TC00-199

TC00-199

DOCKET NO. TC00-199

In the Matter of IN THE MATTER OF THE APPLICATION OF KMC TELECOM V, INC. FOR A CERTIFICATE OF AUTHORITY TO PROVIDE INTEREXCHANGE TELECOMMUNICATIONS SERVICES AND LOCAL EXCHANGE SERVICES IN SOUTH DAKOTA

Public Utilities Commission of the State of South Dakota

DATE		MEMORANDA
12/7	00	Filed and Docketed;
12/14	00	Weekly Filing;
1/4	01	Certificate of Authority from the Secretary of State;
1/4	01	Revised Tariff Pages;
1/9	01	Revised Tariff Pages;
1/24	01	Order Granting COA;
1/24	01	Docket Closed.
2/6	01	Errata Notice.

TC00-199

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A LIMITED LIABILITY PARTNERSHIP
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December 6, 2000

RECEIVED
DEC 07 2000
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

VIA FEDERAL EXPRESS

Mr. William Bullard, Jr.
Executive Director
South Dakota Public Utilities Commission
State Capitol Building
500 East Capitol Avenue
Pierre, South Dakota 57501-5070

Re: **Application of KMC Telecom V, Inc. for Authority to Resell Intrastate Interexchange Services.**

Dear Mr. Johnson:

Enclosed for filing with the South Dakota Public Utilities Commission, please find an original and 10 copies of KMC Telecom V, Inc.'s ("KMC V's") Application for Authority to Resell Intrastate Interexchange Telecommunications Services. The requisite filing fee of $250.00 is also being submitted.

Also enclosed is a duplicate of this filing and a self-addressed, postage-paid envelope. Please date-stamp the duplicate upon receipt and return it in the envelope provided.

Please do not hesitate to contact me if you have any questions regarding this filing.

Respectfully submitted,

Eric D. Jenkins

Enclosures

DC01/JENKE/133823.1

TC00-199

Before the
STATE OF SOUTH DAKOTA
PUBLIC UTILITIES COMMISSION

RECEIVED

DEC 07 2000

SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

Application of	)	
	)	
KMC TELECOM V, INC.	)	
	)	
for a Certificate of Authority to Provide Resold Intrastate Interexchange Telecommunications Services within the State of South Dakota	)	Docket No. ________

APPLICATION OF KMC TELECOM V, INC., FOR A CERTIFICATE OF AUTHORITY

KMC TELECOM V, INC. ("KMC V" or "Applicant"), by its attorneys, respectfully requests that the South Dakota Public Service ("Commission") grant it a Certificate of Authority to provide resold intrastate interexchange services in the State of South Dakota pursuant to Chapter 20:10:24:02 of the Commission's rules governing telecommunications, to transact the business of a reseller of interexchange telecommunications service in the State of South Dakota.

In support of its Application, KMC V provides the following information.

1. THE APPLICANT

A. Name, Address and Telephone Number of the Applicant.

KMC Telecom V, Inc.
1545 Route 206
Suite 300
Bedminster, New Jersey 07921
Telephone (908) 470-2100
Facsimile (908) 719-8775

DC01/JENKE/133636.1

B. The Name Under Which the Applicant Will Provide Service.

KMC Telecom V, Inc.

C. Corporate Status

KMC V is a privately-held corporation duly organized and existing under and by virtue of the laws of the State of Delaware. Its Federal Identification Number is **22-3719935**. The Company was incorporated on March 15, 2000, and is headquartered at: 1545 Route 206, Suite 300, Bedminster, New Jersey 07921. Its telephone number is (908) 470-2100. Its facsimile number is (908) 719-8775. KMC V is a wholly-owned subsidiary of KMC Telecom Holdings, Inc. ("KMC Holdings") which is a holding company also incorporated in Delaware. A copy of KMC V's Articles of Incorporation are appended to this Application as **Exhibit A.**

D. Location of Principal Office In South Dakota and Registered Agent

KMC V will not have an office located in the State of South Dakota. KMC V has requested a Certificate of Authority from the South Dakota Secretary of State. It is respectfully requested that the Commission docket the instant Application as filed pending submission of evidence of KMC V's Certificate of Authority to be submitted as **Exhibit B** to this Application upon Applicant's receipt, *nunc pro tunc*. The name and address of the Company's registered agent in South Dakota for service of process will be:

CT Corporation System
319 South Coteau Street
Pierre, South Dakota 57501

E. Ownership Information

KMC V is a wholly-owned subsidiary of KMC Telecom Holdings, Inc. A copy of KMC V's corporate stock structure is appended hereto as **Exhibit C**. KMC V was organized to provide state-of-the-art telecommunications services to customers in the State of South Dakota and throughout the United

States. A diagram of the Company's corporate structure is appended hereto as **Exhibit D**. As this diagram will show, KMC V is a wholly-owned subsidiary of KMC Holdings, and has the following affiliates: KMC Telecom Inc. ("KMC I"), KMC Telecom II, Inc., ("KMC II"), KMC Telecom III, Inc., ("KMC III"), KMC Telecom IV, Inc., ("KMC IV"), KMC Telecom of Virginia, Inc., ("KMC VA"), KMC Telecom IV of Virginia , Inc., ("KMC IV of VA"), KMC Telecom V of Virginia, Inc., ("KMC V of VA") (the "Affiliates").

II. PROPOSED SERVICES

F. Description of Proposed Services

By this Application, KMC V seeks authority to operate as a reseller of intraLATA and interLATA interexchange telecommunications services to the public throughout the State of South Dakota. Specifically, KMC V requests authority to provide a full range of 1+ interexchange services and data transmission services, including, but not limited to, MTS, private line, WATS, toll free, ISDN, and frame relay service products. Initially, KMC V intends to deliver port wholesale data services. Over time, KMC V plans to offer other enhanced data services. Port wholesaling is a technology that provides large bandwidth users with data switching capability at the network level, allowing them to acquire capacity as required without investing in data switching equipment. Port wholesaling gives KMC V the ability to provide data switching to Internet service providers by allowing data calls to be terminated through the port wholesale equipment rather than the switch. This enables the Internet service provider to more cost effectively manage its data requirements while, at the same time, increasing the efficiency and capacity of the KMC V Lucent Technologies Series 5ESS(R)-type switch.

G. Statement of Manner in Which Service Will Be Offered

KMC V will provide service as a reseller already authorized to provide service in the State of South Dakota. As a result, its services and facilities will mirror those of the underlying carrier. Moreover, all of KMC V's services will be provided pursuant to the terms and conditions set forth in KMC V's proposed intrastate services tariff, which is attached hereto as Exhibit E.

KMC V will abide by all rules governing telecommunications resellers that the Commission has promulgated or may promulgate in the future, unless application of such rules is specifically waived by the Commission or is preempted by the FCC or under federal statute.

H. Geographic Areas

KMC V will provide service on a statewide basis.

III. Financial, Technical and Managerial Competence

As demonstrated below, KMC V is well-qualified managerially, technically and financially to provide the competitive interexchange telecommunications services for which authority is requested in this Application.

I. Managerial

In support of its Application, KMC V submits the following information to demonstrate that it has sufficient managerial and technological telecommunications experience and expertise, as well as the financial stability adequate to ensure its continued provision of quality interexchange telecommunications services within the State of South Dakota.

KMC V is well-qualified managerially, technically and financially to provide the resold interexchange telecommunications services for which authority is requested in this Application. KMC V has access to significant capital and substantial technical and managerial expertise. The Company's management team includes individuals with substantive experience in successfully developing and operating telecommunications businesses.

KMC V has the adequate internal technical resources to support its South Dakota operations. This expertise in the telecommunications industry makes KMC V's management team well-qualified to construct, operate and manage KMC V's interexchange networks in South Dakota. Specific details of the business and technical experience of KMC V's officers and management personnel are appended hereto as **Exhibit F**, which also contains the biographies and a brief description of the business experience of key management and operational personnel who will be responsible for KMC V's telecommunications services in South Dakota and throughout the United States.

J. Technical

As is evident from the information contained in **Exhibit F**, KMC V is managed by persons with substantial technical expertise in designing, constructing and operating telecommunications networks. This wealth of experience will enable KMC V to provide its interexchange customers with advanced, state-of-the-art technology, for its data services as described in Section IV of this Application.

K. Financial

Applicant, through the strength of its parent corporation, KMC Holdings, has access to ample capital to compete effectively in the market and provide telecommunication services in South Dakota. Both a description of KMC Holdings' financial qualifications and a copy of KMC Holdings' most recent SEC Form 10-Q is attached hereto as **Exhibit G**.

Specifically, as demonstrated in KMC Holdings' Cash Flow Statements appended as part of **Exhibit G**, KMC V has access to ample capital to fund the construction and operation of KMC V's telecommunications network in South Dakota, and to meet any lease and ownership obligations associated with its provision of local exchange and interexchange telecommunications services in South Dakota.

KMC V is a privately-held company and, thus, does not issue annual reports or submit any financial filings with the Securities and Exchange Commission.

IV. BILLING AND CUSTOMER SUPPORT SERVICES

L. Billing

KMC V has entered into an agreement with Billing Concepts Systems, Inc., to provide the Company with comprehensive billing functionality, including the ability to collect call detail records, message rating, bill calculation, invoice generation, commission tracking, customer care and inquiry, accounts receivable and collections management, and quality/revenue assurance. KMC V anticipates that the agreement with Billing Concepts will result in its ability to produce a single bill covering all of the products and services that it provides to a customer. The Company' bills will include a toll-free number for inquiries or complaints (888) KMC-THE1 / (888) 562-8431, as well as the address of the Company to which complaints may be addressed.

KMC V's customer service representatives will be available to assist customers with billing questions between the hours of 8 a.m. and 8 p.m., Monday through Friday at (888) KMC-THE1 / (888) 562-8431. Alternatively, customers will be able to communicate billing questions or concerns to KMC V customer service representatives in writing by sending correspondence to:

KMC Telecom V, Inc.
1545 Route 206 , Suite 300
Bedminster, New Jersey 07921

M. Customer Support Services

KMC V will offer comprehensive customer service to each of its of its South Dakota customers and have the ability to respond to customer complaints and inquiries promptly and to perform facility and equipment maintenance to ensure compliance with any Commission quality of service requirements. The Company's customer service center will be staffed by fully-trained customer service representatives who will be prepared to assist its customers with service, maintenance and billing issues.

For service and maintenance issues, customers will be able to contact KMC V's customer services 24 hours a day, seven (7) days a week, by calling toll-free at (888) KMC-THE1 / (888) 562-8431. As previously noted in Section VIII of this Application, for billing issues, customers will be able to contact KMC V's billing services between the hours of 8 a.m. and 8 p.m., Monday through Friday, by calling toll-free at (888) KMC-THE1 / (888) 562-8431. Customers wishing to communicate with a KMC V customer service representative in writing will be able to write to KMC V at:

KMC Telecom V, Inc.
1545 Route 206, Suite 300
Bedminster, NJ 07921

KMC V's customer services agents will be prepared to respond to a broad range of service matters, including inquiries regarding: (1) the types of services offered by KMC V and the rates associated with such services; (2) monthly billing statements; (3) problems or concerns pertaining to a customer's current service; and (4) general telecommunications matters.

Should any problems relating to the Company's telecommunications equipment or service occur, Customers will be able to contact KMC V directly, at the toll-free number set forth in above. If a service or maintenance problem relates to any Company-provided equipment or service, KMC V will dispatch repair personnel as expeditiously as possible to resolve the situation.

V. Designated Contacts

Genevieve Morelli
Eric D. Jenkins
KELLEY DRYE & WARREN LLP
1200 19th Street, N.W., Suite 500
Washington, D.C. 20036
(202) 955-9600
(202) 955-9792 facsimile
ejenkins@kelleydrye.com

Copies of all correspondence, notices, inquiries and orders also should be sent to:

Tricia Breckenridge
Executive Vice President – Business Development
1755 North Brown Road
Lawrenceville, Georgia 30043
(678) 985-7900
(678) 985-6213 facsimile
tbreck@kmctelecom.com

VI. Regulatory Status

As of the date of this filing, KMC V and its Affiliates are authorized by virtue of certification, registration, or (where appropriate) on an unregulated basis to provide local exchange and/or interexchange telecommunications services in such jurisdictions as reflected in the chart appended hereto as **Exhibit II**.

In addition to North Dakota, KMC V has applications to provide local exchange and/or intrastate interexchange services pending in such jurisdictions as reflected in the chart appended hereto as **Exhibit II**.

Neither the Applicant nor any of its affiliates has been denied authority to provide telecommunications service in any jurisdiction, nor is any such action pending. None of the Applicant's affiliates has been subject to sanctions or fines in any jurisdiction in which they are currently operating.

In addition, KMC V is in good standing with the appropriate regulatory agencies in each state where it is currently registered or certified to provide telecommunications services.

KMC V currently is not providing telephone service in South Dakota.

VII. Marketing Efforts

KMC V's marketing effort will be integrated with that of its parent company, KMC Holdings. A detailed description of KMC Holdings' sales and marketing activities is provided in the Company's corporate Fact Sheet appended hereto as **Exhibit I**. A copy of the promotional and marketing material KMC V intends to use for its proposed South Dakota operations is appended hereto as **Exhibit J**.

The Company intends to comply fully all relevant rules promulgated by the Federal Communications Commission under 47 C.F.R. § 64.1100 et seq. In this regard, the Company will receive proper customer verification and will send adequate written notice of any changes in a subscriber's primary exchange or interexchange carrier in accordance with the rules set forth in 47 C.F.R. § 64.1100 et seq.

KMC V intends to avoid occurrences of unauthorized slamming by ensuring that all customers have signed contracts with the Company, and that separate Letters of Agency ("LOAs") are routinely obtained where customers of other carriers choose to purchase KMC V's local and long distance services. A copy of an example customer contract and an example LOA are appended hereto as **Exhibit K**.

VIII. Cost Support For Tariffs

KMC V will provide interexchange services that are currently fully competitive in the South Dakota market. Consequently, no cost support for tariffed rates is included.

IX. Public Interest

A decision by the Commission to grant Applicant authority to provide competitive interexchange telecommunications services is in the public interest. Applicant is well-qualified to operate as such a service provider in South Dakota. Consumers of telecommunications services in South Dakota will receive the benefits of downward pressure on prices, increased choice, improved quality of service and customer responsiveness, innovative service offerings, and access to increasingly advanced telecommunications technology. The market incentives for new and existing providers of telecommunications services will be improved through an increase in the diversity of suppliers and competition within the local exchange telecommunications market. Granting KMC V's Application would enhance this development of competition in the local exchange market and provide the consumers of South Dakota with all of the benefits described above.

WHEREFORE, KMC V respectfully requests that the Commission grant it a Certificate of Authority to provide interexchange telecommunications services on a resale basis as described in this Application.

Respectfully submitted,

KMC TELECOM V, INC.

By:____________________

Genevieve Morelli
Eric D. Jenkins
KELLEY, DRYE & WARREN LLP
1200 19th Street, N.W.
Suite 500
Washington, D.C. 20036
(202) 955-9600
Its Attorneys

DATED: December 6, 2000

EXHIBIT A

ARTICLES OF INCORPORATION

Office of the Secretary of State

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THAT "KMC TELECOM V, INC." IS DULY INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL CORPORATE EXISTENCE NOT HAVING BEEN CANCELLED OR DISSOLVED SO FAR AS THE RECORDS OF THIS OFFICE SHOW AND IS DULY AUTHORIZED TO TRANSACT BUSINESS.

THE FOLLOWING DOCUMENTS HAVE BEEN FILED:

CERTIFICATE OF INCORPORATION, FILED THE FIFTEENTH DAY OF MARCH, A.D. 2000, AT 4:30 O'CLOCK P.M.

AND I DO HEREBY FURTHER CERTIFY THAT THE AFORESAID CERTIFICATES ARE THE ONLY CERTIFICATES ON RECORD OF THE AFORESAID CORPORATION.

AND I DO HEREBY FURTHER CERTIFY THAT THE FRANCHISE TAXES HAVE NOT BEEN ASSESSED TO DATE.

Edward J. Freel, Secretary of State

3194507 8310

001208769

AUTHENTICATION: 0399315

DATE: 04-25-00

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 INCORPORATION OF "KMC TELECOM V, INC.", FILED IN THIS OFFICE ON THE FIFTEENTH DAY OF MARCH, A.D. 2000, AT 4:30 O'CLOCK P.M.

Edward J. Freel, Secretary of State

3194507 8100

001208769

AUTHENTICATION: 0399314

DATE: 04-25-00

CERTIFICATE OF INCORPORATION

OF

KMC Telecom V, Inc.

FIRST: The name of the corporation is KMC Telecom V, Inc. (the "Corporation").

SECOND: The address of its registered office in the State of Delaware is Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of New Castle. The name of its registered agent at such address is The Corporation Trust Company.

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

FOURTH: The total number of shares of stock which the Corporation shall have authority to issue is One Hundred (100) shares of Common Stock, par value $.01 per share.

FIFTH: The name and mailing address of the sole incorporator of the Corporation are as follows:

Tae Hee Kim
Kelley Drye & Warren LLP
101 Park Avenue
New York, New York 10178

SIXTH: The following provisions are inserted for purposes of the management of the business and conduct of the affairs of the Corporation and for creating, defining, limiting and regulating the powers of the Corporation and its directors and stockholders:

(a) The number of directors of the Corporation shall be fixed and may be altered from time to time in the manner provided in the Bylaws, and vacancies in the Board of Directors and newly created directorships resulting from any increase in the authorized number of directors may be filled, and directors may be removed, as provided in the Bylaws.

(b) The election of directors may be conducted in any manner approved by the stockholders at the time when the election is held and need not be by ballot.

(c) All corporate powers and authority of the Corporation (except as at the time otherwise provided by law, by this Certificate of Incorporation or by the Bylaws) shall be vested in and exercised by the Board of Directors.

NEXT

DOCUMENT (S)

BEST IMAGE

POSSIBLE

(d) The Board of Directors shall have the power without the assent or vote of the stockholders to adopt, amend, alter or repeal the Bylaws of the Corporation, except to the extent that the Bylaws or this Certificate of Incorporation otherwise provide.

SEVENTH: The Corporation reserves the right to amend or repeal any provision contained in this Certificate of Incorporation in the manner now or hereafter prescribed by the laws of the State of Delaware, and all rights herein conferred upon stockholders or directors are granted subject to this reservation.

EIGHTH: No director shall be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, provided, however, that the foregoing shall not eliminate or limit the liability of a director (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derived an improper personal benefit.

NINTH: Meetings of stockholders may be held within or without the State of Delaware, as the Bylaws may provide. The books of the Corporation may be kept (subject to any provision contained in the statutes of the State of Delaware) outside the State of Delaware at such place or places as may be designated from time to time by the Board of Directors of the Corporation in accordance with the Bylaws of the Corporation.

IN WITNESS WHEREOF, I do execute this Certificate and affirm and acknowledge, under penalties of perjury, that this Certificate is my act and deed and that the facts stated herein are true, this 15th day of March, 2000.

Tae Hee Kim, Sole Incorporator

EXHIBIT B

FOREIGN CORPORATION QUALIFYING DOCUMENT

(TO BE LATE FILED)

EXHIBIT C

KMC V'S CORPORATE STOCK STRUCTURE

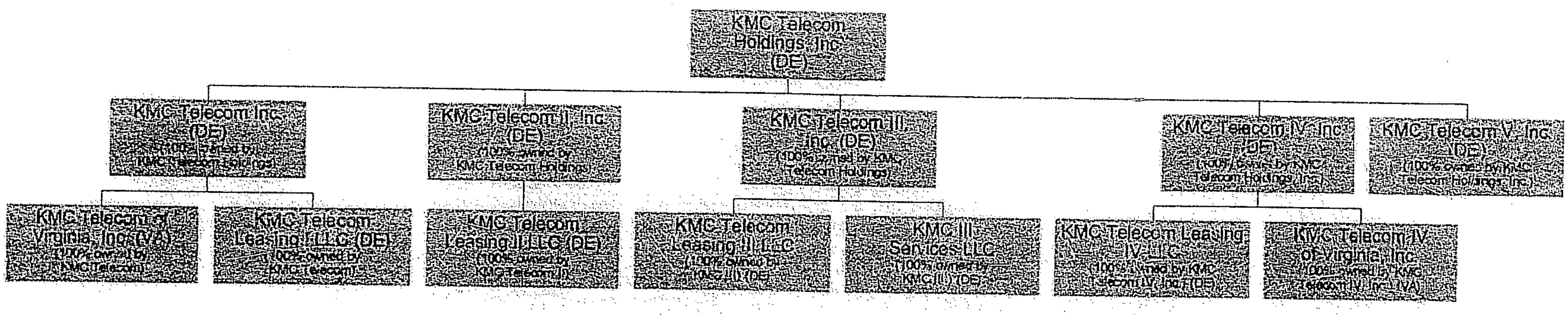
Common Stock:	KMC Telecom Holdings, Inc. ("KMC Holdings") 1545 Route 206 Suite 300 Bedminster, New Jersey 07921

Number of shares in KMC V:	100
Percentage of shares in KMC V:	100%

EXHIBIT D

CORPORATE STRUCTURE/ORGANIZATIONAL CHART

KMC'S CORPORATE STRUCTURE



KMC Telecom

EXHIBIT E

PROPOSED INTRASTATE TELECOMMUNICATIONS SERVICES TARIFF

KMC TELECOM V, INC.

1545 Route 206
Suite 300
Bedminster, New Jersey 07921

KMC TELECOM V, INC.

1545 Route 206
Suite 300
Bedminster, New Jersey 07921

INTRASTATE SERVICES TARIFF

This tariff contains the description, regulations and rates for the furnishing of local exchange and interexchange data services provided by KMC Telecom V, Inc., throughout the State of South Dakota. The principal offices of KMC are located at: 1545 Route 206, Suite 300, Bedminster, New Jersey 07921. This tariff is on file with the South Dakota Public Utilites Commission, and copies may be inspected, during normal business hours, at the Company's place of business in Bedminster, New Jersey.

CHECK SHEET

The sheets listed below, which are inclusive of this tariff, are effective as of the date shown at the bottom of the respective sheet(s). Original and revised sheets as named below comprise all changes from the original tariff and are currently in effect as of the date indicated below.

Sheet	Revision	Sheet	Revision
1	Original	31	Original
2	Original	32	Original
3	Original	33	Original
4	Original	34	Original
5	Original	35	Original
6	Original	36	Original
7	Original	37	Original
8	Original	38	Original
9	Original	39	Original
10	Original	40	Original
11	Original	41	Original
12	Original	42	Original
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26	Original		
27	Original		
28	Original		
29	Original		
30	Original		

* New or revised

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Issued By: Tricia Breckenridge
Executive Vice President of Business Development
KMC Telecom V, Inc.
1755 North Brown Road
Lawrenceville, GA 30043

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(continued)

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(continued)

Issued By: Tricia Breckenridge
Executive Vice President of Business Development
KMC Telecom V, Inc.
1755 North Brown Road
Lawrenceville, GA 30043

SYMBOLS

The following are the only symbols used for the purposes indicated below:

(C)	To signify changed regulation.
(R)	To signify decreased rate.
(I)	To signify increased rate.
(T)	To signify a change in text but no change in rate or regulation.
(S)	To signify a reissued matter.
(M)	To signify text relocated without change.
(N)	To signify a new rate or regulation.
(D)	To signify a discontinued rate or regulation.
(Z)	To signify a correction.

TARIFF FORMAT

A. **Sheet Numbering** - Sheet numbers appear in the upper right corner of the page. Sheets are numbered sequentially. However, new sheets are occasionally added to the Tariff. When a new sheet is added between sheets already in effect, a decimal is added. For example, a new sheet added between sheets 14 and 15 would be 14.1.

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

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

2.
2.1
2.1.1.
2.1.1.A.
2.1.1.A.1.
2.1.1.A.1.(a).
2.1.1.A.1.(a).I.
2.1.1.A.1.(a).I.(i).
2.1.1.A.1.(a).I.(i).(1).

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

APPLICATION OF TARIFF

This tariff sets forth the service offerings, rates and terms and conditions of service applicable to the furnishing of intrastate data transmission services by KMC Telecom V, Inc. ("KMC V" or "Company") to business Customers within the State of South Dakota. In the event of any conflict between the provisions of this tariff and the provisions of a Service Order submitted by the Customer to the Company, the provisions of this Tariff shall control to the extent required by law.

The provisioning of local telecommunications services are subject to existing regulations and terms and conditions specified in this tariff and the Company's other related tariffs, and may be revised by superceding filings.

SECTION 1 - DEFINITIONS

1.1 Definitions

Certain terms used generally throughout this tariff are defined below:

Advance Payment: The payment required before the start of service.

Authorized User: A person, corporation or other entity who is authorized by the Company's customer to utilize service provided by the Company to the customer. The Customer is responsible for all charges incurred by an Authorized User.

Commission: South Dakota Public Utilites Commission

Company: KMC Telecom V, Inc.

Customer or Subscriber: The person, firm or corporation which orders intrastate common carrier service pursuant to this tariff and is responsible for the payment of charges and compliance with the Company's regulations. Customer includes joint and authorized users.

Dedicated Access Service: An arrangement whereby a Customer or other common carrier uses a dedicated private line facility to access the Company's network.

Interruption: The inoperability of the subscriber line due to Company facilities malfunction or human error.

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

Local Exchange Carrier or ("LEC"): Denotes any individual, partnership, association, joint-stock company, trust or corporation engaged in providing switched communication within an exchange.

Recurring Charges: The monthly charges to the Customer for services, facilities and equipment, that continue for the agreed upon duration of the service.

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

SECTION 1 - DEFINITIONS (Cont'd)

1.1 Definitions (Cont'd)

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

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

SECTION 2 - RULES AND REGULATIONS

2.1 Undertaking of the Company

2.1.1 Scope

2.1.1.1 The services of the Company consist of the furnishing of data transport services throughout the State of South Dakota pursuant to this general tariff offering of service to the general public. In furnishing facilities and services, the Company does not undertake to offer dialtone services or transmit voice messages, but furnishes the use of its facilities to its Customers for data communications.

2.1.1.2 The services offered herein may be used for any lawful purpose, including business, governmental or other use. There are no restrictions on sharing or resale of the Company's services. However, the Customer remains liable for all obligations under this tariff notwithstanding such sharing or resale and regardless of the Company's knowledge of same. The Company shall have no liability to any person or entity other than the Customer. If service is jointly ordered by more than one Customer, each is jointly and severally liable for all obligations herein.

SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.1 Undertaking of the Company (Cont'd)

2.1.1 Scope (Cont'd)

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

2.1.2 Shortage of Equipment or facilities

2.1.2.1 The Company reserves the right to limit or to allocate the use of its existing and future facilities when necessary because of a lack of facilities or due to any cause beyond the Company's control including but not limited to acts of God, fire, flood, explosion or other catastrophes; any law, order, regulation, direction, action or request of the United States government, or of any other government, including state and local governments having or claiming jurisdiction over the Company, or of any department, agency, commission, bureau, corporation, or other instrumentality of any one or more of these federal, state or local governments, or of any civil or military authority; national emergencies; insurrections, riots, wars; unavailability of rights-of-way or materials; or strikes, lock-outs, work stoppages, or other labor difficulties.

2.1.2.2 The furnishing of service under this tariff is subject to the availability on a continuing basis of all facilities necessary to provide the service. Services will be provided using the Company's data transport facilities, as well as, from time to time and at the sole discretion of the Company, facilities the Company may obtain from other carriers.

SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.1 Undertaking of the Company (Cont'd)

2.1.3 Ownership of Facilities

Title to all facilities and equipment, and related plans and proposals, provided by Company in furnishing service in accordance with this tariff remains in the Company, its agents or contractors. Customer shall not have, nor shall it assert, any right, title or interest in the data transport or other facilities and associated equipment, plans or proposals provided by the Company. Such facilities and equipment, plans and proposals shall be returned to the Company by the Customer whenever requested, within a reasonable period (but in any event not more than fifteen (15) days following the request, in as good condition as reasonable wear will permit.

2.1.4 Governmental Authorizations

The provision of the Company's services is subject to and contingent upon the Company obtaining and retaining all governmental authorizations that may be required or be deemed necessary by Company. Such authorizations may include but are not limited to governmental approvals, consents, licenses, franchises, and permits. Company shall use reasonable efforts to obtain and keep in effect all such governmental authorizations. Company shall be entitled to take, and shall have no liability whatsoever for, any action necessary to bring its facilities and/or services into conformance with any requirement or request of the Federal Communications Commission or other federal, state or local governing entity or agency. Customer shall fully cooperate in and take any action as may be requested by Company to comply with such governmental requirement.

SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.1 Undertaking of the Company (Cont'd)

2.1.5 Rights-of-Way

Where economically feasible (in the sole opinion of the Company), Company shall use reasonable efforts to obtain and maintain, directly or through third parties, rights-of-way necessary for installation of the facilities used to provide Company's services to Customer's property line, building entrance, or other service point as agreed to by Company. Customers use of such rights-of-way shall in all respects be subject to the between the Company and such third parties relating thereto, and shall not regulation or restriction.

2.1.6 Customer Service

The Company's customer service representatives for billing and service inquiries may be reached, toll free at (888) KMC-THE1 / (888) 562-8431. Customers wishing to communicate with the Company in writing may send correspondence to 1545 Route 206, Suite 300, Bedminster, New Jersey 07921.

2.1.7 Term of Service

The minimum term of service under this tariff is one month. Service is provided 24-hours per day, 7-days per week. For purposes of this tariff, a month is considered to have 30 days.

SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.2 Liability of the Company

2.2.1 The liability of the Company for damages arising out of the furnishing of its services, including but not limited to mistakes, outages, omissions interruptions, delays, errors, or other defects, representations, failures arising out of the use of these services or failure to furnish service, whether caused by act, omission or negligence, shall be limited to the extension of allowances as set forth in section 2.3 of this tariff captioned: "Allowances for Interruptions in Service." The extension of such allowances for interruption shall be the sole remedy of the Customer, and the sole liability of the Company. The Company will not be liable for any direct, indirect, incidental, special, consequential, exemplary or punitive damages to Customer as a result of any Company service, equipment or facilities, or the acts or omissions or negligence of the Company's employees or agents.

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

2.2.3 The Company shall not be liable for any act, omission or defect of any entity furnishing to the Company or to the Customer facilities or equipment used for or with the Company's services; or for the acts or omissions of common carriers or warehousemen.

SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.2 **Liability of the Company** (Cont'd)

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

2.2.5 The Company does not guarantee nor make any warranty with respect to installations it provides for use in an explosive atmosphere. The Customer indemnifies and holds the Company harmless from any liability whatsoever, and for any damages caused or claimed to have been caused in any way, directly or indirectly, as a result of any such installation.

2.2.6 The Company is not liable for any defacement of or damage to Customer's premises resulting from the furnishing of services or equipment or the installation or removal thereof, unless such defacement or damage is caused by the willful misconduct of the Company's employees or agents.

2.2.7 The Company shall be indemnified, defended and held harmless by the Customer against any claim, loss or damage arising from Customer's use of services, involving claims for libel, slander, invasion of privacy, or infringement of copyright arising from the Customer's use of the Company's facilities.

