	49 to 72 Months	73 to 9 Month
II. DS3/DS1 Multiplexers - Central Office					
i. Per DS3/DS1 Multiplexer [1,2]	$550.00	$847.00	$704.00	$682.00	$660.0
ii. Per DS1 Electrical Interface [3]	$165.00	$15.40	$11.00	$11.00	$11.0
iii. DS1 Automatic protection switching[4] (one per DS3/DS1 multiplexer)	$55.00	$39.60	$35.20	$35.20	$35.2

[1] This DS3/DS1 multiplexer is suitable for use separately with interoffice channel links as appropriate.

[2] Each DS3/DS1 multiplexer requires DS1 electrical interface equipment and can accommodate a maximum of 28 DS1 signals. Automatic protection switching of a DS3 electronic signal is included with the multiplexer.

[3] DS1 capability is only available in groups of 4 DS1s. When existing DS1 capacity is exhausted, the Customer must request additional DS1 service in groups of 4 DS1 channels. Each DS1 can transport 24 DS0 channels.

[4] This feature may not be available with lines utilizing the Clear Channel Capability.

5. SERVICE DESCRIPTIONS AND RATES (Cont'd)

5.2 DS-1/DS-3 Channel Service (Cont'd)

5.2.4 Rates and Charges (Cont'd)

(A) Basic DS-1/DS-3 Channel Service (Cont'd)

(2) DS-1/DS-3 Channel Service Option 2 System (Three DS3 Capacity) (Cont'd)

a. (Cont'd)

	Nonrecurring Charge	Month To Month	24 to 48 Months	49 to 72 Months	73 to 9 Month
III. DS3/DS1 Multiplexers - Customer Premises					
i. Per DS3/DS1 Multiplexer [1]	$550.00	$792.00	$671.00	$649.00	$627.0
ii. Per DS1 Electrical Interface [2]	$275.00	$18.70	$14.30	$14.30	$14.3
iii. DS1 Automatic protection switching[3] (one per DS3/DS1 multiplexer)	$55.00	$44.00	$39.60	$39.60	$39.6

[1] Each DS3/DS1 multiplexer requires DS1 electrical interface equipment and can accommodate a maximum of 28 DS1 signals. Automatic protection switching of a DS3 electronic signal is included with the multiplexer.

[2] DS1 capability is only available in groups of 4 DS1s. When existing DS1 capacity is exhausted, the Customer must request additional DS1 service in groups of 4 DS1 channels. Each DS1 can transport 24 DS0 channels.

[3] This feature may not be available with lines utilizing the Clear Channel Capability.

5. SERVICE DESCRIPTIONS AND RATES (Cont'd)

5.2 DS-1/DS-3 Channel Service (Cont'd)

5.2.4 Rates and Charges (Cont'd)

(B) Mileage Charges

	Nonrecurring Charge	Month To Month	24 to 48 Months	49 to 72 Months	73 to 9 Months
(1) Local Channels (for DS-1/ DS-3 Channel Service Option 1 and 2) [1]					
a. First one-half mile (Included in System Charge)	-	-	-	-	-
b. Each additional one-half mile	--	$363.00	$297.00	$286.00	$269.50
(2) Interoffice Channels [1] (Automatic protection switching of DS3 data rates is assured in interoffice facilities.)					
a. Per DS3, first mile	$715.00	$1,342.00	$1,210.00	$1,144.00	$1,056.0
b. Per DS3, each additional mile	--	$253.00	$214.50	$198.00	$187.00

[1] Month to month rates are only available at the end of a contract rate period.

5. SERVICE DESCRIPTIONS AND RATES (Cont'd)

5.2 DS-1/DS-3 Channel Service (Cont'd)

5.2.4 Rates and Charges (Cont'd)

(C) Transfer Charges

	Nonrecurring Charge
(1) Transfer Between Customers	
Per transfer	$411.40

(D) Switching Arrangements, Multipoint/multistation Bridging and Data Conditioning Rates

Rates and charges are those that would be applicable to single channel services.

(E) Route Diversity

Customer rates and charges for physical route diversity will be negotiated on an individual case basis.

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5. SERVICE DESCRIPTIONS AND RATES (Cont'd)

5.3 Self-Healing Multi-Nodal Alternate Route Topology Ring Service

5.3.1 General

(A) This service is a dedicated, high capacity, network designed to provide increased reliability and functionality via a self-healing ring topology between multiple Customer designated locations and Company Central Offices where facilities can be made available as determined by the Company. This network consists of fiber routed through local, alternate central office, internodal and/or interoffice channel facilities that transmit DS1 and/or DS3 channel services simultaneously over primary and alternate paths between Customer designated locations and Company Central Offices. This ring topology will continually monitor DS1 and/or DS3 service quality, detect any failure within the system, and automatically self-heal itself around a point of failure to ensure the flow of DS1 and/or DS3 Services between locations within the self-healing network.

(B) This service is available at OC-3 and OC-12 channel capacities. OC-3 service capacity may be configured to allocate 3-DS3s, 84 DS1s, or a combination of DS3s and DS1s equivalent to a capacity of 3-DS3s, for each node. The Customer must specify the allocation at each node with the initial request. Channel Interface Capacity Reallocation allows the Customer to reallocate the DS3 and/or DS1 capacity to the nodes subsequent to the initial configuration. Channel interfaces must be symmetrically allocated, e.g., an originating DS1 channel interface must have a corresponding terminating DS1 channel interface.

(C) This service is connectible at Company central offices to any 44.736 Mbps and/or 1.544 Mbps services as provided in Section 5 of this Tariff. Rates and charges for such other services are as set forth in the applicable sections of this Tariff for such other services.

(D) The Customer must provide suitable floor space, controlled environment, and source of non-switched suitable power to support this service.

5. SERVICE DESCRIPTIONS AND RATES (Cont'd)

5.3 Self-Healing Multi-Nodal Alternate Route Topology Ring Service (Cont'd)

5.3.1 General (Cont'd)

(E) Where the Customer provides two separate entrance facility cable routes for this service, the primary and alternate facilities will be separate and will enter the Customer node over such different routes. When the Customer requests two separate routes at a Customer Node via two Local Channels and Telephone Company facilities do not exist for the second Local Channel, the Telephone Company may provide an equivalent second Local Channel via an existing alternate route. When facilities become available for the second Local Channel, the Telephone Company may rearrange the alternate route at any time.

(F) The compatibility requirements, technical specifications, and generic requirements for this service terminated at the Customer's designated locations are referenced in Technical Reference ANSI T1.404-1989 and ANSI T1.403-1989.

(G) DS3 interface combinations and technical specifications are referenced in Bellcore TR-INS-000342.

(H) DS1 interface combinations and technical specifications are referenced in Bellcore TR-NPL-000054.

(I) DS3 high capacity service channels have a performance objective of 99.5 percent error-free seconds over a continuous twenty-four hour period. Self-healing multi-nodal DS1 high capacity service channels have a performance objective of 99.95 percent error-free seconds over a continuous twenty-four hour period.

