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

DEPOSIT DATE
D051 DEC 28 1998

December 23, 1998

VIA OVERNIGHT MAIL
Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, Florida 32399-0870

981977-TX

Re: Application of Hyperion Communications of Florida, LLC for Authority to Provide Alternative Local Exchange Service in Florida

Dear Ms. Bayo:

Enclosed for filing on behalf of Hyperion Communications of Florida, LLC ("Hyperion") please find an original and six (6) copies of Hyperion's application for authority to provide alternative local exchange service in Florida. Also enclosed is 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 us. Thank you very much.

Respectfully yours,

Kemal Hawa

Dana Frix
Kemal Hawa

Counsel for Hyperion Communications of Florida, LLC.

Enclosures

cc: Phil Fraga
Janet S. Livengood
Jennifer Schneider

264550.1

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FLORIDA PUBLIC SERVICE COMMISSION
CAPITAL CIRCLE OFFICE CENTER - 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

APPLICATION FORM
for

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

INSTRUCTIONS

1. This form is used for an original application for a certificate and for approval of sale, assignment or transfer of an existing alternative local exchange certificate. In case of a sale, assignment or transfer, the information provided shall be for the purchaser, assignee or transferee.

2. Respond to each item requested in the application and appendices. If an item is not applicable, please explain why.

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

4. If you have questions about completing the form, contact:

   Florida Public Service Commission
   Division of Communications, Certification & Compliance Section
   2540 Shumard Oak Boulevard
   Tallahassee, Florida 32399-0866
   (850) 413-6600

5. Once completed, submit the original and six (6) copies of this form along with a non-refundable application fee of $250 made payable to the Florida Public Service Commission at the above address.

---

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

(X) Original authority (new company)

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

( ) Approval of assignment of existing certificate (to a non-certificated company)
Example, a non-certificated company purchases an existing company and desires to retain the certificate of authority rather than apply for a new certificate.

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

2. Name of applicant:

Hyperion Communications of Florida, LLC ("Hyperion" or the "Applicant")

3. Name under which the applicant will do business (d/b/a):

Not applicable.

4. If applicable, please provide proof of fictitious name (d/b/a) registration.

Fictitious name registration number: **Not applicable.**

5. A. National mailing address including street name, number, post office box, city, state, zip code, and phone number.

Hyperion Communications of Florida, LLC
DDI Plaza Two
500 Thomas Street, Suite 400
Bridgeville, PA 15017-2838
Telephone: (412) 221-1888
Facsimile: (412) 221-6642

B. Florida mailing address including street name, number, post office box, city, state, zip code, and phone number.

Hyperion's registered agent in Florida is:

The Prentice-Hall Corporation System, Inc.
1201 Hayes Street
Suite 105
Tallahassee, FL 32301
Telephone: (850) 681-8545

6. Structure of organization:

( ) Individual	( ) Corporation
() Foreign corporation	( ) Foreign Partnership
( ) General Partnership	( ) Limited Partnership
( ) Joint Venture	(X) Other, Please explain **Hyperion is a Delaware limited liability company. Please refer to Section 9 for further information.**

7. If applicant is an individual, partnership, or joint venture, please give name, title and address of each legal entity.

Not Applicable.

8. State whether any of the officers, directors, or any of the ten largest stockholders have previously been adjudged bankrupt, mentally incompetent, or found guilty of any felony or of any crime, or whether such actions may result from pending proceedings. If so, please explain.

None of Hyperion's directors, nor any of the 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.

9. If incorporated, please provide proof from the Florida Secretary of State that the applicant has authority to operate in Florida.

Applicant is qualified to do business in the State of Florida as a foreign limited liability company. A copy of Hyperion's Certificate of Authority to Transact Business in the State of Florida is attached hereto as Exhibit A.

Corporate charter number: M98000000256

10. Please provide the name, title, address, telephone number, Internet address, and facsimile number for the person serving as ongoing liaison with the Commission, and if different, the liaison responsible for this application.

Ongoing liaison with Commission:

Janet S. Livengood, Esq.
Director, Legal and Regulatory Affairs
Hyperion Telecommunications, Inc.

DDI Plaza Two
500 Thomas Street, Suite 400
Bridgeville, PA 15017-2838
Telephone: (412) 220-5082
Facsimile: (412) 220-5162

Liaison for Application:

Dana Frix
Kemal M. Hawa
SWIDLER BERLIN SHEREFF FRIEDMAN, LLC
3000 K Street, N.W., Suite 300
Washington, D.C. 20007
Telephone: (202) 424-7500
Facsimile: (202) 424-7645

11. Please list other states in which the applicant is currently providing or has applied to provide local exchange or alternative local exchange service.

Hyperion is a start-up company and has not yet begun providing local exchange service in any state. Hyperion's parent company, Hyperion Telecommunications, Inc. ("HTI"), through its affiliates, provides facilities-based telecommunications services as a competitive access provider and/or a competitive local exchange carrier in the following states: Arkansas, Florida, Indiana, Kansas, Kentucky, Louisiana, Maryland, Mississippi, New Jersey, New York, Pennsylvania, Tennessee, Vermont and Virginia. Affiliates of HTI are in the process of seeking authority to provide resold intrastate telecommunications services in Alabama, Connecticut, Delaware, Washington, D.C., Georgia, Maine, New Hampshire, North Carolina, Ohio, South Carolina, Texas, and West Virginia.

12. Has the applicant been denied certification in any other state? If so, please list the state and reason for denial.

Hyperion has not been denied certification in any state.

13. Have penalties been imposed against the applicant in any other state? If so, please list the state and reason for penalty.

No penalties have been imposed against Hyperion in any other state.

14. Please indicate how a customer can file a service complaint with your company.

Hyperion can be reached for customer complaints at (800) 292-2314. Customers may also fax or mail any complaint directly to Hyperion's corporate address provided herein.

15. Please complete and file a price list in accordance with Commission Rule 25-24.825.

Prior to initiating service and in accordance with Commission Rule 25-24.825, Hyperion will file and maintain with the Commission a current price list which sets forth prices, customer connection charges, billing and payment arrangements and levels of service quality for the basic local telecommunications services it offers.

16. Please provide all available documentation demonstrating that the applicant has the following capabilities to provide alternative local exchange service in Florida.

A. Financial capability. **See Exhibit B.**

Regarding the showing of financial capability, the following applies:

The application <u>should contain</u> the applicant's financial statements for the most recent 3 years, including:

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

Further, a written explanation, which can include supporting documentation, regarding the following should be provided to show financial capability.

1. Please provide documentation that the applicant has sufficient financial capability to provide the requested service in the geographic area proposed to be served.

2. Please provide documentation that the applicant has sufficient financial capability to maintain the requested service.

3. Please provide documentation that the applicant has sufficient financial capability to meet its lease or ownership obligations.

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.

If available, the financial statements should be audited financial statements.

If the applicant does not have audited financial statements, it shall be so stated. The unaudited financial statements should then be signed by the applicant's chief executive officer and chief financial officer. The signatures should <u>attest that the financial statements are true and correct</u>.

B. Managerial capability. **Please See Exhibit C.**

C. Technical capability. **Please See Exhibit C.**

(If you will be providing local intra-exchange switched telecommunications service, then state how you will provide access to 911 emergency service. If the nature of the emergency 911 service access and funding mechanism is not equivalent to that provided by the local exchange companies in the areas to be served, described in detail the difference.)

Hyperion plans to offer certain local exchange services to business and residential customers located in the State of Florida. Exchange services may include, but will not necessarily be limited to dedicated data transport services over a second or additional local line to the customer's premises. HTI does not intend to provide basic local telecommunications services as defined at Florida Statutes §364.02(2) at this time. Rather, HTI will focus on providing dedicated data transport services to small and medium sized business and residential customers, which augment existing local line capabilities. HTI customers will access 911 and relay services directly through their basic local line service provided by the incumbent local exchange company ("ILEC") or alternative local exchange company ("ALEC"). Hyperion's customers, therefore, will not require supplementary access to 911 and/or relay services already provided to them by their ILEC or ALEC.

Hyperion's customers through their local exchange service providers, also will have paid the 911 tax applicable to each subscribed local line. Any additional collection of the 911 tax as described in Florida Statutes §365.171(13) duplicates taxes already collected on such lines. Any 911 and relay service access funding will be handled by the ILEC or ALEC for any line over which Hyperion provides its services and additional collection of the 911 tax, therefore, would be redundant.

Should Hyperion decide to provide basic local exchange services at some point in the future, HTI will, prior to any such provision, ensure that its customers have high quality access to 911 and relay services and will collect and remit the appropriate taxes.

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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 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".

Official: Randolph S. Fowler

Date: 12/23/98

Title: Senior Vice President, Business Operations

412-221-1888
Telephone number

Hyperion Telecommunications, Inc.