2.2.8 The Company's entire liability, if any, for any claim, loss, damage or expense from any cause whatsoever shall in no event exceed sums actually paid Company by Customer for the specific services giving rise to the claim. Any claim, action or proceeding against the Company which is not filed or commenced within one (1) year after the earlier of: (a) the rendering of the service, or (b) the occurrence of the event with respect to which such claim arose, shall be deemed waived if not brought within such one year period.

SECTION 2 - **RULES AND REGULATIONS** (Cont'd)

2.2 **Liability of the Company** (Cont'd)

2.2.9 With respect to the furnishing of Company's services to public safety answering points or municipal emergency service providers, the Company's liability, if any, will be limited to the lesser of: (a) the actual monetary damages incurred and proved by the Customer as the direct result of the Company's action, or failure to act, in providing the service, or (b) the sum of $1,000.00.

2.2.10 In the event parties other than Customer, including but not limited to joint users and Customer's customers, shall have use of the Company's service directly or indirectly through Customer, then Customer agrees to forever indemnify and hold the Company harmless from and against any and all claims, demands, suits, actions, losses, damages, assessments or payments which may be asserted by said parties arising out of or relating to the Company's furnishing of service.

2.2.11 Failure by the Company to assert its rights pursuant to one provision of this tariff does not preclude the Company from asserting its rights under other provisions.

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

2.3 **Allowances for Interruptions in Service**

A credit allowance will be given for interruptions of service, which are 30 minutes or longer in duration, subject to the provisions of this section.

SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.3 **Allowances for Interruptions in Service** (Cont'd)

2.3.1 Credit for Interruptions

2.3.1.1 A credit allowance will be made when an interruption occurs because of a failure of any component furnished by the Company under this tariff. An interruption in service is considered to exist when a circuit, service or facility is unusable to the Customer.

2.3.1.2 A credit allowance will be made for interruption periods lasting 30 minutes or longer. An interruption period begins when the Customer reports a circuit, service or facility to be interrupted and releases it for testing and repair. An interruption period ends when the circuit, service or facility is operative. If the Customer reports an interruption but declines to release the circuit, service or facility for testing and repair, no interruption period will be deemed to exist.

2.3.1.3 A credit allowance is applied on a pro rata basis, dependent on the duration of the interruption, against the monthly recurring charges or the month-end billing charges payable by Customer under this tariff, and shall be expressly indicated on the next Customer bill. Only those facilities on an interrupted portion of a circuit or service will receive a credit.

SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.3 **Allowances for Interruptions in Service** (Cont'd)

2.3.1 Credit for Interruptions (Cont'd)

2.3.1.4 For calculating credit allowances, every month is considered to have 30 days. A credit allowance will be calculated for any service interruption lasting 30 minutes or longer on the basis of the proportion of interrupted minutes to total monthly minutes.

2.3.2 Limitations on Allowances

No credit allowance will be made for:

2.3.2.1 interruptions due to noncompliance with this tariff on the part of the Customer, authorized user, joint user, or other common carrier providing service connected to the service of the Company;

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

2.3.2.3 interruptions due to the failure or malfunction of non-Company equipment;

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

2.3.2.5 periods of impaired service during which the Customer continues to use the service;

SECTION 2 - **RULES AND REGULATIONS** (Cont'd)

2.3 **Allowances for Interruptions in Service** (Cont'd)

2.3.2 Limitations on Allowances (Cont'd)

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

2.3.2.7 interruptions of service during scheduled maintenance, after reasonable notice to Customer;

2.3.2.8 interruptions of service resulting from the failure, malfunction or removal or facilities, power or equipment provided by the Customer;

2.3.2.9 interruptions of service due to circumstances or causes beyond the control of Company, or interruptions the credit allowance for which would amount to less than one dollar.

2.4 **Obligations of the Customer**

2.4.1 Scope

The obligations of the Customer shall include the following:

2.4.1.1 Customer shall be responsible for any damage to or loss of the Company's facilities or equipment caused by the acts or omissions of the Customer, or its employees, agents, contractors or suppliers, by Customer's noncompliance with this tariff, by malfunction or failure of any equipment or facility provided by Customer or its agents, employees or suppliers, or by fire, theft or other casualty on the Customer's premises, unless caused by the gross negligence or willful misconduct of Company's employees or agents.

SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.4 Obligations of the Customer (Cont'd)

2.4.1 Scope (Cont'd)

2.4.1.2 Customer shall provide at no cost to, and, as specified from time to time by the Company, any personnel, equipment, space, power, heating and air conditioning needed to operate, and maintain a proper operating environment for, Company facilities and equipment installed on the Customer's premises. Customer shall cooperate with Company in choosing the location, size and characteristics of the Company's equipment space on Customer's premises, which shall define the point of termination of Company's service. Customer may be required to pay, in the sole discretion of the Company, additional non-recurring charges for any additional points of termination within Customer's premises.

2.4.1.3 Customer shall obtain, maintain, and otherwise have full responsibility for all rights-of-way and conduit necessary for installation of Company facilities from the building entrance or property line to the location of Company's equipment space on the Customer's premises. Any costs associated with obtaining and maintaining the rights-of-way described herein, including any necessary building modification costs, shall be borne entirely by the Customer. Customer shall also be responsible for complying with all applicable laws, and obtaining all required permits or other approvals related to the location and installation of Company facilities and equipment in the Customer's premises or within the rights-of-way for which the Customer is responsible. The Customer and the Company may mutually agree to enter into a contract under which Company will provide some or all such non-regulated services and facilities.

SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.4 Obligations of the Customer (Cont'd)

2.4.1 Scope (Cont'd)

2.4.1.4 Customer shall provide a safe place to work and be responsible for complying with all laws and regulations regarding the working conditions on the premises at which Company employees and agents install or maintain the Company's facilities and equipment. The Customer shall be responsible for identifying, monitoring, removing and disposing of any hazardous material (e.g., friable asbestos) prior to, during and after any construction or installation work. Customer may be required to install and maintain Company facilities and equipment if, in the Company's opinion, the equipment space provided by the Customer is a hazardous area.

2.4.1.5 Customer shall grant or obtain permission for Company employees or agents to enter the premises of the Customer at any time for the purpose of installing, inspecting, maintaining, repairing, or removing the facilities or equipment of the Company and/or inspecting Customer-provided equipment which is connected to Company's facilities.

SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.4 Obligations of the Customer (Cont'd)

2.4.1 Scope (Cont'd)

2.4.1.6 Customer shall be responsible for the provision, operation and maintenance of any Customer-provided terminal equipment connected to Company equipment and facilities, and for ensuring that such Customer-provided equipment is compatible with Company equipment and facilities. The magnitude and character of the voltages and currents impressed on Company equipment, facilities and wiring by such Customer-provided equipment shall be such as not to cause damage to Company's equipment, facilities and wiring or injury to Company's employees or to other persons. Upon Company's request, Customer will submit to Company a complete manufacturer's specification sheet for each item of Customer-provided equipment that is or is proposed to be attached to Company's facilities. Company may provide, at the Customer's expense, any additional protective equipment required in the sole opinion of the Company, to prevent damage or injury resulting from the connection of any Customer-provided equipment.

2.4.1.7 Customer warrants that the services ordered pursuant to this tariff are intrastate in nature.

2.4.1.8 Customer shall cooperate with Company to plan, coordinate and undertake any actions required to maintain maximum network capability following natural or man-made disasters, which affect telecommunications services.

SECTION 2 - **RULES AND REGULATIONS** (Cont'd)

2.4 **Obligations of the Customer** (Cont'd)

2.4.2 Payments

Obligations of the Customer with regard to payments shall include:

2.4.2.1 Customer shall be responsible for payment of all applicable charges pursuant to this tariff for facilities and service furnished to the Customer or to authorized or joint users or to the Customer's customers. Company's services are provided on a "take or pay" basis, that is, Customer is responsible for the applicable charges for services as ordered, whether or not Customer actually uses all or part of those services or capacity.

2.4.2.2 Customer shall pay all sales, use, excise, access, bypass or other local, state and Federal taxes, fees (including franchise fees), charges or surcharges, however designated, imposed on or based on the provision, sale or use of the Company's services, excluding gross receipts taxes and taxes on the Company's net income. Such taxes shall be separately stated on the Customer's invoice.

SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.4 Obligations of the Customer (Cont'd)

2.4.2 Payments (Cont'd)

2.4.2.3 Customer shall pay outstanding charges in full within 30 days of the invoice date. Charges not paid by Customer within 30 days, or paid in funds not immediately available to the Company, shall be subject to interest at a rate of 1.5% or the highest rate permitted by the Commission unless otherwise agreed by the Company or required by law. Charges normally will be invoiced in advance, with monthly recurring charges invoiced on or about the first of the month for which the charges apply. In the event of a Company billing error or omission, Customer shall be responsible for any back billing invoiced by the Company within 2 years of the original date of service.

2.4.2.4 Customer agrees that Company may conduct an independent verification of Customer's financial condition at any time, and Customer agrees to promptly supply such financial information as may be reasonably requested by Company. If, in the sole opinion of the Company, a Customer presents an undue risk of nonpayment at any time the Company may require that Customer pay its bills within a specified number of days, pay in advance of the furnishing or continuation of any service, and/or make such payments in cash or the equivalent of cash.

2.4.2.5 If required by the Company, Customer shall make an advance payment before services are furnished, which advance payment will be credited to the Customer's initial bill. Company may, in its sole discretion, require such an advance payment, which may be in addition to a deposit.

SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.4 Obligations of the Customer (Cont'd)

2.4.2 Payment (Cont'd)

2.4.2.6 If required by the Company, Customer shall make a deposit before a service is furnished or continues to be held as a guarantee for the payment of charges. Company may require such a deposit, which may be in addition to an advance payment, if Company considers this action necessary to safeguard its interests. A deposit shall not relieve the Customer of the responsibility for prompt payment of bills on presentation. Interest shall be paid at a simple interest rate of 6% annually. At any time, the Company may return the deposit or credit it to the Customer's account. When a service is discontinued the amount of any applicable deposit plus interest will be applied to the Customer's account and any credit balance remaining will be refunded.

2.4.3 Indemnification

With respect to any service or facility provided by the Company, or otherwise in the event of Customer's breach of any of the provisions of this tariff, Customer shall indemnify, defend and hold harmless the Company from and against all claims, actions, damages, liabilities, costs and expenses, for:

2.4.3.1 any loss, destruction or damage to property of the Company or any third party, or the death or injury of any person, to the extent caused by or resulting from the negligent or intentional act or omission of the Customer, its employees, agents, representatives or invitees; and

SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.4 **Obligations of the Customer** (Cont'd)

2.4.3 Indemnification (Cont'd)

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

2.5 **Cancellation of Service**

If Customer cancels a service order or terminates service before the completion of the term of service specified in the service order for any reason, Customer agrees to pay to Company all costs, fees and expenses incurred by Company in connection with construction and with such termination. In addition, Customer may be liable for termination charge up to a maximum amount equal to the total of charges applicable for the remaining term specified in the service order (discounted to present value at six percent).

2.6 **Discontinuance of Service**

2.6.1 If Customer fails to timely pay any regulated amount owed to the Company and such failure continues for seven days after written notice to the Customer to comply with any rule or remedy any deficiency, the Company may discontinue or suspend service, reject additional applications for service and/or refuse to complete any pending orders for service without incurring any liability, and/or pursue any other remedies as may be provided at law or in equity.

SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.6. Discontinuance of Service (Cont'd)

2.6.2 If Customer violates any other material term or condition for the furnishing of service or any law, rule or regulation governing the services provided hereunder, and such violation continues for thirty days after written notice thereof to Customer, Company may discontinue or suspend service, refuse additional applications for service and/or refuse to complete any pending orders for service without incurring any liability, and/or pursue any other remedies as may be provided at law or in equity. Customer hereby waives such thirty-day notice requirement in the case of any violation which, in the sole opinion of the Company, if allowed to continue may result in damage to property, injury or death of any person, or impairment of the operation of Company's facilities or which may otherwise expose Company to civil or criminal liability.

2.6.3 Upon the Company's discontinuance of service to the Customer under section 2.6.1 or 2.6.2, the Company, in addition to all other remedies that may be available to the Company at law or in equity or under any other provisions of this tariff, may declare all future monthly and other charges which would have been payable by the Customer during the remainder of the term of service specified in the service order to be immediately due and payable (discounted to present value at six percent).

2.6.4 Upon the Customer filing for bankruptcy or reorganization or failing to discharge an involuntary petition therefore within the time permitted by law, or an assignment for the benefit of creditors, appointment of a trustee or receiver or similar event with respect to Customer, the Company may, in addition to any other remedy available at law or in equity, immediately discontinue or suspend service, refuse additional applications for service and/or refuse to complete any pending orders for service without incurring any liability

SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.6 Discontinuance of Service (Cont'd)

2.6.5 Upon condemnation of any significant portion of the facilities or associated equipment used by the Company to provide service to Customer or if a casualty renders all or any significant portion of such facilities or equipment inoperable beyond feasible repair, the Company may discontinue or suspend service, refuse additional orders for service and/or refuse to complete any pending orders for service upon notice to Customer, without incurring any liability.

2.6.6 Upon any governmental prohibition or required alteration of the services provided or ordered, or any violation of an applicable law or regulation, the Company may immediately discontinue or suspend service, refuse additional applications for service and/or refuse to complete any pending orders for service without incurring any liability.

2.7 Changes in Equipment and Services

2.7.1 Company may substitute, change or rearrange any equipment, facility or system used in providing services at any time and from time to time, but shall not thereby materially alter the technical parameters of the services provided pursuant to Customer's service order.

2.7.2 Customer shall not cause or allow any facility or equipment of Company to be rearranged, moved, disconnected, altered or repaired without Company's prior written consent.

Issued By: Tricia Breckenridge
Executive Vice President of Business Development
KMC Telecom V, Inc.
1755 North Brown Road
Lawrenceville, GA 30043

SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.7 **Changes in Equipment and Services** (Cont'd)

2.7.3 Upon receipt of a written request from Customer, Company will add, delete or change locations or features of specific circuits and/or equipment. Customer shall be liable for nonrecurring charges for such changes. If a request for deletion of a service represents a cancellation prior to the applicable term of service, Customer will be subject to Company's termination charges.

2.8 **Prohibited Uses**

2.8.1 The services Company provides shall not be used for any unlawful purpose or for any use with respect to which Customer has not obtained all governmental approvals, authorizations, licenses, consents and permits required to be obtained by Customer.

2.8.2 Customer shall not use the Company's service offerings for resale and/or for shared use unless, if requested to do so by Company, Customer has first demonstrated that such use complies with relevant laws, regulations, policies, orders, decisions and other governmental or legal requirements.

2.8.3 Customer may not use Company's services so as to interfere with or impair any other service or impair the privacy of any communications over any of Company's facilities and associated equipment or over the facilities and equipment of any other communications carrier connected to Company's facilities.

2.8.4 Customer shall not use or allow the use of Company's facilities or equipment installed at the Customer's premises for any purpose other than that for which the Company provides it, without the prior written consent of the Company.

SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.9 Assignment

2.9.1 Company may, without obtaining any further consent from Customer, assign any of its rights, privileges or obligations under this tariff to any subsidiary, parent company or affiliate of Company; pursuant to any sale or transfer of substantially all the business of Company; or pursuant to any financing, merger or reorganization of Company.

2.9.2 Customer may, upon prior written consent of Company, assign its rights, privileges or obligations under this tariff to any subsidiary, parent company or affiliate of Customer; pursuant to any sale or transfer of substantially all the business of Customer; or pursuant to any financing, merger or reorganization of Customer. Any attempt of Customer to make any assignment, transfer, or disposition of its rights, privileges or obligations under this tariff without the consent of Company shall be null and void.

2.10 License, Agency or Partnership

No license, express or implied, is granted by Company to Customer by virtue of an agreement for the furnishing of service hereunder. Neither Customer nor any joint or authorized users shall represent or otherwise indicate to its customers or others that the Company jointly participates in the Customer's joint user's services. The relationship between Company and Customer shall not be that of partners or agents for one or the other, and shall not be deemed to constitute a partnership or agency agreement, unless such relationship or agreement is expressly agreed to in writing by both Company and Customer.

SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.11 Proprietary Information

Neither Company nor Customer or any joint or authorized user shall disclose any plans, drawings, trade secrets or other proprietary information of the other party which is made known in the course of the furnishing of service hereunder, except as may be required by law, without prior written consent.

2.12 Promotions

Company reserves the right, from time to time, to provide promotional offerings. Company will notify Commission prior to effective date of promotions.

2.13 Waiver of Nonrecurring Charges

Company reserves the right to waive nonrecurring charges for moves, additions, and deletions.

2.14 Contested Charges

All bills are presumed accurate, and shall be binding on the Customer unless objection is received by the Company in the timeframe specified in Section 2.4.2.3. In the event that a billing dispute between the Customer and the Company for service furnished to the Customer cannot be settled with mutual satisfaction, the Customer may take the following course of action:

2.14.1 First, the Customer may request, and the Company will provide, an in-depth review of the disputed amount. (The undisputed portion and subsequent bills must be paid on a timely basis or the service may be subject to disconnection.)

2.14.2 Second, if there is still a disagreement about the disputed amount after investigation and review by the Company, the Customer may file an appropriate complaint with the South Dakota Public Utilites Commission. The address of the Commission is:

South Dakota Public Utilities Commission
Capitol Building, 1st floor
500 East Capitol Avenue
Pierre, SD 57501-5070
(605)773-3201
(800) 332-1782
(800) 877-1113 (TTY Through Relay South Dakota)

SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.15 Taxes

State and local sales, use and similar taxes, including gross receipts taxes, are billed as separate items and are not included in the quoted rates for local exchange or long distance telecommunications service.

2.16 Notices and Communications

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

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

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

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

2.17 Incomplete Calls/Wrong Numbers

The Company will not knowingly charge for incomplete calls or wrong numbers. Upon the Customer's request and proper verification, the Company shall promptly adjust and credit the Customer's account for charges or payment for any unanswered call inadvertently billed.

SECTION 3 - SERVICE AREAS

3.1 Exchange Service Areas

The company will provide local exchange services on a resale basis in those areas authorized by the Commission for provision of competitive local services in South Dakota. Specifically, the company will provide local exchange service in the exchange areas currently served by U.S. West Communications, Inc.

SECTION 4 - SERVICE DESCRIPTIONS

4.1 Port Wholesale Service

Company offers port wholesale services to provide high-speed data transmission. These services are available to business subscribers. Services may be offered by the Company via its own facilities and/or the facilities of other carriers.

Port wholesaling is a technology that provides large bandwidth users with data switching capability at the network level, allowing them to acquire capacity as required without investing in data switching equipment. Port wholesaling gives KMC V the ability to provide data switching to Internet service providers by allowing data calls to be terminated through the port wholesale equipment rather than the switch. This enables the Internet service provider to more cost effectively manage its data requirements while, at the same time, increasing the efficiency and capacity of the KMC V Lucent Technologies Series 5ESS(R)-type switch.

Services are subject to service order and service change charges where the Customer requests new services or changes in existing services, as well as indicated Non-Recurring and Monthly Recurring Charges.

SECTION 5 - RATE AND CHARGES

Basic rates charged for services are listed below:

5.1 Port Wholesale

Per Port: $35.00

SECTION 6 - MISCELLANEOUS SERVICES

6.1 Restoration of Service

6.1.1 Description

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

6.2 Rates

[RESERVED FOR FUTURE USE]

SECTION 7 - SPECIAL ARRANGEMENTS

7.1 **Special Construction**

7.1.1 Basis for Charges

Where the Company furnishes a facility or service for which a rate or charge is not specified in the Company's tariffs, charges will be based on the costs incurred by the Company and may include: (1) non-recurring type charges; (2) recurring type charges; (3) termination liabilities; or (4) combinations thereof.

7.1.2 Basis for Cost Computation

The costs referred to in 6.1.1 preceding may include one or more of the following items to the extent they are applicable:

7.1.2.1 cost installed of the facilities to be provided including estimated costs for the rearrangements of existing facilities. Cost installed includes:

7.1.2.1.1 equipment and materials provided or used,

7.1.2.1.2 engineering, labor and supervision,

7.1.2.1.3 transportation, and

7.1.2.1.4 rights of way;

7.1.2.2 cost of maintenance;

7.1.2.3 depreciation on the estimated cost installed of any facilities provided, based on the anticipated useful service life of the facilities with an appropriate allowance for the estimated net salvage;

7.1.2.4 administration, taxes and uncollectible revenue on the basis of reasonable average costs for these items;

7.1.2.5 license preparation, processing and related fees;

7.1.2.6 tariff preparation, processing and related fees;

7.1.2.7 any other identifiable costs related to the facilities provided; and

7.1.2.8 an amount for return and contingencies.

SECTION 7 - SPECIAL ARRANGEMENTS (Cont'd)

7.1 Special Construction (Cont'd)

7.1.3 Termination Liability

To the extent that there is no other requirement for use by the Company, a termination liability may apply for facilities specially constructed at the request of the customer.

7.1.3.1 The termination liability period is the estimated service life of the facilities provided.

7.1.3.2 The amount of the maximum termination liability is equal to the estimated amounts for:

7.1.3.2.1 Cost installed of the facilities provided including estimated costs for rearrangements of existing facilities and/or construction of new facilities as appropriate, less net salvage. Cost installed includes the cost of:

(A) equipment and materials provided or used,

(B) engineering, labor and supervision,

(C) transportation, and

(D) rights of way;

7.1.3.2.2 license preparation, processing, and related fees;

7.1.3.2.3 tariff preparation, processing, and related fees;

7.1.3.2.4 cost of removal and restoration, where appropriate; and

7.1.3.2.5 any other identifiable costs related to the specialty constructed or rearranged facilities.

SECTION 7 - SPECIAL ARRANGEMENTS (Cont'd)

7.1 **Special Construction** (Cont'd)

7.1.3 Termination Liability (Cont'd)

7.1.3.3 The applicable termination liability method for calculating the unpaid balance of a term obligation. The amount of such charge is obtained by multiplying the sum of the amounts determined by a factor related to the unexpired period of liability and the discount rate for return and contingencies. The amount shall be adjusted to reflect the predetermined estimate net salvage, including any reuse of the facilities provided. This product is adjusted to reflect applicable taxes.

7.2 **Individual Case Basis (ICB) Arrangements**

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

7.3 **Special Promotions**

The Company may from time to time engage in special promotional trial service offerings of limited duration designed to attract new Customers or to increase Customer awareness of a particular tariff offering. Requests for promotional offerings will be presented to the Commission for its review in accordance with rules and regulations established by the Commission, and will be included in Section 7 of the Company's tariff. All promotions are offered on a non-discriminatory basis.

SECTION 8 - PROMOTIONAL OFFERINGS

[RESERVED FOR FUTURE USE]

SECTION 9 - SERVICE TERRITORY MAPS

EXHIBIT F

STATEMENT OF MANAGERIAL AND TECHNICAL QUALIFICATIONS

KMC Telecom V, Inc. ("KMC V"), a Delaware corporation, is a wholly-owned subsidiary of KMC Telecom Holdings, Inc. ("KMC Holdings"), a Delaware corporation. KMC V is technically qualified to operate as a provider of facilities-based local exchange services and resold local exchange telecommunications services in the State of California. Specifically, KMC V will rely upon the expertise of KMC Holdings' management team who oversees the operations of KMC V and its affiliates: KMC Telecom Inc. ("KMC"), KMC Telecom II, Inc. ("KMC II"), KMC Telecom III, Inc. ("KMC III"), KMC Telecom IV, Inc. ("KMC IV"), and KMC Telecom of Virginia, Inc. ("KMC VA").

The following is a list of KMC Holdings' management team:

Roscoe C. Young, II	**President and Chief Operating Officer**
William H. Stewart	**Chief Financial Officer and Executive Vice President**
Paul DiMarco	**Chief Information Officer**
Patricia Breckenridge	**Executive Vice President – Business Development**
Larry Salter	**Executive Vice President – Network Operations**
Martin F. McDermott, III	**Executive Vice President – Marketing Services**
James L. Barwick	**Senior Vice President – Technology and Chief Engineer**
Charles Rosenblum	**Senior Vice President – Human Resources**

Robert Hagan	**Senior Vice President and Assistant Secretary**
Alan Epstein	**Vice President, General Counsel and Secretary**
Marcy Dean	**Vice President, Treasurer and Assistant Secretary**
Joseph P. Sheehan, III	**Vice President and Controller**
Steven Kreider	**Vice President and Assistant Treasurer**
Jeannette Barretta	**Assistant Secretary**

Collectively, the members of KMC Holdings' management team have designed, managed, and/or operated advanced telecommunications facilities throughout the United States. The members of KMC Holdings' management team bring many years of experience and a wealth of knowledge from being associated with a number of a highly successful companies in the telecommunications industry.

Roscoe C. Young, II, KMC Holdings' President and Chief Operating Officer, prior to joining the Company, was Vice President of Network Services for Ameritech, where he led more than 4,000 employees in providing services ranging from ISDN and digital Centrex to dial tone. He previously directed engineering, network services, national account sales, marketing and real estate procurement for MFS Communications as Senior Vice President of that company. He has also been a senior executive with AT&T where he was responsible for sales, marketing, operations, engineering, financial management and human resources. During that time, he was selected by the Reagan Administration to serve as a Special Assistant to Secretary of Defense Caspar Weinberger under the White House Executive Exchange Program.

William H. Stewart, KMC Holdings' Chief Financial Officer and Executive Vice President, was previously employed with Nassau Capital. Mr. Stewart joined Nassau Capital in 1995 and has over eleven in the telecommunications investment industry. While at Nassau Capital, Mr. Stewart led Nassau's investment program in the communications industry, which included investments in Cypress Communications, Crown Castle and Portal Software. Mr. Stewart has served as a Director of KMC Holdings since 1996. He graduated cum laude with a B.S. degree from Villanova University, earned an M.B.A. from New York University, and is a Chartered Financial Analyst.

Paul DiMarco, KMC Holdings' Chief Information Officer, joined the Company in September, 1998, as its Vice President of Information Technology and Chief Information Officer. From May 1995 to September 1998, he served as Senior Vice President and Chief Information Officer with Nycomed Americas, a multi-national pharmaceutical company. From May 1990 to May 1995, Mr. DiMarco was Director of Information Technology for Ortho-McNeil Pharmaceutical Corporation, a major pharmaceutical division within the Johnson and Johnson family of companies. Prior to joining Ortho-McNeil, Mr. DiMarco served for thirteen years with AT&T Corp. in positions of increasing responsibility including District Manager within the Information Technology Organization, National Account Manager, and Manager Technical- Support for the Commercial and Residential Billing System.

James L. Barwick, KMC Holdings' Senior Vice President of Technology and Chief Engineer, has 39 years of experience in the telecommunications industry. Mr. Barwick joined the Company in March 1997. Prior to joining the Company, Mr. Barwick had been self-employed since 1986 as a telecommunications consultant with expertise in equipment application engineering, radio path engineering, analog and digital Mux, switching and transport systems in the long distance carrier and incumbent local exchange carrier areas, technical writing, project management and computer assisted design systems.

Charles Rosenblum, KMC Holdings' Senior Vice President of Human Resources, has over 20 years experience in human resources, primarily in human resources planning, staffing and development. He joined the Company in January 1997. From May 1995 to January 1997 he served as Vice President of Human Resources of Kamine Development Corp. Previously he had held the positions of Director, Management Development with KPMG Peat Marwick and Manager of Management Education with Dun & Bradstreet Corporation. Earlier he had served in various human resource positions with Allstate Insurance Company.

Patricia Breckenridge, KMC Holdings' Executive Vice President of Business Development, joined the Company in April 1995. From January 1993 to April 1995 she was Vice President and General Manager of FiberNet USA's Huntsville, Alabama operations. Previously she had served as Vice President, External Affairs and later Vice President, Sales and Marketing of Diginet, Inc. She was co-founder of Chicago Fiber Optic Corporation, the predecessor of Metropolitan Fiber Systems. Earlier she was Director of Regulatory Affairs for Telesphere Corporation.

Larry Salter, KMC Holdings' Executive Vice President of Network Operations, is responsible for technical evaluation of new equipment, engineering, and network design of KMC Holdings' local networks. He also oversees the company's construction of new fiber optic-based SONET systems, and provides technical support to KMC Holdings' networks. Mr. Salter came to KMC Holdings' after a 26-year career with AT&T where he was involved in the development and management of Internet services, local area networks, secure systems, and a broad range of technical and engineering functions. He also was a Director of AT&T's strategy and business development and new business integration initiatives. Mr. Salter is a graduate of Iowa State University and holds an MBA in finance and marketing from the University of Chicago.

Martin McDermott, III, is KMC Holdings' Executive Vice President of Marketing Services. Prior to entering the CLEC industry, McDermott was President of Management Profiles, Inc., a management consulting firm specializing in new technologies in the communications industry. He also has held senior management positions with several other organizations including American Wireless Communications Corporation, WilTel, the National Telecommunications Network, Mitel and Northern Telecom, Inc. McDermott has served on the Boards of Directors of CompTel, ACTA, and NATA and is the author of The Business of Interconnect, a definitive study of customer premise equipment. He is a frequent industry spokesperson and contributor to industry periodicals on sales, marketing and technology topics.

Joseph P. Sheehan, III, joined KMC Holdings in June, 1998 as Manager of Financial Systems & Special Projects. He was promoted to Director of Financial Systems & Processes in May, 1999 and has recently been appointed to the position of Vice President & Controller effective March, 2000. Mr. Sheehan began his career in telecommunications with AT&T where he held various positions in the Billing Operations and Controller's organizations from 1991 through 1998 and he managed the results of their Data Services and Government Markets groups in their Business Markets Unit. Prior to moving to AT&T Communications, Joseph spent two years with AT&T Capital where he worked in the Finance group of AT&T Credit managing the lease portfolio. Joseph holds a BS in accounting with an information systems minor from the University of Scranton as well as his MBA from the University of Phoenix and began his career with Coopers & Lybrand.

Jeannette Barretta, KMC Holdings' Assistant Secretary, joined KMC in 1997 as its Contract Administrator and was promoted to Assistant Secretary during 1997 and Contract Manager during 1998. Prior to joining KMC, Ms. Barretta worked as a paralegal for KCS Energy Marketing, Inc. Ms. Barretta began her career as a personal injury paralegal with the law firm of Ravich, Koster, Tobin Oleckna and Greenstein.

With such vast technical experience by the members of its management team, in addition to the outstanding team of engineers and network specialists it has employed, KMC Holdings has the adequate technical experience and managerial capability to develop and maintain a successful local exchange operation in the State of South Dakota.

EXHIBIT G

FINANCIAL QUALIFICATIONS OF KMC TELECOM V, INC.

KMC V has access to the financing and capital necessary to conduct it telecommunications operations as specified in the Petition. During an initial transition period, KMC V may rely in part upon the sizeable financial assets of its parent company, KMC Telecom Holdings, Inc., ("KMC Holdings"). In support of this Petition, KMC V submits the following financial information of KMC Holdings to demonstrate that it has sufficient access to capital and financial stability adequate to ensure its continued provision of quality local exchange and interexchange telecommunications services within the State of South Dakota. In addition to the information below, KMC Holdings' financial statements, consisting of its most recent SEC Form 10-Q, is appended hereto as part of this Exhibit G. As KMC V's revenues increase through the acquisition of customers, KMC V's revenues will supplant KMC Holdings' financial assistance.