5. SERVICE DESCRIPTIONS AND RATES (Cont'd)

5.3 Self-Healing Multi-Nodal Alternate Route Topology Ring Service (Cont'd)

5.3.2 Application of Rates

(A) Monthly rates and charges as specified in Section 5.3.4 following apply for each service. The dedicated, high capacity, DS1 and/or DS3 channels provided through this service are available at OC-3 and OC-12 channel capacities. Rate categories include Customer Nodes, Central Office Nodes, Local Channels, Alternate Central Office Channels, Interoffice Channels and Internodal Channels. Channel Interfaces are required at each node on the network to activate individual DS1 and/or DS3 capabilities and must be associated with a service. The quantity of channel interfaces ordered may not exceed the capacity ordered. When a 28 DS1 Channel System is utilized to activate DS1 channels, the appropriate number of DS1 Channel Interfaces are required in lieu of an originating or terminating DS3 Channel Interface.

(B) Nonrecurring charges for Local, Alternate Central Office, Interoffice and Internodal Channels apply for each channel. When the Customer requests two separate routes and the routing is provided as described in Section 5.3.1.E. preceding, charges apply for the Local Channels and any Interoffice Channels on the requested route. If the Company rearranges the alternate route, nonrecurring charges do not apply for the second Local Channel. Recurring charges for Local, Alternate Central Office, Interoffice and Internodal Channels apply for each quarter air mile increment of the channel. Fractions of a quarter mile will always round up to the next quarter air mile before determining the mileage and applying the rate. For channels which are less than one quarter mile, a minimum charge of one quarter mile applies.

(C) For Internodal Channels, charges apply as appropriate either for the same wire center area or contiguous serving wire center areas, as specified in Section 5.3.4.A.4.

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5. SERVICE DESCRIPTIONS AND RATES (Cont'd)

5.3 Self-Healing Multi-Nodal Alternate Route Topology Ring Service (Cont'd)

5.3.2 Application of Rates (Cont'd)

(D) Nonrecurring charges for Customer Nodes and Central Office Nodes apply per node. The initial charge applies to nodes installed with initial installation of a service. Subsequent node charges will apply when a Customer adds an additional node to an established service. Recurring rates for Customer and Central Office Nodes also apply per node.

(E) The rates for Customer Channel Interfaces apply for each origination and for each termination of an activated DS1 and/or DS3 at the Customer Node. Nonrecurring charges are established on a per order basis for the first DS1 and/or DS3 which originates or terminates at a Customer Node and for each additional DS1 and/or DS3 which originates or terminates at the same Customer Node. The recurring rate applies on a per Customer Node basis for each origination and for each termination of an activated DS1 and/or DS3 at a Customer Node.

(F) In addition, Customers with DS3 interfaces at the Customer Node electing to connect with DS1 services at a Central Office Node, must obtain a 28 DS1 Channel System, and the appropriate number of DS1 Channel Interfaces in lieu of a DS3 Channel Interface. A maximum of 28 DS1 Channel Interfaces can be activated for each 28 DS1 System utilized. Nonrecurring charges are established on a per order basis for the first 28 DS1 Channel System and for each additional 28 DS1 Channel System at that same Central Office Node. Nonrecurring charges are also established for the first DS1 Channel Interface which originates/terminates in a 28 DS1 Channel System and each additional DS1 Channel Interface which originates/terminates in that same DS1 Channel System. The recurring rate applies for each 28 Channel System and each DS1 Channel Interface activated per Central Office Node.

(G) First and Additional Nonrecurring charges will be applied when ordering the same rate element between the same locations with the same installation date.

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5. SERVICE DESCRIPTIONS AND RATES (Cont'd)

5.3 Self-Healing Multi-Nodal Alternate Route Topology Ring Service (Cont'd)

5.3.2 Application of Rates (Cont'd)

(H) In order to accommodate more flexible customer situations, this service is available under several payment plans: 36 Month Term Payment Plan (24-48 months), 60 Month Term Payment Plan (49-72 months), or 84 Month Term Payment Plan (73-96 months). For all payment plans, the following regulations apply:

(1) All rate elements, except Channel Interfaces for a given service, whether initially or subsequently ordered, must be provided under the same payment plan with the same service period and are coterminous upon disconnect of the service. Channel Interfaces may be ordered under payment plans equal to or less than the selected payment period for the given service.

(2) The rates applicable to a month-to-month payment plan are subject to Company initiated changes.

(3) A termination liability charge will be applicable if services provided under a Channel Services Payment Plan (CSPP) arrangement are disconnected prior to the end of the chosen service period. The applicable charge is equal to the number of months remaining in the rate stabilized service period times sixty percent of the monthly rates for this service which include all Nodes, Channel Interfaces, Local Channels, Alternate Central Office Channels, Internodal Channels and/or Interoffice Channels provided under the CSPP arrangement. For services under the month-to-month payment plan, a termination charge is equal to the number of months remaining in the twelve month minimum times the month-to-month rates in effect for this service at the time of termination.

(4) When a service period under an existing CSPP arrangement is completed and a Customer elects to revert to a month-to-month payment option, no minimum period is applicable.

5. SERVICE DESCRIPTIONS AND RATES (Cont'd)

5.3 Self-Healing Multi-Nodal Alternate Route Topology Ring Service (Cont'd)

5.3.2 Application of Rates (Cont'd)

(H) (Cont'd)

(5) Additions of services or rate elements, for activating spare or unused capacities of a service under a CSPP arrangement, must be activated at the same rates and charges specified under the existing CSPP arrangement. Channel interfaces may be ordered as specified in 1. preceding.

(6) Additions of services or rate elements, i.e. new local channels, interoffice channels, etc., other than for activating spare or unused capacities, must be under a new CSPP arrangement at rates and charges as specified in 1. preceding. The new CSPP arrangement must be at least 24 months and must be coterminous with the CSPP arrangement for the existing service.

(7) All customers ordering a new service or upgrading existing service under a CSPP will benefit from a special promotional offering to waive nonrecurring charges associated with ring level billing. All service customers under a Special Service Arrangement contract will benefit from the special promotional offering to waive nonrecurring charges associated with ring level billing. Ring level billing is defined as billing for the following rate elements: Local Channel, Interoffice Channel, Internodal Channel, Alternate Central Office Channel, Customer Node and Central Office Node. Billing for Customer Channel Interfaces and Central Office Channel Interfaces recurring and nonrecurring charges will be effective upon activation to the service.