Address: DDI Plaza Two

500 Thomas Street, Suite 400

Bridgeville, PA 15017-2838

#264259

EXHIBITS

EXHIBIT A	CERTIFICATE OF AUTHORITY TO TRANSACT BUSINESS IN FLORIDA
EXHIBIT B	FINANCIAL CAPABILITY
EXHIBIT C	MANAGERIAL AND TECHNICAL CAPABILITY

EXHIBIT A

CERTIFICATE OF AUTHORITY TO TRANSACT BUSINESS IN FLORIDA

State of Delaware

Office of the Secretary of State

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF AMENDMENT OF "HYPERION TELECOMMUNICATIONS OF SOUTH FLORIDA, LLC", CHANGING ITS NAME FROM "HYPERION TELECOMMUNICATIONS OF SOUTH FLORIDA, LLC" TO "HYPERION COMMUNICATIONS OF FLORIDA, LLC", FILED IN THIS OFFICE ON THE SEVENTEENTH DAY OF JULY, A.D. 1998, AT 9 O'CLOCK A.M.

Edward J. Freel

Edward J. Freel, Secretary of State

2863371 8100

981278051

AUTHENTICATION: 9202555

DATE: 07-17-98

CERTIFICATE OF AMENDMENT

OF

HYPERION TELECOMMUNICATIONS OF SOUTH FLORIDA, LLC

1. The name of the limited liability company is Hyperion Telecommunications of South Florida, LLC.

2. The Certificate of Formation of the limited liability company is hereby amended as follows: "The name of the limited liability company is Hyperion Communications of Florida, LLC."

IN WITNESS WHEREOF, the undersigned has executed this Certificate of Amendment

as of this 16th day of July, 1998.

HYPERION TELECOMMUNICATIONS
OF SOUTH FLORIDA, LLC.

BY: HYPERION
TELECOMMUNICATIONS, INC., its sole member

BY: Randolph S. Fowler
NAME: Randolph S. Fowler
TITLE: Senior Vice President

PGH1; 469824 1

FLORIDA DEPARTMENT OF STATE
Sandra B. Mortham
Secretary of State

August 18, 1998

CHRISTOPHER SMITH
CSC NETWORKS
TALLAHASSEE, FL

Re: Document Number M98000000256

The Amendment to the Application of a Foreign Limited Liability Company for HYPERION TELECOMMUNICATIONS OF SOUTH FLORIDA, LLC which changed its name to HYPERION COMMUNICATIONS OF FLORIDA, LLC, a Delaware limited liability company authorized to transact business in Florida, was filed on August 18, 1998.

Should you have any questions regarding this matter, please telephone (850) 487-6051, the Registration Section.

Buck Kohr
Corporate Specialist
Division ofCorporation

Letter Number: 198A00042906

Account number: 072100000032

Account charged: 52.50

APPLICATION BY FOREIGN LIMITED LIABILITY COMPANY TO FILE AMENDMENT TO APPLICATION FOR AUTHORIZATION TO TRANSACT BUSINESS IN FLORIDA

98 AUG 18 PM 2:29
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED

SECTION I (1-3 must be completed)

1. Name of limited liability company as it appears on the records of the Department of State: Hyperion Telecommunications of South Florida, LLC

2. Jurisdiction of its organization: Delaware

3. Date authorized to do business in Florida: March 18, 1998

SECTION II (4-7 complete only the applicable changes)

4. If the amendment changes the name of the limited liability company, when was the change effected under the laws of its jurisdiction of organization? 7/17/98

5. New name of the limited liability company: Hyperion Communications of Florida, LLC

(Name must end with the words "limited company" or the abbreviation "L.C." if not so contained in the name at present.)

6. If the amendment changes the period of duration, indicate new period of duration:

N/A

7. If the amendment changes the jurisdiction of organization indicate new jurisdiction:

N/A

8/11/98
Date

Hyperion Telecommunications of South Florida, L
By: Randolph S. Fowler
Signature of a member or the authorized representative of a member

Randolph S. Fowler
Typed or printed name
Senior Vice President

EXHIBIT B

FINANCIAL CAPABILITY

Hyperion is financially qualified to provide facilities-based and resold intraexchange and interexchange telecommunications services in Florida. In particular, Hyperion has access to the financing and capital necessary to conduct its telecommunications operations as specified in this application. In support of this application, Hyperion, as a newly formed company, will rely upon the substantial financial resources of its parent, Hyperion Telecommunications, Inc. ("HTI"), to provide initial capital investment and to fund operating costs. Accordingly, as Hyperion does not have separate financial statements, Applicant has attached hereto copies of HTI's most recent consolidated audited financial statements on SEC Form 10-K. These exhibits are being offered to demonstrate Hyperion's financial ability to provide the proposed services. With the resources of HTI, Hyperion possesses the sound financial support necessary to effectively procure, install and operate the facilities and services requested in this Application.

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

_X_ Annual Report under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended March 31, 1998

____ Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from ____________ to ____________

Commission File Number: 000-21605

HYPERION TELECOMMUNICATIONS, INC.

(Exact name of registrant as specified in its charter)

Delaware	*25-1669404*
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
Main at Water Street *Coudersport, PA*	*16915*
(Address of principal executive offices)	*(Zip code)*

814-274-9830

(Registrant's telephone number including area code)

Securities registered pursuant to Section 12(b) of the Act: None.
Securities registered pursuant to Section 12(g) of the Act:
Class A Common Stock, $0.01 par value

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____

Aggregate market value of outstanding Class A Common Stock, par value $0.01, held by non-affiliates of the Registrant at June 24, 1998 was $235.5 million based on the closing sale price as computed by the NASDAQ National Market system as of that date. For purposes of this calculation only, affiliates are deemed to be Adelphia Communications Corporation and directors and executive officers of the Registrant.

At June 24, 1998, 21,685,896 shares of Class A Common Stock, par value $0.01, and 33,007,007 shares of Class B Common Stock, par value $0.01, of the registrant were outstanding.

Documents Incorporated by Reference: Portions of the Proxy Statement for the 1998 Annual Meeting of Stockholders are incorporated by reference into Part III hereof.

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 the Form 10-K or any amendment to the Form 10-K. X

INDEPENDENT AUDITORS' REPORT

Hyperion Telecommunications, Inc.:

We have audited the accompanying consolidated balance sheets of Hyperion Telecommunications, Inc. and subsidiaries as of March 31, 1997 and 1998, and the related consolidated statements of operations, of common stock and other stockholders' equity (deficiency) and of cash flows for each of the three years in the period ended March 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Hyperion Telecommunications, Inc. and subsidiaries at March 31, 1997 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 1998 in conformity with generally accepted accounting principles.

DELOITTE & TOUCHE LLP

Pittsburgh, Pennsylvania
June 10, 1998

HYPERION TELECOMMUNICATIONS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(Dollars in thousands except per share amounts)

	March 31, 1997	March 31, 1998
ASSETS:		
Current assets:		
Cash and cash equivalents	$ 59,814	$230,750
Other current assets	768	4,434
Total current assets	60,582	235,184
U.S. government securities – pledged	–	70,535
Investments	44,685	50,116
Property, plant and equipment—net	53,921	250,633
Other assets—net	15,413	28,425
Total	$174,601	$634,893
LIABILITIES, PREFERRED STOCK, COMMON STOCK AND OTHER STOCKHOLDERS' EQUITY (DEFICIENCY):		
Current liabilities:		
Accounts payable	$ 2,342	$ 11,775
Due to affiliates—net	6,081	1,442
Other current liabilities	757	4,687
Total current liabilities	9,180	17,904
13% Senior Discount Notes due 2003	187,173	215,213
12 ¼% Senior Secured Notes due 2004	–	250,000
Note payable—Adelphia	25,855	35,876
Other debt	2,647	27,687
Total liabilities	224,855	546,680
12 7/8% Senior Exchangeable Redeemable Preferred Stock	–	207,204
Commitments and contingencies (Note 7)		
Common stock and other stockholders' equity (deficiency):		
Class A Common Stock, $0.01 par value, 300,000,000 shares authorized, 338,000 and 396,500 shares outstanding, respectively	3	4
Class B Common Stock, $0.01 par value, 150,000,000 shares authorized and 32,500,000 shares outstanding	325	325
Additional paid in capital	153	179
Class A Common Stock Warrant	–	13,000
Class B Common Stock Warrants	11,087	11,087
Loans to stockholders	(3,000)	(3,000)
Accumulated deficit	(58,822)	(140,586)
Total common stock and other stockholders' equity (deficiency)	(50,254)	(118,991)
Total	$174,601	$634,893

See notes to consolidated financial statements.