KMC Holdings has financed its capital expenditures with equity invested by its founders, preferred stock placements, credit facility borrowings, notes, and Senior Discount Notes.

On May 24, 1999, KMC Holdings issued original notes in a private offering. Approximately $104.1 million of the proceeds of the offering were used to purchase a portfolio of U.S. government securities which have been pledged to secure the payment of the first six interest payments on these notes. KMC Holdings will use the net proceeds of the offering to complete the 14 additional networks which is plans to construct by the end of the first half of 2000.

In February 1999, KMC Holdings issued PIK Preferred Stock and warrants to purchase common stock for aggregate gross proceeds of $65.0 million to two purchasers. In April 1999, KMC Holdings issued additional shares of PIK Preferred Stock and warrants to purchase common stock to one additional purchaser for aggregate gross proceeds of $35.0 million. In February 1999, its subsidiary which will own the 14 additional networks which KMC Holdings currently plans to construct by the end of the first half of 2000, entered into a secured vendor financing facility with Lucent Technologies Inc. Under this Lucent Facility, the subsidiary will be permitted to borrow, subject to certain conditions, up to an aggregate of $600.0 million, primarily for the purchase from Lucent of switches and other telecommunications equipment. As of September 30, 1999, the Company had no borrowings outstanding under the facility.

In December 1998, KMC Holdings refinanced and expanded its $70.0 million senior secured credit facility with Newcourt Commercial Finance Corporation to a new $250.0 million facility. Under the refinanced and expanded facility, which is with a group of lenders led by Newcourt Commercial Finance Corporation, First Union National Bank, General Electric Capital Corporation and Canadian Imperial Bank of Commerce, KMC Holdings' subsidiaries which own its initial 23 networks are permitted to borrow up to an aggregate of $250.0 million, subject to certain conditions, for the purchase of fiber optic cable, switches and other telecommunications equipment and, once certain financial conditions are met, for working capital and other general corporate purposes.

Net cash provided by financing activities from borrowings and equity issuances was $219.4 million for 1998 and $332.1 million for the nine months ended September 30, 1999. KMC Holdings' net cash used in operating and investing activities was $213.8 million for 1998 and $332.0 million for the nine months ended September 30, 1999.

KMC Holdings made capital expenditures of $9.1 million in 1996, $61.1 million in 1997, $161.8 million in 1998 and $218.5 million in the nine months ended September 30, 1999. KMC Holdings currently plans to continue significant capital expenditures. The majority of these expenditures is expected to be made for network construction and the purchase of switches and related equipment to facilitate the offering of its services.

At September 30, 1999, KMC Holdings had outstanding commitments aggregating approximately $92.8 million related to the purchase of fiber optic cable and telecommunications equipment as well as engineering services, principally under its agreements with Lucent Technologies.

KMC Holdings has received a signed commitment from Lucent to refinance the existing Lucent Facility upon terms which would involve the provision of additional funding to the Company and the resetting of the financial covenants for periods after the fourth quarter of 1999.

KMC Holdings believes that its cash, investments held for future capital expenditures and borrowings available under the Senior Secured Credit Facility and the Lucent Facility, together with the net proceeds from its April 1999 issuance of its PIK Preferred Stock and the proceeds of the offering of the original notes will be sufficient to meet its liquidity needs through the completion of its initial 23 networks and the 14 additional networks currently planned for completion by the end of the first half of 2000. Additional sources of financing may include public or private equity or debt financings by the Company, capitalized leases and other financing arrangements.

Specifically, as demonstrated in its Cash Flow statement, appended here as part of this *Exhibit G*, KMC Holdings has access to ample capitol to fund the construction and operation of KMC V's telecommunications network in South Dakota, and to meet any lease and ownership obligations associated with its provision of local exchange telecommunications services in South Dakota.

KMC TELECOM HOLDINGS INC

Filing Type:	10-Q
Description:	Quarterly Report
Filing Date:	Nov 14, 2000
Period End:	Sep 30, 2000

Primary Exchange:	N/A
Ticker:	N/A

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10-Q OTHERDOC

EX-27 OTHERDOC

Document is copied.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2000

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________________ to ____________________

COMMISSION FILE NUMBER: 333-50475

KMC TELECOM HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	22-3545325
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1545 ROUTE 206, SUITE 300
BEDMINSTER, NEW JERSEY 07921
(Address, including zip code, of principal executive offices)

(908) 470-2100
(Registrant's telephone number, including area code)

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. [X] Yes [ ] No

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

CLASS	OUTSTANDING
Common Stock, par value $0.01 per share.	861,145 shares, as of November 8, 2000

KMC TELECOM HOLDINGS, INC.

INDEX

PART I - FINANCIAL INFORMATION
KMC TELECOM HOLDINGS, INC.
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)

	DECEMBER 31, 1999	SEPTEMBER 30, 2000
ASSETS		
Current assets:		
Cash and cash equivalents	$85,966	$128,520
Restricted investments	37,125	37,125
Accounts receivable, net of allowance for doubtful accounts of $5,551 and $[illegible] in 1999 and 2000, respectively	27,373	48,733
Prepaid expenses and other current assets	1,375	176,865

[illegible]	151,839	391,243
[illegible]	51,446	81,490
[illegible], net	639,324	842,861
[illegible]	3,602	4,369
[illegible], net	38,816	42,248
[illegible]	1,013	1,569
	$886,040	$ 1,363,780
[illegible] AND NONREDEEMABLE [illegible]:		
[illegible]:		
[illegible]	$167,490	$233,587
[illegible]	37,047	92,003
[illegible]	4,309	19,101
[illegible]	208,846	344,691
[illegible]	235,000	616,121
[illegible] payable	301,137	329,933
[illegible]	275,000	275,000
[illegible]	1,019,983	1,565,745
[illegible]		
[illegible]:		
[illegible] exchangeable, [illegible] preferred stock, par value $.01 per [illegible]:		
[illegible]; shares issued and outstanding:		
[illegible] in 1999 and 72 shares in 2000 [illegible])	50,770	59,031
[illegible] in 1999 and 46 shares in 2000 [illegible])	41,370	45,308
[illegible] convertible preferred stock, par value $.01 per [illegible]; shares issued and outstanding:		
[illegible] in 1999 and 2000 ($12,380 liquidation preference)	71,349	103,032
[illegible] in 1999 and 2000 ($17,500 liquidation preference)	40,301	68,263
[illegible] convertible preferred stock, par value $.01 per share; [illegible]; shares issued and outstanding:		
[illegible], 59 shares in 2000 ($19,900 [illegible])	-	19,395
[illegible], 481 shares in 2000 [illegible])	-	158,471
[illegible] shares issued and outstanding	33,755	43,657
[illegible]	12,925	16,039
[illegible]	250,470	513,196
[illegible]:		
[illegible] per share; 3,000 shares [illegible] shares issued and outstanding [illegible], respectively	6	6
[illegible]	(9,163)	(23,113)
[illegible]	(375,256)	(692,054)
[illegible] (deficiency)	(364,413)	(715,161)
	$886,040	$ 1,363,780

See accompanying notes.

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KMC TELECOM HOLDINGS, INC.

[illegible] CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
([illegible], EXCEPT SHARE AND PER SHARE DATA)

	THREE MONTHS ENDED SEPTEMBER 30,	NINE MONTHS ENDED SEPTEMBER 30,

	1999	2000	1999	2000
Revenue	$ 15,572	$ 60,949	$ 42,284	$ 129,025
Operating expenses:				
Network operating costs:				
Non-cash stock compensation	(557)	482	1,059	2,335
Other network operating costs	23,631	46,944	56,191	112,234
Selling, general and administrative:				
Non-cash stock compensation	(6,404)	6,402	12,181	27,221
Other selling, general and administrative costs	22,479	41,058	60,698	120,108
Depreciation and amortization	7,593	20,431	19,230	51,549
Total operating expenses	46,742	115,317	149,359	313,447
Loss from operations	(31,170)	(54,368)	(107,075)	(184,422)
Other expense	-	-	(4,297)	-
Interest income	3,980	3,782	7,035	8,290
Interest expense	(21,834)	(36,073)	(47,848)	(94,473)
Net loss before cumulative effect of change in accounting principle	(49,024)	(86,659)	(152,185)	(270,605)
Cumulative effect of change in accounting principle	-	-	-	(1,705)
Net loss	(49,024)	(86,659)	(152,185)	(272,310)
Dividends and accretion on redeemable preferred stock	1,330	(13,229)	(42,085)	(72,210)
Net loss applicable to common shareholders	$ (47,694)	$(99,888)	$ (194,270)	$ (344,520)
Net loss per common share before cumulative effect of change in accounting principle	$ (55.93)	$(116.06)	$ (228.20)	$ (400.52)
Cumulative effect of change in accounting principle	-	-	-	(1.99)
Net loss per common share	$ (55.93)	$(116.06)	$ (228.20)	$ (402.51)
Weighted average number of common shares outstanding	852,676	860,639	851,321	855,932
Proforma amounts assuming the change in accounting principle was applied retroactively:				
Net loss applicable to common shareholders	$(48,226)	$(99,888)	$ (195,421)	$ (342,815)
Net loss per common share	$ (56.56)	$(116.06)	$ (229.55)	$ (400.52)

See accompanying notes.

KMC TELECOM HOLDINGS, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	NINE MONTHS ENDED SEPTEMBER 30, 1999	NINE MONTHS ENDED SEPTEMBER 30, 2000
Operating activities		
Net loss	$ (152,185)	$ (272,310)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	19,230	51,549
Non-cash interest expense	40,174	41,368
Non-cash stock option compensation expense	13,240	29,556
Changes in assets and liabilities:		
Accounts receivable	(16,271)	(21,360)
Prepaid expenses and other current assets	239	(7,154)
Other assets	1,065	(30,680)
Accounts payable	14,707	(18,113)
Accrued expenses	10,837	34,228
Deferred revenue	1,748	14,792
Net cash used in operating activities	(67,216)	(178,124)
Investing activities		
Construction of networks and purchases of equipment	(216,508)	(328,678)
Acquisitions of franchises, authorizations and related assets	(1,221)	(1,339)
Purchases of investments, net	(47,080)	-

Net cash used in investing activities	(264,809)	(229,937)
FINANCING ACTIVITIES		
Proceeds from issuance of preferred stock and related warrants, net of issuance costs	91,235	177,500
Proceeds from exercise of stock options	333	562
Proceeds from issuance of senior notes, net of issuance costs and purchase of portfolio of restricted investments	159,942	-
Repurchase and retirement of Series F preferred stock	-	(3,329)
Proceeds from credit facilities, net of issuance costs	80,541	375,862
Net cash provided by financing activities	332,051	550,595
Net increase (decrease) in cash and cash equivalents	26	42,554
Cash and cash equivalents, beginning of period	21,181	85,966
Cash and cash equivalents, end of period	$ 21,207	$ 128,520
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the period for interest, net of amounts capitalized	$ 5,751	$ 43,010

See accompanying notes.

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KMC TELECOM HOLDINGS, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2000

1. BASIS OF PRESENTATION AND ORGANIZATION

KMC Telecom Holdings, Inc. and its subsidiaries are collectively referred to herein as the Company. All significant intercompany accounts and transactions have been eliminated in consolidation.

The Company is a fiber-based integrated communications provider providing data and voice services to its customers, principally business, government and institutional end-users, as well as Internet service providers, long distance companies and wireless service providers, primarily in the South, Southeast, Midwest and Mid-Atlantic United States.

The unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial reporting. Accordingly, they do not include certain information and note disclosures required by generally accepted accounting principles for annual financial reporting and should be read in conjunction with the financial statements and notes thereto of KMC Telecom Holdings, Inc. as of and for the year ended December 31, 1999.

The unaudited interim financial statements reflect all adjustments (consisting only of normal recurring adjustments) which management considers necessary for a fair presentation of the results of operations for these periods. The results of operations for the interim periods are not necessarily indicative of the results for the full year.

The balance sheet of KMC Telecom Holdings, Inc. at December 31, 1999 was derived from the audited consolidated balance sheet at that date.

Certain reclassifications have been made to the 1999 unaudited condensed consolidated financial statements to conform with the 2000 presentation.

2. ACCOUNTING CHANGE

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101 ("SAB 101"), REVENUE RECOGNITION IN FINANCIAL STATEMENTS. SAB 101 provides additional guidance in applying generally accepted accounting principles to revenue recognition in financial statements. Through December 31, 1999, the Company recognized installation revenue upon completion of the installation. Effective January 1, 2000, in accordance with the provisions of SAB 101, the Company is recognizing installation revenue over the average contract period. The cumulative effect of this change in accounting principle resulted in a charge of approximately $1.7 million which was recorded in the quarter ended March 31, 2000. For the nine months ended September 30, 2000, the net effect of adopting this change in accounting principle was a deferral of the recognition of $3.5 million of revenue, which increased net loss for the period by $4.10 per share. Revenue for the nine months ended September 30, 2000 includes $1.6 million of revenues that, prior to the accounting change, had been recognized through December 31, 1999.

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3. NETWORKS, PROPERTY AND EQUIPMENT

Networks and equipment are comprised of the following:

	DECEMBER 31, 1999	SEPTEMBER 30, 2000
	(IN THOUSANDS)	
Fiber optic systems	$ 164,985	$ 242,454
Telecommunications equipment	421,718	531,981
Furniture and fixtures	21,397	26,832
Leasehold improvements	1,811	2,344
Construction-in-progress	66,380	127,149
	676,291	930,760
Less accumulated depreciation	(36,967)	(87,899)
	$ 639,324	$ 842,861

Costs capitalized during the development of the Company's networks include amounts incurred related to network engineering, design and construction and capitalized interest. Capitalized interest related to the construction of the networks for the nine months ended September 30, 1999 and 2000 amounted to $[illegible] million and $10.1 million, respectively.

4. INTANGIBLE ASSETS

Intangible assets are comprised of the following:

	DECEMBER 31, 1999	SEPTEMBER 30, 2000
	(IN THOUSANDS)	
Franchise costs	$ 2,015	$ 2,807
Authorizations and rights-of-way	2,052	2,565
Building access agreements and other costs	1,038	972
	5,105	6,344
Less accumulated amortization	(1,503)	(1,975)
	$ 3,602	$ 4,369

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5. ACCRUED EXPENSES

Accrued expenses are comprised of the following:

	DECEMBER 31, 1999	SEPTEMBER 30, 2000
	(IN THOUSANDS)	
Accrued compensation	$ 11,423	$ 21,101
Accrued costs related to financing activities	7,316	11,498
Accrued interest payable	8,544	27,396
Accrued telecommunications costs	3,794	8,094
Other accrued expenses	5,970	23,914
	$ 37,047	$ 92,003

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6. SENIOR SECURED CREDIT FACILITIES

AMENDED SENIOR SECURED CREDIT FACILITY

During the quarter ended March 31, 2000, our subsidiaries, KMC Telecom, Inc., KMC Telecom II, Inc., KMC Telecom of Virginia, Inc. and KMC Telecom III, Inc. (collectively, the "Borrowers"), amended, restated and combined the Senior Secured Credit Facility and the Lucent Facility, into a single facility by entering into a $700 million Loan and Security Agreement (the "Amended Senior Secured Credit Facility") with a group of lenders led by Newcourt Commercial Finance Corporation, GE Capital Corporation, Canadian Imperial Bank of Commerce, First Union National Bank and Lucent Technologies Inc. (collectively, the "Lenders").

The Amended Senior Secured Credit Facility includes a $175 million reducing revolver facility (the "Revolver"), a $75 million term loan (the "Term Loan") and a $450 million term loan facility (the "Lucent Term Loan"). At September 30, 2000, the outstanding loan balances on the Revolver, the Term Loan and the Lucent Term Loan, were approximately $165 million, $75 million, and $341 million, respectively.

The Revolver will mature on April 1, 2007. Proceeds from the Revolver can be used to finance the purchase of certain equipment, transaction costs and, upon attainment of certain financial conditions, for working capital and other general corporate purposes. The aggregate commitment of the Lenders under the Revolver will be reduced on each quarterly payment date beginning April 1, 2003. The initial quarterly commitment reduction is 5.0%, reducing to 3.75% on July 1, 2003, then increasing to 6.25% on July 1, 2004, and further increasing to 7.50% on July 1, 2006. Commencing with the fiscal year ending December 31, 2001, the aggregate Revolver commitment will be further reduced by an amount equal to 50% of excess operating cash flows (as defined in the Amended Senior Secured Credit Facility) for the prior fiscal year until the Borrowers achieve certain financial conditions. The Borrowers must pay an annual commitment fee on the unused portion of the Revolver ranging from .75% to 1.25%.

The Term Loan is payable in twenty consecutive quarterly installments of $188,000 beginning on April 1, 2002 and two final installments of $35.6 million each on April 1, 2007 and July 1, 2007. Proceeds from the Term Loan can be used to finance the purchase of certain equipment, transaction costs, working capital and other general corporate purposes.

The Lucent Term Loan provides for an aggregate commitment of up to $450 million. Proceeds from the Lucent Term Loan can be used to purchase Lucent products or to reimburse the Borrowers for Lucent products previously purchased with cash or other sources of liquidity. The Lucent Term Loan will mature on July 1, 2007 and requires quarterly principal payments beginning on July 1, 2003 of 5%. The principal payment decreases to 3.75% per quarter beginning on October 1, 2003, increases to 6.25% on October 1, 2004 and further increases to 7.50% on October 1, 2005. An annual commitment fee of 1.50% is payable for any unused portion of the Lucent Term Loan.

Borrowings under the Amended Senior Secured Credit Facility will bear interest payable, at the Borrowers' option, at either (a) the "Applicable Base Rate Margin" (which generally ranges from 2.00% to 3.25%) plus the greater of (i) the administrative agent's prime rate or (ii) the overnight federal funds rate plus 1/2% or (b) the "Applicable LIBOR Margin" (which generally ranges from 3.00% to 4.25%) plus LIBOR, as defined. "Applicable Base Rate Margin" interest is payable quarterly while "Applicable LIBOR Margin" interest is payable at the end of each applicable interest period or at least every three months. Under the Amended Senior Secured Credit Facility the Borrowers were being charged a weighted average interest rate of 11.87% at September 30, 2000. If a payment default were to occur, the interest rate will be increased by four percentage points. If any other event of default were to occur, the interest rate will be increased by two percentage points.

KMC Holdings has unconditionally guaranteed the repayment of the Amended Senior Secured Credit Facility when such repayment is due, whether at maturity, upon acceleration, or otherwise. KMC Holdings has pledged the shares of each of the Borrowers to the Lenders to collateralize its obligations under the guaranty. In addition, the Borrowers have each pledged all of their assets to the Lenders.

The amended senior secured credit facility contains a number of affirmative and negative covenants, one of which requires us to make additional cash capital contributions to our subsidiaries which are the borrowers thereunder of at least $35 million prior to August 31, 2001. The original covenant required $185 million in cash capital contributions by April 1, 2001. However, because we contributed $150 million of the proceeds of our Series G private equity financing toward fulfilling this requirement, the lenders amended this covenant by extending the due date on the remaining $35 million of cash capital contributions to August 31, 2001. Because the entire $185 million cash capital contribution was not made by July 31, 2000, however, the applicable interest rate associated with the facility has increased by 100 basis points until the remaining $35 million amount is contributed. Additional affirmative and negative covenants include, among others, covenants restricting the ability of the Borrowers to consolidate or merge with any person, sell or lease assets not in the ordinary course of business, sell or enter into long term leases of dark fiber, redeem stock, pay dividends or make any other payments (including payments of principal or interest on loans) to KMC Holdings, create subsidiaries, transfer any permits or licenses, or incur additional indebtedness or act as guarantor for the debt of any person, subject to certain conditions.

The Borrowers are required to comply with certain financial tests and maintain certain financial ratios, including, among others, a ratio of total debt to contributed capital, certain minimum revenues, maximum EBITDA losses and minimum EBITDA, maximum capital expenditures and minimum access lines, a maximum total leverage ratio, a minimum debt service coverage ratio, a minimum fixed charge coverage ratio and a maximum consolidated leverage ratio. The covenants become more restrictive upon the earlier of (i) March 31, 2002 and (ii) after the Borrowers achieve positive EBITDA on a combined basis for two consecutive fiscal quarters and a total leverage ratio (as defined) equal to or less than 9 to 1.

Failure to satisfy any of the financial covenants will constitute an event of default under the Amended Senior Secured Credit Facility permitting the lenders, after notice, to terminate the commitment and/or accelerate payment of outstanding indebtedness thereunder. The Amended Senior Secured Credit Facility also includes other customary events of default, including, without limitation, a cross-default to other material indebtedness, material undischarged judgments, bankruptcy, loss of a material franchise or material license, breach of representations and warranties, a material adverse change, and the occurrence of a change of control.

TELECOM IV SENIOR SECURED TERM LOAN

During the quarter ended June 30, 2000, our subsidiary, KMC Telecom, IV, Inc., closed a new senior secured term loan (the "Telecom IV Loan") from Lucent Technologies Inc. The Telecom IV Loan initially provides up to $35 million of principal borrowings, plus accrued interest, until certain conditions are met and then provides for additional principal borrowings up to a ceiling of $50 million, plus accrued interest. Proceeds from the Telecom IV Loan can be used to purchase or install Lucent products and will be used to purchase equipment for future expansion. The Telecom IV Loan will mature on October 1, 2007 and requires quarterly principal payments beginning on January 1, 2003 of 3.5% of the outstanding principal balance, with the percentage increasing to 5% on January 1, 2005, 6.25% on October 1, 2005, and 7.5% on October 1, 2006, with the balance due on October 1, 2007. As of September 30, 2000, the outstanding principal loan balance on this term loan was approximately $35 million.

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Borrowings under the Telecom IV Loan will bear interest payable, at the Company's option, at either (a) the Applicable Base Rate Margin (which generally ranges from 2.25% to 3.50% based on the Company's total debt to total contributed capital ratio) plus the greater of (i) the administrative agent's prime rate or (ii) the overnight federal funds rate plus .5% or (b) the LIBOR Rate plus the Applicable Margin (which generally ranges from 3.25% to 4.50% based on the Company's debt to contributed capital ratio). "Applicable Base Rate Margin" interest is payable quarterly while "Applicable LIBOR Margin" interest is payable at the end of each applicable interest period, or at least every three months. Under the Telecom IV Loan, the Company was being charged a weighted average interest rate of 11.31% at September 30, 2000. There are no financial covenants on this loan. However, there are affirmative and negative covenants that, generally, are no more restrictive to the Company than the Company's other debt agreements. If any events of default were to occur, the interest rate would increase by two percentage points.

7. SERVICE REVENUES

The Company provides on-network services and resells switched services previously purchased from the incumbent local exchange carrier. On-network services include services provided through direct connections to our own networks, services provided by means of unbundled network elements leased from the incumbent local exchange carrier and dedicated circuits. The Company's service revenues consist of the following:

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	1999	2000	1999	2000
	(in thousands)		(in thousands)	
On network	$ 10,778	$ 58,408	$ 25,498	$ 120,298
Resale	4,794	2,541	16,786	8,727
Total	$ 15,572	$ 60,949	$ 42,284	$ 129,025

8. COMMITMENTS AND CONTINGENCIES

PURCHASE COMMITMENTS

As of September 30, 2000, the Company has outstanding commitments aggregating approximately $96.5 million related to purchases of telecommunications equipment and fiber optic cable and its obligations under its agreements with certain suppliers.

REDEMPTION RIGHTS

Pursuant to a stockholders agreement, certain of the Company's stockholders and warrant holders have "put rights" entitling them to have the Company repurchase their preferred and common shares and redeemable common stock warrants for the fair value of such securities if no Liquidity Event (defined as (i) an initial public offering with gross proceeds of at least $40 million, (ii) the sale of substantially all of the stock or assets of the Company or (iii) the merger or consolidation of the Company with one or more other corporations) has taken place by the later of (x) October 22, 2003 or (y) 90 days after the final maturity date of the Senior Discount Notes. The restrictive covenants of the Senior Discount Notes limit the Company's ability to repurchase such securities. All of the securities subject to such "put rights" are presented as redeemable equity in the accompanying balance sheets.

The redeemable preferred stock, redeemable common stock and redeemable common stock warrants, which are subject to the stockholders agreement, are being accreted up to their fair market values from their respective issuance dates to their earliest potential redemption date (October 22, 2003). At

September 30, 2000, the aggregate redemption value of the redeemable equity was approximately $580 million, reflecting per share redemption amounts of $1,454 for the Series A Preferred Stock, $711 for the Series C Preferred Stock, $338 for the Series G Preferred Stock and $300 for the redeemable common stock and redeemable common stock warrants.

9. NET LOSS PER COMMON SHARE

The following table sets forth the computation of net loss per common share-basic (in thousands, except share and per share amounts):

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	1999	2000	1999	2000
Numerator:				
Net loss before cumulative effect of change in accounting	$ (49,024)	$ (86,659)	$ (152,185)	$ (270,605)
Cumulative effect of change in accounting principle.......	-	-	-	(1,705)
Net loss	(49,024)	(86,659)	(152,185)	(272,310)
Dividends and accretion on redeemable preferred stock.....	1,330	(13,229)	(42,085)	(72,210)
Numerator for net loss applicable to common shareholders..	$ (47,694)	$ (99,888)	$ (194,270)	$ (344,520)
Denominator:				
Denominator for net loss per common share-weighted average number of common shares outstanding......................	852,676	860,639	851,323	855,932
Net loss per common share before cumulative effect of change in accounting principle - basic..........................	$ (55.93)	$ (116.06)	$ (228.20)	$ (400.52)
Cumulative effect of change in accounting principle..........	-	-	-	(1.99)
Net loss per common share - basic........................	$ (55.93)	$ (116.06)	$ (228.20)	$ (402.51)

Options and warrants to purchase an aggregate of 483,273 and 666,730 shares of common stock were outstanding as of September 30, 1999 and 2000, respectively, but a computation of diluted net loss per common share has not been presented, as the effect would be anti-dilutive.

10. SIGNIFICANT CONTRACTS AND CUSTOMERS

In March 2000, the Company entered into an agreement with Qwest Communications Corporation ("Qwest"), pursuant to which (i) the Company took delivery of approximately $134 million of Internet infrastructure equipment from Qwest and (ii) the Company agreed to install and maintain this equipment, in over 90 cities throughout the United States, principally to handle Internet service provider traffic on behalf of Qwest. As amended, the services agreement is for a term of 51 months, commencing November 2000 and expiring January 2005. The Company entered into a lease financing transaction in June 2000 to fund the entire cost of this equipment.

In June 2000, the Company entered into a second agreement with Qwest, pursuant to which (i) the Company took delivery of approximately $168 million of Internet infrastructure equipment from Qwest and (ii) the Company agreed to install and maintain this equipment throughout the United States, principally to handle Internet service provider traffic on behalf of Qwest. The second services agreement commences in November 2000 and expires in July 2005. The Company entered into a financing transaction to fund the cost of this equipment in November 2000 (see Note 15).

Contracts with Qwest accounted for approximately 30% of the Company's total revenue during the nine months ended September 30, 2000. A significant portion of the Qwest business was generated from long term guaranteed revenue contracts. For the nine months ended September 30, 1999, no one customer accounted for more than 10% of revenue.

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11. INTEREST RATE SWAP AGREEMENTS

AMENDED AND RESTATED INTEREST RATE SWAP AGREEMENT

In April 2000, the Company entered into an amended and restated interest rate swap agreement (the "Amended Swap") with a commercial bank to reduce the impact of changes in interest rates on its outstanding variable rate debt. The Amended Swap effectively fixes the Company's interest rate on $325 million of outstanding variable rate borrowings under the Amended Senior Secured Credit Facility (see Note 6) through April 2003 after which time the Amended Swap is reduced to $225 million through January 2004 and then finally reduced to $100 million until termination of the Amended Swap in April 2005. The Company is exposed to credit loss in the event of nonperformance by the other party to the interest rate swap agreement. However, the Company does not anticipate nonperformance by the counterparty.

JUNE 2000 SWAP

In June 2000, the Company entered into an interest rate swap agreement (the "June 2000 Swap") with a commercial bank to reduce the impact of changes in interest rates on its outstanding variable rate debt. The June 2000 Swap effectively fixes the Company's interest rate on an additional $90 million of its long-term debt for a period of 5 years. The Company is exposed to credit loss in the event of nonperformance by the other party to the interest rate swap agreement. However, the Company does not anticipate nonperformance by the counterparty.

12. BELLSOUTH RECIPROCAL COMPENSATION SETTLEMENT

[illegible] reached a resolution of its claims for payment [illegible] charges, previously disputed by BellSouth [illegible]. BellSouth made a one-time payment that [illegible] through March 31, 2000. In addition, BellSouth and [illegible] rates for reciprocal compensation, setting new [illegible]. Under the terms of the agreement, the rates for [illegible] will be reduced, and will apply to all local traffic, [illegible] thereby eliminating the principal area of dispute [illegible] will be phased in over a three-year period [illegible] per minute of use in year 2000, $.00175 per [illegible] per minute of use for 2002.

[illegible]

[illegible]

[illegible] the Company issued 58,881 and 481,108 shares of Series [illegible] Convertible Preferred Stock (the "Series G [illegible] to Lucent Technologies, Dresdner Kleinwort [illegible], CIT Lending Services, Nassau Capital Partners [illegible] Chairman of the Board, for aggregate gross proceeds of [illegible] Stock has a liquidation preference of [illegible] an annual cumulative dividend equal to 7% of the [illegible]. Payment of the unpaid dividends is triggered by (i) an [illegible] which the Company receives aggregate gross proceeds [illegible] a merger, consolidation or sale of substantially [illegible]

[illegible] Preferred Stock is convertible into a number of [illegible] to the liquidation preference of each share divided [illegible] then in effect. Initially, the conversion price is [illegible] adjustable, subject to certain exceptions, upon [illegible] including (i) the issuance or sale of common

[illegible] per share less than the conversion price, (ii) the [illegible] to acquire common stock or convertible securities [illegible] than the conversion price and (iii) the issuance or [illegible] securities with a conversion or exchange price lower [illegible]. The Series G Preferred Stock will be automatically [illegible] (i) a Qualified Public Offering, defined as [illegible] registration statement in which the Company [illegible] of at least $80 million, provided that the per [illegible] shares are sold in such offering is not less than the [illegible] then in effect, or (ii) the election of holders of at [illegible] outstanding shares of Series G Preferred Stock.

[illegible] ranks senior to the common stock, Series A [illegible] and Series C Convertible Preferred Stock, on a [illegible] Redeemable, Exchangeable, PIK Preferred Stock [illegible] Redeemable, Exchangeable, PIK Preferred Stock. [illegible] are entitled to vote on all matters before the [illegible] with the common, on an as if converted basis.

[illegible] limitations and conditions, at the request of the [illegible] two-thirds of the Series G Preferred Stock, the Company may [illegible] Preferred Stock upon (i) a change of control [illegible] August 15, 2009.

[illegible] PREFERRED STOCK

[illegible], the Company repurchased and retired 2,965 shares of

Series F preferred stock at 110% of its liquidation preference plus accrued and unpaid dividends for approximately $3.3 million in accordance with the provisions of the certificate of designation applicable to the Series F preferred stock.

14. INITIAL PUBLIC OFFERING FILING

On September 19, 2000, the Company filed a Form S-1 registration statement with the Securities and Exchange Commission covering an initial public offering of the Company's common stock. As of the date hereof, the Form S-1 has not become effective and the Company's equity securities are not publicly traded.