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5. SERVICE DESCRIPTIONS AND RATES (Cont'd)

5.3 Self-Healing Multi-Nodal Alternate Route Topology Ring Service (Cont'd)

5.3.2 Application of Rates (Cont'd)

(H) (Cont'd)

(7) (Cont'd)

In addition, termination liability charges are also waived for upgrades to these services. Specific requirements must be satisfied in order for charges to be waived as follows:

a. The Customer's service, to which the network services are reconfigured, must be ordered under a CSPP. However, individual DS1 and/or DS3 channel interfaces associated with this service may be provided under month-to-month terms if the existing services were provided under month-to-month rates.

b. Special promotional waivers will be processed as projects for each Customer designated location, and all associated connect and disconnect orders must be placed at the same time. Reconfiguration work must be completed within twelve months of the Customer order date. Only one reconfiguration plan will be permitted per Customer location.

c. Special promotional waivers shall not apply when the service is moved by the Customer from one location to another.

d. In the event the service is disconnected at the Customer's request prior to the expiration of the CSPP, full nonrecurring charges associated with ring level billing will apply.

5. SERVICE DESCRIPTIONS AND RATES (Cont'd)

5.3 Self-Healing Multi-Nodal Alternate Route Topology Ring Service (Cont'd)

5.3.2 Application of Rates (Cont'd)

(I) Service for Local Channel, Alternate Central Office Channel and Internodal Channel rates are distance sensitive. They are measured per quarter airline mile or fraction thereof from the Customer's designated premises to the Serving Wire Center, Alternate Central Office, or other Customer Nodes. V&H coordinates are derived for each Customer location through the use of longitude and latitude measurements. Using the V&H coordinate method as set forth in the NATIONAL EXCHANGE CARRIER ASSOCIATION, INC. TARIFF F.C.C. No. 4, compute the mileage, convert to quarter miles, and multiply the appropriate per quarter mile rate by the distance involved. Any portion of a quarter mile will always round up to the next quarter mile before determining the mileage and applying the rate. For channels which are less than one quarter mile, a minimum charge of one quarter mile applies.

(J) The service Interoffice Channel mileage is calculated per quarter airline mile between two directly connected central offices on the ring. Interoffice Channel mileage is computed by using the V&H coordinates method as set forth in the NATIONAL EXCHANGE CARRIER ASSOCIATION, INC. TARIFF F.C.C. No. 4. To determine the rate to be billed, multiply the appropriate per quarter mile rate by the distance involved. Fractions of a quarter mile always round up to the next quarter mile before determining the mileage and applying the rate. For channels which are less than one quarter mile, a minimum charge of one quarter mile applies.

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5. SERVICE DESCRIPTIONS AND RATES (Cont'd)

5.3 Self-Healing Multi-Nodal Alternate Route Topology Ring Service (Cont'd)

5.3.3 Architecture

(A) The Service

The service configuration utilizes a multi-nodal ring architecture which is specified jointly by the Company and the Customer. The minimum configuration provides dedicated DS3 (44.736 Mbps) and/or DS1 digital services and must include at least three nodes. One must be a Central Office Node in a Company Central Office and one must be a Customer Node at a Customer's designated location. Additional nodes may be any combination thereof. The maximum number of nodes will be determined based on equipment capability. The nodes are connected by service Local Channels, Alternate Central Office Channels, Interoffice Channels and Internodal Channels as applicable. The service may be connected to other DS3/DS1 services only at Central Office Nodes. Applicable rate elements for this service are: - Customer Node (at least one), provides ring switching capabilities at Customer designated locations other than Company Premises that are part of the service. This rate element offers OC-3 and OC-12 network capacities and requires the Customer to obtain the appropriate number of service DS3 and/or DS1 Customer Channel Interfaces.

- Customer Channel Interface (one for each originating/terminating activated DS3 and/or DS1 for each Customer Node), provides DS3 and/or DS1 channelization that may take place at each Customer node of this service. The Customer Channel Interface applies for every DS3 and/or DS1 that originates or terminates at a Customer Node.

- Central Office Node (at least one), provides ring switching capabilities at Company Central Offices that are a part of Self-Healing Multi-Nodal Alternate Route Topology Ring Service. This rate element offers OC-3 and OC-12 network capacities and requires the Customer to obtain the appropriate number of service DS3 and/or DS1 Central Office Channel Interfaces.

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5. SERVICE DESCRIPTIONS AND RATES (Cont'd)

5.3 Self-Healing Multi-Nodal Alternate Route Topology Ring Service (Cont'd)

5.3.3 Architecture (Cont'd)

(A) The Service (Cont'd)

- Central Office Channel Interface (one for each originating/terminating activated DS3 and/or DS1 for each Central Office Node or one for each 28 DS1 Channel System and associated DS1 Channel Interfaces for each activated DS3), provides DS3 and/or DS1 channelization that may take place at each Central Office Node located on this service. The DS3 and/or DS1 Central Office Channel Interface rate element applies for every DS3 and/or DS1 channel that originates or terminates at a Central Office Node. Customers with DS3 interfaces at the Customer Node, electing to connect with DS1 services at a Central Office Node, must obtain a 28 DS1 Channel System.

- Local Channel (at least one for each Customer Node which is directly connected to the serving wire center), provides for the communications path between a Customer Node and the serving wire center of the premises where located.

- Alternate Central Office Channel (at least one for each Customer Node which is directly connected to an Alternate Central Office), provides for the communications path between a Customer Node and an Alternate Central Office.

- Interoffice Channel (one for each path between each two directly connected Company Central Offices), provides for the communications path between directly connected Company Central Offices located on a service.

5. SERVICE DESCRIPTIONS AND RATES (Cont'd)

5.3 Self-Healing Multi-Nodal Alternate Route Topology Ring Service (Cont'd)

5.3.3 Architecture (Cont'd)

(A) The Service (Cont'd)

- Internodal Channel (one for each path between two directly connected Customer Nodes), provides for the communications path between two directly connected Customer Nodes located (a) in the same Serving Wire Center area or (b) in the same Office Park/Campus Environment or contiguous property, located in contiguous Serving Wire Center areas.

- Channel Interface Capacity Reallocation (one per node per occurrence), allows the Customer to reallocate DS3 and/or DS1 capacity interfaces at each node subsequent to the initial service installation. For example, a Customer may initially allocate, activated or spare, eighty-four DS1s at each node on the ring and may subsequently request Channel Interface Capacity Reallocation to drop one DS3 and fifty-six DS1s at each node, or other combination of DS3s and/or DS1s equivalent to an OC-3 Network Capacity.

