

UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF VIRGINIA

ORIGINAL

Alexandria Division

010000

In re:)	
)	Chapter 11
PATHNET TELECOMMUNICATIONS)	
INC., et al.)	Case No. 01-12264 - SSM
)	Jointly Administered
Debtors.)	
)	

NOTICE OF AUCTION AND SALE HEARING

On June 22, 2001, the United States Bankruptcy Court for the Eastern District of Virginia (the "Bankruptcy Court") granted an Order (the "Sale Procedure Order") granting the Debtors' motion for the entry of an order, pursuant to 11 U.S.C. §§ 105(a), 363 and 365, approving: (1) the sale of the Debtors' rights, title and interests in assets free and clear of liens and interests pursuant to the Auction Procedures; (2) the auction procedures annexed thereto as "Exhibit A" (the "Auction Procedures") in connection with the proposed disposition by sale, lease, license, or other commercially reasonable manner (to "Sell" or a "Sale") of any and all of the assets of the Debtors (collectively or in part, the "Assets"); (3) certain bid protection as described in the Motion (the "Bid Protection"); and (4) the notice of auction and sale hearing, substantially in the form attached thereto as "Exhibit B", (the "Notice of Auction

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and Sale Hearing”), approving the auction procedures annexed hereto as “Exhibit A” (the “Auction Procedures”) which procedures are to be applied in connection with the proposed disposition by sale, lease, license, or other manner (to “Sell” or a “Sale”) of any and all of the assets of the Debtors, in whole, in part or parts, or in combination (collectively or in part, the “Assets”) by one or more Sales to one or more bidders. The Assets may be sold free and clear of all liens, claims, interests and encumbrances at the sale hearing scheduled for July 24, 2001, at 1:30 p.m. or such other date and time as the Debtors may request subject to Bankruptcy Court approval (the “Sale Hearing”).

All interested bidders should read carefully the Auction Procedures. To the extent there are any inconsistencies between the Auction Procedures as set forth in “Exhibit A” hereto and the summary description of its terms and conditions contained in this Notice, the terms of the Auction Procedures control.

Pursuant to the Auction Procedures, a public auction of the Assets will be conducted at the offices of Covington & Burling, 1201 Pennsylvania Avenue, N.W., Washington, D.C. at **10:00 a.m.** Eastern Time on **July 11, 2001**, or such other date, time and place as the Debtors may determine (the “Auction”).

Pursuant to the Auction Procedures, any bidder desiring to submit a bid at the Auction (a “Bid”) must send a letter of interest to the Debtors’ investment banker, Houlihan Lokey Howard & Zukin, 685 Third Avenue, 15th Floor, New York, New York 10017, Attention: Mr. Saul E. Burian, and must first be qualified by the Debtor (a “Qualified Bidder”).

Pursuant to the Auction Procedures, the Debtors may (i) impose additional terms and conditions at or prior to the Auction, (ii) extend the deadlines set forth in the Auction Procedures, adjourn the Auction at the Auction, and/or adjourn the Sale Hearing in open court

without further notice, (iii) withdraw from Sale any Assets at any time prior to or during the Auction and make subsequent attempts to market the same, and (iv) reject all Bids, if in the Debtors' reasonable judgment, no Bid is for a fair and adequate price.

All requests for information concerning the Assets should be directed to the Debtors' investment banker, Houlihan Lokey Howard & Zukin, 685 Third Avenue, 15th Floor, New York, New York 10017, Attention: Mr. Saul E. Burian (Tel. 212-497-4245).

The Sale Hearing will be held before the United States Bankruptcy Court for the Eastern District of Virginia (Alexandria Division), 200 South Washington Street, Alexandria, Virginia on July 24, 2001, at 1:30 p.m., or such other date and time as the Debtors may request subject to Bankruptcy Court approval. The Sale Hearing may be adjourned in open court from time to time, without further notice.

At the Sale Hearing, the Debtors will seek, among other things, the Bankruptcy Court's approval, pursuant to sections 105(a), 363, 365(a) and 1146 of the Bankruptcy Code and Rules 2002, 6004, 6006, and 9006 or the Federal Rules of Bankruptcy Procedure, of:

1. The Sale of the Assets to the winning bidder(s) at the Auction, free and clear of all liens, claims, encumbrances and interests, pursuant to an asset purchase agreement(s) to be entered into between the Debtors and the winning bidder(s);
2. The assumption and assignment of certain executory contracts and unexpired leases and the rejection of certain unassumed executory contracts and unexpired leases;
3. The exemption of any Sales of Assets from stamp and similar taxes; and
4. Any other related relief.

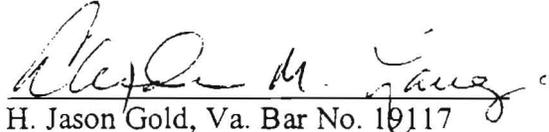
Objections to any relief requested by the Debtors shall be set forth in writing with particularity the grounds for such objections or other statements of position. By no later than

11:00 a.m. (Eastern Time) on July 23, 2001, objections shall be filed with the Bankruptcy Court, and served (for receipt no later than 11:00 a.m. (Eastern Time) on July 23, 2001), on (i) Debtors' undersigned counsel at their respective specified addresses; (ii) Houlihan Lokey Howard & Zukin, 685 Third Avenue, 15th Floor, New York, New York 10017, Attention: Mr. Saul E. Burian; (iii) FTL/Policano & Manzo, 622 Third Avenue, New York, New York 10017, Attention: Mr. Christopher Kearns; (iv) the Office of the United States Trustee, 115 South Union Street, Alexandria, Virginia 22314, Attention: Jack Frankel, Esq.; (v) Stroock & Stroock & Lavan LLP, 180 Maiden Lane, New York, New York 10038, Attention: Lawrence Handelsman, Esq.; (vi) Murphy Sheneman Julian & Rogers, 101 California Street, 39th Floor, San Francisco, California 94111, Attention: Cecily A. Dumas, Esq.; and (vii) Piper Marbury Rudnick & Wolfe, 1200 - 19th Street, N.W., Washington D.C. 20036, Attention: John G. McJunkin, Esq.


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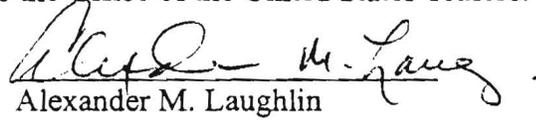
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**Local Counsel for the Debtors and Debtors-in-
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June 27, 2001

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 27th day of June 2001, the foregoing Notice Of Auction And Sale Hearing was hand-carried to the Office of the United States Trustee.


Alexander M. Laughlin