15. SUBSEQUENT EVENTS

QWEST INTERNET INFRASTRUCTURE EQUIPMENT FINANCING

In November 2000, our subsidiary, KMC Telecom Funding Corporation, entered into an agreement with Dresdner Kleinwort Benson North American Leasing, Inc. to finance the $160 million of Internet infrastructure equipment purchased from Qwest in June 2000 (See Note 10). The Loan will be paid back over a term of 48 months at a rate of 200 basis points above LIBOR through October 15, 2001 and 400 basis points over LIBOR thereafter.

ITEM 2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This form 10-Q contains forward-looking statements. These statements reflect our current estimates, expectations and projections about our future results, performance, prospects and opportunities. In some cases, you can identify these statements by forward-looking words such as "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "should", "will", "would" and similar expressions. These forward-looking statements are based on all information currently available to us and subject to a number of risks, uncertainties and other factors that could cause our actual results, performance, prospects or opportunities to differ materially from these expressed in, or implied by, these forward-looking statements. These risks, uncertainties and other factors include matters related to:

- our operations and prospects,
- our expected financial position,
- our funding needs and financing sources,
- the possibility that changes in financial performance may affect our compliance with financial covenants under our amended senior secured credit facility,
- our network construction and development plans,
- the ability of tier iii markets to profitably support one or more competitive telecommunications companies,
- regulatory matters, and
- expected competitors in our markets.

All subsequent written and oral forward-looking statements by or attributable to us or persons acting on our behalf are expressly qualified in their entirety by these factors. Except as otherwise required to be disclosed in periodic reports required to be filed by public companies with the securities and exchange commission pursuant to the commission's rules, we have no duty to update these statements.

OVERVIEW

We are a rapidly growing fiber-based integrated communications provider offering data, voice and Internet infrastructure services. We offer these services to businesses, governments and institutional end-users, Internet service providers, long distance carriers and wireless service providers. Our business has two distinct components: serving communications-intensive customers in Tier III markets, and providing data services on a nationwide basis.

We provide a full suite of broadband communications services in 35 Tier III markets, which we define as markets with a population between 100,000 and 750,000. We own and operate robust fiber-based networks and Lucent switching equipment in all of our Tier III markets, which are predominantly located in the South, Southeast, Midwest and Mid-Atlantic United States. We will continue to expand in Tier III markets because we believe that these markets have attractive growth attributes and are typically less competitive than larger markets. Our customers in these markets include: AT&T, Boeing, City of Augusta, Columbia Hospital, NASA, Pillsbury, State of Wisconsin, Texas A&M University and Wal-Mart.

We also provide nationwide data services under long-term guaranteed revenue contracts with Qwest and Broadwing. Under these contracts, we provide local Internet access infrastructure and other enhanced data services. Currently, we have contracts representing approximately $250 million in annualized revenues in approximately 140 markets. We expect these markets to be

operational by the first half of 2001. The Internet infrastructure we are deploying includes technologically advanced platforms from Cisco and Nortel, which we believe will result in a cost-effective and technologically superior solution for our customers.

TIER III MARKETS. We have installed fiber-based SONET networks, or self-healing synchronous optical networks, using a Lucent 5ESS(R) switch in each of our 35 operational markets, and are currently constructing networks in two additional Tier III markets using a similar architecture. Our fiber optic networks are initially designed and built to reach approximately 80% of the business access lines in each of our markets, typically requiring a local fiber loop of about 30 to 40 miles.

As our switches have become operational, our operating margins have improved meaningfully. Our operating margins have also improved due to increased on-network revenues relative to resale revenues. On-network revenues are revenues earned from services provided on our network, including by direct connection to our switch, unbundled network element or dedicated circuit. Resale revenues are generated when traffic is carried completely on the incumbent local exchange carriers' facilities. Resale revenues have declined from approximately [illegible]% of our revenues during the first quarter of 1999 to approximately 4% of our total revenues during the third quarter of 2000.

NATIONWIDE DATA PLATFORM. We currently provide Internet access infrastructure for Qwest and Broadwing. We provide this service using remote access servers manufactured by Cisco and Nortel which we are deploying in our supernodes. Supernodes are concentration points for high-speed connectivity to the Internet. We will have 44 supernodes, including nine in our existing markets.

Under the terms of our existing guaranteed revenue contracts, we provide the routing and ancillary equipment for each supernode, as well as data transport service from the incumbent local exchange carrier to our supernode location. Our customers pay us a fixed price per port and compensate us for certain expenses, including space, power and transport, that we may incur above an agreed level. This structure provides highly predictable revenues and costs over the life of each contract, currently ranging from 51 to 57 months. One of these contracts began generating revenues during the third quarter of 2000. Revenues will continue to increase as the contracts are phased in through the second quarter of 2001. We expect these contracts to provide positive margins and cash flow beginning with the commencement of revenues in the third quarter of 2000.

We purchased approximately $134.4 million of equipment relating to these contracts during the first quarter of 2000. We sold this equipment to General Electric Credit Corporation and CIT Lending Services Corporation, and leased it back from them, during the second quarter of 2000. The term of this sale-leaseback, including renewal periods, matches the initial term of these data contracts. We purchased an additional $168.6 million of equipment relating to these contracts during the second quarter of 2000, and in November 2000 obtained financing for this balance from Dresdner Kleinwort Benson North American Leasing, Inc.

REVENUE. Our revenue is derived from the sale of local switched services, long distance services, Centrex-type services, private line services, special access services and Internet access infrastructure. Historically, a significant portion of our revenue has been derived from the resale of switched services. We have transitioned the majority of our customers on-network and as a result the portion of our revenue related to the resale of switched services has decreased to 7% of total revenue for the nine months ended September 30, 2000. We expect that the revenue recognized related to the nationwide data platform guaranteed revenue contracts will continue to increase through the first quarter of 2001 as we begin providing services under these contracts.

RECIPROCAL COMPENSATION. We recognized reciprocal compensation revenue of approximately $9.7 million, or 15.1% of our total revenue for 1999 and approximately $14.3 million or 11.1% of our total revenue for the nine months ended September 30, 2000. In May 2000, we reached a resolution of our claims for

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payment of certain reciprocal compensation charges, previously disputed by BellSouth Corporation (see Note 12 of the Notes to Unaudited Condensed Consolidated Financial Statements included in Item 1). Under the agreement, BellSouth made a one-time payment that resolved all amounts billed through March 31, 2000. In addition, we agreed with BellSouth on future rates for reciprocal compensation, setting new contractual terms for payment. Our prior agreement with BellSouth provided for a rate of $.009 per minute of use for reciprocal compensation. Under the terms of the new agreement, the rates for reciprocal compensation which will apply to all local traffic, including ISP-bound traffic, will decrease over time. The reduction will be phased in over a three-year period beginning with a rate of $.002 per minute of use in year 2000, $.00175 per minute of use in year 2001 and $.0015 per minute of use in year 2002.

We are currently pursuing resolution of this issue with other incumbent local exchange carriers. Our goal is to reach mutually acceptable terms for both outstanding and future reciprocal compensation amounts for all traffic. We cannot assure you that we will reach new agreements with these carriers on favorable terms.

As of September 30, 2000, we have provided reserves which we believe are sufficient to cover any amounts which may not be collected, but we cannot assure you that this will be the case. Our management will continue to consider the circumstances surrounding this dispute periodically in determining whether additional reserves against unpaid balances are warranted.

OPERATING EXPENSES. Our principal operating expenses consist of network operating costs, selling, general and administrative expenses, stock option compensation expense and depreciation and amortization. Network operating costs include charges for termination and unbundled network element charges; charges from incumbent local exchange carriers for resale services; charges from long distance carriers for resale of long distance services; salaries and benefits associated with network operations, billing and information services and customer care personnel; franchise fees and other costs. Network operating costs also include a percentage of both our intrastate and interstate revenues which we pay as universal service fund charges. National data platform operating expenses include space, power, transport, maintenance, staffing, sales, general and administrative and rental expenses under our operating lease agreement. Certain of these costs are passed through to the carrier customer, which allows us to limit our maintenance and servicing costs to a predetermined level, and to receive offsetting revenues for any costs in excess of that level. Selling, general and administrative expenses consist of sales personnel and support costs corporate and finance personnel and support costs and legal and accounting expenses. Depreciation and amortization includes charges related to plant, property and equipment and amortization of intangible assets, including franchise acquisition costs. Depreciation and amortization expense will increase as we place additional networks into service or expand existing networks.

INTEREST EXPENSE. Interest expense includes interest charges on our senior notes, senior discount notes and our senior secured credit facilities. Interest expense also includes amortization of deferred financing costs.

RESULTS OF OPERATIONS

As a result of the development and rapid growth of the Company's business during the periods presented, the period-to-period comparisons of the Company's results of operations are not necessarily meaningful and should not be relied upon as an indication of future performance.

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THREE MONTHS ENDED SEPTEMBER 30, 2000 COMPARED TO
THREE MONTHS ENDED SEPTEMBER 30, 1999

REVENUE. Revenue increased 290% from $15.6 million for the three months ended September 30, 1999 (the "1999 Third Quarter") to $60.9 million for the three months ended September 30, 2000 (the "2000 Third Quarter"). This increase is attributable to our Tier III business deriving revenues from 35 markets during the 2000 Third Quarter compared to 23 markets during the 1999 Third Quarter, as well as to the fact that our data services business began to generate revenues for the first time in the 2000 Third Quarter.

On-network local switched services, long distance services, Centrex-type services, private line services, special access services and Internet access infrastructure revenues ("On-network revenues") represented 96% of total revenue in the 2000 Third Quarter, compared to 69% of total revenue in the 1999 Third Quarter; while revenue derived from the resale of switched services ("Resale revenue") represented 4% and 31% of total revenue, respectively, during those periods. On-network revenues are revenues earned from services provided on our network, including by direct connection to our switch, unbundled network element or dedicated circuit. In addition, we recognized reciprocal compensation revenue of $4.0 million, or 7% of our total revenues during the 2000 Third Quarter.

NETWORK OPERATING COSTS. Network operating costs, excluding non-cash stock compensation expense, increased 99% from $23.6 million for the 1999 Third Quarter to $46.9 million for the 2000 Third Quarter. This increase of approximately $23.3 million was due primarily to the increase in the number of markets in which we operated in the 2000 Third Quarter as compared to the 1999 Third Quarter and that we began making operating lease payments in the 2000 Third Quarter related to the equipment utilized in the data services business. The detailed components of this increase are $12.6 million in direct costs associated with providing on-network services, resale services, leasing unbundled network element services and operating lease payments, $3.9 million in personnel costs, $3.1 million in consulting and professional services costs, $2.4 million in network support services, $600,000 in telecommunications costs, and $700,000 in other direct operating costs.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses, excluding non-cash stock compensation expense, increased [illegible]% from $22.5 million for the 1999 Third Quarter to $41.1 million in the 2000 Third Quarter. This increase of approximately $18.6 million is due primarily to the increase in the number of markets in which we operated in the 2000 Third Quarter as compared to the 1999 Third Quarter. The detailed components of this increase are $8.3 million in personnel costs, $3.9 million in consulting and professional services costs, $1.8 million in facility costs, $[illegible] in telecommunications costs, $600,000 in travel related costs, as well as increases in other marketing and general and administrative costs aggregating approximately $3.2 million.

STOCK OPTION COMPENSATION EXPENSE. Stock option compensation expense, a non-cash charge, increased from an aggregate of negative $7.0 million in the 1999 Third Quarter to an aggregate of $6.9 million for the 2000 Third Quarter. This increase is due primarily to a more stable estimated fair value of the Company's common stock in the 2000 Third Quarter compared to the 1999 Third Quarter when the estimated fair value of the Company's common stock had decreased.

DEPRECIATION AND AMORTIZATION. Depreciation and amortization expense increased [illegible]% from $7.6 million for the 1999 Third Quarter to $20.4 million for the 2000 Third Quarter. This increase is due primarily to depreciation expense associated with the greater number of networks in commercial operation during the 2000 Third Quarter.

INTEREST INCOME. Interest income decreased 5% from $4.0 million in the 1999 Third Quarter to $3.8 million in the 2000 Third Quarter. The decrease is

due primarily to larger average cash, cash equivalent and restricted cash balances during the 1999 Third Quarter as compared to the 2000 Third Quarter.

INTEREST EXPENSE. Interest expense increased 66% from $21.8 million in the 1999 Third Quarter to $36.1 million in the 2000 Third Quarter. Of this increase, $13.1 million is attributable to higher borrowings under the Amended Senior Secured Credit Facility and $1.2 million is due to the additional accretion on the Senior Discount Notes. We capitalized interest of $2.2 million related to network construction projects during the 1999 Third Quarter and $4.2 million during the 2000 Third Quarter.

NET LOSS BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE. For the reasons stated above, net loss before cumulative effect of change in accounting principle increased from $49.0 million for the 1999 Third Quarter to $[illegible].7 million for the 2000 Third Quarter.

NINE MONTHS ENDED SEPTEMBER 30, 2000 COMPARED TO
NINE MONTHS ENDED SEPTEMBER 30, 1999

REVENUE. Revenue increased 205% from $42.3 million for the nine months ended September 30, 1999 (the "1999 Nine Months") to $129.0 million for the nine months ended September 30, 2000 (the "2000 Nine Months"). This increase is attributable to the fact that our Tier III business derived revenues from 35 markets during the 2000 Nine Months compared to 23 markets during the 1999 Nine Months as well to the fact that our data services business began to generate revenues for the first time in the 2000 Third Quarter.

On-network local switched services, long distance services, Centrex-type services, private line services, special access services and Internet access infrastructure revenues ("On-network revenues") represented 93% of total revenue in the 2000 Nine Months, compared to 60% of total revenue in the 1999 Nine Months; while revenue derived from the resale of switched services ("Resale revenue") represented 7% and 40% of total revenue, respectively, during those periods. On-network revenues include revenues derived from services provided through direct connections to our own networks, services provided by means of unbundled network elements leased from the incumbent local exchange carrier and services provided by dedicated circuit. In addition, we recognized reciprocal compensation revenue of approximately $14.3 million or 11.1% of our total revenue for the nine months ended September 30, 2000.

NETWORK OPERATING COSTS. Network operating costs, excluding non-cash stock compensation expense, increased 100% from $56.2 million for the 1999 Nine Months to $112.2 million for the 2000 Nine Months. This increase of approximately $56.0 million was due primarily to the increase in the number of markets in which we operated in the 2000 Nine Months as compared to the 1999 Nine Months and to the fact that we first began to make operating lease payments in the 2000 Third Quarter related to the equipment utilized in the data services business. The detailed components of this increase are $24.8 million in direct costs associated with providing on-network services, resale services, leasing unbundled network element services and operating lease payments, $15.3 million in personnel costs, $7.0 million in network support services, $4.6 million in consulting and professional services costs, $2.1 million in telecommunications costs and $2.2 million in other direct operating costs.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses, excluding non-cash stock compensation expense, increased 98% from $60.7 million for the 1999 Nine Months to $120.1 million in the 2000 Nine Months. This increase of approximately $59.4 million is due primarily to the increase in the number of markets in which we operated in the 2000 Nine Months as compared to the 1999 Nine Months. The detailed components of this increase are $30.5 million in personnel costs, $5.1 million in consulting and professional services, $4.1 million in facility costs, $2.5 million in telecommunications costs, $2.2 million in travel related costs, as well as increases in other marketing and general and administrative costs aggregating approximately $15.0 million.

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STOCK OPTION COMPENSATION EXPENSE. Stock option compensation expense, a non-cash charge, in aggregate increased 124% from $13.2 million in the 1999 Nine Months to $29.6 million for the 2000 Nine Months. This increase is due primarily to an increase in the estimated fair value of the Company's Common Stock, as well as the grant of additional option awards, in the 2000 Nine Months, as compared to the 1999 Nine Months.

DEPRECIATION AND AMORTIZATION. Depreciation and amortization expense increased 168% from $19.2 million for the 1999 Nine Months to $51.5 million for the 2000 Nine Months. This increase is due primarily to depreciation expense associated with the greater number of networks in commercial operation during the 2000 Nine Months.

OTHER EXPENSE. During the 1999 Second Quarter, the Company recorded a $4.3 million charge to other expense in connection with an unfavorable arbitration award. The net amount due under the terms of the award was paid in full in June 1999.

INTEREST INCOME. Interest income increased 19% from $7.0 million in the 1999 Nine Months to $8.3 million in the 2000 Nine Months. The increase is due primarily to larger average cash, cash equivalent and restricted cash balances during the 2000 Nine Months as compared to the 1999 Nine Months as well as receiving interest at a higher average rate.

INTEREST EXPENSE. Interest expense increased 98% from $47.8 million in the 1999 Nine Months to $94.5 million in the 2000 Nine Months. Of this increase $27.4 million is attributable to higher borrowings under the Amended Senior Secured Credit Facility, $14.9 million is related to the issuance of $275 million of 13 1/2 % Senior Notes in May 1999 and $4.4 million is due to the additional accretion on the Senior Discount Notes. We capitalized interest of $3.5 million related to network construction projects during the 1999 Nine Months and $10.1 million during the 2000 Nine Months.

NET LOSS BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE. For the reasons stated above, net loss before cumulative effect of change in accounting principle increased from $152.2 million for the 1999 Nine Months to [illegible] million for the 2000 Nine Months.

LIQUIDITY AND CAPITAL RESOURCES

We have incurred significant operating and net losses as a result of the development and operation of our networks. We expect that such losses will continue as we emphasize the development, construction and expansion of our networks and build our customer base. As a result, we do not expect there to be any cash provided by operations in the near future. We will also need to fund the expansion of our existing networks and the building of new networks as well as to fund our capital expenditures related to our nationwide data platform business. To date, we have financed our operating losses and capital expenditures with equity invested by our founders, preferred stock placements, credit facility borrowings, operating leases and the 12 1/2% Senior Discount Notes and the 13 1/2% Senior Notes.

During the first quarter of 2000, we amended, restated and combined our prior Senior Secured Credit Facility and our prior Lucent Facility in a single $700.0 million facility (See Note 6 of the Notes to Unaudited Condensed Consolidated Financial Statements). Under the amended senior secured credit facility, our subsidiaries which own our 35 existing networks and the 2 Tier III networks which are to be completed during 2000 are permitted to borrow up to an aggregate of $700.0 million, subject to certain conditions, for the purchase of fiber optic cable, switches and other telecommunications equipment and, once certain financial conditions are met, for working capital and other general corporate purposes.

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During the quarter ended June 30, 2000, our subsidiary, KMC Telecom IV, Inc., closed a new senior secured term loan (the "Telecom IV Senior Secured Term Loan") from Lucent Technologies Inc. Proceeds from this loan can be used to purchase or install Lucent products. The loan is initially capped at $35.0 million of principal borrowings (plus accrued interest) until certain conditions are met that allow for additional borrowings up to a ceiling of $50.0 million (plus accrued interest). This loan will be used to purchase equipment for future expansion.

In July 2000, we issued shares of Series G Convertible Preferred Stock to Lucent Technologies, Dresdner Kleinwort Benson Private Equity Partners, CIT Lending Services, Nassau Capital Partners and Harold N. Kamine, our Chairman, for aggregate gross proceeds of $182.5 million (See Note 13 of the Notes to Unaudited Condensed Consolidated Financial Statements). The Series G Convertible Preferred Stock has an aggregate liquidation preference of $182.5 million and an annual cumulative dividend equal to 7% of the liquidation preference. Payment of the unpaid dividends is triggered by an initial public offering in which we receive aggregate gross proceeds of at least $80.0 million or a merger, consolidation or sale of substantially all of our assets. In such event, we may elect to pay these dividends with additional shares of our common stock.

As of November 8, 2000, we had $581.3 million and $34.8 million of indebtedness outstanding under the amended senior secured credit facility and the Telecom IV senior secured term loan, respectively. Subject to certain conditions, as of November 8, 2000, we had an additional $118.7 million and $200,000 in borrowing capacity available under these facilities, respectively. The amended senior secured credit facility contains a number of affirmative and negative covenants, one of which requires us to make additional cash capital contributions to our subsidiaries which are the borrowers thereunder of at least [illegible] million prior to August 31, 2001. The original covenant required $185.0 million in cash capital contributions by April 1, 2001. However, because we contributed [illegible] million of the proceeds of our Series G private equity financing toward fulfilling this requirement, the lenders amended this covenant by extending the due date on the remaining $35.0 million of cash capital contributions to August 31, 2001. Because the entire $185.0 million cash capital contribution was not made by July 31, 2000, however, the applicable interest rate associated with the facility has increased by 100 basis points until the remaining $35.0 million amount is contributed.

Net cash provided by financing activities from borrowings was $550.6 million and our net cash used in operating and investing activities was $508.0 million for the 2000 Nine Months.

We made capital expenditures of $218.5 million in the 1999 Nine Months versus $254.5 million in the 2000 Nine Months. As of September 30, 2000 we had outstanding purchase commitments aggregating approximately $96.5 million related to the purchase of fiber optic cable and telecommunication equipment under our agreements with certain suppliers and service providers. Continued significant capital expenditures are expected to be made during the remainder of 2000 and thereafter. The majority of these expenditures are expected to be made for network construction and the purchase of switches and related equipment to facilitate the offering of our services. We expect to continue to incur operating losses while we expand our business and build our customer base. Actual capital expenditures and operating losses will depend on numerous factors, including the nature of future expansion and acquisition opportunities and factors beyond our control, including economic conditions, competition, regulatory developments and the availability of capital.

In addition to the capital expenditures above, we took delivery of approximately $134.4 million and $168.6 million of Internet infrastructure equipment in March and June 2000, respectively, in association with entering into agreements with Qwest Communications Corporation (see Note 10 of the Notes to Unaudited Condensed Consolidated Financial Statements). We entered into a lease financing transaction in the 2000 Second Quarter to fund the cost of the $134.4 million of equipment purchased in March 2000 and in November 2000 we

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entered into a financing transaction to fund the cost of the $168.6 million of equipment purchased in June 2000.

We believe that our cash and borrowings available under the amended senior secured credit facility will be sufficient to meet our liquidity needs through the completion of our remaining two networks currently planned for completion during 2000, as well as operating losses and capital expenditure requirements for all of our 37 Tier III markets and other existing commitments into the second quarter of 2001. However, our liquidity and financial position will continue to be impacted by our financial performance.

In addition, in the event that our plans change, the assumptions upon which our plans are based prove inaccurate, we expand or accelerate our business plan or we determine to consummate acquisitions, the foregoing sources of funds may prove insufficient and we may be required to seek additional financing sooner than we currently expect. Additional sources of financing may include public or private equity or debt financings, leases and other financing arrangements. We can give no assurance that additional financing will be available to us or, if available, that it can be obtained on a timely basis and on acceptable terms.

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ITEM 3 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risks relating to our operations result primarily from changes in interest rates. A substantial portion of our long-term debt bears interest at a fixed rate. However, the fair market value of the fixed rate debt is sensitive to changes in interest rates. We are subject to the risk that market interest rates will decline and the interest expense due under the fixed rate debt will exceed the amounts due based on current market rates. We have entered into two interest rate swap agreements with commercial banks to reduce the impact of changes in interest rates on a portion of our outstanding variable rate debt. The agreements effectively fix the interest rate on $415.0 million of our outstanding variable rate borrowings under the amended senior secured credit facility due 2007. A $325 million interest rate swap agreement entered into in April 2000 terminates in April 2004 and a $90 million interest rate swap agreement entered into in June 2000 terminates in June 2005. For other information regarding the swap agreements, see Note 11 of the Notes to Unaudited Condensed Consolidated Financial Statements contained in Item 1.

The following table provides information about our significant financial instruments that are sensitive to changes in interest rates (in millions).

	Fair Value on September 30, 2000	Future Principal Payments 2000	2001	2002	2003	2004	Thereafter	Total
Long Term Debt								
Fixed Rate								
Senior Discount Notes, interest payable at 12 1/2%, maturing 2008	$180.0	$ -	$ -	$ -	$	$	$329.9	$329.9
Senior Notes, interest payable at 13 1/2%, maturing 2009	241.6	-	-	-	-	-	275.0	275.0
Variable Rate								
Amended Senior Secured Credit Facility, interest variable (11.87% at September 30, 2000) (a)	581.3	-	-	.6	51.2	93.5	436.0	581.3
Tranche IV Senior Secured Term Loan, interest variable (11.[illegible]% at September 30, 2000) (a)	34.8		-	-	3.5	3.5	27.8	34.8
Interest rate swaps								
Variable rate for fixed rate	2.6)	-	-	-	-	-	-	-
Total	$1,037.1	$	$ -	$.6	$ 54.7	$97.0	$1,068.7	$1,221.0

(a) Interest is based on a variable rate, which at our option, is determined by either a base rate or LIBOR, plus, in each case, a specified margin.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

Not Applicable.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS.

(a) Applicable.

(b) Not Applicable.

(c) On July 12, 2000, one entity exercised stock options to purchase 7,500 shares of common stock previously granted to that entity under the 1998 Stock Purchase and Option Plan for Key Employees of KMC Telecom Holdings, Inc. and Affiliates for aggregate gross proceeds of $562,500. The sale was made in reliance on the exemption from registration provided by Section 4(2) of the Securities Act, on the basis that the transaction did not involve a public offering. A Stockholder's Agreement executed by the entity contains representations as to its investment intent and imposes substantial restrictions upon transfer of the securities.

On September 8, 2000, the Company granted options to purchase an aggregate of 18,200 shares of common stock to its employees and employees of certain of its affiliates under the 1998 Stock Purchase and Option Plan for Key Employees of KMC Telecom Holdings, Inc. and Affiliates. No consideration was received by the Company for the issuance of the options. Options to purchase 6,000 shares are exercisable at an exercise price of $250 per share and options to purchase 12,200 shares are exercisable at an exercise price of $300 per share. The issuance of the options was made in reliance upon the exemption from the registration requirements of the Securities Act provided by Section 4(2) of that Act, on the basis that the transaction did not involve a public offering.

(d) Not Applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

Not Applicable.

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

(a)(i) Written consents of the holders of the Company's Common Stock, Series A Cumulative Convertible Preferred Stock and Series C Cumulative Convertible Preferred Stock, voting as a single class, dated as of July 5, 2000, were executed by such holders in lieu of a Special Meeting of such holders.

(a)(ii) Written consents of the holders of the Company's Series A Cumulative Convertible Preferred Stock, voting as a class, dated as of July 7, 2000, were executed by such holders in lieu of a Special Meeting of such holders.

(a)(iii) Written consents of the holders of the Company's Series C Cumulative Convertible Preferred Stock, voting as a class, dated as of July 5, 2000, were executed by such holders in lieu of a Special Meeting of such holders.

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(a)(iv) Written consents of the holders of the Company's Series E Senior Redeemable, Exchangeable, PIK Preferred Stock, voting as a class, dated as of July 5, 2000, were executed by such holders in lieu of a Special Meeting of such holders.

(a)(v) Written consents of the holders of the Company's Series F Senior Redeemable, Exchangeable, PIK Preferred Stock, voting as a class, dated as of July 6, 2000, were executed by such holders in lieu of a Special Meeting of such holders.

(b) Not Applicable.

(c)(i) By written consent, the holders of the Company's Common Stock, Series A Cumulative Convertible Preferred Stock and Series C Cumulative Convertible Preferred Stock, voting as a single class, approved and adopted amendments to the Company's Amended and Restated Certificate of Incorporation (A) to effect an increase in the aggregate number of authorized shares of the Company's capital stock from 4,128,800 to 7,950,000 shares, composed of an increase in the aggregate number of authorized shares of the Company's common stock from 3,000,000 to 4,250,000 and an increase in the aggregate number of authorized shares of the Company's preferred stock from 1,128,800 to 3,700,000, and (B) to delete Articles Eighth and Ninth from the Amended and Restated Certificate of Incorporation. Out of the 1,152,574.9 shares of Common Stock, Series A Cumulative Convertible Preferred Stock and Series C Cumulative Convertible Preferred Stock issued and outstanding, consents were obtained from the holders of 1,107,372 shares.

(c)(ii) By unanimous written consent, the holders of the Company's Series A Cumulative Convertible Preferred Stock, voting as a class, approved (A) a Certificate of Amendment to the Certificate of the Powers, Designations, Preferences and Rights of the Series A Cumulative Convertible Preferred Stock, par value $.01 per share, as required by the Certificate of Designations governing the rights of the holders of the Series A Cumulative Convertible Preferred Stock, (B) a Certificate of the Powers, Designations, Preferences and Rights of the Series G-1 Voting Convertible Preferred Stock and the Series G-2 Non-Voting Convertible Preferred Stock and the issuance of up to an aggregate of 1,250,000 shares of Series G-1 Preferred Stock and Series G-2 Preferred Stock, and (C) the amendments to the Company's Amended and Restated Certificate of Incorporation (x) to effect an increase in the aggregate number of authorized shares of the Company's capital stock from 4,128,800 to 7,950,000 shares, composed of an increase in the aggregate number of authorized shares of the Company's common stock from 3,000,000 to 4,250,000 and an increase in the aggregate number of authorized shares of the Company's preferred stock from 1,128,800 to 3,700,000, and (y) to delete Articles Eighth and Ninth from the Amended and Restated Certificate of Incorporation.

(c)(iii) By unanimous written consent, the holders of the Company's Series C Cumulative Convertible Preferred Stock, voting as a class, approved (A) a Certificate of Amendment to the Certificate of the Powers, Designations, Preferences and Rights of the Series C Cumulative Convertible Preferred Stock, par value $.01 per share, as required by the Certificate of Designations governing the rights of the holders of the Series C Cumulative Convertible Preferred Stock, (B) a Certificate of the Powers, Designations, Preferences and Rights of the Series G-1 Voting Convertible Preferred Stock and the Series G-2 Non-Voting Convertible Preferred Stock and the issuance of up to an aggregate of 1,250,000 shares of Series G-1 Preferred Stock and Series G-2 Preferred Stock, and (C) the amendments to the Company's Amended and Restated Certificate of Incorporation (x) to effect an increase in the aggregate number of authorized shares of the Company's capital stock from 4,128,800 to 7,950,000 shares, composed of an increase in the aggregate number of authorized shares of the Company's common stock from 3,000,000 to 4,250,000 and an increase in the aggregate number of authorized shares of the Company's preferred stock from 1,128,800 to 3,700,000, and (y) to delete Articles Eighth and Ninth from the Amended and Restated Certificate of Incorporation.

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(c)(iv) By written consent, the holders of the Company's Series E Senior Redeemable, Exchangeable, PIK Preferred Stock, voting as a class, approved (A) a Certificate of Amendment to the Certificate of the Powers, Designations, Preferences and Rights of the Series E Senior Redeemable, Exchangeable, PIK Preferred Stock, par value $.01 per share, as required by the Certificate of Designations governing the rights of the holders of the Series E Senior Redeemable, Exchangeable, PIK Preferred Stock, (B) a Certificate of the Powers, Designations, Preferences and Rights of the Series G-1 Voting Convertible Preferred Stock and the Series G-2 Non-Voting Convertible Preferred Stock and the issuance of up to an aggregate of 1,250,000 shares of Series G-1 Preferred Stock and Series G-2 Preferred Stock, and (C) the amendments to the Company's Amended and Restated Certificate of Incorporation (x) to effect an increase in the aggregate number of authorized shares of the Company's capital stock from 4,128,800 to 7,950,000 shares, composed of an increase in the aggregate number of authorized shares of the Company's common stock from 3,000,000 to 4,250,000 and an increase in the aggregate number of authorized shares of the Company's preferred stock from 1,128,800 to 3,700,000, and (y) to delete Articles Eighth and Ninth from the Amended and Restated Certificate of Incorporation. Out of the 69,815.46 shares of Series E Senior Redeemable, Exchangeable, PIK Preferred Stock issued and outstanding, consents were obtained from the holders of 63,980.32 shares.