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5. SERVICE DESCRIPTIONS AND RATES (Cont'd)

5.3 Self-Healing Multi-Nodal Alternate Route Topology Ring Service (Cont'd)

5.3.4 Rates and Charges

(A) Self-healing Multi-nodal Alternate Route Topology Ring Service

	Nonrecurring Charge	Month To Month	24 to 48 Months	49 to 72 Months	73 to 9 Months
(1) Local Channel Mileage Rates (OC-3 or OC-12 capacity)					
a. Per Local Channel, per first quarter air mile	$572.00	$115.50	$99.00	$88.00	$77.00
b. Per additional quarter air mile	--	$115.50	$99.00	$88.00	$77.00
(2) Alternate Central Office Channel Mileage Rates (OC-3 or OC-12 capacity)					
a. Alternate C.O. Channel, per channel, per first quarter air mile	$572.00	$753.50	$396.00	$324.50	$297.00
b. Per additional quarter air mile	--	$753.50	$396.00	$324.50	$297.00

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5. SERVICE DESCRIPTIONS AND RATES (Cont'd)

5.3 Self-Healing Multi-Nodal Alternate Route Topology Ring Service (Cont'd)

5.3.4 Rates and Charges (Cont'd)

(A) Self-healing Multi-nodal Alternate Route Topology Ring Service (Cont'd)

	Nonrecurring Charge	Month To Month	24 to 48 Months	49 to 72 Months	73 to 9 Months
(3) Interoffice Channel Mileage Rates					
a. Per Channel, Per Fixed OC-3 or OC-12 capacity	$209.00	--	--	--	--
b. Fixed, OC-3 capacity	--	$55.00	$44.00	$38.50	$33.00
c. Fixed, OC-12 capacity	--	$159.50	$143.00	$126.50	$115.50
d. Per quarter air mile (OC-3 or OC-12 capacity)	--	$49.50	$44.00	$33.00	$27.50

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5. SERVICE DESCRIPTIONS AND RATES (Cont'd)

5.3 Self-Healing Multi-Nodal Alternate Route Topology Ring Service (Cont'd)

5.3.4 Rates and Charges (Cont'd)

(A) Self-healing Multi-nodal Alternate Route Topology Ring Service (Cont'd)

	Nonrecurring Charge	Month To Month	24 to 48 Months	49 to 72 Months	73 to 9 Months
(4) Internodal Channel Mileage Rates					
a. Per Internodal Channel, Same Wire Center area, per first quarter air mile	$572.00	$1,540.00	$588.50	$456.50	$379.50
b. Per additional quarter air mile, Same Wire Center	--	$1,540.00	$588.50	$456.50	$379.50
c. Per Internodal Channel, Same Office Park/Campus Environment in Contiguous Serving Wire Center areas, per first quarter air mile	$572.00	$1,760.00	$715.00	$511.50	$429.00
d. Per additional quarter air mile, same Office Park/Campus Environment in contiguous Serving Wire Center areas	--	$1,760.00	$715.00	$511.50	$429.00

5. SERVICE DESCRIPTIONS AND RATES (Cont'd)

5.3 Self-Healing Multi-Nodal Alternate Route Topology Ring Service (Cont'd)

5.3.4 Rates and Charges (Cont'd)

(A) Self-healing Multi-nodal Alternate Route Topology Ring (Cont'd)

	Nonrecurring Charge Initial	Nonrecurring Charge Subsequent	Month To Month	24 to 48 Months	49 to 72 Months	73 to 9 Months
(5) Customer Node (per Node)						
a. OC-3 capacity	$495.00	$753.50	$2,530.00	$1,760.00	$1,540.00	$1,320.0
b. OC-12 capacity	$522.50	$781.00	$3,949.00	$3,399.00	$3,151.50	$2,821.5
(6) Customer Channel Interface (per Node)						
a. Per DS1 on OC -3	$319.00	$192.50	$49.50	$38.50	$33.00	$27.50
b. Per DS3 on OC-3	$242.00	$148.50	$253.00	$203.50	$192.50	$181.50
c. Per DS3 on OC-12	$236.50	$143.00	$187.00	$148.50	$143.00	$137.50

5. SERVICE DESCRIPTIONS AND RATES (Cont'd)

5.3 Self-Healing Multi-Nodal Alternate Route Topology Ring Service (Cont'd)

5.3.4 Rates and Charges (Cont'd)

(A) Self-healing Multi-nodal Alternate Route Topology Ring (Cont'd)

	Nonrecurring Charge		Month To	24 to 48	49 to 72	73 to 9
	Initial	Subsequent	Month	Months	Months	Months
(7) Central Office Node (per Node)						
a. OC-3 capacity	$462.00	$610.50	$1,540.00	$1,210.00	$1,100.00	$990.00
b. OC-12 capacity	$522.50	$748.00	$2,948.00	$2,508.00	$2,288.00	$1,958.0
(8) Central Office Channel Interface (per Central Office Node)						
a. Per DS1 on OC -3	$187.00	$137.50	$44.00	$38.50	$33.00	$27.50
b. Per DS3 on OC-3	$302.50	$203.50	$214.50	$154.00	$143.00	$132.00
c. Per DS3 on OC-12	$286.00	$214.50	$126.50	$99.00	$93.50	$88.00
d. Per 28 DS1 Channel System	$280.50	$198.00	$770.00	$660.00	$605.00	$577.50
e. Per DS1 on 28 DS1 Channel System	$253.00	$170.50	$19.80	$15.40	$13.20	$11.00

5. SERVICE DESCRIPTIONS AND RATES (Cont'd)

5.3 Self-Healing Multi-Nodal Alternate Route Topology Ring Service (Cont'd)

5.3.4 Rates and Charges (Cont'd)

(A) Self-healing Multi-nodal Alternate Route Topology Ring (Cont'd)

(9) Channel Interface Capacity Reallocation

	Nonrecurring Charge
Per Node, Per occurrence	$319.00

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5. SERVICE DESCRIPTIONS AND RATES (Cont'd)

5.4 Shared DS-1 Service

5.4.1 General

(A) Shared DS-1 Service is furnished for Private Line IntraLATA Communications by the Company.

(B) Shared DS-1 Service is a service for transmission of digital signals only and uses only digital transmission facilities.

(C) Shared DS-1 Service is a shared high capacity network service capable of providing a 1.544 Mbps transport link with high performance and reliability parameters and a level of redundancy/diversity designed to limit a single event from interrupting service.

(D) This service is available only in those locations within specified Shared DS-1 Service Areas which the Company determines can be incorporated into the Shared DS-1 Service network enabling the Company to provide the specified level of performance and reliability. For locations where a Customer requests Shared DS-1 Service and facilities are not available, construction charges will apply as set forth on Section 4.1.7. preceding.

(E) Shared DS-1 Service Areas are identified in the NATIONAL EXCHANGE CARRIER TARIFF (NECA) F.C.C. No. 4.

(F) The technical specifications and standard network interfaces for Shared DS-1 Service are contained in BellSouth Services Technical Reference Publication 73575. This publication is available from BellSouth Services Documentation Operations, North W5A1, 3535 Colonnade Parkway, Birmingham, Alabama 35243.

(G) DS1s carried over Synchronous Optical Network (SONET) transport systems can incur phase transients as a result of pointer adjustments. In some instances timing problems could surface in Customer's equipment with Stratum 3 or better clocks. This may result in the Customer's clock disqualifying its synchronization reference, generating an alarm and/or selecting an alternate reference or entering holdover. To insure proper operation, channelized DS1 circuits must comply with Bellcore Technical Advisory, TA-NWT-000436, Digital Synchronization Network Plan, and ANSI T1.101-1994. When timing is taken from a Company transported DS1, the Customer's equipment must be capable of accommodating SONET pointer adjustments.