HYPERION TELECOMMUNICATIONS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMMON STOCK AND OTHER STOCKHOLDERS' EQUITY (DEFICIENCY)

(Dollars in thousands except per share amounts)

	Class A Common Stock	Class B Common Stock	Additional Paid-in Capital	Class A Common Stock Warrants	Class B Common Stock Warrants	Loans to Stockholders	Accumulated Deficit	Total
Balance, March 31, 1995	$ —	$ 325	$ —	$ —	$ —	$ —	$ (14,028)	$ (13,703)
Net loss	—	—	—	—	—	—	(13,620)	(13,620)
Balance, March 31, 1996	—	325	—	—	—	—	(27,648)	(27,323)
Proceeds from issuance of Class B Common Stock Warrants	—	—	—	—	11,087	—	—	11,087
Loans to stockholders	—	—	—	—	—	(3,000)	—	(3,000)
Excess of purchase price Of acquired assets Over related party Predecessor owner's Carrying value	—	—	—	—	—	—	(627)	(627)
Issuance of Class A Common Stock bonus	3	—	153	—	—	—	—	156
Net loss	—	—	—	—	—	—	(30,547)	(30,547)
Balance, March 31, 1997	3	325	153	—	11,087	(3,000)	(58,822)	(50,254)
Issuance of Class A Common Stock Warrant	—	—	—	13,000	—	—	—	13,000
Dividend requirements Applicable to preferred Stock	—	—	—	—	—	—	(12,409)	(12,409)
Other	—	—	—	—	—	—	(273)	(273)
Issuance of Class A Common Stock Bonus	1	—	26	—	—	—	—	27
Net loss	—	—	—	—	—	—	(69,082)	(69,082)
Balance, March 31, 1998	$ 4	$ 325	$ 179	$ 13,000	$ 11,087	$ (3,000)	$(140,586)	$(118,991)

See notes to consolidated financial statements.

HYPERION TELECOMMUNICATIONS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

	Year Ended March 31, 1996	1997	1998
Cash flows from operating activities:			
Net loss	$ (13,620)	$ (30,547)	$ (69,082)
Adjustments to reconcile net loss to net cash used in operating Activities:			
Depreciation	1,061	2,604	9,038
Amortization	123	1,341	2,439
Equity in net loss of joint ventures	4,292	7,223	12,967
Non-cash interest expense	6,088	23,467	34,038
Deferred income taxes	(206)	257	—
Gain on sale of investment	—	(8,405)	—
Issuance of Class A Common Stock bonus	—	156	27
Changes in operating assets and liabilities, net of effects of acquisitions:			
Other assets—net	(227)	(624)	(5,302)
Accounts payable and other liabilities – net	1,656	(295)	9,542
Net cash used in operating activities	(833)	(4,823)	(6,333)
Cash flows from investing activities:			
Net cash used for acquisitions	—	(5,040)	(65,968)
Expenditures for property, plant and equipment	(6,084)	(24,627)	(68,629)
Investment in fiber asset and senior secured note	—	(20,000)	—
Proceeds from sale of investment	—	11,618	—
Investments in joint ventures	(12,815)	(34,769)	(64,260)
Investments in U.S. government securities – pledged	—	—	(83,400)
Sale of U.S. government securities – pledged	—	—	15,653
Net cash used in investing activities	(18,899)	(72,818)	(266,604)
Cash flows from financing activities:			
Proceeds from issuance of preferred stock	—	—	194,522
Proceeds from sale and leaseback of equipment	—	—	14,876
Proceeds from debt	—	163,705	250,000
Repayments of debt	—	—	(2,326)
Proceeds from issuance of Class B Common Stock warrants	—	11,087	—
Costs associated with debt financing	—	(6,555)	(12,664)
Loans to stockholders	—	(3,000)	—
Borrowings on (repayment of) note payable—Adelphia	9,226	(25,000)	—
Advances from (to) affiliates	10,506	(2,782)	([illegible]35)
Net cash provided by financing activities	19,732	137,455	443,[illegible]73
Net increase in cash and cash equivalents	—	59,814	170,936
Cash and cash equivalents, beginning of year	—	—	59,814
Cash and cash equivalents, end of year	$ —	$ 59,814	$ 230,750

See notes to consolidated financial statements.

HYPERION TELECOMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended March 31, 1996, 1997 and 1998
(Dollars in thousands except per share amounts)

(1) The Company and Summary of Significant Accounting Policies

Organization and Business

The consolidated financial statements include the accounts of Hyperion Telecommunications, Inc. and its wholly and majority owned subsidiaries ("Hyperion" or the "Company"). All significant intercompany accounts and transactions have been eliminated in consolidation. The Company was formed in 1991 and based on outstanding common stock as of March 31, 1998, was an 88% owned subsidiary of Adelphia Communications Corporation ("Adelphia"). The remaining 12% outstanding on March 31, 1998 was owned by certain key Company officers.

On May 8, 1998, the Company issued and sold 12,500,000 shares of Class A Common Stock at a price to the public of $16.00 per share (the "IPO"). Simultaneously with the closing of the IPO, the Company issued and sold an additional 3,324,001 shares of Class A Common Stock to Adelphia at a purchase price of $15.00 per share (or an aggregate of approximately $49,900). In addition, at such closing, the Company issued 3,642,666 shares of Class A Common Stock to Adelphia in exchange for certain of the Company's indebtedness and payables owed to Adelphia at a purchase price of $15.00 per share (or an aggregate of $54,600). In addition, on June 5, 1998, the Company issued and sold 350,000 shares of Class A Common Stock at the $16.00 IPO price pursuant to the underwriters' over-allotment option in the IPO. Subsequent to the IPO and related transactions, Adelphia owns approximately 66% of the Hyperion outstanding common stock and approximately 85% of the total voting power.

The Company provides telecommunications service through its subsidiaries and joint ventures, in which it has less than a majority ownership interest. The Company's efforts have been directed primarily toward becoming an owner and manager of competitive local exchange carrier ("CLEC") business telecommunications services in selected mid-sized cities. The Company generally partners with a local cable television or utility company, whose fiber facilities are located in the market areas, to build competitive access fiber optic networks. The Company then operates the networks for a management fee. Each network provides local special access, carrier-to-carrier, and point-to-point telecommunications services to major businesses and government customers. The Company's revenues are derived from a combination of direct business telecommunication services provided by its subsidiaries and management fees from its unconsolidated joint ventures.

Joint ventures in which the Company does not have a majority interest are accounted for under the equity method of accounting.

Cash and cash equivalents

Cash and cash equivalents consist of highly liquid instruments with an initial maturity date of three months or less.

U.S. Government Securities – Pledged

U.S. Government Securities – Pledged consist of highly liquid investments which will be used to pay the first six semi-annual interest payments of the 12 ¼% Senior Secured Notes. Such investments are classified as held-to-maturity and the carrying value approximates market value.

Property, Plant and Equipment

Property, plant and equipment is stated at cost less accumulated depreciation. Costs capitalized include amounts directly associated with network engineering, design and construction.

(Dollars in thousands except per share amounts)

Provision for depreciation of property, plant and equipment is computed using the straight-line method over the estimated useful lives of the assets beginning in the month the asset is available for use or is acquired.

The estimated useful lives of the Company's principal classes of property, plant and equipment are as follows:

Telecommunications networks	10-20 years
Network monitoring and switching equipment	5-10 years
Other	3-10 years

Revenue Recognition

The Company recognizes revenues related to management and network monitoring of the joint ventures in the month that the related services are provided. The Company recognizes revenue from telecommunications services in the month the related service is provided. Revenues on billings to customers for services in advance of providing such services are deferred and recognized when earned.

Significant Customers

During Fiscal 1998, sales to Hyperion's two largest customers, AT&T and MCI, represented 18.3% and 14.5% of total revenues, respectively.

Net Loss Per Weighted Average Share of Common Stock

The computation of basic net loss per weighted average share of common stock is based upon the weighted average number of common shares and warrants outstanding during the year. Diluted net loss per common share is equal to basic net loss per common share because the MCI Warrant discussed in Note 6 had an antidilutive effect for the periods presented; however, the MCI Warrant could have a dilutive effort on earnings per share in future periods. A warrant to purchase 731,624 shares of Class A Common Stock and Class B Common Stock Warrants to purchase 1,993,638 shares of Class B Common Stock have been included as shares outstanding for purposes of the calculation of both basic and diluted loss per share. All references in the accompanying consolidated financial statements to the number of shares of common stock have been retroactively restated to reflect the stock split (See Note 6).

Income Taxes

Deferred income taxes are recognized for the tax effects of temporary differences between financial statement and income tax bases of assets and liabilities and for loss carryforwards for which income tax benefits are expected to be realized in future years. A valuation allowance is established to reduce deferred tax assets to the net amount that management believes will more likely than not be realized.

Other Assets

Costs incurred in developing new networks or expanding existing networks, including network design, negotiating rights-of-way and obtaining legal/regulatory authorizations are deferred and amortized over five years. Pre-operating costs, included in other assets, represent certain nondevelopment costs incurred during the pre-operating phase of a newly constructed network and are amortized over five-year periods commencing with the start of operations. Deferred debt financing costs, included in other assets, are amortized over the term of the related debt. The unamortized amounts of deferred debt financing costs at March 31, 1997 and 1998 were $6,033 and $16,566, respectively. Also included in other assets at March 31, 1997 and 1998 is a Senior Secured Note (See Note 3).