(c)(4) By unanimous written consent, the holders of the Company's Series F Senior Redeemable, Exchangeable, PIK Preferred Stock, voting as a class, approved (A) a Certificate of Amendment to the Certificate of the Powers, Designations, Preferences and Rights of the Series F Senior Redeemable, Exchangeable, PIK Preferred Stock, par value $.01 per share, as required by the Certificate of Designations governing the rights of the holders of the Series F Senior Redeemable, Exchangeable, PIK Preferred Stock, (B) a Certificate of the Powers, Designations, Preferences and Rights of the Series G-1 Voting Convertible Preferred Stock and the Series G-2 Non-Voting Convertible Preferred Stock and the issuance of up to an aggregate of 1,250,000 shares of Series G-1 Preferred Stock and Series G-2 Preferred Stock, and (C) the amendments to the Company's Amended and Restated Certificate of Incorporation (x) to effect an increase in the aggregate number of authorized shares of the Company's capital stock from 4,128,800 to 7,950,000 shares, composed of an increase in the aggregate number of authorized shares of the Company's common stock from 3,000,000 to 4,250,000 and an increase in the aggregate number of authorized shares of the Company's preferred stock from 1,128,800 to 3,700,000, and (y) to delete Articles Eighth and Ninth from the Amended and Restated Certificate of Incorporation.

(d) Not Applicable.

ITEM 5 OTHER INFORMATION.

Not Applicable.

ITEM 6 EXHIBITS AND REPORTS ON FORM 8-K.

(a) EXHIBITS

3.1 Certificate of Amendment of the Amended and Restated Certificate of Incorporation of KMC Telecom Holdings, Inc. dated July 7, 2000 (incorporated herein by reference to Exhibit 3.5 to KMC Telecom Holdings, Inc.'s Registration Statement on Form S-1 filed on September 19, 2000 (hereinafter referred to as the "KMC Holdings' S-1")).

3.2 Certificate of Amendment to the Certificate of the Powers, Designations, Preferences and Rights of the Series A Cumulative

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Convertible Preferred Stock, Par Value $.01 Per Share, dated July 7, 2000 (incorporated herein by reference to Exhibit 3.10 to KMC Holdings' S-1).

3.3 Certificate of Amendment to the Certificate of the Powers, Designations, Preferences and Rights of the Series C Cumulative Convertible Preferred Stock, Par Value $.01 Per Share, dated July 7, 2000 (incorporated herein by reference to Exhibit 3.14 to KMC Holdings' S-1).

3.4 Certificate of Amendment to the Certificate of Voting Powers, Designations, Preferences and Relative Participating, Optional or Other Special Rights and Qualifications, Limitations and Restrictions Thereof of the Series E Senior Redeemable, Exchangeable, PIK Preferred Stock, dated July 7, 2000 (incorporated herein by reference to Exhibit 3.20 to KMC Holdings' S-1).

3.5 Certificate of Amendment to the Certificate of Voting Powers, Designations, Preferences and Relative Participating, Optional or Other Special Rights and Qualifications, Limitations and Restrictions Thereof of the Series F Senior Redeemable, Exchangeable PIK Preferred Stock, dated July 7, 2000 (incorporated herein by reference to Exhibit 3.24 to KMC Holdings' S-1).

3.6 Amendment No. 1 to the Amended and Restated By-Laws of KMC Telecom Holdings, Inc., amended as of July 5, 2000 (incorporated herein by reference to Exhibit 3.27 to KMC Holdings' S-1).

27 Financial Data Schedule.

(b) REPORTS ON FORM 8-K

(b)(1)A report on Form 8-K was filed by the Registrant on July 14, 2000 pursuant to Item 5 thereof reporting certain information with respect to the issuance of Series G Convertible Preferred Stock. Such information was disclosed in a Press Release, dated July 12, 2000, filed as an exhibit to such report

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: November 14, 2000

KMC TELECOM HOLDINGS, INC.
(Registrant)

By: /S/ WILLIAM F. LENAHAN

William F. Lenahan
Chief Executive Officer
(Principal Executive Officer)

By: /S/ WILLIAM H. STEWART

William H. Stewart
Chief Financial Officer
(Principal Financial Officer)

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EXHIBIT INDEX

NO. DESCRIPTION

3.1 Certificate of Amendment of the Amended and Restated Certificate of Incorporation of KMC Telecom Holdings, Inc. dated July 7, 2000 (incorporated herein by reference to Exhibit 3.5 to KMC Telecom Holdings, Inc.'s Registration Statement on Form S-1 filed on September 19, 2000 (hereinafter referred to as the "KMC Holdings' S-1")).

3.2 Certificate of Amendment to the Certificate of the Powers, Designations, Preferences and Rights of the Series A Cumulative Convertible Preferred Stock, Par Value $.01 Per

Share, dated July 7, 2000 (incorporated herein by reference to Exhibit 3.10 to KMC Holdings' S-1).

3.3 Certificate of Amendment to the Certificate of the Powers, Designations, Preferences and Rights of the Series C Cumulative Convertible Preferred Stock, Par Value $.01 Per Share, dated July 7, 2000 (incorporated herein by reference to Exhibit 3.14 to KMC Holdings' S-1).

3.4 Certificate of Amendment to the Certificate of Voting Powers, Designations, Preferences and Relative Participating, Optional or Other Special Rights and Qualifications, Limitations and Restrictions Thereof of the Series E Senior Redeemable, Exchangeable, PIK Preferred Stock, dated July 7, 2000 (incorporated herein by reference to Exhibit 3.20 to KMC Holdings' S-1).

3.5 Certificate of Amendment to the Certificate of Voting Powers, Designations, Preferences and Relative Participating, Optional or Other Special Rights and Qualifications, Limitations and Restrictions Thereof of the Series F Senior Redeemable, Exchangeable, PIK Preferred Stock, dated July 7, 2000 (incorporated herein by reference to Exhibit 3.24 to KMC Holdings' S-1).

3.6 Amendment No. 1 to the Amended and Restated By-Laws of KMC Telecom Holdings, Inc., amended as of July 5, 2000 (incorporated herein by reference to Exhibit 3.27 to KMC Holdings' S-1).

27 Financial Data Schedule.

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EX-27 OTHERDOC
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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE BALANCE SHEET OF KMC TELECOM HOLDINGS, INC. AS OF SEPTEMBER 30, 2000 AND THE RELATED STATEMENT OF OPERATIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2000, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

9-MOS
Dec-31-2000
Jan-1-2000
Sep-30-2000
128,520,000
0
56,398,000
(7,665,000)
0
391,243,000

930,760,000
(87,899,000)
1,363,780,000
344,691,000
604,933,000
513,196,000
0
6,000
(715,167,000)
1,363,780,000
0
129,025,000
0
112,234,000
201,213,000
0
94,473,000
(270,605,000)
0
(270,605,000)
0
0
(1,705,000)
(272,310,000)
(402.51)
(402.51)

EXHIBIT H

KMC AFFILIATE CERTIFICATIONS

KMC Entity	Authority Granted	Authority Pending
KMC Telecom Inc.	Alabama, Florida, Georgia, Louisiana, North Carolina, Texas, Wisconsin.	N/A
KMC Telecom II Inc.	Florida, Illinois, Indiana, Kansas, Michigan, Minnesota, New Hampshire, North Carolina, Texas.	N/A
KMC Telecom III, Inc.	Alabama, Arkansas, Florida, Indiana, Iowa, Louisiana, Maryland, Michigan, Mississippi, Missouri, New Jersey, North Carolina, Ohio, South Carolina, Tennessee, Texas, West Virginia.	N/A
KMC Telecom IV, Inc.	Alabama, Georgia (IXC), Kansas, Kentucky, Mississippi, Nebraska, Nevada, Oklahoma, Texas.	Georgia (CLEC)
KMC Telecom V, Inc.	Alabama, Arkansas, California, Delaware, Florida, Illinois, Indiana, Iowa, Kentucky, Louisiana, Massachusetts, Michigan, Mississippi, Missouri, Montana, Nebraska, Nevada, New Hampshire (IXC), New Jersey, New York, North Carolina, Oklahoma, Pennsylvania, Rhode Island, Texas, Washington, D.C., West Virginia, Wisconsin.	Arizona, Connecticut, Georgia, Idaho, Maine, Maryland, New Hampshire (CLEC), Ohio
KMV Telecom of Virginia, Inc.	Virginia	N/A
KMC Telecom IV of Virgina, Inc.	Virginia	N/A
KMC Telecom V of Virginia, Inc.	Virginia	N/A

EXHIBIT I

FACT SHEET OF KMC TELECOM HOLDINGS, INC.

FACT SHEET OF KMC TELECOM HOLDINGS, INC.

KMC Telecom, Inc.

www.kmctelecom.com

Creative Solutions With a Hometown Touch ™

Fact Sheet

BACKGROUND

The initial predecessors of KMC Telecom Holdings, Inc., were founded in 1994 and 1995, respectively, by Harold N. Kamine, the Company's Chairman of the Board. These predecessors were merged in 1996 and renamed KMC Telecom Inc. KMC Telecom Holdings, Inc., was formed during 1997 primarily to own, directly or indirectly, all of the shares of its operating subsidiaries, KMC Telecom Inc., KMC Telecom II, Inc., KMC Telecom III, Inc., KMC Telecom IV, Inc., KMC Telecom V, Inc., and KMC Telecom of Virginia, Inc. The principal equity investors in the Company currently include Mr. Kamine, Nassau Capital Partners, L.P., Newcourt Capital, Inc., CoreStates Holdings, Inc. (an affiliate of First Union National Bank), General Electric Capital Corporation and Lucent Technologies, Inc.

COMPANY OVERVIEW

The Company is a facilities-based competitive local exchange carrier providing telecommunications and data services in Tier III Markets (population from 100,000 to 750,000). The markets in which we operate are predominately located in the Southeastern and Midwestern United States. We target business, government and institutional end-users, as well as Internet service providers, long distance carriers and wireless providers. Our objective is to provide our customers with a complete solution for their communications needs. We currently provide on-net local dial tone, special access, private line, Internet access, ISDN and a variety of other advanced services and features.

We are a facilities-based competitive local exchange carrier providing telecommunications and data services in Tier III markets (markets with a population from 100,000 to 750,000). A facilities-based competitive local exchange carrier is one which operates its own network, including switching equipment and transmission lines, rather than one which intends to primarily resell the services of other carriers. We target as customers business, government and institutional end-users, as well as Internet service providers, long distance carriers and wireless service providers. Our objective is to provide our customers with a complete solution for their communications needs. We currently provide on-net local dial tone, Internet access infrastructure, ISDN (or integrated services digital network), long distance, special access, private line and a variety of other advanced services and features.

We currently operate in 34 Tier III markets and have systems under construction in 3 additional Tier III markets. We expect these new systems to be commercially operational by the end of the first half of 2000. During 2000 we will continue to investigate new Tier III markets. We construct robust fiber optic networks in each of our markets, which we believe allows us to ensure high quality of service, facilitate the delivery of value-added and data services, and effectively control our costs. We currently have Lucent Technologies Series 5ESS(R)-type switches in commercial operation in all of our operational markets and intend to install Lucent switches in any future networks which we may build.

BUSINESS STRATEGY

We intend to become the dominant competitive provider of telephony and data services in the markets that we serve. The principal elements of our business strategy include:

FOCUS ON TIER III MARKETS. We intend to operate in Tier III Markets. We believe that incumbent local exchange carriers tend to focus their efforts on larger markets and generally underserve and underinvest in Tier III Markets. We also believe that there is generally significantly less competition from other facilities-based competitive local exchange carriers in Tier III Markets, which allows us to gain market share more rapidly than we could expect to in Tier I and Tier II Markets. In addition, network construction is less expensive in Tier III Markets than in Tier I and Tier II Markets. We target markets which we believe offer attractive demographic, economic, competitive and demand characteristics. We select target markets from among the approximately 250 Tier III Markets in the United States by first identifying those markets that do not yet have significant, established competitors to the existing incumbent local exchange carrier, and by then reviewing the specific demographic, economic, competitive and telecommunications demand characteristics of such markets to determine their suitability for the types of services which we offer.

COMPREHENSIVE FIBER NETWORKS. We build geographically extensive, full service, facilities-based networks. Prior to both the initial construction of our network backbone and any subsequent network expansion, we perform detailed rate of return analyses to justify the capital expenditures involved. In each of our existing thirty-four markets, we have completed our backbone construction connecting the market's central business district with outlying office parks, large institutions, the locations of long distance carriers' transmission equipment and major incumbent local exchange carrier central offices. In addition, we intend to continue to expand our existing networks in response to anticipated customer demand.

PROVIDE ENABLING INFRASTRUCTURE FOR DATA SERVICES. We intend to serve as a gateway for the provision of sophisticated value-added data services and high speed connectivity to customers in Tier III markets. We believe it is strategically important for us to offer these services because:

* data and internet access is required for businesses to succeed and grow,
* e-commerce is mission critical for many businesses, and
* national service carriers and internet service providers, such as UUNet and Qwest feel it is necessary for them to expand into Tier III markets.

We will provide data services directly to our own customers and will also provide access to Tier III markets for long distance carriers, national service carriers, Internet service providers and other businesses which require broadband access to those markets but which have not constructed their own networks and connections in those markets to enable them to provide it to their own customers.

LOCAL PRESENCE. We intend to capture and retain customers through effective local, personalized sales, marketing and customer service programs. To this end, we:

* establish sales offices in each market in which we operate a network,
* strive to recruit our city directors and sales staff from the local market,
* rely principally on a face-to-face selling approach, and
* support our sales staff with locally based customer service and technical support personnel.

We believe that our "Creative Solutions with a Hometown Touch"(TM) sales approach is very important to customers in Tier III Markets, who do not typically receive focused local sales contact or customer support from the incumbent local exchange carrier. We seek to build long-term relationships with our customers by responding rapidly and creatively to their telecommunications needs.

QUALITY OPERATIONS SUPPORT SYSTEM. We are developing a high quality operations support system to provide us with comprehensive billing, order processing and customer care software for all existing and contemplated services we will market. This system is designed to provide us with a single "flow-through" order form that will entail several components, allowing each order to be tracked from service provisioning through to complete installation. We believe that this system will allow us to quickly address customer concerns and provide us with a competitive advantage in customer service and operations efficiency.

EXPERIENCED MANAGEMENT TEAM. The Company's management team includes individuals with a wealth of experience, collectively, in the telecommunications industry. It is led by Harold N. Kamine, Chairman of the Board of Directors, and Roscoe C. Young, II, the Company's President and Chief Operating Officer. Other members of the team include William H. Stewart, Executive Vice President and Chief Financial Officer, and James L. Barwick, Senior Vice President-Technology.

SERVICES

GENERAL. We have historically provided dedicated access service and have also resold switched services which we purchased from incumbent local exchange carriers. In December 1997, we began providing our own on-net switched services to our customers. For 1997 on-net switched services accounted for 32% of our revenue and resale services accounted for 68% of our revenue. For 1998 on-net switched services accounted for 37% of our revenue and resale services accounted for 63% of our revenue.

PRIVATE LINE AND SPECIAL ACCESS SERVICES. We currently provide various types of on-net dedicated service which permit the transmission of voice and data between two points over circuits dedicated to the requirements of a particular customer. Private line service involves the provision of a private, dedicated telecommunications connection among different locations of the same customer. For these services we offer several types of dedicated circuits that have different capacities. DS-1 and DS-3 circuits are dedicated lines that can carry up to 24 and 672 simultaneous voice and data transmissions, respectively. Special access service involves the leasing, to long distance carriers, of private, dedicated telecommunications lines running along our networks. The long distance carriers use these lines to connect different locations where they have installed transmission equipment within the market, to connect locations where they have installed transmission equipment to the transmission equipment locations of other long distance carriers within the market, or to connect large customers directly to the locations of their transmission equipment. For these services we offer OC3, OC12 and OC48 circuits. These OC-N services provide the fastest transmission available for carriers and large business users.

SWITCH-BASED SERVICES. We have added and continue to add capability to provide local dial tone services and switched access origination and termination services to our networks. Switches are currently in commercial operation in twenty-two of our existing markets and we expect to have a switch in commercial operation in our remaining existing network no later than the second quarter of 1999. Over time, we expect to transition the majority of our customers to our own networks by means of either unbundled network elements leased from the incumbent local exchange carrier or direct connections.

ISDN. ISDN, or integrated services digital network, is an internationally agreed upon standard which, through special equipment, allows two-way, simultaneous voice and data transmission in digital formats over the same transmission line. ISDN permits videoconferencing over a single line, for example, and also supports a multitude of value-added networking capabilities. This service targets sophisticated business customers whose applications require integration of services such as Internet access, video, voice or other communications services, including high speed data transfer. By integrating multiple applications, customers receive increased capability and may not have any increase in costs to achieve that capability. The principal purchasers of this service are currently Internet service providers.

LONG DISTANCE. We offer a full range of long distance products including inter-LATA, intra-LATA, interstate, international, calling card and 800-number services. Most recently we decided to introduce KMC-branded operator services, directory services and prepaid phone cards. We offer these services both on-net and off-net. We offer long distance services on a resale basis by entering into wholesale agreements with various long distance carriers to deliver these services. We believe that many of our customers will prefer the option of purchasing long distance services from us as part of a one-stop telecommunications solution.

CENTREX-TYPE SERVICES. We intend to provide Centrex-type services. By using Centrex-type services instead of a PBX (which requires the customer to purchase and install a switching system on its own premises), customers can substantially reduce their capital expenditures and the fixed costs associated with maintaining a PBX network infrastructure. We currently plan to introduce our ClearStar℠ Advantage service in all of our operational markets during the first quarter of 1999. It has been designed to support multiple applications, ranging from basic access services to services focused on desktop applications. The basic access service will connect to a customer's key system or PBX and will be equipped with up to 14 features including call forwarding, speed dialing and call transfer capabilities. More sophisticated levels of service are designed to replace customers' existing key systems or PBXs. At the high end of service offerings is ClearStar℠ Advantage Plus, a packaged, end-to-end offering which combines all of the basic features with Basic Rate ISDN network access, advanced feature functionality, voice messaging and third party-provided ISDN electronic terminal sets.

NEW ENHANCED DATA SERVICES OFFERINGS. We introduced ISDN services in late 1998. We currently plan to expand our capabilities by introducing additional enhanced data services. We believe that these services will enhance our ability to provide an integrated turnkey solution to our customers' voice, data and video transmission requirements. These enhanced services will include:

* BASIC RATE ISDN. Basic Rate ISDN, or BRI, provides customers the potential of 144 kilobits of digital communications via a single network facility interface. We believe it will be attractive to small and medium size customers, since it provides dial-up access to the Internet, and other dial-up data applications, while simultaneously providing the ability to integrate voice traffic on a single network facility.

* PRIMARY RATE ISDN. Primary Rate ISDN, or PRI, provides customers the equivalent of 1.544 megabits of digital communications via a channelized T-1 type facility, with 23 bearer channels for voice and data communications and a 24th channel providing network signaling and control for the services. We focus our PRI sales efforts on (i) Internet service providers who use Primary Rate ISDN as a means of supporting customer access to their operations, and (ii) end-user customers who use Primary Rate ISDN as a network access facility for PBXs and other premise-based switches.

* PORT WHOLESALE. Port wholesaling is a technology that provides large bandwidth users with data switching capability at the network level, allowing them to acquire capacity as required without investing in data switching equipment. Port wholesaling gives us the ability to provide data switching to Internet service providers by allowing data calls to be terminated through the port wholesale equipment rather than the switch. This enables the Internet service provider to more cost effectively manage its data requirements while, at the same time, increasing the efficiency and capacity of our Lucent Technologies Series 5ESS(R)-type switch.

- HDSL. HDSL is a method of using unconditioned, copper wire pairs for high bit rate data transport for use in the "last mile" connecting our network backbone ring to the customer's premises. We plan to utilize HDSL to provide high bandwidth data and video service to small and medium size customers.

- FRAME RELAY/ATM. Frame relay and ATM are used by some of our data customers as a fast data transport service for wide area networks. Today we resell these services. In the future we intend to provide these services over our own network and utilize a third party provider for transport outside our network.

- CLEAR STAR[SM] ADVANTAGE PLUS. This service provides a customer with Centrex-type functionality from our central office switch to each of the customer's desktops. It is a packaged, end-to-end offering which provides a combination of Basic Rate ISDN network access, advanced Centrex feature functionality, voice messaging, ISDN terminal sets and support for premise wiring configuration.

We plan to remain flexible in responding to evolving customer demands for enhanced data services.

LOCAL NETWORKS

We are able to expand our reach in a market by collocating equipment in an incumbent local exchange carrier's central office and leasing unbundled network elements from that incumbent local exchange carrier in order to reach customers located in buildings which are not directly connected to our own backbone ring. We attempt to place collocation equipment in a sufficient number of incumbent local exchange carrier central offices to allow us to reach approximately 70% of the business customers in a given market, either by means of such unbundled network elements or direct connections to our network. The decision as to whether to collocate in a specific central office is based upon the number of business lines, number and type of businesses, number of households and the location of the central office within the market.

Our networks consist of digital fiber optic communications paths which allow for high speed, high quality transmission of voice, data and video communications. We typically install backbone fiber optic cables containing 48 to 144 fiber strands which have significantly greater bandwidth carrying capacity than other media. Our OC-48 SONET networks support up to 32,256 simultaneous voice conversations over a single pair of glass fibers. We expect that continuing developments in compression technology and multiplexing equipment will increase the capacity of each fiber, thereby providing more bandwidth carrying capacity at relatively low incremental costs.

We monitor our fiber optic networks and electronics seven days per week, 24 hours per day, using a combination of local and national network control centers. Local network monitoring is accomplished by means of an automatic notification system that monitors for any system anomaly. This system provides instantaneous alarms to an on-call network technician whenever an anomaly is detected. The local market technician is trained in network problem resolution and provides on-site corrective procedures when appropriate. A national Network Reliability Center, located in Denver, Colorado, acts as the focal point for all of our operating networks, providing integrated and centralized network monitoring, and correlation and problem management. The Network Reliability Center has access to all operating networks and can work independently of the local systems to effect repair or restoration activities. The Network Reliability Center is currently provided by Lucent Technologies, Inc. on a contractual basis. In the future, we may develop our own national center.

We manage our network systems both locally and centrally. Customer service calls and maintenance are primarily handled through the local offices. In addition, as described above, we contract to provide integrated monitoring of our networks via Lucent's National Reliability Center. This is accomplished by the use of a sophisticated integrated management system that is connected via the public network to all of our locations, including our Duluth, Georgia, operations center. With this system the National Reliability Center is capable of accessing all available information regarding the configuration and operating condition of any network components in use. This proactive monitoring capability is further augmented by a 24 hour a day, seven day a week call center, also provided by Lucent at the National Reliability Center, that receives, tracks and manages all customer calls and issues to satisfactory conclusion. The call center works with the Company's own customer care representatives and engineers in the Duluth facility to ensure that timely and consistent service is provided.

SALES AND MARKETING

We target our sales and marketing activities at three separate customer groups: retail, national accounts and wholesale. Retail customers are composed of business, government and institutional telecommunications and data services end-users. National accounts are usually large corporations which have branches or local offices within our markets, but which make their buying decisions centrally from their corporate headquarters. Wholesale customers typically consist of long distance carriers, wireless service providers and national Internet service providers. As of February 29, 2000, we had approximately 290 employees engaged in sales and marketing activities.

RETAIL CUSTOMERS. We target retail customer segments such as business, government, healthcare and educational institutions. We target all business customers in our markets.

NATIONAL ACCOUNTS. While there are few Fortune 500 companies with headquarters located in our operating cities, there are branches and local offices of large corporations within our market areas. Often these large corporations make their buying decisions centrally, either through their telecommunications or MIS functions, which are normally located at corporate headquarters. Our national accounts sales organization is structured to assist them in determining requirements for their various locations within our markets. We believe that this focus on national accounts will further increase our market penetration with large companies in our cities.

WHOLESALE CUSTOMERS. We currently target the major long distance carriers such as AT&T, MCI WorldCom and Sprint, as well as Internet service providers. We believe that we can effectively compete to provide access to these customers based on price, reliability, technology, route diversity, ease-of-ordering and customer service. Historically, long distance carriers have paid significant charges to incumbent local exchange carriers to access the incumbent local exchange carriers' networks. We provide these services at a discount. In addition, to the extent that incumbent local exchange carriers begin to compete with long distance carriers in providing long distance services, the long distance carriers have a competitive incentive to move access business away from incumbent local exchange carriers to competitive local exchange carriers such as the Company. Wireless service providers, who need network backbone to back haul calls, are an active customer base, as are other competitive local exchange carriers as wholesale users.

SUPPLIERS

LUCENT. We have contracted with Lucent Technologies, Inc., as our primary supplier, to purchase switching, transport and digital cross connect products. Lucent has also agreed to implement and test our switches and related equipment. In addition, Lucent and the Company have entered into an agreement pursuant to which Lucent has agreed to monitor the Company's switches on an on-going basis.

BILLING SUPPORT SYSTEMS IMPLEMENTATION. We have entered into an agreement with Billing Concepts Systems, Inc., to provide the Company with comprehensive billing functionality, including the ability to collect call detail records, message rating, bill calculation, invoice generation, commission tracking, customer care and inquiry, accounts receivable and collections management, and quality/revenue assurance. We anticipate that the agreement with Billing Concepts will result in our ability to produce a single bill covering all of the products and services that we provide to a customer. We have begun implementation of the new system and expect to have it implemented in all of our markets.

OPERATIONAL SUPPORT SYSTEMS IMPLEMENTATION. We have entered into an agreement with Eftia OSS Solutions Inc., to develop operational support systems. These systems will manage service order processing, circuit and asset inventory, telephone number inventory and trouble administration. The operational support system's capabilities will be expanded during the later phases of the project to include workforce management, local number portability management, network management, service bureau interfaces and web-based service inquiry. We anticipate the system will automate operational support activities and provide a means of managing operational performance of our business. We have begun this multi-phased project and will be implementing portions of it over the next twelve to eighteen months.

EMPLOYEES

As of February 29, 2000, we had approximately 1,100 full-time employees. None of our employees are represented by a labor union or subject to a collective bargaining agreement, nor have we experienced any work stoppage due to labor disputes. We believe that our relations with our employees are good.

GEOGRAPHIC AREAS

We have no foreign operations. All of our networks are located in, and all of our revenues are attributable to, the United States.

PROPERTIES

The Company is headquartered in Bedminster, New Jersey in approximately 10,000 square feet of office space, approximately 7,200 of which it leases from Kamine Development Corp. (an entity controlled by Mr. Kamine, the Company's Chairman of the Board).

The Company also maintains an operations center in an aggregate of approximately 41,000 square feet of leased space in Duluth, Georgia under leases which expire at various dates from June 2001 through February 2003. The Company also owns or leases facilities in each of its existing markets for central offices, sales offices and the location of its switches and related equipment.

For more information, please visit KMC Telecom at www.kmctelecom.com, or contact:

Tricia Breckenridge
Executive Vice-President, Business Development
KMC TELECOM, INC.
1755 North Brown Road
Lawrenceville, Georgia 30043
Telephone (678) 985-7900
Facsimile (678) 985-6213

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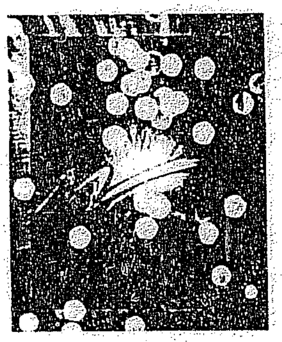
EXHIBIT J

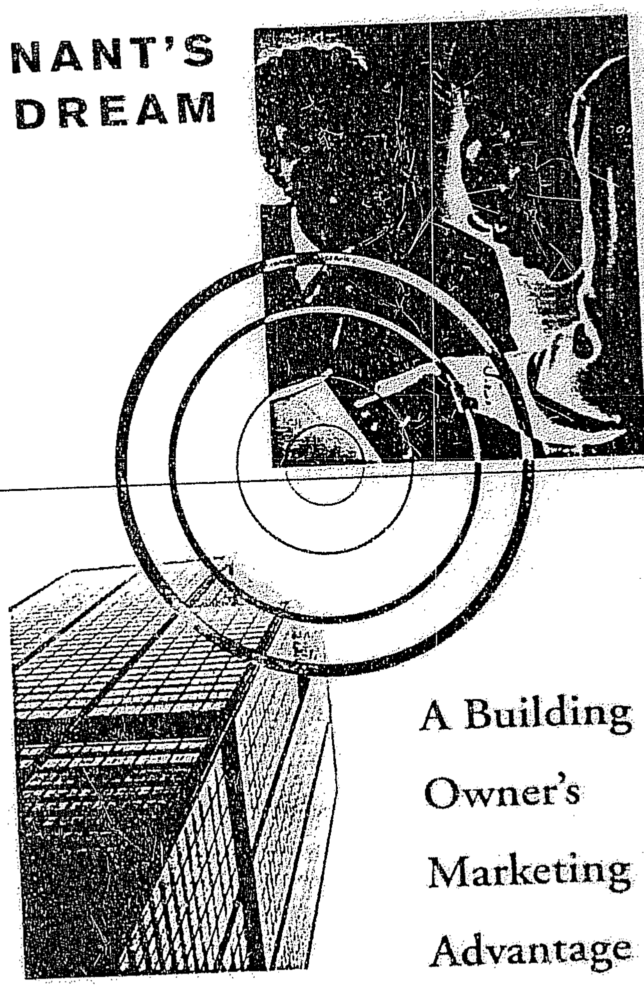
KMC V PROMOTAL AND MARKETING MATERIAL

The Fiber Of Telecommerce



BUSINESS DEVELOPMENT

A TENANT'S DREAM

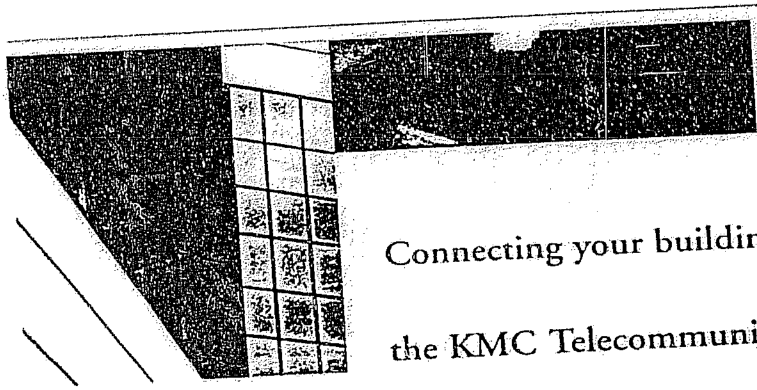


A Building Owner's Marketing Advantage

KMC Telecom®

Creative Solutions with a Hometown Touch™

SONET RING
Telecommunications Network



Connecting your building to the KMC Telecommunications Network is convenient, free, & can be very good for business.