5. SERVICE DESCRIPTIONS AND RATES (Cont'd)

5.4 Shared DS-1 Service (Cont'd)

5.4.2 Regulations

(A) Description of Service

(1) Shared DS-1 Service provides a transport link between a Customer designated premises where the network is accessed and (1) another Customer designated premises, in the same Shared DS-1 Service Area or (2) a serving wire center in the same Shared DS-1 Service Area for connection to (a) DS-1/DS-3 Channel Service, or (b) a Shared DS-1 Service Area Junction of another Shared DS-1 Service area in the same Metropolitan Area.

(2) The performance objectives for Shared DS-1 Service are as follows:

a. Meet or exceed 99.99 percent Circuit Availability on a monthly basis. This objective applies except where a Customer's equipment is disconnected and/or inoperative.

b. Meet or exceed 99.95 percent Error Free Seconds on a monthly basis.

c. Meet or exceed .009 percent Severely Errored Seconds on a monthly basis.

(3) The performance guarantee for Shared DS-1 Service is as follows:

a. Guaranteed Service Installation - the Company will meet negotiated due date or credit an amount equal to the nonrecurring charge according to the Service Installation Guarantee described in Section 5.4.2.B.

b. Service Continuity - in the event of primary facility failure, service is guaranteed to switch to an alternate facility path in sixty seconds or less. Failure to meet this guarantee will result in a credit as described in Section 5.4.2.E.2. following where the trouble is in the network on public right-of-way.

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5. SERVICE DESCRIPTIONS AND RATES (Cont'd)

5.4 Shared DS-1 Service (Cont'd)

5.4.2 Regulations

(B) Service Installation Guarantee

(1) The Company assures that orders for services to which the Service Installation Guarantee applies will be installed and available for customer use no later than the Service Date which is the date service is to be made available to the customer. The Service Installation Guarantee is applicable only to services as specified in subsequent tariff sections.

(2) The failure of the Company to meet this commitment will result in the credit of an amount equal to the nonrecurring charges associated with the individual service having the missed Service Date being applied to the customer's bill. The credit will include only nonrecurring charges associated with the services subject to Service Installation Guarantee, as specified in subsequent sections, for which nonrecurring charges are applicable. The nonrecurring charges will be credited at the rate at which they were billed. The credit will not be provided if a credit of the same nonrecurring charge for the same service is provided under any other provisions of this Tariff.

5. SERVICE DESCRIPTIONS AND RATES (Cont'd)

5.4 Shared DS-1 Service (Cont'd)

5.4.2 Regulations (Cont'd)

(B) Service Installation Guarantee (Cont'd)

(3) Service Installation Guarantees do not apply:

a. when failure to meet the Service Date occurs because of:

I. any act or omission of the customer, any other customer or any third party, or of any other entity providing a portion of the service,

II. labor difficulties, governmental orders, civil commotions, criminal actions against the Company, acts of God, war, or other circumstances beyond the Company's control,

III. unavailability of the customer's facilities and/or equipment,

IV. a shortage of facilities that requires message toll and exchange line services take precedence over Private Line services.

b. to service requiring construction charges as set forth in Section 4.1.7,

c. to Specialized Service or Arrangements or Individual Case Basis filings,

d. for jointly provisioned services, and

e. to other telephone companies concurring in the rates and regulations of the Company.

In addition, Service Installation Guarantees will not apply during a declared National Emergency, priority installation of National Security Preparedness (NSEP) telecommunications services shall take precedence.

5. SERVICE DESCRIPTIONS AND RATES (Cont'd)

5.4 Shared DS-1 Service (Cont'd)

5.4.2 Regulations (Cont'd)

(C) Definitions

Shared DS-1 Service Area Connection

The Shared DS-1 Service Area Connection provides for the connection at the designated premises where the Customer gains access to Shared DS-1 Service and transport to a designated junction in the same Shared DS-1 Service Area.

Shared DS-1 Service Area Junction

The Shared DS-1 Service Area Junction provides for the connection between the Shared DS-1 Service network and (1) another Customer designated premises, in the same Shared DS-1 Service Area or (2) a serving wire center in the same Shared DS-1 Service Area for connection to (a) DS1 Basic Channelization or DS-1/DS-3 Channel Service, or (b) a Shared DS-1 Service Area Junction of another Shared DS-1 Service Area in the same Metropolitan Area.

5. SERVICE DESCRIPTIONS AND RATES (Cont'd)

5.4 Shared DS-1 Service (Cont'd)

5.4.2 Regulations (Cont'd)

(D) Application of Rates

(1) Monthly rates and charges as specified in Section 5.4.3 following apply for each Shared DS-1 Service. The transport provided within a Shared DS-1 Service Area is provided at 1.544 Mbps. Rate categories include a Shared DS-1 Service Area Connection, and a Shared DS-1 Service Area Junction.

(2) Recurring and nonrecurring charges apply for each Shared DS-1 Service Area connection and Shared DS-1 Service Area Junction.

(3) Shared DS-1 Service is available under several payment plans: Month-to-month (with a 4 month minimum), Plan A (24-48 Months), Plan B (49-72 Months).

(4) The rates applicable to a month-to-month payment plan are subject to Company initiated changes. Rates stabilized under a CSPP arrangement are exempt from Company initiated increases, however, decreases for any rate element will automatically flow through to the Customer.

(5) A Shared DS-1 Service performance credit, as specified in Section 5.4.2.E.2. will apply.

5. SERVICE DESCRIPTIONS AND RATES (Cont'd)

5.4 Shared DS-1 Service (Cont'd)

5.4.2 Regulations (Cont'd)

(E) Connections

(1) Customer-Provided Terminal Equipment, Customer-Provided Derivation Equipment and Customer-Provided Communications Systems may be connected to Shared DS-1 Service when such connection is made in accordance with the provisions specified in 2. and 3. following.

(2) Responsibility of the Company

a. The responsibility of the Company shall be limited to the furnishing and maintenance of Shared DS-1 Service to a network interface on the Customer's premises.

b. The Company shall not be responsible for installation, maintenance of any terminal equipment or communications systems provided by a Customer. Shared DS-1 Service is not represented as adapted for the use of such equipment or system. Where such equipment or system is connected to Company facilities, the responsibility of the Company shall be limited to furnishing of facilities suitable for Shared DS-1 Service and to the maintenance and operation in a manner proper for such digital service. The Company shall not be responsible for:

- the through transmission of signals generated by such equipment or system, or for the quality of, or defects in, such transmission, or

- the reception of signals by such equipment or systems, or

- damage to terminal equipment or communication system provided by a Customer or authorized user due to testing.

5. SERVICE DESCRIPTIONS AND RATES (Cont'd)

5.4 Shared DS-1 Service (Cont'd)

5.4.2 Regulations (Cont'd)

(E) Connections (Cont'd)

(2) Responsibility of the Company (Cont'd)

c. The Company shall not be responsible to the Customer if changes in any of the facilities, operations or procedures of the Company utilized in the provision of Shared DS-1 Service render any facilities or equipment provided by the Customer obsolete, or require modification or alteration of such equipment or system or otherwise affects its use or performance.

d. The Company undertakes to maintain and repair facilities which it furnishes. The Customer may not rearrange, disconnect, remove, or attempt to repair any equipment installed by the Company without prior written consent of the Company.