Asset Impairments

The Company reviews the carrying value of its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of these assets may not be recoverable. Measurement of any impairment would include a comparison of estimated future operating cash flows anticipated to be generated during the remaining life of the assets with their net carrying value. An impairment loss would be recognized as the amount by which the carrying value of the assets exceeds their fair value.

Financial Instruments

Financial instruments which potentially subject the Company to concentration of credit risk consist principally of accounts receivable. Concentration of credit risk with respect to accounts receivable is limited due to the dispersion of the Company's customer base among different customers and geographic areas.

The Company's financial instruments include cash and cash equivalents, Note payable—Adelphia, Senior Secured Notes, Senior Discount Notes and Redeemable Preferred Stock. The carrying value of the Note payable—Adelphia approximated its fair value at March 31, 1997. The fair value of the Note payable – Adelphia exceeded the carrying value by $11,443 at March 31, 1998. The fair value of the Senior Secured Notes exceeded carrying value by approximately $31,250 at March 31, 1998. The fair value of the Redeemable Preferred Stock exceeded the carrying value by approximately $15,688 at March 31, 1998. The fair value of the Senior Discount Notes exceeded the carrying value by approximately $3,647 and $35,649 at March 31, 1997 and 1998, respectively. The fair value of the Note payable—Adelphia was estimated based upon the terms in comparison with other similar instruments. The fair value of the Senior Discount Notes, the Senior Secured Notes and the Redeemable Preferred Stock were based upon quoted market prices.

Non-cash Financing and Investing Activities

Capital leases entered into during the fiscal year ended March 31, 1998 totaled $24,500 (See Note 5). Dividend requirements applicable to preferred stock were satisfied by the issuance of an additional 6,860 shares of such preferred stock in January 1998 (See Note 5). See Note 4 for discussion of non-cash investing activities.

Use of Estimates in the Preparation of Financial Statements

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

Recent Accounting Pronouncements

Statement of Financial Accounting Standards ("SFAS") No. 130, "Reporting Comprehensive Income," and SFAS No. 131 "Disclosures about Segments of an Enterprise and Related Information," have been issued and are effective for fiscal years beginning after December 15, 1997. SFAS No. 130 defines comprehensive income and outlines certain reporting and disclosure requirements related to comprehensive income. SFAS No. 131 requires certain disclosures about business segments of an enterprise, if applicable. The adoption of SFAS No. 130 and SFAS No. 131 is not expected to have any effect on the Company's financial statements or disclosures.

(Dollars in thousands except per share amounts)

SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," has been issued and is effective for fiscal quarters beginning after June 15, 1999. SFAS No. 133 establishes accounting and reporting standards for derivative instruments and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. Statement of Position ("SOP") 98-5, "Reporting on the Costs of Start-Up Activities", has been issued and is effective for fiscal years beginning after December 15, 1998. SOP 98-5 provides guidance on the financial reporting of start up costs and organization costs. It requires such costs to be expensed as incurred. Management of the Company has not evaluated the impact of SFAS 133 or SOP 98-5.

Reclassification

For the fiscal years ended March 31, 1996 and 1997, certain amounts have been reclassified to conform with the March 31, 1998 presentation.

(2) Property, Plant and Equipment

Property, plant and equipment consists of the following:

	March 31, 1997	March 31, 1998
Telecommunications networks	$ 12,236	$ 50,421
Network monitoring and switching equipment	19,301	130,283
Fiber asset under construction (Note 3)	11,500	11,500
Construction in process	14,978	66,075
Other	1,131	6,605
	59,146	264,884
Less accumulated depreciation	(5,225)	(14,251)
Total	$ 53,921	$250,633

(3) Investment in Fiber Asset and Senior Secured Note

On February 20, 1997, the Company entered into several agreements regarding the leasing of dark fiber in New York state in furtherance of its strategy to interconnect its networks in the northeastern United States. Pursuant to these agreements and in consideration of a payment of $20,000, the Company received a $20,000 Senior Secured Note bearing interest at 22 1/2% (subject to reduction upon early repayment of principal) due February 2002 (subject to early redemption options), from Telergy, Inc. ("Telergy") and a fully prepaid lease from a Telergy affiliate for an initial lease term of 25 years (with two additional ten-year extensions) for 24 strands of dark fiber installed or to be installed in a New York fiber optic telecommunications backbone network. The Company has included $11,500 and $8,500 in Property, Plant and Equipment and Other Assets, respectively, as the allocation of the $20,000 payment between the fiber asset and the Senior Secured Note. The allocation reflects the Company's estimate of the relative fair values of the assets acquired.

During Fiscal 1998, construction of the fiber has continued and no repayments have been received on the Senior Secured Note. On April 16, 1998, the Senior Secured Note was amended to mature on January 20, 1999.

HYPERION TELECOMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended March 31, 1996, 1997 and 1998
(Dollars in thousands except per share amounts)

(4) Investments

The equity method of accounting is used to account for investments in joint ventures in which the Company owns less than a majority interest. Under this method, the Company's initial investment is recorded at cost and subsequently adjusted for the amount of its equity in the net income or loss of its joint ventures. Dividends or other distributions are recorded as a reduction of the Company's investment. Investments in joint ventures accounted for using the equity method reflect the Company's equity in their underlying net assets.

The Company's nonconsolidated investments are as follows:

	Ownership Percentage	March 31, 1997	March 31, 1998
MediaOne Fiber Technologies (Jacksonville)	20.0%	$ 7,330	$ 7,979
Multimedia Hyperion Telecommunications (Wichita)	49.9%	3,306	3,900
Louisville Lightwave	100.0%(1)	4,683	—
NewChannels Hyperion Telecommunications (Albany)	—%(2)	924	—
NewChannels Hyperion Telecommunications (Binghamton)	—%(2)	504	—
NHT Partnership (Buffalo)	100.0%(1)(3)	4,717	—
NewChannels Hyperion Telecommunications (Syracuse)	100.0%(4)	4,215	—
Hyperion of Harrisburg	100.0%(1)	5,246	—
MediaOne of Virginia (Richmond)	37.0%	7,018	7,212
New Jersey Fiber Technologies (New Brunswick)	100.0%(1)	3,340	—
PECO-Hyperion (Philadelphia)	50.0%	10,750	21,150
PECO-Hyperion (Allentown, Bethlehem, Easton, Reading)	50.0%	—	1,750
Lexington Lightwave	100.0% (1)	2,311	—
Hyperion of York	50.0%	1,402	3,500
Entergy Hyperion Telecommunications of Louisiana	50.0%	—	3,000
Entergy Hyperion Telecommunications of Mississippi	50.0%	—	3,275
Entergy Hyperion Telecommunications of Arkansas	50.0%	—	3,550
Baker Creek Communications	49.9%(5)	—	10,009
Other	Various	949	1,323
		56,695	66,648
Cumulative equity in net losses		(12,010)	(16,532)
Total Investments		$ 44,685	$ 50,116

(1) As discussed below, the Company consummated agreements on Feburary 12, 1998 which increased its ownership to 100% in these networks.

(2) As discussed below, the Company consummated an agreement effective September 12, 1997 which eliminated its interest in these networks. The previous ownership percentages in the Albany and Binghamton networks were 50% and 20% respectively.

(3) As discussed below, the Company consummated an agreement which increased its ownership in the Buffalo network to 60% from 40% and accordingly has consolidated this investment effective September 12, 1997.

(4) As discussed below, the Company consummated an agreement which increased its ownership in the Syracuse network to 100% from 50% and accordingly has consolidated this investment effective September 12, 1997.

(5) On March 24, 1998, the Federal Communications Commission ("FCC") completed the auction of licenses for Local Multipoint Distribution Service. The Company, through Baker Creek Communications, was the successful bidder at a net cost of $25,600 for 232 31-GHz licenses, which cover approximately 30% of the nation's population – in excess of 90 million people in the eastern half of the United States. The Company funded $10,000 of such purchase in January 1998, and is committed to provide further funding to consummate such purchase upon the granting of such licenses by the FCC.

(Dollars in thousands except per share amounts)

Summarized unaudited combined financial information for the Company's investments accounted for using the equity method of accounting, excluding the entities involved in the acquisition of the Company's partners' interests in the Louisville, Buffalo, Syracuse, Harrisburg, New Jersey and Lexington networks and the elimination of the Company's interest in the Albany and Binghamton networks described below as of and for the periods presented, is as follows:

	March 31,	
	1997	1998
Current assets	$ 3,442	$ 7,476
PP&E-net	95,372	153,495
Non-current assets	1,851	13,454
Current liabilities	3,668	13,422
Non-current liabilities	30,584	58,004

	Year Ended March 31,		
	1996	1997	1998
Revenues	$ 3,279	$ 7,251	$ 11,999
Net loss	(4,238)	(9,881)	(19,923)

On May 16, 1996, the Company sold its 15.7% interest in TCG of South Florida for approximately $11,618 resulting in a pre-tax gain of $8,405. Amounts related to TCG of South Florida included in the Company's equity in net loss of joint ventures for the years ended March 31, 1996 and 1997 were $778 and $221, respectively.