Prime tenants are necessarily demanding when it comes to being wired for business in the 21st century. And for most that means now. With the capacity of high speed modems and computers doubling and tripling to meet the increased demands of businesses, office network managers are aggressively pressing incumbent local exchange carriers (telephone companies) to meet their critical needs for high speed, broadband fiber optic telecommunications systems. Custom solutions that can handle their high volume digital voice, data and multimedia transmissions at lightening-fast speeds—securely, without interference or failure. Speeds that only companies like KMC Telecom can handle with their robust, state-of-the-art telecommunications networks and FlexAble™ service solutions.

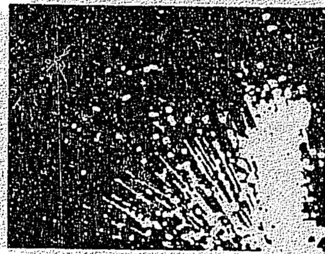
Telecommunications-dependent businesses are the preferred tenants upper class buildings thrive on. Buildings like yours, that forward thinking owners and managers constantly upgrade to maintain their competitive edge through real estate boom and bust cycles. And the one business telecommunications tool today's sophisticated tenants seek, and one that savvy building executives provide, is an in-building fiber optic telecommunications access system for connecting their local area networks (LANs) to KMC Telecom, a competitive local exchange carrier.

For your tenants, a state-of-the-art telecommunications network is no longer wishful thinking. It's here and now. KMC Telecom now serves your business community's telecommunications needs with a state-of-the-art, self-healing SONET ring fiber optic network and advanced digital switching platforms that meet or exceed the high-capacity needs of your tenants. When these important businesses have access to the KMC Telecom Network, not only do they get more done faster, but they save a bundle—*money that can be used to fuel growth and expansion.*

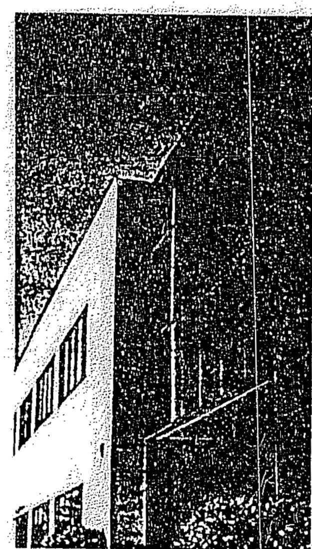
For building owners, accommodating a tenant's need for access to the KMC network can lead to tenants requiring more office space to accommodate growth. Not meeting their needs, obviously, can create dissatisfaction. Especially when the cost to building management is zero (0), and the bottom line telecommunications savings to tenants can range from 15% to 25% off the top of what they are now paying for severely limited service.

Your building can be connected to the KMC Telecom Network—without your having to spend a nickel or go out of your way. Non-intrusive wiring procedures and a compact, closet-size equipment cabinet is all that is required to accommodate tenants' telecommunications needs, while increasing your building's appeal to those seeking offices with access to the Information Highway. And with KMC Telecom access on-site, you can market your building as one truly wired for the 21st century. That's because KMC Telecom's network is a highly flexible design that offers tenants unlimited interconnectivity.

KMC Telecom never forgets: it's your building and they are your tenants. Neither your KMC Telecom City Director nor KMC Telecom Corporate ever loses sight of these important facts. So when we sit down to determine the best method of connecting your building and your tenants to the KMC Telecom Network, we listen to you. We work with you.



With KMC Telecom access on-site you can market your building as one truly wired for the 21st century that offers tenants unlimited interconnectivity.



Furthermore, we continue to monitor your interests and needs for as long as we partner in serving your tenants' telecommunications needs.

And that includes looking for other ways to help you maintain a full house. While very much a hometown company in the communities we serve, nationwide KMC Telecom is a very networked company. And because we have hundreds of key contacts among the upper management ranks of growing companies, we don't hesitate to refer KMC Telecom access-equipped buildings, like yours, to executives inquiring about office space in the towns we serve.

Coming to terms on how and when to bring KMC Telecom Network access to your building is easy. The next step is the signing of a simple-language "Building Entry Agreement" granting KMC Telecom the right to locate its equipment in your building and to offer KMC Telecom Network access service to your tenants. It further grants KMC Telecom right of access to the risers, ducts and mechanical spaces required to connect tenants. This agreement also recognizes your right to approve any such wiring and obligates KMC Telecom to pay for any costs, damages, or expenses incurred in the process. Working with KMC Telecom is really that uncomplicated, and we do everything we can to keep it that way throughout our partnership.

Nothing happens until we have your approval of all engineering specifications. At no cost to you, KMC Telecom submits complete engineering drawings for your inspection and approval. These important drawings cover placement of equipment racks, ventilation and service requirements. After all required modifications are made to the drawings, work begins—but only after we have your full approval.

Our cable installer must also meet with your approval. KMC Telecom works with local contractors to install the cable and equipment racks. We prefer to work with a contractor who is familiar with the methods, procedures and requirements of your building. This means, of course, we are open to your recommendations.

Here is how a typical installation works. Ordinarily, fiber is brought from the street to the equipment site, a room of 75 to 100 square feet located near the core, basement risers or mechanical area of the building. Inside the equipment closet, several metal equipment racks, each approximately two feet wide by one foot deep by seven feet high, are installed. The cable from the street is then connected to the closet and, thereafter, cable is run to individual tenants' offices when requested. Everything is done neatly, quickly and in total cooperation with your building management. From then on, aside from periodic visits to service tenants' needs, maintenance and inspection requirements are minimal.

Some General Guidelines to Equipment Space Requirements

- *Floor Space:* Approximately 100 square feet
- *Ceiling Height Requirement:* Eight feet top to bottom
- *Preferred Location:* Near building risers or other vertical access away from water lines, steam or drain pipes
- *Electrical Requirements:* Two (2) 20 amp dedicated circuits; One (1) 115 volt AC outlet; Central Office or Hogan ground
- *Security:* A locked room or cage IS preferred to prevent tampering.

- *Availability:* The area must be accessible to KMC Telecom personnel every minute of every day, including weekends and holidays. No exceptions.
- *HVAC:* If the area is not served by the building's temperature control system, proper ventilation must be available to prevent unacceptable heat buildup around the equipment.
- *Weight:* Including equipment, the maximum weight of each rack is 355 lbs.

Some Typical Questions & Answers

How do tenants get connected? One call to the local KMC Telecom City Director's office starts the process. Most tenants, however, will know in advance that access to the KMC Telecom Network is going to be an option.

Does KMC require an exclusive agreement to serve my building? While that would be nice, the answer is NO.

Are KMC personnel required on-site to monitor the equipment? Absolutely not. While KMC Telecom personnel must have around the clock access to the KMC Telecom equipment area at all times, maintenance requirements are extremely low.

Do tenants using KMC Telecom need to disconnect from their existing local phone service or purchase special equipment? Yes and No. Initially, most tenants will want to use KMC Telecom to connect to their long distance carrier or for direct connections, so they will still need their existing service for across town connections. However, KMC Telecom is rapidly becoming a one-stop shop for all customer needs, including local dial tone service. Most customers won't need special equipment to connect to the KMC Telecom Network; however, some with more sophisticated needs may.

Will you help pitch perspective tenants? Yes.

More questions? Ask your KMC Telecom City Director all the questions you want and you'll get answers. Unlike some companies' representatives, KMC Telecom City Directors have complete authority and decision-making ability when it comes to looking after customer needs. The KMC Telecom Network Center for your area is listed in the Yellow Pages. If we are new to your area and not yet in the book, or you have trouble getting the number from the incumbent telephone company, call our toll-free number:

1.888.KMC.THE1 (1.888.562.8431)

Making The Telecommitment To Your City

Rapid changes in telecommunications technologies are transforming the very nature of business and how it is conducted worldwide. Today's age of telecommerce depends upon quick and easy access to high-performing, reliable and compatible voice, data, and video communications that connect globally. In the 19th century, cities depended upon the railroad to connect them to the world of commerce; towns bypassed by the railroad that were cut off from this vital economic link withered away. In the 21st century, cities that lack the infrastructure to get full-speed access onto the "information superhighway" may suffer a similar fate.

KMC Telecom was founded specifically to help cities such as yours get connected and stay competitive, on an even par with such larger metropolitan powerhouses as New York City, Chicago, or Los Angeles. By building a fully-featured, fiber optic-based voice and data communications infrastructure from the ground up, anchored by community and business relationships that are sealed in high-quality customer care, KMC Telecom is "Making the Telecommitment" to your economic success.

A "Golden Ring of Opportunity" for Your Community

While deregulation of the telecommunications industry has resulted in tremendous innovation, the fact is that most local telephone companies continue to rely upon an antiquated analog copper network that worked just fine in Alexander Graham Bell's day, but simply isn't up to the demands of modern telecommerce. While competition has forced telephone and cable companies to upgrade their facilities with higher capacity fiber optics and customized services, their immediate focus is on larger, generally more lucrative, metropolitan markets and big business customers. In their scheme of things, smaller local businesses and consumers in still largely regulated markets can remain on an indefinite waiting list until they get around to considering your neighborhood.

That puts your community at a distinct economic disadvantage, if not serious risk, while waiting for the big telephone and cable companies to get around to serving and understanding your needs.

But there's no need to wait any longer. KMC Telecom was founded in 1995 specifically to serve mid-sized cities such as yours with populations less than 750,000. A KMC Telecom fiber optic network constructed literally in a giant loop around your city represents a "golden ring of opportunity" that by providing local dial tone, toll and long distance services, integrated voice, data, and multimedia services in single, customizable, and cost-effective packages will:

- Attract new businesses and industry
- Increase real estate values
- Grow new investment opportunities
- Provide vital links for world-class education and health care
- Create locally-based, high-wage jobs

Get the Fiber Edge—The Fiber Of Telecommerce

Customized and built to local requirements, each local KMC Telecom fiber optic network compares the industry standards for high performance and reliability—a Synchronous Optical Network (SONET) ring connecting to Lucent Technologies 5ESS switches that provide point-to-point digital channels to swiftly handle high volume data, video, and voice connections. Since the fiber optic cable is so small, we install huge excess capacity and rarely have to go back for upgrades. Most cable goes overhead on existing poles just like another wire. We avoid digging trenches and disrupting and inconveniencing property owners. The benefits are clear to your current and prospective business partners.

- High capacity satisfies demanding bandwidth requirements by multimedia and Internet-based applications.
- Network reliability of over 99%.
- System redundancy protects against downtime. Customer traffic is routed in both directions around the loop, so that if a fiber is cut or there is a failure, communications continue to flow without interruption in the other direction.
- Battery back-ups and emergency generators minimize potential for power outages.
- Easily reconfigurable to accommodate new requirements.
- Weatherproof–unlike highly conductive copper wire, fiber is impervious to lightning, static, water, ice, or wind.
- Remote, real-time troubleshooting without service interruption.
- Clear transmissions uncontaminated by static, echo interference, or distortion.
- The most cost-effective means for simultaneous transmission of voice and data.
- Fully compatible with multiple vendor equipment and standards.
- Cable capacity and network flexibility easily accommodates future applications and increased demands for bandwidth.

"In addition to its substantial development in our city's infrastructure, KMC Telecom's network helps keep Greensboro on a level playing field when it comes to attracting new jobs and meeting the information needs of our existing employers.

"Research continues to show that advanced telecommunications architecture is one of the first thresholds to be crossed for consideration in the site selection process."

— Mayor Carolyn Allen, Greensboro, North Carolina

Building Business Together—Across America

Making the Telecommitment means KMC Telecom invests an average $15 million dollars to build your city network at no cost to you, and will have it up and running in as little as nine months. KMC Telecom works closely with city government and local businesses to create a system that accommodates local geography and development plans. Such local, personalized attention is the core underpinning of all our community relationships and business dealings.

KMC Telecom Cities

Akron, OH	*Fayetteville, NC*	*Montgomery, A*
Ann Arbor, MI	*Ft. Myers, FL*	*Pensacola, FL*
Augusta, GA	*Ft. Wayne, IN*	*Roanoke, VA*
Baton Rouge, LA	*Greensboro, NC*	*Sarasota, FL*
Bethesda, MD	*Hampton Roads, VA*	*Savannah, GA*
Charleston, SC	*Hickory, NC*	*Shreveport, LA*
Chattanooga, TN	*Huntsville, AL*	*Spartanburg, S*
Clearwater/St. Pete, FL	*Lansing, MI*	*Tallahassee, FL*
Columbia, SC	*Longview, TX*	*Toledo, OH*
Corpus Christi, TX	*Madison, WI*	*Topeka, KS*
Dayton, OH	*Melbourne, FL*	*Tri-City, TN*
Daytona Beach, FL	*Mississippi Gulf Coast*	*Wilmington, NC*
Eden Prairie, MN	*Monroe, LA*	*Winston-Salem,*

"We are the tot of the bureaucr big phone co

KMC Telecom Is Ready To Serve Your Community

KMC Telecom welcomes the opportunity to become a member of your community. Our first responsibility is good corporate citizenship. KMC Telecom has sponsored city-selected charity events such as a Little League program in Tallahassee, Florida and a youth program in Huntsville, Alabama.

"I'm on a first-name my customers. If s something, they call I Make the Telecom customer, I perso it that it hap

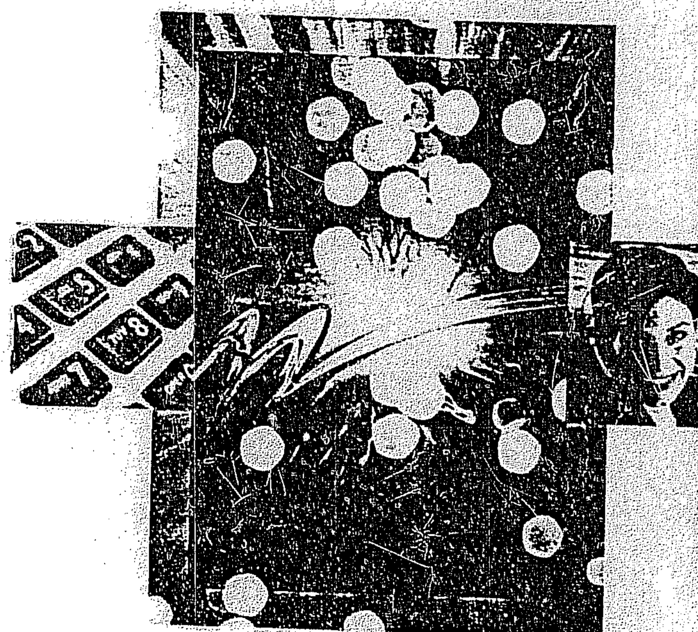
— Kathryn Johnson, KM Savannah, Ge

Also keep in mind that KMC Telecom is a major multi-million dollar company that recruits your residents to staff its local operations and contracts with local businesses as needed for a variety of support services. Moreover, KMC Telecom partners with you to build business together. Companies that take advantage of The Fiber of Telecommerce in your city increase our business at the same time they contribute to your ongoing economic development.

It's truly a win-win-win situation–for building landlords and real estate developers with increased occupancy rates, for your city with an expanding tax base, and for KMC Telecom with a growing number of satisfied customers!

MAKING THE TELECOMMITMENT.

Providing The Answers Your Business Needs Through The Fiber Of Telecommerce



Creative Solutions with a Hometown Touch.

KMC Telecom.

The Single Source For Your Telecommunications Questions

Deregulation of the telecommunications industry has resulted in tremendous competition and technological innovation. But it also comes with questions about how you and your community can best take advantage of a sometimes confusing array of local, long distance, and data services. KMC Telecom has the answers you're looking for.

Who is KMC Telecom?

One of the fastest growing competitive local exchange carriers (CLEC) in the United States, KMC Telecom was founded in 1995 to specifically address the telecommunications needs of cities otherwise ignored by the big regional telephone companies. A multi-million dollar company headquartered in Bedminster, New Jersey, KMC Telecom installs and maintains an advanced fiber optic ring network that provides a host of customized telecommunications services with a worldwide reach so that hometown businesses can compete on an even footing in the global marketplace. KMC Telecom constructed its first telecommunications network in Huntsville, Alabama in 1995. In just five years, KMC Telecom has completed construction that now provides service to 39 cities in the U.S. Going forward into the 21st century, KMC Telecom's aggressive expansion program is expected to more than double that number!

What is "Making The Telecommitment"?

KMC Telecom makes it every day to people, cities, and businesses all across America by building a fully-featured, fiber optic-based telecommunications infrastructure from the ground up, anchored by community and business relationships sealed in high-quality customer care. All the high-speed, high-capacity data services businesses need, as well as basic local and long distance service, are available in a number of enhanced packages. Creative solutions through the economies of scale and technological innovations will reduce costs while providing the superlative service levels from a single provider, with a single integrated, easy-to-read invoice.

What do you mean by "Creative Solutions with a Hometown Touch"?

In addition to superior technology at a competitive price, KMC Telecom is an entrepreneurial company dedicated to grass-roots level service. Your local KMC Telecom City Director is easily accessible and has total decision-making authority. There are no frustrating bureaucracies and need for "buck-passing" to get attention paid to you. This "one-on-one accountability" guarantees faster and more efficient service.

KMC Telecom teams with your local city officials to match our services to your needs, not the other way around. Beginning with initial network planning and installation, KMC Telecom works closely with city government and local businesses to ensure a system that accommodates local geography and development plans. In most cases, a city's new network can be up and running in as little as nine months!

The immediate benefit to the local economy is an influx of new businesses. There is also an increased ability to retain existing business in the tax base drawn by the advanced telecommunications capabilities and services required to compete with major markets. This is conveniently provided with the personal attention of KMC Telecom's "hometown" company presence. This solid and expanding business base also provides new jobs and opportunities for local residents and entrepreneurs.

What is the "Fiber of Telecommerce"?

Fiber optics are the core of our SONET™ ring network. These glass cables have huge capacities for carrying both data and voice signals, without any deterioration over long distances. This not only provides clear voice communications with error-free data connections, but also ensures that future capabilities can be quickly and easily configured at an insignificant expense. Unlike the antiquated copper lines that the local telephone companies still largely rely upon, the KMC Telecom network provides you with the fiber of telecommerce today... and tomorrow!

Why is telecommerce best-suited to a fiber-based SONET design?

Synchronous Optical NETwork (SONET) is the state-of-the-art in network design and reliability; today's interface standard for telecommunications. It guarantees customers and manufacturers alike that their computing platforms, even if otherwise incompatible, work harmoniously, with minimum risk of error or downtime.

Key to SONET reliability is duplication of transmission. The network is built as a ring, or loop, among all locations; voice or data communications are simultaneously sent in two directions around the ring. So if there is a cut or interruption along one path of the loop, the path in the other direction ensures the information vital to your business still gets through, accurately and literally at the speed of light. Actually, an interruption in either direction is highly unlikely, because all network equipment and power sources are fully backed up with redundant systems, as well as under continuous monitoring by our National Engineering Center in Atlanta, Georgia. Moreover, unlike old-fashioned copper lines, glass is impervious to electrical disturbances caused by lightning strikes.

Do I need a lot of expensive equipment to get connected?

Most likely no. KMC Telecom's services are designed to be compatible with business-level communication equipment and systems. But your applications consultant and local engineering staff can help assess whether additional equipment may be required to meet evolving situations. And these pre and post-installation consulting services are provided fully without any additional charge.

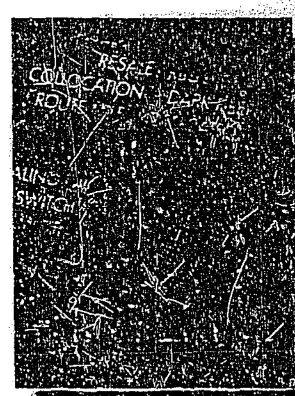
Will I get only the services I need, and not pay for unnecessary add-ons?

Absolutely! The flexibility of our network enables us to offer the fullest range of telecommunications, from the most basic to the most sophisticated, that can be quickly and easily configured as your needs evolve, usually without necessitating any change in your on-premise equipment.

How do I get connected?

It's easy. Call *1.888.KMC THE 1* (1.888.562.8431) for the number of your local KMC Telecom City Director, or for any additional information. And to prove what we mean by hometown touch, a real live person will answer your call!

Jargon Watch



The KMC Telecom Guide to Understanding Common Industry Abbreviations and Terms

Access–The ability of one company to connect to or use another company's communications services or facilities. The 1996 Telecommunications Act mandates that there be no discrimination between or against service providers–that the operating environment must be "neutrally competitive." In practice, this means that KMC Telecom cannot be restrained from accessing other service provider facilities to offer local or long distance telephone service.

Analog–In telecommunications, the generation of a constant electrical signal that is "analogous" to the original voice, data, or video input. Unlike digital, which encodes the signals in computer language (see definition for ***Digital*** below), analog is therefore susceptible to power fluctuations or other variables that degrade or interrupt the signal; it is also a slower and increasingly antiquated form of transmission.

AT&T Consent Decree–The 1982 Consent Decree in which AT&T divested its regional operating companies.

Centrex–Basic and enhanced voice features provided through the local telephone company's central office, as opposed to equipment installed on the customer's premises (Private Branch Exchange, or ***PBX***).

Collocation–Locating equipment in another local or long distance telephone company's facilities in order to connect to that company's services. KMC Telecom's virtual collocation enables it to control the connection regardless of where the equipment is located.

Competitive Local Exchange Carrier (CLEC)–An alternative to the local phone company. While formally considered a CLEC, KMC Telecom's fiber optic services primarily respond to customer demands for levels of speed, clarity, accuracy and other criteria than most Tier 3 (cities with populations between 100,000 to 750,000 residents) local phone companies cannot match with their existing copper wire and analog equipment.

Dark Fiber–Fiber optic cable that is not in use. When finally provided or sold, the recipient/buyer is expected to install equipment to transmit information, called "lighting the cable."

Dedicated–Exclusive allocation of a specific cable or capacity to a specific customer.

Dialing Parity–The ability to automatically route telecommunications to the service provider designated by the customer without use of an access code.

Digital–Any method for encoding sound, data, or images based on predetermined sequences of ones and zeroes (binary digits, or bits) to stand for a specific quantity or datum. For example, the letter "K" could be represented digitally as 01001011. Current technology permits digital processing storage and transmission of 2.5 billion bits per second (Gbs) with near perfect accuracy.

Dielectric Cable–A copper cable that is shielded against crosstalk, other external electronic interference, or power surges caused by such things as lightning strikes near copper telephone wires. Since fiber optic cable transmits light instead of electrons, it is inherently dielectric and free of such problems.

Fiber Mile(s)–The length (distance) of installed cable (route miles) multiplied by the number of fiber optic cables laid over that distance. Typically, 50 or more cables are contained in a single protective sheath so that such a collective cable over one mile would yield 50 fiber miles.

Incumbent Local Exchange Carrier (ILEC)–A traditional provider of local telephone services; also called a *Local Exchange Carrier (LEC)*.

Information Highway–The combined total of all fiber optic and electronic systems devoted to moving information in whatever form between producing and using parties, e.g., the Internet.

Interexchange Company (IXC)–Commonly known as long distance service, IXCs carry intra- or interstate communications between local exchanges.

Internet–Originating as a U.S. federal government system for electronically exchanging information, the Internet has been transformed into a worldwide communications, research, and marketing tool an ever-expanding number of sites anyone can access through a personal computer, modem, and service provider.

Local Access and Transport Area (LATA)–One of 161 defined geographical areas in the United States in which a telephone company may provide local or long distance service.

Local Area Network (LAN)–Private short distance data communication network operating under central control (see also *Wide Area Network*).

Local Exchange Carrier (LEC)–A traditional provider of local telephone services; also called an Incumbent *Local Exchange Carrier (ILEC)*.

Modem–An acronym for modulator/demodulator, a device that converts digital signals to analog signals and vice versa, used primarily to connect computers to communicate over telephone lines.

Number Portability–Provision for a customer to keep the same telephone number when changing service providers.

Overhead–Information added at the beginning and end of customer traffic for purposes of control, routing, error-checking, and other system operating and maintenance functions.

Private Branch Exchange (PBX)–Sometimes called a "private business exchange," a PBX is a privately owned switch that provides a variety of customizable basic and enhanced voice communications similar to the telco's ***Centrex*** service (see above).

Regional Bell Operating Company (RBOC)–The seven local telephone company "Baby Bells" divested by AT&T as part of the 1982 Consent Decree. While RBOCs may be the ***Incumbent Local Exchange Carrier***, not all ***ILEC***s are RBOCs.

Resale–Sale of communications services purchased, usually at a bulk discount, from another company.

Route Mile–The length (distance) of installed cable (see ***Fiber Mile***).

Self-Healing Ring–A "circular" network design that simultaneously moves traffic in two directions; if a cable is cut or there is component failure in one direction, communications continue uninterrupted in the other direction.

Smart Building–A building with fiber optic cable and switches that permit occupants to use advanced computer systems, connect with high-speed external telecommunications, and employ other cutting-edge telecommunications technologies. In most markets, there is more demand for space in smart buildings, which usually earns a premium compared to space in traditional facilities.

SONET (Synchronous Optical Network)–Defined by the American National Standards Institute to establish compatibility for optical fiber transmission speeds, manufacturing requirements, interface and other criteria.

Speed–Actually, both electronic and fiber optic systems operate at near the speed of light. Speed is often used to mean "capacity," meaning how much information can be transmitted in what period of time, e.g., kilobits per second. At 2.5 Gbs (billion bits per second), KMC Telecom's highest standardized speed (capacity), the entire Encyclopedia could be transmitted in less than .006 of a second. By comparison, it would take nearly four minutes–40,000 times longer–to transmit the same information over a standard analog voice telephone line. Unless applied to a ***dedicated*** line, the nature of digital transmission allows capacity to be divided between customers or between different types of traffic, i.e., voice, data, or video.

Switch–A device that automatically selects the necessary connections to route traffic from a caller to a receiver.

Telecommunications Act of 1996–Federal legislation designed to promote competition and reduce regulation in order to secure lower prices and higher quality services for consumers and to encourage the rapid deployment of new telecommunications technologies.

Tier 3 City–Designation for cities with a population between 100,000 and 750,000 residents. Tier 3 Cities are KMC Telecom's primary market.

Wide Area Network–Private network connecting multiple locations.

Akron Ann Arbor Augusta Baton Rouge Bethe

Charleston Chattanooga Clearwater/St.Pete Colum

Corpus Christi Dayton Daytona Beach Eden Prai

Fayetteville Ft. Myers Ft. Wayne Greensb

Hampton Roads Hickory Huntsville Lansi

Longview Madison Melbourne Mississippi Gulf Co

Monroe Montgomery Pensacola Roanoke Saraso

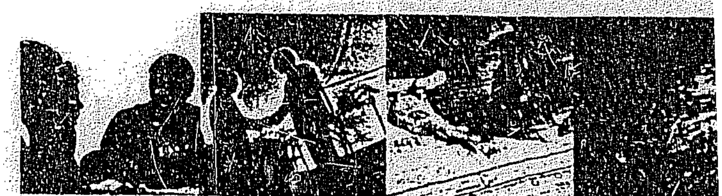
Savannah Shreveport Spartanburg Tallahassee Tole

Topeka Tri-City Wilmington Winston-Sal

Akron Ann Arbor Augusta Baton Rouge Bethes

Charleston Chattanooga Clearwater/St.Pete Columb

Corpus Christi Dayton Daytona Beach Eden Prair



Fayetteville Ft. Myers Ft. Wayne Greensbo

Hampton Roads Hickory Huntsville Lansin

Longview Madison Melbourne Mississippi Gulf Coa

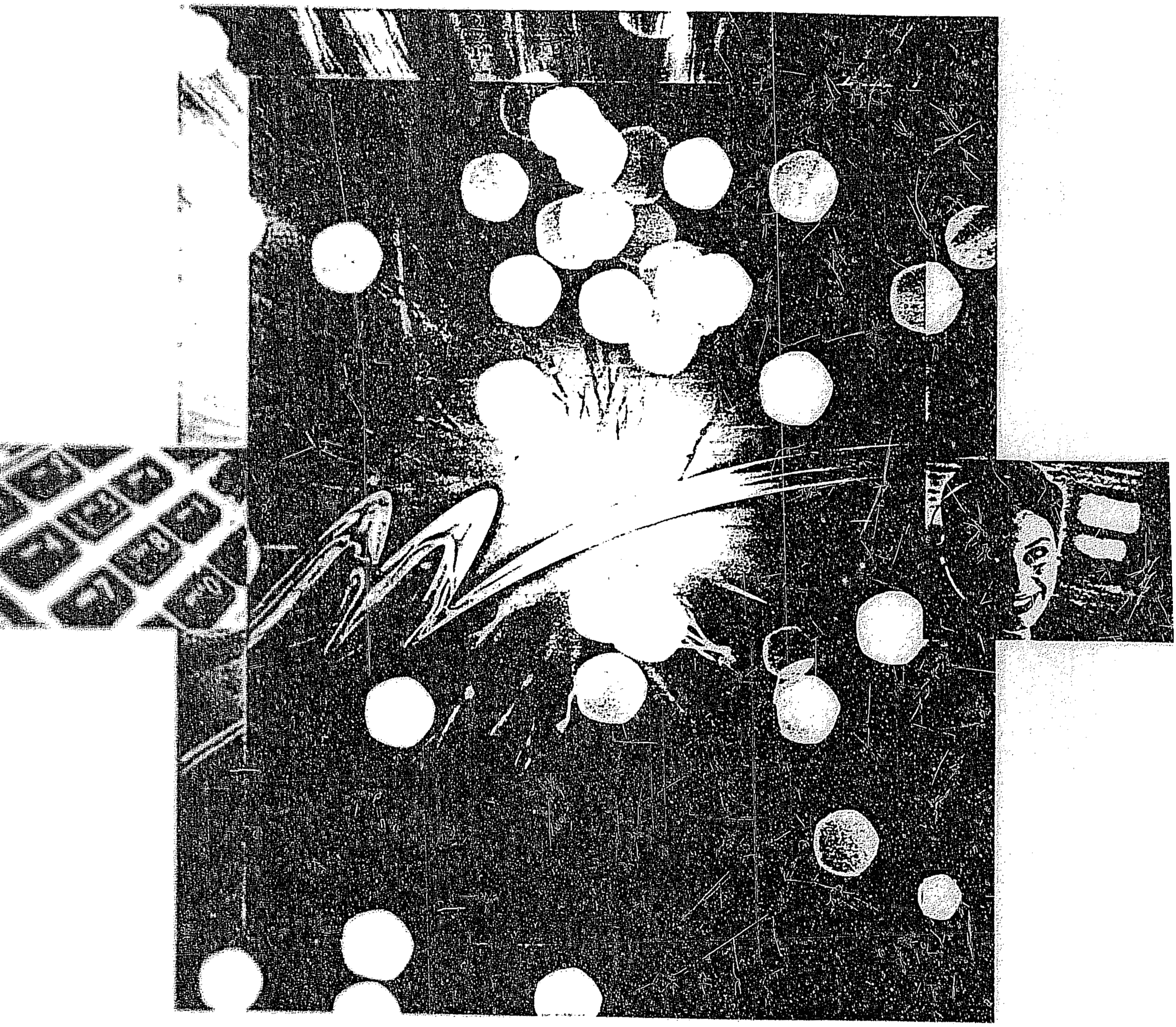
Monroe Montgomery Pensacola Roanoke Sarasot

KMC Telecom, Inc. Business Development • 3025 Breckinridge Blvd., Suite 170,
Duluth, GA 30096 1.888.212.9444 Fax: 1.770.638.6796 www.kmctelecom.com

Savannah Shreveport Spartanburg Tallahassee Toled

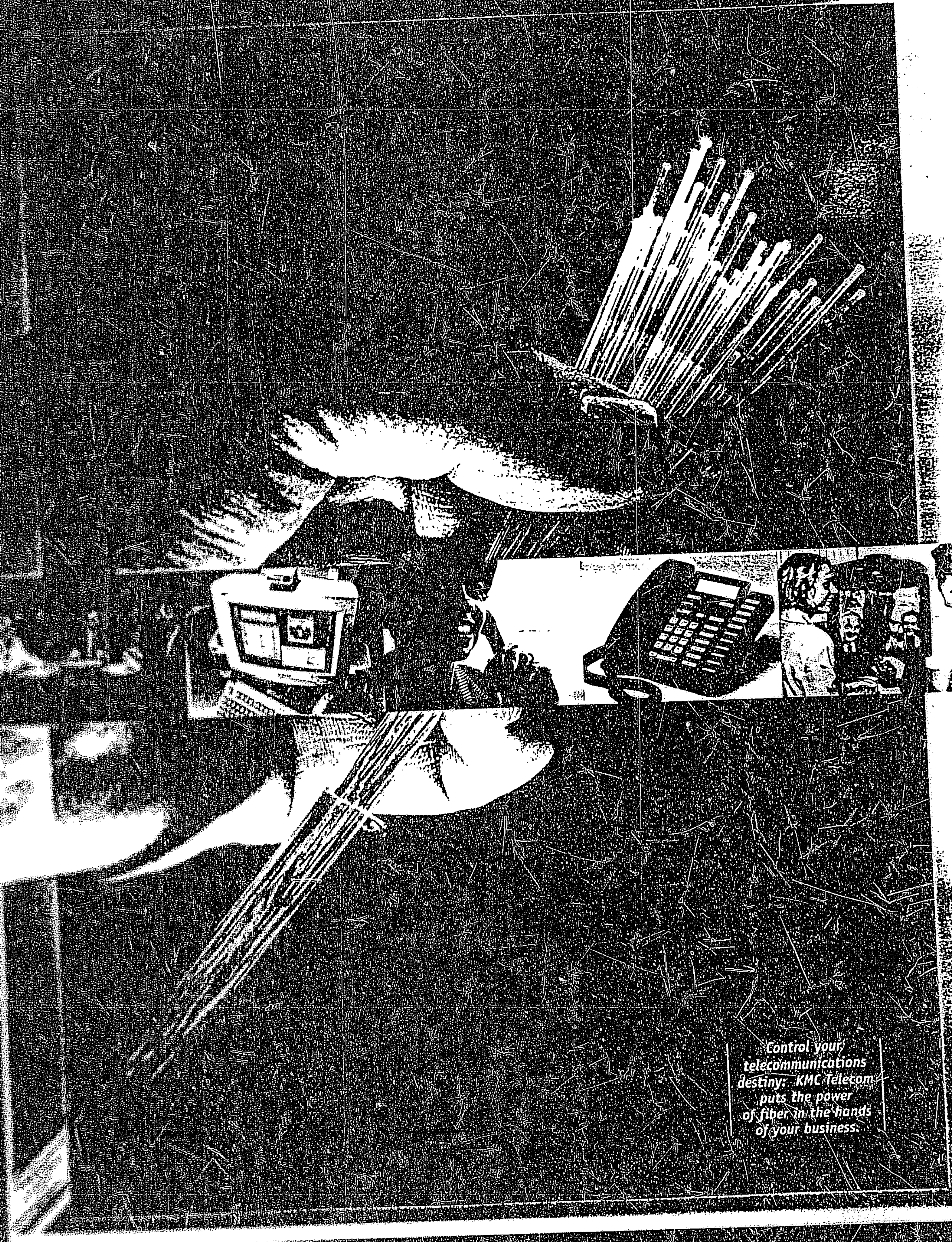
Topeka Tri-City Wilmington Winston-Sale

MAKING THE TELECOMMITMENT.