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5. SERVICE DESCRIPTIONS AND RATES (Cont'd)

5.4 Shared DS-1 Service (Cont'd)

5.4.2 Regulations (Cont'd)

(E) Connections (Cont'd)

(3) Responsibility of the Customer

a. The Customer is responsible for installing and testing his premises equipment or facilities to insure that when they are connected to Shared DS-1 Service such equipment or facilities are operating properly.

b. The operating characteristics of the Customer premises equipment shall be such as to not interfere with any of the services offered by the Company. Such use is subject to the further provisions that the equipment provided by the Customer does not: endanger the safety of Company employees or the public; damage, require change in or alteration of the equipment or other facilities of the Company; interfere with the proper functioning of such equipment or other facilities of the Company; interfere with the proper functioning of such equipment or facilities; impair the operation of the Company's facilities or otherwise injure the public in its use of the Company's services. Upon that the equipment provided by a Customer is causing or is likely to cause such hazard or interference, the Customer shall take such steps as such steps as shall be necessary to remove or prevent such hazard or interference.

c. The Customer's responsibility shall include cooperative testing with the Company as may be necessary. Where regeneration and/or equalization adjustments or changes may be required to compensate for rearrangements and/or changes in outside plant facilities, the Customer will be responsible for all expenses incurred in changes to their premises equipment.

d. ANSI T1.403-1989 Extended SuperFrame Format (ESF) is required on all circuits in order to assure performance objectives.

5. SERVICE DESCRIPTIONS AND RATES (Cont'd)

5.4 Shared DS-1 Service (Cont'd)

5.4.2 Regulations (Cont'd)

(F) Payment Arrangements and Credit Allowances

(1) The minimum service period for Shared DS-1 Service is four (4) months.

(2) For Shared DS-1 Service rate elements, failure by the Company to meet the performance guarantee described in Section 5.4.2.A preceding will prompt a credit equal to 100 percent for affected Shared DS-1 Service rate elements. The monthly charge shall be the total of all the monthly rate element charges associated with the service (i.e., Shared DS-1 Service Area Connection and Shared DS-1 Service Area Junction). A Customer request for credit will not be required. The credit will be applied through normal administrative processes and the dollar amount will be reflected on the Customer's bill. The credit will apply no more than once per calendar month and shall not exceed the monthly rate for the service.

(3) Shared DS-1 Service is eligible for credit of nonrecurring charges under "Service Installation Guarantee" found in Section 5.4.2.B preceding.

5. SERVICE DESCRIPTIONS AND RATES (Cont'd)

5.4 Shared DS-1 Service (Cont'd)

5.4.3 Rates and Charges

	Nonrecurring Charge First	Nonrecurring Charge Additional	Month To Month	Plan A 24 to 48 Months	Plan B 49 to 7 Month
(A) Shared DS-1 Service Area Connection					
(1) 1.544 Mbps					
a. Per Shared DS-1 Service Area Connection	$473.00	$154.00	$401.50	$269.50	$258.5
(B) Shared DS-1 Service Area Junction					
(1) 1.544 Mbps					
a. Per Customer Designated Premises	$473.00	$154.00	$159.50	$110.00	$88.00
b. Per Serving Wire Center Connection	$473.00	$154.00	$60.50	$38.50	$27.50

(C) Service Rearrangements

If the change involves changing a Customer's DS-1 Service, to Shared DS-1 Service, the change will be considered a disconnect of the existing service and full nonrecurring charges will apply for the Shared DS-1 Service. If the existing DS-1 Service is provided under a Channel Services Payment Plan (CSPP) agreement, a change to Shared DS-1 Service under CSPP will be considered an upgrade and termination liability charges will not apply.

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5. SERVICE DESCRIPTIONS AND RATES (Cont'd)

5.4 Shared DS-1 Service (Cont'd)

5.4.3 Rates and Charges (Cont'd)

(D) Moves

(1) A move involves a change in the physical location of one of the following:

a. The point of interface at the Customer premises.

b. The Customer's premises.

(2) The charges for the move are dependent on whether the move is to a new location within the same building or to a different building.

a. Moves Within the Same Building

When the move is to a new location within the same building, the charge for the move will be an amount equal to one-half the nonrecurring charge. There will be no change in the minimum period requirements. If a move is made at the same time a service rearrangement is made, the total charge will never exceed a full nonrecurring charge for the basic service.

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5. SERVICE DESCRIPTIONS AND RATES (Cont'd)

5.4 Shared DS-1 Service (Cont'd)

5.4.3 Rates and Charges (Cont'd)

(D) Moves (Cont'd)

(2) (Cont'd)

b. To a Different Building

For Shared DS-1 Service point-to-point arrangements within the same Shared DS-1 Service area, moves to a different building will be treated as a service move rather than a discontinuance and start of service. Nonrecurring charges will apply for the Shared DS-1 Service Area Connection or the Shared DS-1 Service Area Junction at the location being moved.

For Shared DS-1 Service point-to-point arrangements with termination points in different Shared DS-1 Service Areas, a move to a different building within the same Shared DS-1 Service Area will be treated as a service move rather than a discontinuance and start of service. Nonrecurring charges will apply for the Shared DS-1 Service Area Connection or the Shared DS-1 Service Area Junction at the location being moved.

For Shared DS-1 Service point-to-point arrangements with terminating points in different Shared DS-1 Service Areas, a move to a different building in a different Shared DS-1 Service Area will be treated as a discontinuance and start of service. All associated nonrecurring charges will apply.

The Customer will also remain responsible for satisfying all outstanding minimum period charges for the discontinued service.

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5. SERVICE DESCRIPTIONS AND RATES (Cont'd)

5.4 Shared DS-1 Service (Cont'd)

5.4.3 Rates and Charges (Cont'd)

(E) A termination liability charge will be applicable if services provided under a CSPP arrangement are disconnected prior to the end of the chosen service period. The termination charge is equal to the applicable rate per element for the current contract multiplied by the difference in months between the time the CSPP contract has been in effect and the minimum contract length multiplied times a factor. The factor is 50 percent for contracts that have been in effect twelve months or less, or 20 percent for contracts that have been in effect longer than twelve months.

5. SERVICE DESCRIPTIONS AND RATES (Cont'd)

5.5 Diverse Loop DS-1 Service

5.5.1 General

(A) DS-1 Service is furnished for Private Line IntraLATA Communications by the Company.

(B) DS-1 Service is a service for transmission of digital signals only and uses only digital transmission facilities.

(C) DS-1 Service is a fiber-based high capacity network service providing a 1.544 Mbps transport link with high performance and reliability parameters. This service utilizes structurally diverse loop facilities designed to limit single points of failure between a Customer's location and its normal serving wire center.