On August 1, 1996, the Company purchased additional general and limited partnership interests in Hyperion of Tennessee for approximately $5,000, which increased the Company's ownership of Hyperion of Tennessee to 95%.

On September 12, 1997, the Company consummated an agreement with Time Warner Entertainment – Advance/Newhouse ("TWEAN") to exchange interests in four New York CLEC networks. As a result of the transaction, the Company paid TWEAN $7,638 and increased its ownership in the networks serving Buffalo and Syracuse, New York to 60% and 100%, respectively, and eliminated its interest in the Albany and Binghamton networks, which became wholly owned by TWEAN.

On February 12, 1998, the Company purchased additional partnership interests in Louisville Lightwave (Louisville and Lexington), NHT Partnership (Buffalo), New Jersey Fiber Technologies and Hyperion of Harrisburg. As a result, the Company's ownership in these networks increased to 100%. The aggregate purchase price was comprised of approximately $45,000 in cash and a warrant for 731,624 shares of the Company's Class A Common Stock. (See Note 6.) In addition, Hyperion paid certain amounts related to fiber lease financings upon consummation of the purchase of the additional partnership interests.

All of the acquisitions described above were accounted for using the purchase method. Accordingly, the financial results of each acquisition have been included in the Company's consolidated financial statements from the date acquired.

(Dollars in thousands except per share amounts)

The following unaudited financial information of the Company assumes that the August 1, 1996, September 12, 1997 and February 12, 1998 transactions had occurred on April 1, 1995.

	Year Ended March 31,		
	1996	1997	1998
Revenues	$ 5,701	$ 8,495	$ 17,919
Net loss	(20,579)	(38,744)	(80,004)
Net loss applicable to common stockholders	(20,579)	(38,744)	(92,413)
Net loss per weighted average share of common stock	(0.62)	(1.10)	(2.59)

On December 1, 1997, the Company announced that it had entered into a partnership agreement with Allegheny Energy to provide CLEC services. Allegheny Energy has agreed to construct fiber optic networks for the Company through one of its affiliates which will partner with the Company in most, if not all, of the contemplated networks. Allegheny Energy is an investor owned utility providing electricity in portions of Maryland, Ohio, Pennsylvania, Virginia and West Virginia.

(5) Financing Arrangements

Note payable - Adelphia

The Company has an unsecured credit arrangement with Adelphia which had no repayment terms prior to April 15, 1996. On April 15, 1996, $25,000 of the proceeds from the sale of the 13% Senior Discount Notes (the "Senior Discount Notes") and Class B Common Stock Warrants discussed below were used to repay a portion of this obligation. Interest expense and fees on this credit arrangement were based upon the weighted average cost of unsecured borrowings of Adelphia during the corresponding periods. Interest at 11.28% per annum plus fees was charged on the Note payable-Adelphia for the years ended March 31, 1995 and 1996. The total amount of interest converted to note principal through April 15, 1996 was $9,007.

Effective April 15, 1996, the remaining balance due on the Note payable-Adelphia is evidenced by an unsecured subordinated note due April 16, 2003. This obligation bears interest at 16.5% per annum with interest payable quarterly in cash; by issuing additional subordinated notes; or a combination of cash and additional subordinated notes, all of which is at the Company's option. Interest accrued through March 31, 1998 on the amount outstanding to Adelphia totaled $10,020 and is included in due to affiliates—net. On May 8, 1998, the Note payable - Adelphia and all accrued interest was converted into shares of Class A Common Stock simultaneously with the closing of the IPO (See Note 1).

13% Senior Discount Notes and Class B Common Stock Warrants

On April 15, 1996, the Company issued $329,000 of 13% Senior Discount Notes due April 15, 2003 and 329,000 warrants to purchase an aggregate of 1,993,638 shares of its Class B Common Stock. Proceeds to the Company, net of discounts, commissions, and other transaction costs were approximately $168,600. Such net proceeds were used to pay $25,000 of the Note payable—Adelphia discussed above, to make loans of $3,000 to certain key Company officers (see Note 6) and to fund the Company's capital expenditures, working capital requirements, operating losses and its pro-rata investments in joint ventures. Use of proceeds from the Senior Discount Notes also included the repayment of amounts related to capital expenditures, working capital requirements, operating losses and pro-rata investments in joint ventures totaling $12,800 incurred during the period from January 1, 1996 to April 15, 1996. These amounts had been funded during the same time period through advances from Adelphia.

Prior to April 15, 2001, interest on the Senior Discount Notes is not payable in cash, but is added to principal. Thereafter, interest is payable semi-annually commencing October 15, 2001. The Senior Discount Notes are unsecured and are senior to the Note payable—Adelphia and all future subordinated indebtedness. On or before April 15, 1999 and subject to certain restrictions, the Company may redeem, at its option, up to 25% of the aggregate principal amount of the Senior Discount Notes at a price of 113% of the Accreted Value (as defined in the Indenture). On or after April 15, 2001, the Company may redeem, at its option, all or a portion of the Senior Discount Notes at 106.5% which declines to par in 2002, plus accrued interest.

The holders of the Senior Discount Notes may put the Senior Discount Notes to the Company at any time at a price of 101% of accreted principal upon the occurrence of a Change of Control (as defined in the Indenture). In addition, the Company will be required to offer to purchase Senior Discount Notes at a price of 100% with the proceeds of certain asset sales (as defined in the Indenture).

The Indenture stipulates, among other things, limitations on additional borrowings, issuance of equity instruments, payment of dividends and other distributions, repurchase of equity interests or subordinated debt, sale—leaseback transactions, liens, transactions with affiliates, sales of Company assets, mergers and consolidations.

The Class B Common Stock Warrants are exercisable at $0.00308 per share, upon the earlier of May 1, 1997 or a Change of Control. Unless exercised, the Class B Common Stock Warrants expire on April 1, 2001. The number of shares and the exercise price for which a warrant is exercisable are subject to adjustment under certain circumstances. As of March 31, 1998, no warrants have been exercised.

If the Senior Discount Notes had been issued on April 1, 1995, interest expense would have been approximately $27,796 for the year ended March 31, 1996.

12 ¼% Senior Secured Notes

On August 27, 1997, the Company issued $250,000 aggregate principal amount of 12 ¼% Senior Secured Notes due September 1, 2004 (the "Senior Secured Notes"). The Senior Secured Notes are collateralized through the pledge of the common stock of certain of its wholly-owned subsidiaries. Of the proceeds to the Company of approximately $244,000, net of commission and other transaction costs, $83,400 was invested in U.S. government securities and placed in an escrow account for payment in full when due of the first six scheduled semi-annual interest payments on the Senior Secured Notes as required by the Indenture. The remainder of such proceeds will be used to fund the acquisition of increased ownership interests in certain of its networks, for capital expenditures, including the construction and expansion of new and existing networks, and for general corporate and working capital purposes.

Interest is payable semi-annually commencing March 1, 1998. The Senior Secured notes rank *pari passu* in right of payment with all existing and future senior Indebtedness (as defined in the Indenture) of the Company and will rank senior in right of payment to future subordinated Indebtedness of the Company. On or before September 1, 2000 and subject to certain restrictions, the Company may redeem, at its option, up to 25% of the aggregate principal amount of the Senior Secured Notes at a price of 112.25% of principal with the net proceeds of one or more Qualified Equity Offerings (as defined in the Indenture). On or after September 1, 2001, the Company may redeem, at its option, all or a portion of the Senior Secured Notes at 106.125% of principal which declines to par in 2003, plus accrued interest.

The holders of the Senior Secured Notes may put them to the Company at any time at a price of 101% of principal upon the occurrence of a Change of Control (as defined in the Indenture). The Indenture stipulates, among other things, limitations on additional borrowing, payment of dividends and other distributions, repurchase of equity interests, transactions with affiliates and the sale of assets.

If the Senior Secured Notes had been issued on April 1, 1996, interest expense would have been approximately $59,002 and $61,754 for the years ended March 31, 1997 and 1998, respectively.

12 7/8% Senior Exchangeable Redeemable Preferred Stock

On October 9, 1997, the Company issued $200,000 aggregate liquidation preference of 12 7/8% Senior Exchangeable Redeemable Preferred Stock due October 15, 2007 (the "Preferred Stock"). Proceeds to the Company, net of commissions and other transaction costs, were approximately $194,500. Such proceeds will be used to fund the acquisition of increased ownership interests in certain of its networks, for capital expenditures, including the construction and expansion of new and existing networks, and for general corporate and working capital purposes.