Creative Solutions with a Hometown Touch™

KMC Telecom.


Control your telecommunications destiny: KMC Telecom puts the power of fiber in the hands of your business.

KMC Telecom
Making The Telecommitment
To Local, Long Distance
and Enhanced Business
Voice and Data Communications

KMC Telecom
makes the telecommitment
with cutting-edge technologies,
a customer-focused
satisfaction commitment
and the widest range of
customized voice and data
telecommunications equipment
and services available.

KMC Telecom is one of the fastest growing competitive local exchange carriers (CLEC) in the United States. What is it that accounts for our unprecedented nationwide growth? We call it "Making The Telecommitment." Every day we *make the telecommitment* to people, cities and businesses all across America. From the ground up, we build a fully-featured, fiber optic-based, voice and data communications infrastructure anchored by community and business relationships that are sealed in high-quality customer care.

The deregulation of the telecommunications industry launched an era of tremendous competition and technological innovation. It has also burdened customers with a confusing array of choices for local, long distance and data services.

Founded in 1995, KMC Telecom specifically addresses the needs of smaller, previously ignored communities that would otherwise be tethered to copper wire facilities. When KMC Telecom enters a new city, its first step is to install a fiber optic ring network built to handle today's, as well as tomorrow's, advanced voice and data applications. KMC Telecom maintains the network to provide a host of customized telecommunications with a worldwide reach so that these smaller cities and their hometown businesses can effectively compete in the global marketplace.

In founding KMC Telecom, Chairman Harold Kamine had the vision to see how cities underserved by the major telecommunications carriers would welcome creative solutions for their needs, provided with a hometown touch. He hand-picked a management team of industry experts with outstanding records of achievement in advanced telecommunications and customer service.

Forward leadership combined with the commitment and efforts of all KMC Telecom associates and partners have resulted in an industry-leading record of business excellence and growth. The company constructed its first network in Huntsville, Alabama in 1995. In just four years, KMC Telecom has completed construction that now provides service to 37 cities in the United States. Going forward into the 21st century, KMC Telecom's aggressive expansion program is expected to more than double that number in the year 2000.

Harold Kamine
Founder & Chairman of the Board

Michael A. Sternberg
Chief Executive Officer

Roscoe Young
Chief Operating Officer

James Grenfell
Executive VP & Chief Financial Officer

Tricia Breckenridge
Executive VP, Business Development

James Barwick
Executive VP, Chief Engineer

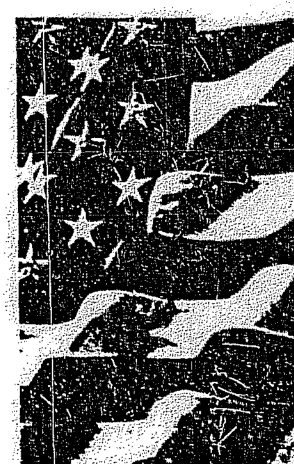
Our investment in the customers and the communities we serve throughout America begins with the construction of a KMC Telecom fiber optic network. This strategically located Synchronous Optical Network (SONET) ring that connects to Lucent Technologies #5ESS switches provides point-to-point digital channels to properly handle high volume data, video and voice connections. Customized and built to local requirements, each fiber optic network achieves the industry-wide standards for excellence, high performance and reliability, as well as full compatibility with national and international systems.

This fiber optic network installation represents an average investment of $12 million by KMC Telecom for each city we serve.

The benefits of this investment are clear:

- High capacity satisfies demanding bandwidth requirements by multimedia and Internet-based applications.
- Network reliability of over 99%.
- System redundancy that protects against down-time. Customer traffic is routed in both directions around the loop, so that if a fiber is cut or there is a failure, communications continue to flow without interruption in the other direction.
- Battery back-ups and emergency generators minimize potential for power outages.
- Easily reconfigurable to accommodate new requirements.
- Weatherproof – unlike highly conductive copper wire, fiber is impervious to lightning, static, water, ice or wind.
- Remote, real-time troubleshooting without service interruption.
- Clear transmissions uncontaminated by static, echo interference or distortion.
- The most cost-effective means for simultaneous transmission of voice and data.
- Fully compatible with multiple vendor equipment and standards.
- Cable capacity and network flexibility easily accommodates future applications and increased demands for bandwidth.

Fiber Optimizing The Future
With KMC Telecom
Making an Investment
in America's Cities



Since fiber optic cable is so small, KMC Telecom installs huge excess capacity to ensure new telecommunications developments and advancements are easily incorporated. Customers can confidently plan for the future, because the KMC Telecom fiber optic network comes with the future already built-in.

KMC Telecom is leading the way as the best example of what CLECs should achieve for their customers: more innovative products and services, greater customer care and lower prices. When KMC Telecom *makes the* [illegible], it means that the communities, corporate and real estate owners and businesses all benefit.

Serving Communities

KMC Telecom is the clear business choice for cities not served by the RBOCs and major long distance companies. Beginning with initial network planning and installation, KMC Telecom works closely with city government and local businesses to ensure a system that accommodates the local geographic and development plans. In most cases, a city's new network can be up and running in as little as nine months.

The immediate benefit to the local economy: an influx of new businesses and the increased ability to retain existing business revenue in the tax base. New companies are drawn to the advanced telecommunications capabilities and services required to compete with major markets, conveniently provided with the KMC Telecom personal attention of a "hometown" company. This solid and expanding business base also provides new jobs and opportunities for local residents and entrepreneurs.

Serving Corporate Real Estate Owners

Building and property management owners continue to prosper with KMC Telecom. The telecommunications-ready "smart" building is more marketable because it offers tenants [illegible] savings, extensive digital capacity, without any added expense to the owner.

Serving Local Businesses

All the high speed, high-capacity data services businesses need, as well as basic local and long distance service, are available in a number of enhanced KMC Telecom packages. With a single provider, economies of scale and technological innovations reduce costs while providing businesses higher service levels.

KMC Telecom
The Fiber Of Telecommerce
Building Business Across America

KMC Telecom
equips businesses to move
at lightning speed
in the electronic marketplace
and keep pace with
the most advanced cities
worldwide.

EXHIBIT K

SAMPLE SERVICE AGREEMENT AND LETTER OF AGENCY

Customer Information:

DD ______

Customer Name ______
Contact Name ______
Customer Address ______
City/State/Zip ______ E-Mail Address ______
Contact Phone Number ______ FAX Number ______
Billing Address ______
City/State/Zip ______ Billing Phone Number ______
Billing Contact ______ Billing FAX Number ______
Current LD Carrier ______ ILEC/CLEC ______

Service Options and Access Type:

__ New Customer	__ Switched	__ On Future Fiber Route	__ Multi-Tenant Building
__ Existing Customer	__ Dedicated	__ UNE Required	__ OSP Required
__ [illegible] Agreement Request	__ On Fiber Route	__ Tax Exempt	__ Tax ID ______

Comments

Service Options and Access Type:

Order Type: New _ Change _ Disc. _ Supp. _

ClearExpress Local	g *ClearSaver PrePaid*	m *Voice Messaging Cntr*	s *ClearSaver Calling Card*
ClearExpress w/Hunting	h *ClearSaver Toll Free*	n *ClearStar Adv 1000**	t *ClearSaver IntraLATA*
ClearExpress [illegible]	i *ClearFiber DS-0*	o *ClearStar Adv 2000**	u *CPE Required*
ClearExpress DID	j *ClearFiber DS-1*	p *ClearStar Adv Plus**	v *Other*
ClearExpress PRI ISDN	k *ClearFiber DS-3*	q *Frame Relay - Resale*	______
ClearSaver Long Dist	l *ClearConference*	r *ClearSaver Pvt Line*	______

Directory Listing:

Listing	Keep Listing	New	Change
Published		Main #s	All #s
Non-Published	Listed		SIC ______

Does this account have more than one listing? (Circle One) Yes / No

Remarks

Letter of Agency:

The undersigned customer authorizes KMC Telecom , Inc. ("KMC") to provide switched telecommunications services for either local or long distance service, and act as my agent in all matters related to providing KMC switched telecommunications on the telephone numbers listed and included on this Agreement. The Customer understands that there may be a charge from their local telephone company for changing their present carrier to KMC. The Customer accepts responsibility for all charges associated with the telephone number(s) listed

The customer hereby agrees to the terms and conditions set forth on the opposite side hereof and in accordance wth KMC's state and federal Tariffs. The person signing this Agreement on behalf of the customer is duly authorized and directed to execute the Agreement for the entity having operational responsibility over telecommunications facilities and telephone numbers covered by this Agreement. This service agreement is contingent upon a satisfactory credit application which will accompany this form.

Total Charges for term of services Non-Recurring Monthly Recurring Term

Signatures:

KMC Representative ______ Sales Code ______ Date ______
Customer Representative ______ Title ______ Date ______

* Use [illegible] support sheets for *ClearStar, Voice Messaging and other complex service orders.* ########

TC00-199

KELLEY DRYE & WARREN LLP

A LIMITED LIABILITY PARTNERSHIP

1200 19TH STREET, N.W.

SUITE 500

WASHINGTON, D.C. 20036

(202) 955-9600

NEW YORK, NY
LOS ANGELES, CA
CHICAGO, IL
STAMFORD, CT
PARSIPPANY, NJ

BRUSSELS, BELGIUM
HONG KONG

AFFILIATE OFFICES
BANGKOK, THAILAND
JAKARTA, INDONESIA
MANILA, THE PHILIPPINES
MUMBAI, INDIA
TOKYO, JAPAN

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(202) 955-9792
www.kelleydrye.com

WRITER'S DIRECT LINE
(202) 887-1254

WRITER'S E-MAIL
ejenkins@kelleydrye.com

RECEIVED

DEC 07 2000

SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

December 6, 2000

VIA FEDERAL EXPRESS

Mr. William Bullard, Jr.
Executive Director
The South Dakota Public Utilities Commission
500 East Capitol Avenue
Pierre, SD 57501

Re: **Application of KMC Telecom V, Inc. to Provide Resold and Facilities-Based Competitive Local Exchange Services**

Dear Mr. Bullard:

Enclosed for filing with the South Dakota Public Utilities Commission, please find an original and 10 copies of KMC Telecom V, Inc.'s ("KMC V's") Application for authority to provide facilities-based competitive local exchange services in the State of South Dakota.

Also enclosed is a duplicate of this filing and a self-addressed, postage-paid envelope. Please date-stamp the duplicate and return it in the envelope provided. Please do not hesitate to contact me if you have any questions regarding this filing.

Respectfully submitted,

Eric D. Jenkins

Enclosures

TC00-199

Before the
STATE OF SOUTH DAKOTA
PUBLIC UTILITIES COMMISSION

RECEIVED
DEC 07 2000
SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

Application of	)	
	)	
KMC TELECOM V, INC.	)	
	)	
for a Certificate of Authority	)	Docket No. ________
to Provide Local Exchange	)	
Telecommunications Services	)	
within the State of South Dakota	)	

APPLICATION OF KMC TELECOM V, INC., FOR A CERTIFICATE OF AUTHORITY

KMC TELECOM V, INC. ("KMC V" or "Applicant"), by its attorneys, respectfully requests that the South Dakota Public Service ("Commission") grant it a Certificate of Authority to provide resold and facilities-based competitive local telecommunications services in the State of South Dakota pursuant to Chapter 20:10:24:02 and 20:10:24:03 of the Commissions Rules. As described more fully below, KMC V initially intends to provide data services only, and respectfully requests exemption from Commission requirements applicable to providers of voice services.

In support of its Application, KMC V provides the following information.

I. IDENTIFICATION OF THE COMPANY

A. <u>CORPORATE INFORMATION</u>

1. KMC V is a privately-held corporation duly organized and existing under and by virtue of the laws of the State of Delaware. Its Federal Identification Number is **22-3719935**. The Company

was incorporated on March 15, 2000, and is headquartered at: 1545 Route 206, Suite 300, Bedminster, New Jersey 07921. Its telephone number is (908) 470-2100. Its facsimile number is (908) 719-8775. KMC V is a wholly-owned subsidiary of KMC Telecom Holdings, Inc. ("KMC Holdings") which is a holding company also incorporated in Delaware. A copy of KMC V's Articles of Incorporation are appended to this Application as ***Exhibit A***. A copy of KMC V's corporate stock structure is appended hereto as ***Exhibit B***.

2. KMC V was organized to provide state-of-the-art telecommunications services to customers in the State of South Dakota and throughout the United States. A diagram of the Company's corporate structure is appended hereto as ***Exhibit C***. As this diagram will show, KMC V is a wholly-owned subsidiary of KMC Holdings, and has the following affiliates: KMC Telecom Inc. ("KMC I"), KMC Telecom II, Inc., ("KMC II"), KMC Telecom III, Inc., ("KMC III"), KMC Telecom IV, Inc., ("KMC IV"), KMC Telecom of Virginia, Inc., ("KMC VA"), KMC Telecom IV of Virginia , Inc., ("KMC IV of VA"), KMC Telecom V of Virginia, Inc., ("KMC V of VA") (the "Affiliates").

3. KMC V has requested a Certificate of Authority to Transact Business from the South Dakota Secretary of State. It is respectfully requested that the Commission docket the instant Application as filed pending submission of evidence of KMC V's Certificate of Authority to be submitted as ***Exhibit D*** to this Application upon Applicant's receipt, *nunc pro tunc*. The name and address of the Company's registered agent in South Dakota for service of process will be:

CT Corporation System
319 South Coteau Street
Pierre, South Dakota 57501

4. Those persons specifically in charge of KMC V's South Dakota operations are still to be determined; however, in the interim, all questions regarding the Company's South Dakota operations may be addressed to:

Tricia Breckenridge
Executive Vice President – Business Development
1755 North Brown Road
Lawrenceville, Georgia 30043
(678) 985-7900
(678) 985-6213 facsimile

B. Officers, Directors and Ownership Information

5. The following is a list of KMC V's officers:

Roscoe C. Young II	**President and Chief Operating Officer**
William H. Stewart	**Chief Financial Officer and Executive Vice President**
Paul DiMarco	**Chief Information Officer**
Patricia Breckenridge	**Executive Vice President – Business Development**
Larry Salter	**Executive Vice President – Network Operations**
Martin F. McDermott, III	**Executive Vice President – Marketing Services**
James L. Barwick	**Senior Vice President – Technology and Chief Engineer**
Charles Rosenblum	**Senior Vice President – Human Resources**
Robert Hagan	**Vice President, Controller and Assistant Secretary**
Alan Epstein	**Vice President, General Counsel and Secretary**
Marcy Dean	**Vice President, Treasurer and Assistant Secretary**
Joseph P. Sheehan, III	**Vice President**
Steven Kreider	**Vice President and Assistant Treasurer**

Jeannette Barretta **Assistant Secretary**

The full business experience of these officers is set forth in detail in ***Exhibit E***, which also contains the biographies of the key management and operational personnel who will be responsible for KMC V's telecommunications services in South Dakota and throughout the United States.

6. The following is a list of KMC V's directors:

Harold N. Kamine, Chairman

Roscoe C. Young, II

William H. Stewart

The profiles of KMC V's directors are appended hereto as ***Exhibit F***.

7. All of the above-referenced officers and directors may be reached at the following address:

1545 Route 206
Suite 300
Bedminster, New Jersey 07921
Telephone (908) 470-2100

II. DESIGNATED CONTACTS

8. The designated contacts for this Application are:

Genevieve Morelli
Eric D. Jenkins
KELLEY DRYE & WARREN LLP
1200 19th Street, N.W., Suite 500
Washington, D.C. 20036
(202) 955-9600
(202) 955-9792 facsimile
ejenkins@kelleydrye.com

9. Copies of all correspondence, notices, inquiries and orders regarding this application should be sent to:

Tricia Breckenridge
Executive Vice President – Business Development
1755 North Brown Road
Lawrenceville, Georgia 30043
(678) 985-7900
(678) 985-6213 facsimile
tbreck@kmctelecom.com

III. DESCRIPTION OF BUSINESS HISTORY

10. KMC V intends to operate as a provider of telecommunications services to customers in the State of South Dakota and throughout the United States in Tier III Markets (population from 100,000 to 750,000). KMC V targets business, government and institutional end-users, as well as Internet service providers, long distance carriers and wireless service providers. KMC Holdings' objective is to provide its customers with a complete solution for their communications needs. A detailed description of KMC Holdings' products and services, may be found in KMC Holdings' corporate Fact Sheet, which is appended hereto as ***Exhibit G***.

11. As of the date of this filing, KMC V and its Affiliates are authorized by virtue of certification, registration, or (where appropriate) on an unregulated basis to provide local exchange and/or interexchange telecommunications services in such jurisdictions as reflected in the chart appended hereto as ***Exhibit H***.

12. In addition to North Dakota, KMC V has applications to provide local exchange and/or intrastate interexchange services pending in such jurisdictions as reflected in the chart appended hereto as ***Exhibit H***.

13. Neither the Applicant nor any of its affiliates has been denied authority to provide telecommunications service in any jurisdiction, nor is any such action pending. None of the Applicant's affiliates has been subject to sanctions or fines in any jurisdiction in which they are currently operating.

14. In addition, KMC V is in good standing with the appropriate regulatory agencies in each state where it is currently registered or certified to provide telecommunications services.

15. KMC V currently is not providing telephone service in South Dakota.

IV. MARKETING OF SERVICES

16. KMC V's marketing effort will be integrated with that of its parent company, KMC Holdings. A detailed description of KMC Holdings' sales and marketing activities is provided in the Company's corporate Fact Sheet appended hereto as ***Exhibit G***. A copy of the promotional and marketing material KMC V intends to use for its proposed South Dakota operations is appended hereto as ***Exhibit I***.

17. The Company intends to comply fully all relevant rules promulgated by the Federal Communications Commission under 47 C.F.R. § 64.1100 *et seq*. In this regard, the Company will receive proper customer verification and will send adequate written notice of any changes in a subscriber's primary exchange or interexchange carrier in accordance with the rules set forth in 47 C.F.R. § 64.1100 *et seq*.

18. KMC V intends to avoid occurrences of unauthorized slamming by ensuring that *all* customers have signed contracts with the Company, and that separate Letters of Agency ("LOAs') are routinely obtained where customers of other carriers choose to purchase KMC V's local and long distance services. A copy of an example customer contract and an example LOA are appended hereto as ***Exhibit J***.

V. DESCRIPTION OF AUTHORITY REQUESTED

19. By this Application, KMC V seeks the authority from the Commission to operate as a resold and facilities-based local exchange services provider of high-speed data transmission services,

to customers to and from all points in the State of South Dakota in all areas approved for service by competitive local exchange carriers.

20. Initially, KMC V intends to deliver port wholesale data services. Over time, KMC V plans to offer other enhanced data services such as ISDN, HDSL, Internet access, Local Area Network-to-Local Area Network interconnect, Wide Area Network services, frame relay and ATM (or asynchronous transfer mode). Port wholesaling is a technology that provides large bandwidth users with data switching capability at the network level, allowing them to acquire capacity as required without investing in data switching equipment. Port wholesaling gives KMC V the ability to provide data switching to Internet service providers by allowing data calls to be terminated through the port wholesale equipment rather than the switch. This enables the Internet service provider to more cost effectively manage its data requirements while, at the same time, increasing the efficiency and capacity of the KMC V Lucent Technologies Series 5ESS(R)-type switch.

21. As KMC V initially seeks to provide port wholesale data service only, it is respectfully requested that the Commission exempt KMC V from any and all Rules and/or Regulations the Commission may have requiring 911/E911, operator services, directory assistance, white pages listings, call blocking, 900/976 blocking, and any other rule or regulation applicable to providers of voice services. It is technically and economically infeasible for port wholesale providers to comply with any such voicegrade requirements. Should KMC V desire to provide voice services in the future, it will notify the Commission.

22. KMC V's local exchange network in South Dakota will consist of deploying NEBS (Network Equipment Building Standards)[1] compliant Remote Access Server (RAS) equipment in

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[1] NEBS defines a rigid and extensive set of performance, quality, environmental and safety requirements developed by Bellcore (now called Telcordia Technologies).

(non-ILEC) collocation space such as carrier hotels for interconnection to ILECs and IXC providers. RAS equipment will interconnect with ILEC networks using Inter Machine Trunks (IMT's). Upon certification, the Company plans to seek actual collocation with the ILEC. At present, the Company has no switches or other facilities installed in the State of South Dakota. A diagram of the technology deployed in KMC V's network can be found attached hereto as ***Exhibit K***.

23. The Company expects to be providing local exchange telecommunications services in the First Quarter of 2001. KMC V's primary product offering is port wholesaling. KMC V has no plans to construct outside plant facility or loop distribution equipment at the current time.

24. KMC V intends to offer its local exchange services in accordance with the same terms, conditions and rates contained in its proposed intrastate services tariff, South Dakota P.U.C. Tariff No. 1, attached hereto as ***Exhibit L***.

VI. DESCRIPTION AND FITNESS OF THE COMPANY

25. As demonstrated below, KMC V is well-qualified managerially, technically and financially to provide the competitive local exchange telecommunications services for which authority is requested in this Application.

A. MANAGERIAL

26. In support of its Application, KMC V submits the following information to demonstrate that it has sufficient managerial and technological telecommunications experience and expertise, as well as the financial stability adequate to ensure its continued provision of quality local exchange telecommunications services within the State of South Dakota.

27. KMC V is well-qualified managerially, technically and financially to provide the facilities-based competitive local exchange telecommunications services for which authority is requested in this Application. KMC V has access to significant capital and substantial technical and managerial

expertise. The Company's management team includes individuals with substantive experience in successfully developing and operating telecommunications businesses.

28. KMC V has the adequate internal technical resources to support its South Dakota operations. This expertise in the telecommunications industry makes KMC V's management team well-qualified to construct, operate and manage KMC V's local exchange networks in South Dakota. Specific details of the business and technical experience of KMC V's officers and management personnel are appended hereto as ***Exhibit E***, which also contains the biographies and a brief description of the business experience of key management and operational personnel who will be responsible for KMC V's telecommunications services in South Dakota and throughout the United States.

B. TECHNICAL

29. As is evident from the information contained in ***Exhibit E***, KMC V is managed by persons with substantial technical expertise in designing, constructing and operating telecommunications networks. This wealth of experience will enable KMC V to provide its local exchange customers with advanced, state-of-the-art technology, for its data services as described in Section IV of this Application.

C. FINANCIAL

30. Applicant, through the strength of its parent corporation, KMC Holdings, has access to ample capital to compete effectively in the market and provide telecommunication services in South Dakota. Both a description of KMC Holdings' financial qualifications and a copy of KMC Holdings' most recent SEC Form 10-Q is attached hereto as ***Exhibit M***.

31. Specifically, as demonstrated in KMC Holdings' Cash Flow Statements appended as part of ***Exhibit M***, KMC V has access to ample capital to fund the construction and operation of KMC V's

36. KMC V's customer service representatives will be available to assist customers with billing questions between the hours of 8 a.m. and 8 p.m., Monday through Friday at (888) KMC-THE1 / (888) 562-8431. Alternatively, customers will be able to communicate billing questions or concerns to KMC V customer service representatives in writing by sending correspondence to:

KMC Telecom V, Inc.
1545 Route 206 , Suite 300
Bedminster, New Jersey 07921

X. CUSTOMER SERVICE POLICIES

A. GENERAL POLICIES

37. KMC V will offer comprehensive customer service to each of its of its South Dakota customers and have the ability to respond to customer complaints and inquiries promptly and to perform facility and equipment maintenance to ensure compliance with any Commission quality of service requirements. The Company's customer service center will be staffed by fully-trained customer service representatives who will be prepared to assist its customers with service, maintenance and billing issues.

38. For service and maintenance issues, customers will be able to contact KMC V's customer services 24 hours a day, seven (7) days a week, by calling toll-free at (888) KMC-THE1 / (888) 562-8431. As previously noted in Section VIII of this Application, for billing issues, customers will be able to contact KMC V's billing services between the hours of 8 a.m. and 8 p.m., Monday through Friday, by calling toll-free at (888) KMC-THE1 / (888) 562-8431. Customers wishing to communicate with a KMC V customer service representative in writing will be able to write to KMC V at:

KMC Telecom V, Inc.
1545 Route 206, Suite 300
Bedminster, NJ 07921

39. KMC V's customer services agents will be prepared to respond to a broad range of service matters, including inquiries regarding: (1) the types of services offered by KMC V and the rates associated with such services; (2) monthly billing statements; (3) problems or concerns pertaining to a customer's current service; and (4) general telecommunications matters.

40. Should any problems relating to the Company's telecommunications equipment or service occur, Customers will be able to contact KMC V directly, at the toll-free number set forth above. If a service or maintenance problem relates to any Company-provided equipment or service, KMC V will dispatch repair personnel as expeditiously as possible to resolve the situation.

B. Advance Payment/Deposit Policies

41. The Company will not require any advance payments or deposits from its Customers.

XI. Recordkeeping

42. While KMC V will not actually maintain separate books and records for its South Dakota operations, KMC V will maintain its South Dakota accounts in such a way as to be able to retrieve and make readily available state-specific data and financial information. To this end, the Company maintains a Chart of Accounts, which identifies the various departments and accounts that the Company has selected to track its expenses and revenues on a state-by-state basis. The Company's records will be kept at the Company's headquarters located at: 1545 Route 206, Suite 300, Bedminster, New Jersey 07921. Upon request, KMC V will provide the Commission, at the Company's own expense, with access to its books and records.

XII. Waiver Request

43. KMC V respectfully requests a waiver of Rule 20:10:24:03(10) of the Commission's Rules, requiring carriers to provide access to emergency services such as 911 or enhanced 911, operator services, interexchange services, directory assistance service, and access to telecommunications relay

service. As stated above, Applicant intends to provide data services only, and does not intend to provide voice services. It is technically and economically infeasible for port wholesale providers to comply with such an obligation. Should KMC V desire to provide voice services in the future, it will notify the Commission.

44. Applicant respectfully requests waiver from the Commission's requirement to file cost support information. KMC V, at this time, will only provide port wholesale data service and will not provide service to end users subscribing for local exchange service. Applicant agrees that at such time KMC V decides to offer such services and serves more than fifty thousand local exchange subscribers KMC V will notify the Commission and file its such cost support information as required under the Commission's Rules.

XIII. PUBLIC INTEREST

45. A decision by the Commission to grant Applicant authority to provide competitive local exchange telecommunications services is in the public interest. Applicant is well-qualified to operate as such a service provider in South Dakota. Consumers of telecommunications services in South Dakota will receive the benefits of downward pressure on prices, increased choice, improved quality of service and customer responsiveness, innovative service offerings, and access to increasingly advanced telecommunications technology. The market incentives for new and existing providers of telecommunications services will be improved through an increase in the diversity of suppliers and competition within the local exchange telecommunications market. Granting KMC V's Application would enhance this development of competition in the local exchange market and provide the consumers of South Dakota with all of the benefits described above.

WHEREFORE, KMC V respectfully requests that the Commission grant its CPCN to Provide Facilities-Based and Resold Local Exchange and Resold Interexchange Telecommunications Services within the State of South Dakota.