(D) DS-1 Service is available to Customer locations where existing loop facilities are fiber-based and utilize structurally diverse routes. For locations where loop facilities are not available to satisfy Customer requests for Diverse Loop DS-1 Service, special construction charges will apply as set forth in Section 4.1.7.

(E) The technical specifications and standard network interfaces for Diverse Loop DS-1 Service are contained in BellSouth Technical Reference Publication 73525. This publication is available from Regional Documentation Services, 600 North 19th Street, 20th Floor, Birmingham, Alabama 35203.

5. SERVICE DESCRIPTIONS AND RATES (Cont'd)

5.5 Diverse Loop DS-1 Service (Cont'd)

5.5.2 Regulations (Cont'd)

(A) Description of Service

(1) Diverse Loop DS-1 Service utilizes a self-healing diverse fiber-based local channel (loop) transport link between a Customer designated premises and the normal serving wire center.

(2) Diverse Loop DS-1 Service is furnished on a link (partial) basis for connection at the normal serving wire center to another Diverse Loop DS-1 Service, Centrex Type Services [1], DS-1/DS-3 Channel Service or service under Section 5.3. Connectivity between Diverse Loop DS-1 Service and these other services may be provided via a DS-1 Service Interoffice Channel between central offices.

(3) All appropriate rates, charges, rules and regulations specified in other tariff sections for connected services are in addition to those for Diverse Loop DS-1 Service specified in this tariff.

(4) Performance objectives for Diverse Loop DS-1 Service between the Customer's location and the serving wire center are as follows:

a. Meet or exceed 99.98 percent Circuit Availability.

b. Meet or exceed 99.95 percent Error Free Seconds.

c. Meet or exceed .010 Severely Errored Seconds.

The objectives apply except when a Customer's equipment and/or cabling is disconnected and/or inoperative, or when a DS-1 Service Interoffice Channel is used in conjunction with a Diverse Loop DS-1 Service Local Channel. Consult TR73525 for additional information concerning service performance objectives.

[1] Connection from Diverse Loop DS-1 Service to Centrex Type Services may not be available from all serving wire centers.

5. SERVICE DESCRIPTIONS AND RATES (Cont'd)

5.5 Diverse Loop DS-1 Service (Cont'd)

5.5.2 Regulations (Cont'd)

(A) Description of Service (Cont'd)

(5) Performance guarantees for Diverse Loop DS-1 Service are as follows:

a. Service Installation

The Company will meet negotiated due date or credit an amount equal to the month-to-month payment plan nonrecurring charge according to the Service Installation Guarantee provisions described in Section 5.4.2.B preceding.

b. Service Continuity

In the event of primary failure, service is guaranteed to switch to an alternate facility path in sixty seconds or less. Failure to meet this guarantee will result in a credit as described in E.3. following where the trouble is in the local loop facility on public right-of-way.

5. SERVICE DESCRIPTIONS AND RATES (Cont'd)

5.5 Diverse Loop DS-1 Service (Cont'd)

5.5.2 Regulations (Cont'd)

(B) Definitions

Diverse Loop DS-1 Service Local Channel
The Diverse Loop DS-1 Service Local Channel provides for the connection between a Customer's designated premises to their serving wire center.

(C) Application of Rates

(1) Monthly rates and charges as specified in Section 5.5.3.A. following apply for each Diverse Loop DS-1 Service local channel.

(2) Recurring and nonrecurring rates and charges apply for each Diverse Loop DS-1 Service. Nonrecurring charges will not apply for the Diverse Loop DS-1 Service Local Channel rate element when Diverse Loop DS-1 Service is furnished under a payment plan other than month-to-month. Available payment plans are described in Section 5.5.2.C.3 following.

(3) Diverse Loop DS-1 Service is available under several payment plans: Month-to-month (with a one month minimum), Plan A (24-48 Months), Plan B (49-72 Months), and Plan C (73-96 Months).

(4) Month-to-month payment plan rates are subject to Company initiated changes. Diverse Loop DS-1 Service rates provided under a CSPP arrangement are exempt from Company initiated rate increases for the duration of the payment plan length selected; however, decreases on recurring rates will flow through to the Customer.

(5) A service performance credit as specified in E.3 following will apply.

5. SERVICE DESCRIPTIONS AND RATES (Cont'd)

5.5 Diverse Loop DS-1 Service (Cont'd)

5.5.2 Regulations (Cont'd)

(D) Connections

(1) Customer-Provided Terminal Equipment, Customer-Provided Derivation Equipment and Customer-Provided Communications Systems may be connected to Diverse Loop DS-1 Service when such connection is made in accordance with the provisions specified in 2. and 3. following.

(2) Responsibility of the Company

a. The responsibility of the Company shall be limited to the furnishing and maintenance of Diverse Loop DS-1 Service to a network interface on the Customer's premises.

b. The Company shall not be responsible for installation, operation, or maintenance of any terminal equipment or communications system provided by a Customer. Diverse Loop DS-1 Service is not represented as adapted for the use of such equipment or system. Where such equipment or system is connected to Company facilities, the responsibility of the Company shall be limited to furnishing of facilities suitable for Diverse Loop DS-1 Service and to the maintenance and operation in a manner proper for such digital service. The Company shall not be responsible for:

- the through transmission of signals generated by such equipment or system, or for the quality of, or defects in, such transmission, or
- the reception of signals by such equipment or systems, or
- damage to terminal equipment or communication system provided by a Customer or authorized user due to testing.

5. SERVICE DESCRIPTIONS AND RATES (Cont'd)

5.5 Diverse Loop DS-1 Service (Cont'd)

5.5.2 Regulations (Cont'd)

(D) Connections (Cont'd)

(2) Responsibility of the Company (Cont'd)

c. The Company shall not be responsible to the Customer if changes in any of the facilities, operations, or procedures of the Company utilized in the provision of Diverse Loop DS-1 Service render any facilities or equipment provided by the Customer obsolete, or require modification or alteration of such equipment or system or otherwise affects its use or performance.

d. The Company undertakes to maintain and repair facilities which it furnishes. The Customer may not rearrange, disconnect, remove, or attempt to repair any equipment installed by the Company without prior written consent of the Company.