Dividends are payable quarterly commencing January 15, 1998 at 12 7/8% of the liquidation preference of outstanding Preferred Stock. Through October 15, 2002, dividends are payable in cash or additional shares of Preferred Stock at the Company's option. Subsequent to October 15, 2002, dividends are payable in cash. The Preferred Stock ranks junior in right of payment to all indebtedness and other obligations of the Company, its subsidiaries and joint ventures. On or before October 15, 2000, and subject to certain restrictions, the Company may redeem, at its option, up to 35% of the initial aggregate liquidation preference of the Preferred Stock originally issued with the net cash proceeds of one or more Qualified Equity Offerings (as defined in the Certificate of Designation) at a redemption price equal to 112.875% of the liquidation preference per share of the Preferred Stock, plus, without duplication, accumulated and unpaid dividends to the date of redemption; provided that, after any such redemption, there are remaining outstanding shares of Preferred Stock having an aggregate liquidation preference of at least 65% of the initial aggregate liquidation preference of the Preferred Stock originally issued. On or after October 15, 2002, the Company may redeem, at its option, all or a portion of the Preferred Stock at 106.438% of the liquidation preference thereof declining to 100% of the liquidation preference in 2005, plus accrued interest. The Company is required to redeem all of the shares of Preferred Stock outstanding on October 15, 2007 at a redemption price equal to 100% of the liquidation preference thereof, plus, without duplication, accumulated and unpaid dividends to the date of redemption.

The holders of the Preferred Stock may put the Preferred Stock to the Company at any time at a price of 101% of the liquidation preference thereof upon the occurrence of a Change of Control (as defined in the Certification of Designation). The Certificate of Designation stipulates, among other things, limitations on additional borrowings, payment of dividends and other distributions, transactions with affiliates and the sale of assets.

The Company may, at its option, on any dividend payment date, exchange in whole, but not in part, the then outstanding shares of Preferred Stock for 12 7/8% Senior Subordinated Debentures due October 15, 2007 (the "Exchange Debentures"). Interest, redemption and registration rights provisions of the Exchange Debentures are consistent with the provisions of the Preferred Stock.

(Dollars in thousands except per share amounts)

If the Preferred Stock had been issued on April 1, 1996, dividend requirements applicable to preferred stock would have been approximately $27,000 and $30,671 for the years ended March 31, 1997 and 1998, respectively.

Long Term Lease Facility

On December 31, 1997, the Company consummated an agreement for a $24,500 long term lease facility with AT&T Capital Corporation. The lease facility provides financing for certain of the Operating Companies' switching equipment. Included in the lease facility is the sale and leaseback of certain switch equipment for which the Company received $14,876.

Other Debt

Other debt consists primarily of capital leases entered into in connection with the acquisition of fiber leases for use in the telecommunications networks and the long term lease facility described above. The interest rate on such debt ranges from 7.5% to 15.0%.

Maturities of debt for the five years after March 31, 1998 are as follows:

1999	$ 2,599
2000	2,980
2001	2,922
2002	2,142
2003	3,459

(6) Common Stock and Other Stockholders' Equity

Hyperion's authorized capital stock consists of 300,000,000 shares of Class A Common Stock, par value $0.01 per share, 150,000,000 shares of Class B Common Stock, par value $0.01 per share, and 5,000,000 shares of preferred stock, par value $0.01 per share. On May 8, 1998, Hyperion completed the IPO (See Note 1).

Common Stock

Shares of Class A Common Stock and Class B Common Stock are substantially identical, except that holders of Class A Common Stock are entitled to one vote per share and holders of Class B Common Stock are entitled to 10 votes per share on all matters submitted to a vote of stockholders. The Class B Common Stock is convertible into one share of Class A Common Stock. In the event a cash dividend is paid, the holders of the Class A and the Class B Common Stock will be paid an equal amount.

Prior to the IPO, certain key company officers (the "Officers") were parties to a stockholder agreement, as amended (the "Stockholder Agreement") with Adelphia. The Stockholder Agreement provided, among other things, (i) that upon the earlier of (a) the termination of employment of any of the officers or (b) after October 7, 1998, such officers may put their shares to Adelphia for fair market value, unless such put rights are terminated as a result of the registration of the Company's Common Stock under the Securities Act of 1933 (the "Securities Act") and (ii) for certain buy/sell and termination rights and duties among Adelphia and the Officers. The Stockholder Agreement terminates automatically upon the date when the Company's Common Stock is registered under the Securities Act or the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Adelphia also agreed to vote its shares in the Company to elect each officer to the Board of Directors of the Company as long as such person is both an employee and a stockholder of the Company.

The Company also entered into Term Loan and Stock Pledge Agreements ("Loan Agreements") with each of the Officers. Pursuant to the Loan Agreements, each Officer borrowed $1.0 million from the Company. Each of these loans accrued interest at the average rate at which the Company could invest cash on a short-term basis, was secured by a pledge of the borrower's Common Stock in the Company, and would mature upon the earlier of (i) October 8, 1998 or (ii) the date when the Company's Common Stock is registered under the Securities Act and the Officers have the right to sell at least $1.0 million worth of their shares. Each Loan Agreement also provided that any interest accruing on a loan from the date six months after the date of such loan would be offset by a bonus payment when principal and interest thereon are due and which would include additional amounts to pay income taxes applicable to such bonus payment.

Pursuant to agreements among the Company, Adelphia and the Officers, simultaneous with the consummation of the IPO, (i) the Stockholder Agreement and Loan Agreements terminated, (ii) the Officers each repaid the $1 million borrowed from the Company pursuant to the Loan Agreements plus accrued interest thereon by each selling 66,667 shares of Class B Common Stock to Adelphia and using the proceeds therefrom to repay such loans and (iii) the Company has paid or will pay to the Management Stockholders bonus payments in the amount of interest accruing on the Loans from the date six months after the date of the Loan Agreements and any additional amounts necessary to pay income taxes applicable to such bonus payments.

On April 8, 1998, the Board of Directors of the Company approved a 3.25-for-one stock split of its Class A and Class B Common Stock payable to stockholders of record on April 28, 1998. The stock split was effected in the form of a dividend of 2.25 shares for every outstanding share of common stock.

All references in the accompanying consolidated financial statements to the number of shares of common stock and the per value have been retroactively restated to reflect the stock split on April 28, 1998.

Warrants

Class A Common Stock Warrant

On February 12, 1998, the Company consummated an agreement with Lenfest Telephony, Inc. ("Lenfest") whereby Lenfest received a warrant to obtain 731,624 shares of Class A Common Stock of the Company (the "Lenfest Warrant") in exchange for its partnership interest in the Harrisburg, Pennsylvania network. The Lenfest Warrant was exercised during May 1998 for no additional consideration.

Class B Common Stock Warrants

The Class B Common Stock warrants were issued on April 15, 1996 in connection with the issuance of the Senior Discount Notes (See Note 5).

MCI Warrant

On June 13, 1997, the Company entered into agreements with MCImetro Access Transmission Services, Inc. (together with its affiliates, MCI Communications, "MCI"). Pursuant to this agreement the Company is designated MCI's preferred provider for new end user dedicated access circuits and of conversions of end user dedicated access circuits as a result of conversions from the incumbent LEC in the Company's markets. Hyperion also has certain rights of first refusal to provide MCI with certain telecommunications services. Under this arrangement, the Company issued a warrant to purchase 913,380 shares of Class A Common Stock for $6.15 per share to MCI (the "MCI Warrant") representing 2 ½% of the Common Stock of the Company on a fully diluted basis. MCI could receive additional warrants, to purchase up to an additional 6% of the shares of the Company's Class A Common Stock, on a fully diluted basis, at fair value, if MCI meets certain purchase volume thresholds over the term of the agreement.

In connection with the IPO and the related over-allotment option, the Company and MCI entered into an agreement that provides as follows with respect to the MCI Warrant and MCI's right to receive additional MCI warrants as a result of the IPO (the "Additional MCI Warrants"): (i) the Additional MCI Warrants issued with respect to the shares sold to the public in the IPO, the over-allotment option and with respect to the Adelphia Shares will have an exercise price equal to the lower of $6.15 per share or the price per share to the public in the IPO (the "IPO Price"), and (ii) Adelphia has agreed to purchase from MCI the MCI Warrant and the Additional MCI Warrants for a purchase price equal to the number of Class A Common Stock shares issuable under the warrants being purchased times the IPO Price minus the underwriting discount, less the aggregate exercise price of such warrants. Furthermore, in consideration of the obligations undertaken by Adelphia to facilitate the agreements between MCI and Hyperion, Hyperion has agreed to pay to Adelphia a fee of $500,000 and the Adelphia Warrant, which expires three years after its issuance, to purchase 200,000 shares of Class A Common Stock at an exercise price equal to the IPO Price.

Long-Term Incentive Compensation Plan

On October 3, 1996, the Board of Directors and stockholders of the Company approved the Company's 1996 Long-Term Incentive Compensation Plan (the "1996 Plan"). The 1996 Plan provides for the grant of (i) options which qualify as "incentive stock options" within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended, (ii) options which do not so qualify, (iii) share awards (with or without restrictions on vesting), (iv) stock appreciation rights and (v) stock equivalent or phantom units. The number of shares of Class A Common Stock available for issuance initially was 5,687,500. Such number is to increase each year by 1% of outstanding shares of all classes of the Company's Common Stock, up to a maximum of 8,125,000 shares. Options, awards and units may be granted under the 1996 Plan to directors, officers, employees and consultants. The 1996 Plan provides that incentive stock options must be granted with an exercise price of not less than the fair market value of the underlying Common Stock on the date of grant. Options outstanding under the Plan may be exercised by paying the exercise price per share through various alternative settlement methods. On March 4, 1997, April 1, 1997 and April 1, 1998, the Company issued 338,000 shares, 58,500 shares and 58,500, respectively, of Class A Common Stock to Daniel R. Milliard pursuant to his employment agreement with the Company. As of March 31, 1998, no other stock options, stock awards, stock appreciation rights or phantom stock units have been granted under the Plan.

In April 1998 and in recognition for valuable past service to the Company and as an incentive for future services, the Company authorized the issuance under the 1996 Plan to each of John J. Rigas, Michael J. Rigas, Timothy J. Rigas and James P. Rigas of (i) stock options (the "Rigas Options") covering 100,000 shares of Class A Common Stock, which options will vest in equal one-third amounts on the third, fourth and fifth year anniversaries of grant (vesting conditioned on continued service as an employee or director) and which shall be exercisable at the IPO price and (ii) phantom stock awards (the "Rigas Grants") covering 100,000 shares of Class A Common Stock, which phantom awards will vest in equal one-third amounts on the third, fourth and fifth year anniversaries of grant (vesting conditioned on continued service as an employee or director). Also in April 1998, pursuant to the then existing Stockholder Agreement, the Company authorized the issuance under the 1996 Plan to the Officers of stock options (the "Management Stockholder Options") covering 13,047 shares of Class A Common Stock with exercise price and vesting terms identical to the Rigas Options. In addition to the Rigas Options, the Rigas Grants, the Management Stockholder Options and the stock options or share awards to be issued to Daniel R. Milliard under his employment agreement, the Company currently expects to issue under the 1996 Plan stock options, restrictive stock grants, phantom stock awards or other awards to other 1996 Plan participants covering up to a total of 325,000 shares of Class A Common Stock during fiscal 1999.

(Dollars in thousands except per share amounts)

(7) Commitments and Contingencies

The Company rents office space, node space and fiber under leases with terms which are generally less than one year or under agreements that are generally cancelable on short notice. Total rental expense under all operating leases aggregated $1,210, $1,103, and $1,236 for the years ended March 31, 1996, 1997 and 1998, respectively.

The minimum future lease obligations under the noncancelable operating leases as of March 31, 1998 are approximately:

Period ending March 31,	
1999	$ 112
2000	60
2001	23
2002	11
2003	2
Thereafter	—

Certain investors in two of the joint ventures have the right after a specified period of time to sell their interest to the Company. Under one agreement, the sales price represents the investor's aggregate capital contribution less distributions plus interest accrued at the prime rate. The Company's obligation under this commitment at March 31, 1998 was approximately $4,252. The sales price under the second agreement is equal to the fair market value of such investor's interest.

The Company has entered into employment agreements with certain key Company officers, the terms of which expire on October 20, 1998, as amended. The employment agreements provide for base salary, benefits and bonuses payable if specified management goals are attained. In addition, the employment agreements contain noncompetition and nondisclosure provisions.

The Company has entered into an employment agreement with the President of the Company, the terms of which expire on March 31, 2001, unless extended by the Company for additional one year periods. The employment agreement provides for base salary, benefits, stock options or stock grants and cash and stock bonuses payable if specified management goals are attained as established annually by the Board of Directors. In addition, the employment agreement contains noncompetition and nondisclosure provisions.

The telecommunications industry and Hyperion are subject to extensive regulation at the federal, state and local levels. On February 8, 1996, President Clinton signed the Telecommunications Act of 1996 (the "Telecommunications Act"), the most comprehensive reform of the nation's telecommunications laws since the Communications Act of 1934. Management of Hyperion is unable to predict the effect that the Telecommunications Act, related rulemaking proceedings or other future rulemaking proceedings will have on its business and results of operations in future periods.

(Dollars in thousands except per share amounts)

(8) Related Party Transactions

The following table summarizes the Company's transactions with related parties:

		March 31,	
	1996	1997	1998
Revenues:			
Management fees	$ 1,950	$ 2,600	$ 3,809
Network monitoring fees	446	604	977
Special access fees	651	540	500
Total	$ 3,047	$ 3,744	$ 5,286
Expenses:			
Interest expense and fees	$ 6,088	$ 4,731	$ 5,997
Allocated corporate costs	417	1,199	1,656
Fiber leases	1,022	738	47
Total	$ 7,527	$ 6,668	$ 7,700

Management fees from related parties represent fees received by the Company from its unconsolidated joint ventures for the performance of financial, legal, regulatory, network design, construction and other administrative services.

Network monitoring fees represent fees received by the Company for technical support for the monitoring of each individual joint venture's telecommunications system.

Special access fees represent amounts charged to joint ventures for use of the network of a wholly owned subsidiary of the Company.

Interest income charged on certain affiliate receivable balances with joint ventures was $199, $230 and $617 for the periods ended March 31, 1996, 1997, and 1998 respectively.

Interest expense and fees relate to the Note payable—Adelphia (See Note 5).

Allocated corporate costs represent costs incurred by Adelphia on behalf of the Company for the administration and operation of the Company. These costs include charges for office space, corporate aircraft and shared services such as finance activities, information systems, computer services, human resources, and taxation. Such costs were estimated by Adelphia and do not necessarily represent the actual costs that would be incurred if the Company was to secure such services on its own.

Fiber lease expense represents amounts paid to various subsidiaries of Adelphia for the utilization of existing cable television plant for development and operation of the consolidated operating networks.

During the year ended March 31, 1997, the Company purchased from Adelphia for approximately $6,485, Adelphia's historical cost to acquire the assets, certain fiber that had previously been leased from Adelphia. Because the entities involved in the transaction are under the common control of Adelphia, the excess of the purchase pr of the assets over the predecessor owner's net book value was charged to accumulated deficit.

HYPERION TELECOMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended March 31, 1996, 1997 and 1998
(Dollars in thousands except per share amounts)

(9) Income Taxes

Adelphia and its corporate subsidiaries (including the Company) file a consolidated federal income tax return. For financial reporting purposes, current and deferred income tax assets and liabilities are computed on a separate company basis. The net operating loss carryforwards and the valuation allowance are adjusted for the effects of filing a consolidated income tax return, similar to provisions of the Internal Revenue Code. At March 31, 1998, the Company had net operating loss carryforwards for federal income tax purposes of $86,177 expiring through 2013.

Deferred income taxes reflect the net tax effects of (a) temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes and (b) operating loss carryforwards.

The Company's net deferred tax asset included in other assets - net is comprised of the following:

	March 31, 1997	March 31, 1998
Deferred tax assets:		
Differences between book and tax basis of intangible assets	$ 197	$ 188
Net operating loss carryforwards	11,539	33,918
Investment in partnerships	2,793	—
Other	50	77
Total	14,579	34,183
Valuation allowance	(12,356)	(17,379)
Total	2,223	16,804
Deferred tax liabilities:		
Differences between book and tax basis of property, plant and Equipment	2,186	12,959
Investment in partnerships	—	3,808
Total	2,186	16,767
Net deferred tax asset	$ 37	$ 37

The net change in the valuation allowance for the years ended March 31, 1997 and 1998 was an increase of $1,897 and $5,023, respectively.