5. SERVICE DESCRIPTIONS AND RATES (Cont'd)

5.5 Diverse Loop DS-1 Service (Cont'd)

5.5.2 Regulations (Cont'd)

(D) Connections (Cont'd)

(3) Responsibility of the Customer

a. The Customer is responsible for installing and testing premises equipment or facilities to insure that when they are connected to Diverse Loop DS-1 Service such equipment or facilities are operating properly.

b. The operating characteristics of the Customer premises equipment shall be such as to not interfere with any of the services offered by the Company. Such use is subject to the further provisions that the equipment provided by the Customer does not: endanger the safety of Company employees or the public; damage, require change in or alteration of the equipment or other facilities of the Company; interfere with the proper functioning of such equipment or other facilities of the Company; impair the operation of the Company's facilities or otherwise injure the public in its use of the Company's services. Upon notice that the equipment provided by a Customer is causing or is likely to cause such hazard or interference, the Customer shall take such steps as shall be necessary to remove or prevent such hazard or interference.

c. The Customer's responsibility shall include cooperative testing with the Company as may be necessary. Where regeneration and/or equalization adjustments or changes may be required to compensate for rearrangements and/or changes in outside plant facilities, the Customer will be responsible for all expenses incurred in changes to his premises equipment.

d. When Diverse Loop DS-1 Service is connected at the serving wire center to another service which is provisioned with ANSI T1.403-1995 Extended Superframe Format (ESF) and/or Clear Channel Capability, the Customer will be required to add the same format and/or line code standard to the Diverse Loop DS-1 Service to ensure compatibility. Rates and regulations associated with Clear Channel Capability are located in Section 5.1 of this tariff.

5. SERVICE DESCRIPTIONS AND RATES (Cont'd)

5.5 Diverse Loop DS-1 Service (Cont'd)

5.5.2 Regulations (Cont'd)

(E) Payment Arrangements and Credit Allowances

(1) The minimum service period for Diverse Loop DS-1 Service is one month.

(2) Suspension of service is not allowed.

(3) Failure by the Company to meet the performance guarantee described in A.5.b. preceding will result in a credit of an amount equal to the monthly rate billed for the service. Credit for interruptions of sixty (60) seconds or more will be applied through normal administrative processes and the dollar amount will be reflected on the Customer's bill. A Customer must report the outage in order to receive credit. The credit will apply no more than once per calendar month, and shall not exceed the monthly rate for the service.

(4) Diverse Loop DS-1 Service is eligible for credit of nonrecurring charges under "Service Installation Guarantee" found in Section 5.4.2.B preceding.

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5 SERVICE DESCRIPTIONS AND RATES (Cont'd)

5.5 Diverse Loop DS-1 Service (Cont'd)

5.5.3 Rates and Charges (Cont'd)

(A) A Diverse Loop DS-1 Service Local Channel is furnished between a Customer's premises and the Serving Wire Center

	Nonrecurring Charge First	Nonrecurring Charge Additional	Month To Month	Plan A 24 to 48 Months	Plan B 49 to 72 Months	Plan C 73 to 9 Month
(1) Diverse Loop DS-1 Service Local Channel, each 1[1]						
a. 1.544 Mbps	$742.50	$610.50	$236.50	$170.50	$159.50	$154.0

[1] Nonrecurring Charges do not apply to Diverse Loop DS-1 Service Local Channels provided under a contract plan.

5 SERVICE DESCRIPTIONS AND RATES (Cont'd)

5.5 Diverse Loop DS-1 Service (Cont'd)

5.5.3 Rates and Charges (Cont'd)

(B) DS-1 Service Interoffice Channels are furnished between Central Offices to connect Diverse Loop DS-1 Service Local Channels between two Customer premises

	Nonrecurring Charge			Plan A	Plan B	Plan C
	First	Additional	Month To Month	24 to 48 Months	49 to 72 Months	73 to 9 Month
(1) Interoffice Channel, each channel 0-8 miles [1]						
a. Fixed Monthly Rate	--	--	--	--	--	--
b. Each Airline Mile, or fraction thereof	--	--	--	--	--	--
(2) Interoffice Channel, each channel 9-25 miles[2]						
a. Fixed Monthly Rate	--	--	--	--	--	--
b. Each Airline Mile, or fraction thereof	--	--	--	--	--	--

[1] Refer to Section 5.1.3.B for applicable nonrecurring charges and recurring rates.

5 SERVICE DESCRIPTIONS AND RATES (Cont'd)

5.5 Diverse Loop DS-1 Service (Cont'd)

5.5.3 Rates and Charges (Cont'd)

(B) DS-1 Service Interoffice Channels are furnished between Central Offices to connect Diverse Loop DS-1 Service Local Channels between two Customer premises (Cont'd)

	Nonrecurring Charge First	Nonrecurring Charge Additional	Month To Month	Plan A 24 to 48 Months	Plan B 49 to 72 Months	Plan C 73 to 9 Month
(3) Interoffice Channel, each channel over 25 miles [2]						
a. Fixed Monthly Rate	--	--	--	--	--	--
b. Each Airline Mile, or fraction thereof	--	--	--	--	--	--

(C) Service Rearrangements

If the change involves changing a Customer's DS-1 Service to Diverse Loop DS-1 Service, the change will be considered a disconnect of the existing service and full nonrecurring charges will apply for the Diverse Loop DS-1 Service, as appropriate [1].

[1] Nonrecurring charges do not apply to Diverse Loop DS-1 Service Local Channels provided under a contract plan.

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5. SERVICE DESCRIPTIONS AND RATES (Cont'd)

5.5 Diverse Loop DS-1 Service (Cont'd)

5.5.3 Rates and Charges (Cont'd)

(D) Moves

(1) A move involves a change in the physical location of one of the following:

a. The point of interface at the Customer premises.

b. The Customer's premises.

(2) The charges for the move are dependent on whether the move is to a new location within the same building or to a different building.

a. Moves Within the Same Building

When the move is to a new location within the same building, the charge for the move will be an amount equal to one-half the month-to-month nonrecurring charge. There will be no change in the minimum period requirements. If a move is made at the same time a service rearrangement is made, the total charge will never exceed a full nonrecurring charge for the month-to-month service.

b. To a Different Building

When the move is to a new location in Company territory within the same state, the charge for the move is equal to the sum of all nonrecurring charges applicable to a new Diverse Loop DS-1 Service month-to-month service arrangement at the new location. When the move is to a new location in Company territory in a different state, the move will be treated as a discontinuance and start of service. The Customer will be responsible for satisfying all outstanding minimum period charges for the discontinued service. All applicable nonrecurring charges at the new location will apply.

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May 5, 1999

VIA OVERNIGHT MAIL

DEPOSIT DATE
D 1 3 3 MAY 06 1999

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

Re: Application of Metromedia Fiber Network Services, Inc. for Authority to Provide Alternative Local Exchange Service in Florida

Dear Ms. Bayo:

Enclosed for filing on behalf of Metromedia Fiber Network Services, Inc. ("MFNS") please find an original and six (6) copies of MFNS's application for authority to provide alternative local exchange service in Florida. Please find enclosed a check in the amount of $250.00 to cover the application filing fee.

Please date-stamp the enclosed extra copy of this filing and return in the self-addressed, stamped envelope provided. Should you have any questions concerning this filing, please do not hesitate to contact Kevin Minsky at (202) 945-6920.

Respectfully yours,

Kevin Minsky

SWIDLER BERLIN SHEREFF FRIEDMAN, LLP
3000 K STREET, N.W., SUITE 300
WASHINGTON, DC 20007

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GENERAL ACCOUNT
TWO SIGNATURES REQUIRED ABOVE $10,000