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

	March 31, 1996	1997	1998
Current	$ (9)	$ (2)	$ -
Deferred	206	(257)	—
Total	$ 197	$ (259)	$ —

(Dollars in thousands except per share amounts)

A reconciliation of the statutory federal income tax rate and the Company's effective income tax rate is as follows:

	March 31,		
	1996	1997	1998
Statutory federal income tax rate	35.0%	35.0%	35.0%
Change in valuation allowance	(34.6)	(34.6)	(35.0)
State taxes, net of federal benefit and other	1.0	(1.2)	---
Income tax benefit (expense)	1.4%	(0.8)%	---%

HYPERION TELECOMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended March 31, 1996, 1997 and 1998
(Dollars in thousands except per share amounts)

(10) Quarterly Financial Data (unaudited)

The following tables summarize the financial results of the Company for each of the quarters in the years ended March 31, 1997 and 1998:

	Three Months Ended			
	June 30, 1996	September 30, 1996	December 31, 1996	March 31, 1997
Revenues	$ 1,102	$ 1,175	$ 1,334	$ 1,477
Operating expenses:				
Network operations	859	728	752	1,093
Selling, general and administrative	1,027	1,164	2,545	2,044
Depreciation and amortization	695	886	1,002	1,362
Total	2,581	2,778	4,299	4,499
Operating loss	(1,479)	(1,603)	(2,965)	(3,022)
Other income (expense):				
Gain on sale of investment	8,405	—	—	—
Interest income	1,433	1,696	1,190	1,657
Interest expense and fees	(6,169)	(7,108)	(7,482)	(7,618)
Income (loss) before income taxes and equity in net loss of joint ventures	2,190	(7,015)	(9,257)	(8,983)
Income tax (expense) benefit	(3)	120	63	(437)
Income (loss) before equity in net loss of joint ventures	2,187	(6,895)	(9,194)	(9,420)
Equity in net loss of joint ventures	(1,636)	(1,362)	(2,145)	(2,080)
Net income (loss)	$ 551	$ (8,257)	$ (11,339)	$ (11,500)
Basic and diluted net loss per weighted average share of common stock	$ 0.02	$ (0.24)	$ (0.33)	$ (0.33)
Weighted average shares of common stock Outstanding (in thousands)	34,206	34,492	34,492	34,492

For the years ended March 31, 1996, 1997 and 1998
(Dollars in thousands except per share amounts)

(10) Quarterly Financial Data (unaudited), continued

	Three Months Ended			
	June 30, 1997	September 30, 1997	December 31, 1997	March 31, 1998
Revenues	$ 1,520	$ 2,187	$ 4,983	$ 4,820
Operating expenses:				
Network operations	1,180	1,426	2,657	2,541
Selling, general and administrative	2,380	2,879	3,840	5,215
Depreciation and amortization	1,372	2,311	3,344	4,450
Total	4,932	6,616	9,841	12,206
Operating loss	(3,412)	(4,429)	(4,858)	(7,386)
Other income (expense):				
Interest income	763	1,463	5,725	5,353
Interest expense and fees	(8,077)	(11,087)	(16,770)	(13,400)
Loss before income taxes and equity in net loss of joint ventures	(10,726)	(14,053)	(15,903)	(15,433)
Income tax expense	—	—	—	—
Loss before equity in net loss of joint ventures	(10,726)	(14,053)	(15,903)	(15,433)
Equity in net loss of joint ventures	(2,540)	(3,886)	(2,858)	(3,683)
Net loss	(13,266)	(17,939)	(18,761)	(19,116)
Dividend requirements applicable to preferred Stock	—	—	(5,794)	(6,615)
Net loss applicable to common stockholders	$ (13,266)	$ (17,939)	$ (24,555)	$ (25,731)
Basic and diluted net loss per weighted average share of common stock	$ (0.38)	$ (0.51)	$ (0.70)	$ (0.73)
Weighted average shares of common stock Outstanding (in thousands)	34,890	34,890	34,890	35,272

EXHIBIT C

MANAGERIAL AND TECHNICAL CAPABILITY

MANAGERIAL AND TECHNICAL QUALIFICATIONS

Hyperion is managerially and technically qualified to provide facilities-based and resold intraexchange and interexchange services in the state of Florida. Attached hereto is a description of the management experience of HTI's key personnel, demonstrating that Hyperion has sufficient telecommunications experience to provide the proposed services.

Furthermore, by employing state-of-the art technology, Hyperion's services will be equal, if not superior, in quality to the services of other certificated telecommunications service providers. In connection with its operations, Hyperion will install a digital 5 ESS switch configured as both a tandem and end office switch. The switch will be connected to end users, end offices and tandems, and inter-exchange carrier networks via transmission facilities provided by other carriers. Hyperion's switching and network systems will feature advanced common channel signaling (sometimes referred to as "CCS" or "SS7") and database capabilities. Attached hereto is a description of HTI's technical qualifications, demonstrating that Hyperion has the requisite technical experience to provide the proposed services.

MANAGERIAL AND TECHNICAL QUALIFICATIONS OF HYPERION COMMUNICATIONS OF FLORIDA, LLC's MANAGEMENT TEAM

Charles R. Drenning

Since October 1996, Mr. Drenning has served as HTI's Senior Vice President of Engineering Operations. He has also been a Director of the Company since October 1991. Prior to joining Hyperion as Vice President of Engineering Operations, he was a District Sales manager for Penn Access Corporation, a competitive access provider in Pittsburgh, Pennsylvania.

Mr. Drenning began his career with AT&T as a member of the technical staff of Bell Laboratories in Columbus, Ohio. His seven years of research work at the laboratories included both hardware and software development for central office switching equipment. In total, Mr. Drenning served 22 years with AT&T where he served in a number of executive level positions including Sales, Marketing, Accounting, Data Processing, Research and Development, and Strategic Planning.

He holds a B.S. in Electrical Engineering and an M.S. in Computer Information Science from Ohio State University. He is a member of the Pennsylvania Technical Institute of IEEE.

Paul D. Fajerski

Mr. Fajerski has served as HTI's Senior Vice President, Carrier Sales effective September1997, and was Senior Vice President, Marketing and Sales from 1991 to 1997. He also has been a Director of the Company since October 1991. Prior to joining Hyperion as Vice President of Marketing and Sales, Mr. Fajerski was a District Sales Manager for Penn Access Corporation, a competitive access provider in Pittsburgh, Pennsylvania. In addition, Mr. Fajerski has over 13 years of experience with AT&T and the Bell System where he served in a number of executive level positions in Sales and Marketing.

Mr. Fajerski holds a B.S. in Business Administration from the College of Steubenville.

MANAGERIAL AND TECHNICAL QUALIFICATIONS OF HYPERION COMMUNICATIONS OF FLORIDA, LLC's MANAGEMENT TEAM

Randolph S. Fowler

Mr. Fowler is currently Senior Vice President of Business Operations of HTI. Since October 1996, he has served as Senior Vice President of Business Development and Regulatory Affairs, and he has been a Director of the Company since October 1991. Prior to joining Hyperion as Vice President, Mr. Fowler was Vice President of Marketing for Penn Access Corporation, a competitive access provider in Pittsburgh, Pennsylvania. He previously served for four years as Director of Technology Transfer and Commercial Use of Space in two NASA-sponsored technology transfer programs. In addition, Mr. Fowler served over 17 years with AT&T and the Bell System, where he held numerous executive level positions in the areas of Sales and Marketing, Operations, Human Resources, Business Controls, and Strategy Development.

Mr. Fowler holds a B.S. in Business Administration from the University of Pittsburgh. He has developed and taught courses in Marketing, Network Management, and Regulation for the University of Pittsburgh's Graduate Program in Telecommunications.

Daniel Milliard

Mr. Milliard is President, Chief Operating Officer, Secretary, and a Director of HIT, as well as Senior Vice President, Secretary, and a Director of Adelphia Communications Corporation and its other subsidiaries. Mr. Milliard has been with Adelphia since 1982, and served as outside general counsel to Adelphia's predecessors from 1979 to 1982. Currently, Mr. Milliard spends substantially all of his time on concerns of Hyperion Telecommunications, Inc. In all, Mr. Milliard has over 17 years of experience in all facets of telecommunications, including Business Development, Marketing, Sales, and General Management.

After graduating from the American University in 1970 with a B.S. degree in Business Administration, Mr. Milliard received an M.A. degree in Business from Central Missouri State University in 1971 where he was an Instructor in the Department of Finance, School of Business and Economics, from 1971-1973. He received his Juris Doctor degree from the University of Tulsa School of Law in 1976.

As an active community member, Mr. Milliard is on the Board of Directors of Citizens Bank Corp., Inc. in Coudersport, Pennsylvania, and is President of the Board of Directors of the Charles Cole Memorial Hospital.

SWIDLER BERLIN SHEREFF FRIEDMAN, LLP

3000 K STREET, NW, SUITE 300
WASHINGTON, DC 20007-5116
TELEPHONE (202)424-7500
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DEPOSIT DATE
D051 DEC 28 1998

NEW YORK OFFICE
919 THIRD AVENUE
NEW YORK, NY 10022

December 23, 1998

VIA OVERNIGHT MAIL
Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, Florida 32399-0870

981977-TX

Re: Application of Hyperion Communications of Florida, LLC for Authority to Provide Alternative Local Exchange Service in Florida

Dear Ms. Bayo:

Enclosed for filing on behalf of Hyperion Communications of Florida, LLC ("Hyperion") please find an original and six (6) copies of Hyperion's application for authority to provide alternative local exchange service in Florida. Also enclosed is 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 us. Thank you very much.

Respectfully yours,

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

FIRST UNION NATIONAL BANK

0103934
NO. 103934

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

DATE AMOUNT
12/23/98 $$$$$250.00

PAY TO THE ORDER OF FLORIDA PUBLIC SERVICE COMMISS

GENERAL ACCOUNT
TWO SIGNATURES REQUIRED ABOVE $10,000

DOCUMENT NUMBER-DATE
14594 DEC 28 98
FPSC-RECORDS/REPORTING