Respectfully submitted,

KMC TELECOM V, INC.

By:________________________

Genevieve Morelli
Eric D. Jenkins
KELLEY, DRYE & WARREN LLP
1200 19th Street, N.W.
Suite 500
Washington, D.C. 20036
(202) 955-9600

Its Attorneys

DATED: December 6, 2000

VERIFICATION

Roscoe C. Young, II, Affiant, being duly sworn according to law, deposes and says that:

He is the **President and Chief Operating Officer** of KMC Telecom V, Inc.

That he is authorized to and does make this affidavit for said corporation;

That the facts set forth in this Application are true and correct to the best of his knowledge, information, and belief and that he expects said corporation to be able to prove the same at any hearing hereof.

Roscoe C. Young
Roscoe C. Young, II,
President and Chief Operating Officer
KMC Telecom V, Inc.

[Commonwealth/State] of New Jersey :
: ss.
County of Somerset :

Sworn and subscribed before me this 4th day of December, 20 02.

Jeannette Barretta
Signature of official administering oath

JEANNETTE BARRETTA
A Notary Public of New Jersey
My Comm[illegible] March 18, 2002

My commission expires

DC01/JENKE/111898.1

EXHIBIT A

ARTICLES OF INCORPORATION

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 INCORPORATION OF "KMC TELECOM V, INC.", FILED IN THIS OFFICE ON THE FIFTEENTH DAY OF MARCH, A.D. 2000, AT 4:30 O'CLOCK P.M.

Edward J. Freel, Secretary of State

3194507 8100

001208769

AUTHENTICATION: 0399314

DATE: 04-25-00

NEXT

DOCUMENT (S)

BEST IMAGE

POSSIBLE

CERTIFICATE OF INCORPORATION

OF

KMC Telecom V, Inc.

FIRST: The name of the corporation is KMC Telecom V, Inc. (the "Corporation").

SECOND: The address of its registered office in the State of Delaware is Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of New Castle. The name of its registered agent at such address is The Corporation Trust Company.

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

FOURTH: The total number of shares of stock which the Corporation shall have authority to issue is One Hundred (100) shares of Common Stock, par value $.01 per share.

FIFTH: The name and mailing address of the sole incorporator of the Corporation are as follows:

Tae Hee Kim
Kelley Drye & Warren LLP
101 Park Avenue
New York, New York 10178

SIXTH: The following provisions are inserted for purposes of the management of the business and conduct of the affairs of the Corporation and for creating, defining, limiting and regulating the powers of the Corporation and its directors and stockholders:

(a) The number of directors of the Corporation shall be fixed and may be altered from time to time in the manner provided in the Bylaws, and vacancies in the Board of Directors and newly created directorships resulting from any increase in the authorized number of directors may be filled, and directors may be removed, as provided in the Bylaws.

(b) The election of directors may be conducted in any manner approved by the stockholders at the time when the election is held and need not be by ballot.

(c) All corporate powers and authority of the Corporation (except as at the time otherwise provided by law, by this Certificate of Incorporation or by the Bylaws) shall be vested in and exercised by the Board of Directors.

(d) The Board of Directors shall have the power without the assent or vote of the stockholders to adopt, amend, alter or repeal the Bylaws of the Corporation, except to the extent that the Bylaws or this Certificate of Incorporation otherwise provide.

SEVENTH: The Corporation reserves the right to amend or repeal any provision contained in this Certificate of Incorporation in the manner now or hereafter prescribed by the laws of the State of Delaware, and all rights herein conferred upon stockholders or directors are granted subject to this reservation.

EIGHTH: No director shall be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, provided, however, that the foregoing shall not eliminate or limit the liability of a director (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derived an improper personal benefit.

NINTH: Meetings of stockholders may be held within or without the State of Delaware, as the Bylaws may provide. The books of the Corporation may be kept (subject to any provision contained in the statutes of the State of Delaware) outside the State of Delaware at such place or places as may be designated from time to time by the Board of Directors of the Corporation in accordance with the Bylaws of the Corporation.

IN WITNESS WHEREOF, I do execute this Certificate and affirm and acknowledge, under penalties of perjury, that this Certificate is my act and deed and that the facts stated herein are true, this 15th day of March, 2000.

Tae Hee Kim, Sole Incorporator

State of Delaware

Office of the Secretary of State

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THAT "KMC TELECOM V, INC." IS DULY INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL CORPORATE EXISTENCE NOT HAVING BEEN CANCELLED OR DISSOLVED SO FAR AS THE RECORDS OF THIS OFFICE SHOW AND IS DULY AUTHORIZED TO TRANSACT BUSINESS.

THE FOLLOWING DOCUMENTS HAVE BEEN FILED:

CERTIFICATE OF INCORPORATION, FILED THE FIFTEENTH DAY OF MARCH, A.D. 2000, AT 4:30 O'CLOCK P.M.

AND I DO HEREBY FURTHER CERTIFY THAT THE AFORESAID CERTIFICATES ARE THE ONLY CERTIFICATES ON RECORD OF THE AFORESAID CORPORATION.

AND I DO HEREBY FURTHER CERTIFY THAT THE FRANCHISE TAXES HAVE NOT BEEN ASSESSED TO DATE.

Edward J. Freel, Secretary of State

3194507 8310

001208769

AUTHENTICATION: 0398315

DATE: 04-25-00

EXHIBIT B

KMC V' s Corporate Stock Structure

Common Stock:	KMC Telecom Holdings, Inc. ("KMC Holdings") 1545 Route 206 Suite 300 Bedminster, New Jersey 07921	
	Number of shares in KMC V:	100
	Percentage of shares in KMC V:	100%

EXHIBIT C

CORPORATE STRUCTURE/ORGANIZATIONAL CHART

KMC'S CORPORATE STRUCTURE

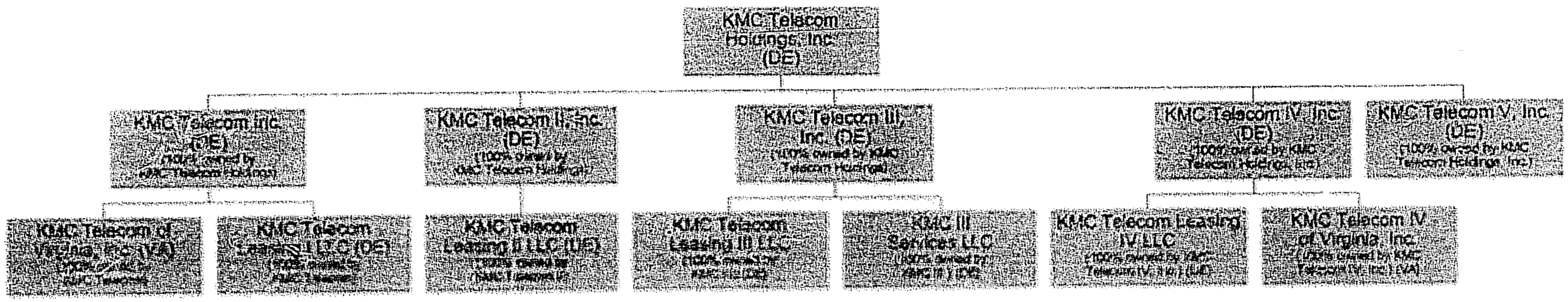

EXHIBIT D

FOREIGN CORPORATION QUALIFYING DOCUMENT

(TO BE LATE-FILED)

EXHIBIT E

STATEMENT OF MANAGERIAL AND TECHNICAL QUALIFICATIONS

KMC Telecom V, Inc. ("KMC V"), a Delaware corporation, is a wholly-owned subsidiary of KMC Telecom Holdings, Inc. ("KMC Holdings"), a Delaware corporation. KMC V is technically qualified to operate as a provider of facilities-based local exchange ·rvices and resold local exchange telecommunications services in the State of California. Specifically, KMC V will rely upon the expertise of KMC Holdings' management team who oversees the operations of KMC V and its affiliates: KMC Telecom Inc. ("KMC"), KMC Telecom II, Inc. ("KMC II"), KMC Telecom III, Inc. ("KMC III"), KMC Telecom IV, Inc. ("KMC IV"), and KMC Telecom of Virginia, Inc. ("KMC VA").

The following is a list of KMC Holdings' management team:

Roscoe C. Young, II	**President and Chief Operating Officer**
William H. Stewart	**Chief Financial Officer and Executive Vice President**
Paul DiMarco	**Chief Information Officer**
Patricia Breckenridge	**Executive Vice President – Business Development**
Larry Salter	**Executive Vice President – Network Operations**
Martin F. McDermott, III	**Executive Vice President – Marketing Services**
James L. Barwick	**Senior Vice President – Technology and Chief Engineer**
Charles Rosenblum	**Senior Vice President – Human Resources**

Robert Hagan	**Senior Vice President and Assistant Secretary**
Alan Epstein	**Vice President, General Counsel and Secretary**
Marcy Dean	**Vice President, Treasurer and Assistant Secretary**
Joseph P. Sheehan, III	**Vice President and Controller**
Steven Kreider	**Vice President and Assistant Treasurer**
Jeannette Barretta	**Assistant Secretary**

Collectively, the members of KMC Holdings' management team have designed, managed, and/or operated advanced telecommunications facilities throughout the United States. The members of KMC Holdings' management team bring many years of experience and a wealth of knowledge from being associated with a number of a highly successful companies in the telecommunications industry.

Roscoe C. Young, II, KMC Holdings' President and Chief Operating Officer, prior to joining the Company, was Vice President of Network Services for Ameritech, where he led more than 4,000 employees in providing services ranging from ISDN and digital Centrex to dial tone. He previously directed engineering, network services, national account sales, marketing and real estate procurement for MFS Communications as Senior Vice President of that company. He has also been a senior executive with AT&T where he was responsible for sales, marketing, operations, engineering, financial management and human resources. During that time, he was selected by the Reagan Administration to serve as a Special Assistant to Secretary of Defense Caspar Weinberger under the White House Executive Exchange Program.

William H. Stewart, KMC Holdings' Chief Financial Officer and Executive Vice President, was previously employed with Nassau Capital. Mr. Stewart joined Nassau Capital in 1995 and has over eleven in the telecommunications investment industry. While at Nassau Capital, Mr. Stewart led Nassau's investment program in the communications industry, which included investments in Cypress Communications, Crown Castle and Portal Software. Mr. Stewart has served as a Director of KMC Holdings since 1996. He graduated cum laude with a B.S. degree from Villanova University, earned an M.B.A. from New York University, and is a Chartered Financial Analyst.

Paul DiMarco, KMC Holdings' Chief Information Officer, joined the Company in September, 1998, as its Vice President of Information Technology and Chief Information Officer. From May 1995 to September 1998, he served as Senior Vice President and Chief Information Officer with Nycomed Americas, a multi-national pharmaceutical company. From May 1990 to May 1995, Mr. DiMarco was Director of Information Technology for Ortho-McNeil Pharmaceutical Corporation, a major pharmaceutical division within the Johnson and Johnson family of companies. Prior to joining Ortho-McNeil, Mr. DiMarco served for thirteen years with AT&T Corp. in positions of increasing responsibility including District Manager within the Information Technology Organization, National Account Manager, and Manager Technical- Support for the Commercial and Residential Billing System.

James L. Barwick, KMC Holdings' Senior Vice President of Technology and Chief Engineer, has 39 years of experience in the telecommunications industry. Mr. Barwick joined the Company in March 1997. Prior to joining the Company, Mr. Barwick had been self-employed since 1986 as a telecommunications consultant with expertise in equipment application engineering, radio path engineering, analog and digital Mux, switching and transport systems in the long distance carrier and incumbent local exchange carrier areas, technical writing, project management and computer assisted design systems.

Charles Rosenblum, KMC Holdings' Senior Vice President of Human Resources, has over 20 years experience in human resources, primarily in human resources planning, staffing and development. He joined the Company in January 1997. From May 1995 to January 1997 he served as Vice President of Human Resources of Kamine Development Corp. Previously he had held the positions of Director, Management Development with KPMG Peat Marwick and Manager of Management Education with Dun & Bradstreet Corporation. Ear'ier he had served in various human resource positions with Allstate Insurance Company.

Patricia Breckenridge, KMC Holdings' Executive Vice President of Business Development, joined the Company in April 1995. From January 1993 to April 1995 she was Vice President and General Manager of FiberNet USA's Huntsville, Alabama operations. Previously she had served as Vice President, External Affairs and later Vice President, Sales and Marketing of Diginet, Inc. She was co-founder of Chicago Fiber Optic Corporation, the predecessor of Metropolitan Fiber Systems. Earlier she was Director of Regulatory Affairs for Telesphere Corporation.

Larry Salter, KMC Holdings' Executive Vice President of Network Operations, is responsible for technical evaluation of new equipment, engineering, and network design of KMC Holdings' local networks. He also oversees the company's construction of new fiber optic-based SONET systems, and provides technical support to KMC Holdings' networks. Mr. Salter came to KMC Holdings' after a 26-year career with AT&T where he was involved in the development and management of Internet services, local area networks, secure systems, and a broad range of technical and engineering functions. He also was a Director of AT&T's strategy and business development and new business integration initiatives. Mr. Salter is a graduate of Iowa State University and holds an MBA in finance and marketing from the University of Chicago.

Martin McDermott, III, is KMC Holdings' Executive Vice President of Marketing Services. Prior to entering the CLEC industry, McDermott was President of Management Profiles, Inc., a management consulting firm specializing in new technologies in the communications industry. He also has held senior management positions with several other organizations including American Wireless Communications Corporation, WilTel, the National Telecommunications Network, Mitel and Northern Telecom, Inc. McDermott has served on the Boards of Directors of CompTel, ACTA, and NATA and is the author of The Business of Interconnect, a definitive study of customer premise equipment. He is a frequent industry spokesperson and contributor to industry periodicals on sales, marketing and technology topics.

Joseph P. Sheehan, III, joined KMC Holdings in June, 1998 as Manager of Financial Systems & Special Projects. He was promoted to Director of Financial Systems & Processes in May, 1999 and has recently been appointed to the position of Vice President & Controller effective March, 2000. Mr. Sheehan began his career in telecommunications with AT&T where he held various positions in the Billing Operations and Controller's organizations from 1991 through 1998 and he managed the results of their Data Services and Government Markets groups in their Business Markets Unit. Prior to moving to AT&T Communications, Joseph spent two years with AT&T Capital where he worked in the Finance group of AT&T Credit managing the lease portfolio. Joseph holds a BS in accounting with an information systems minor from the University of Scranton as well as his MBA from the University of Phoenix and began his career with Coopers & Lybrand.

Jeannette Barretta, KMC Holdings' Assistant Secretary, joined KMC in 1997 as its Contract Administrator and was promoted to Assistant Secretary during 1997 and Contract Manager during 1998. Prior to joining KMC, Ms. Barretta worked as a paralegal for KCS Energy Marketing, Inc. Ms. Barretta began her career as a personal injury paralegal with the law firm of Ravich, Koster, Tobin Oleckna and Greenstein.

With such vast technical experience by the members of its management team, in addition to the outstanding team of engineers and network specialists it has employed, KMC Holdings has the adequate technical experience and managerial capability to develop and maintain a successful local exchange operation in the State of South Dakota.

EXHIBIT F

DIRECTOR PROFILES

HAROLD N. KAMINE, CHAIRMAN

As the founder of the KMC family of companies, Harold N. Kamine has over six years of telecommunications experience. In addition to his telecommunications management experience, Mr. Kamine has almost twenty years of power generation management experience.

Harold N. Kamine is Chairman of Kamine International Power Corp. and Chief Executive Officer and owner of Kamine Development Corp. In the United States, ten Kamine-related companies are involved in the independent power industry. Mr. Kamine's companies own and operate six unregulated non-utility power generation projects located in the northeast United States. Other Kamine affiliates are pursuing development of independent power projects in Romania and Latin America. Mr. Kamine has arranged the financing of U.S. power facilities valued at US $375 million. Mr. Kamine's entry into the power generation industry was spurred by changing federal regulations in the early 1980's that encouraged cost efficient independent power producers to challenge regulated operators. His entry to the telecommunications industry has been spurred by similar deregulatory legislation.

Mr. Kamine graduated *summa cum laude* from Lafayette University with a Bachelor of Science Degree Mechanical Engineering. He is a Registered Professional Engineer in the State of New Jersey.

ROSCOE C. YOUNG II, DIRECTOR

Named chief operating officer in 1997, Roscoe C. Young II brings more than 20 years of telecommunications industry experience to his direction of KMC's new markets, and day-to-day operations, including management of KMC Telecom IV Inc.'s fiber optic telecommunications services in the cities in which it operates, overseeing development of new markets, and technical and engineering support. Mr. Young most recently was elected to the KMC Board of Directors.

Prior to joining KMC Telecom, he was Vice President of Network Services for Ameritech, where he led more than 4,000 employees in providing services ranging from ISDN and digital Centrex to dial tone. He previously directed engineering, network services, national account sales, marketing and real estate procurement for MFS Communications as Senior Vice President of that company. He has also been a senior executive with AT&T where he was responsible for sales, marketing, operations, engineering, financial management and human resources. During that time, he was selected by the Reagan Administration to serve as a Special Assistant to Secretary of Defense Caspar Weinberger under the White House Executive Exchange Program.

WILLIAM H. STEWART, DIRECTOR

William Stewart joined KMC in March of 2000 as Chief Financial Officer and Executive Vice President. Mr. Stewart was most recently Managing Director of Nassau Capital, KMC's largest shareholder. Mr. Stewart joined Nassau Capital in 1995 and has more than 11 years of experience in the telecommunications investment industry. While at Nassau Capital, Mr. Stewart led Nassau's investment program in the communications industry, which included investments in Cypress Communications, Crown Castle and Portal Software. Mr. Stewart has served as a Director of KMC since 1996. He graduated cum laude with a B.S. degree from Villanova University, earned an M.B.A. from New York University, and is a Chartered Financial Analyst.

EXHIBIT G

FACT SHEET OF KMC TELECOM HOLDINGS, INC.

FACT SHEET OF KMC TELECOM HOLDINGS, INC.

KMC Telecom, Inc.

www.kmctelecom.com

Creative Solutions With a Hometown Touch ™

Fact Sheet

BACKGROUND

The initial predecessors of KMC Telecom Holdings, Inc., were founded in 1994 and 1995, respectively, by Harold N. Kamine, the Company's Chairman of the Board. These predecessors were merged in 1996 and renamed KMC Telecom Inc. KMC Telecom Holdings, Inc., was formed during 1997 primarily to own, directly or indirectly, all of the shares of its operating subsidiaries, KMC Telecom Inc., KMC Telecom II, Inc., KMC Telecom III, Inc., KMC Telecom IV, Inc., KMC Telecom V, Inc., and KMC Telecom of Virginia, Inc. The principal equity investors in the Company currently include Mr. Kamine, Nassau Capital Partners, L.P., Newcourt Capital, Inc., CoreStates Holdings, Inc. (an affiliate of First Union National Bank), General Electric Capital Corporation and Lucent Technologies, Inc.

COMPANY OVERVIEW

The Company is a facilities-based competitive local exchange carrier providing telecommunications and data services in Tier III Markets (population from 100,000 to 750,000). The markets in which we operate are predominately located in the Southeastern and Midwestern United States. We target business, government and institutional end-users, as well as Internet service providers, long distance carriers and wireless providers. Our objective is to provide our customers with a complete solution for their communications needs. We currently provide on-net local dial tone, special access, private line, Internet access, ISDN and a variety of other advanced services and features.

We are a facilities-based competitive local exchange carrier providing telecommunications and data services in Tier III markets (markets with a population from 100,000 to 750,000). A facilities-based competitive local exchange carrier is one which operates its own network, including switching equipment and transmission lines, rather than one which intends to primarily resell the services of other carriers. We target as customers business, government and institutional end-users, as well as Internet service providers, long distance carriers and wireless service providers. Our objective is to provide our customers with a complete solution for their communications needs. We currently provide on-net local dial tone, Internet access infrastructure, ISDN (or integrated services digital network), long distance, special access, private line and a variety of other advanced services and features.

We currently operate in 34 Tier III markets and have systems under construction in 3 additional Tier III markets. We expect these new systems to be commercially operational by the end of the first half of 2000. During 2000 we will continue to investigate new Tier III markets. We construct robust fiber optic networks in each of our markets, which we believe allows us to ensure high quality of service, facilitate the delivery of value-added and data services, and effectively control our costs. We currently have Lucent Technologies Series 5ESS(R)-type switches in commercial operation in all of our operational markets and intend to install Lucent switches in any future networks which we may build.

BUSINESS STRATEGY

We intend to become the dominant competitive provider of telephony and data services in the markets that we serve. The principal elements of our business strategy include:

FOCUS ON TIER III MARKETS. We intend to operate in Tier III Markets. We believe that incumbent local exchange carriers tend to focus their efforts on larger markets and generally underserve and underinvest in Tier III Markets. We also believe that there is generally significantly less competition from other facilities-based competitive local exchange carriers in Tier III Markets, which allows us to gain market share more rapidly than we could expect to in Tier I and Tier II Markets. In addition, network construction is less expensive in Tier III Markets than in Tier I and Tier II Markets. We target markets which we believe offer attractive demographic, economic, competitive and demand characteristics. We select target markets from among the approximately 250 Tier III Markets in the United States by first identifying those markets that do not yet have significant, established competitors to the existing incumbent local exchange carrier, and by then reviewing the specific demographic, economic, competitive and telecommunications demand characteristics of such markets to determine their suitability for the types of services which we offer.

COMPREHENSIVE FIBER NETWORKS. We build geographically extensive, full service, facilities-based networks. Prior to both the initial construction of our network backbone and any subsequent network expansion, we perform detailed rate of return analyses to justify the capital expenditures involved. In each of our existing thirty-four markets, we have completed our backbone construction connecting the market's central business district with outlying office parks, large institutions, the locations of long distance carriers' transmission equipment and major incumbent local exchange carrier central offices. In addition, we intend to continue to expand our existing networks in response to anticipated customer demand.

PROVIDE ENABLING INFRASTRUCTURE FOR DATA SERVICES. We intend to serve as a gateway for the provision of sophisticated value-added data services and high speed connectivity to customers in Tier III markets. We believe it is strategically important for us to offer these services because:

- data and internet access is required for businesses to succeed and grow,
- e-commerce is mission critical for many businesses, and
- national service carriers and internet service providers, such as UUNet and Qwest feel it is necessary for them to expand into Tier III markets.

We will provide data services directly to our own customers and will also provide access to Tier III markets for long distance carriers, national service carriers, Internet service providers and other businesses which require broadband access to those markets but which have not constructed their own networks and connections in those markets to enable them to provide it to their own customers.

LOCAL PRESENCE. We intend to capture and retain customers through effective local, personalized sales, marketing and customer service programs. To this end, we:

- establish sales offices in each market in which we operate a network,
- strive to recruit our city directors and sales staff from the local market, rely principally on a face-to-face selling approach, and
- support our sales staff with locally based customer service and technical support personnel.

We believe that our "Creative Solutions with a Hometown Touch"[(sm)] sales approach is very important to customers in Tier III Markets, who do not typically receive focused local sales contact or customer support from the incumbent local exchange carrier. We seek to build long-term relationships with our customers by responding rapidly and creatively to their telecommunications needs.

QUALITY OPERATIONS SUPPORT SYSTEM. We are developing a high quality operations support system to provide us with comprehensive billing, order processing and customer care software for all existing and contemplated services we will market. This system is designed to provide us with a single "flow-through" order form that will entail several components, allowing each order to be tracked from service provisioning through to complete installation. We believe that this system will allow us to quickly address customer concerns and provide us with a competitive advantage in customer service and operations efficiency.

EXPERIENCED MANAGEMENT TEAM. The Company's management team includes individuals with a wealth of experience, collectively, in the telecommunications industry. It is led by Harold N. Kamine, Chairman of the Board of Directors, and Roscoe C. Young, II, the Company's President and Chief Operating Officer. Other members of the team include William H. Stewart, Executive Vice President and Chief Financial Officer, and James L. Barwick, Senior Vice President-Technology.

SERVICES

GENERAL. We have historically provided dedicated access service and have also resold switched services which we purchased from incumbent local exchange carriers. In December 1997, we began providing our own on-net switched services to our customers. For 1997 on-net switched services accounted for 32% of our revenue and resale services accounted for 68% of our revenue. For 1998 on-net switched services accounted for 37% of our revenue and resale services accounted for 63% of our revenue.

PRIVATE LINE AND SPECIAL ACCESS SERVICES. We currently provide various types of on-net dedicated service which permit the transmission of voice and data between two points over circuits dedicated to the requirements of a particular customer. Private line service involves the provision of a private, dedicated telecommunications connection among different locations of the same customer. For these services we offer several types of dedicated circuits that have different capacities. DS-1 and DS-3 circuits are dedicated lines that can carry up to 24 and 672 simultaneous voice and data transmissions, respectively. Special access service involves the leasing, to long distance carriers, of private, dedicated telecommunications lines running along our networks. The long distance carriers use these lines to connect different locations where they have installed transmission equipment within the market, to connect locations where they have installed transmission equipment to the transmission equipment locations of other long distance carriers within the market, or to connect large customers directly to the locations of their transmission equipment. For these services we offer OC3, OC12 and OC48 circuits. These OC-N services provide the fastest transmission available for carriers and large business users.

SWITCH-BASED SERVICES. We have added and continue to add capability to provide local dial tone services and switched access origination and termination services to our networks. Switches are currently in commercial operation in twenty-two of our existing markets and we expect to have a switch in commercial operation in our remaining existing network no later than the second quarter of 1999. Over time, we expect to transition the majority of our customers to our own networks by means of either unbundled network elements leased from the incumbent local exchange carrier or direct connections.

ISDN. ISDN, or integrated services digital network, is an internationally agreed upon standard which, through special equipment, allows two-way, simultaneous voice and data transmission in digital formats over the same transmission line. ISDN permits videoconferencing over a single line, for example, and also supports a multitude of value-added networking capabilities. This service targets sophisticated business customers whose applications require integration of services such as Internet access, video, voice or other communications services, including high speed data transfer. By integrating multiple applications, customers receive increased capability and may not have any increase in costs to achieve that capability. The principal purchasers of this service are currently Internet service providers.

LONG DISTANCE. We offer a full range of long distance products including inter-LATA, intra-LATA, interstate, international, calling card and 800-number services. Most recently we decided to introduce KMC-branded operator services, directory services and prepaid phone cards. We offer these services both on-net and off-net. We offer long distance services on a resale basis by entering into wholesale agreements with various long distance carriers to deliver these services. We believe that many of our customers will prefer the option of purchasing long distance services from us as part of a one-stop telecommunications solution.

CENTREX-TYPE SERVICES. We intend to provide Centrex-type services. By using Centrex-type services instead of a PBX (which requires the customer to purchase and install a switching system on its own premises), customers can substantially reduce their capital expenditures and the fixed costs associated with maintaining a PBX network infrastructure. We currently plan to introduce our ClearStar℠ Advantage service in all of our operational markets during the first quarter of 1999. It has been designed to support multiple applications, ranging from basic access services to services focused on desktop applications. The basic access service will connect to a customer's key system or PBX and will be equipped with up to 14 features including call forwarding, speed dialing and call transfer capabilities. More sophisticated levels of service are designed to replace customers' existing key systems or PBXs. At the high end of service offerings is ClearStar℠ Advantage Plus, a packaged, end-to-end offering which combines all of the basic features with Basic Rate ISDN network access, advanced feature functionality, voice messaging and third party-provided ISDN electronic terminal sets.

NEW ENHANCED DATA SERVICES OFFERINGS. We introduced ISDN services in late 1998. We currently plan to expand our capabilities by introducing additional enhanced data services. We believe that these services will enhance our ability to provide an integrated turnkey solution to our customers' voice, data and video transmission requirements. These enhanced services will include:

- BASIC RATE ISDN. Basic Rate ISDN, or BRI, provides customers the potential of 144 kilobits of digital communications via a single network facility interface. We believe it will be attractive to small and medium size customers, since it provides dial-up access to the Internet, and other dial-up data applications, while simultaneously providing the ability to integrate voice traffic on a single network facility.

- PRIMARY RATE ISDN. Primary Rate ISDN, or PRI, provides customers the equivalent of 1.544 megabits of digital communications via a channelized T-1 type facility, with 23 bearer channels for voice and data communications and a 24th channel providing network signaling and control for the services. We focus our PRI sales efforts on (i) Internet service providers who use Primary Rate ISDN as a means of supporting customer access to their operations, and (ii) end-user customers who use Primary Rate ISDN as a network access facility for PBXs and other premise-based switches.

- PORT WHOLESALE. Port wholesaling is a technology that provides large bandwidth users with data switching capability at the network level, allowing them to acquire capacity as required without investing in data switching equipment. Port wholesaling gives us the ability to provide data switching to Internet service providers by allowing data calls to be terminated through the port wholesale equipment rather than the switch. This enables the Internet service provider to more cost effectively manage its data requirements while, at the same time, increasing the efficiency and capacity of our Lucent Technologies Series 5ESS(R)-type switch.

- HDSL. HDSL is a method of using unconditioned, copper wire pairs for high bit rate data transport for use in the "last mile" connecting our network backbone ring to the customer's premises. We plan to utilize HDSL to provide high bandwidth data and video service to small and medium size customers.

- FRAME RELAY/ATM. Frame relay and ATM are used by some of our data customers as a fast data transport service for wide area networks. Today we resell these services. In the future we intend to provide these services over our own network and utilize a third party provider for transport outside our network.

- CLEAR STAR[SM] ADVANTAGE PLUS. This service provides a customer with Centrex-type functionality from our central office switch to each of the customer's desktops. It is a packaged, end-to-end offering which provides a combination of Basic Rate ISDN network access, advanced Centrex feature functionality, voice messaging, ISDN terminal sets and support for premise wiring configuration.

We plan to remain flexible in responding to evolving customer demands for enhanced data services.

LOCAL NETWORKS

We are able to expand our reach in a market by collocating equipment in an incumbent local exchange carrier's central office and leasing unbundled network elements from that incumbent local exchange carrier in order to reach customers located in buildings which are not directly connected to our own backbone ring. We attempt to place collocation equipment in a sufficient number of incumbent local exchange carrier central offices to allow us to reach approximately 70% of the business customers in a given market, either by means of such unbundled network elements or direct connections to our network. The decision as to whether to collocate in a specific central office is based upon the number of business lines, number and type of businesses, number of households and the location of the central office within the market.

Our networks consist of digital fiber optic communications paths which allow for high speed, high quality transmission of voice, data and video communications. We typically install backbone fiber optic cables containing 48 to 144 fiber strands which have significantly greater bandwidth carrying capacity than other media. Our OC-48 SONET networks support up to 32,256 simultaneous voice conversations over a single pair of glass fibers. We expect that continuing developments in compression technology and multiplexing equipment will increase the capacity of each fiber, thereby providing more bandwidth carrying capacity at relatively low incremental costs.

We monitor our fiber optic networks and electronics seven days per week, 24 hours per day, using a combination of local and national network control centers. Local network monitoring is accomplished by means of an automatic notification system that monitors for any system anomaly. This system provides instantaneous alarms to an on-call network technician whenever an anomaly is detected. The local market technician is trained in network problem resolution and provides on-site corrective procedures when appropriate. A national Network Reliability Center, located in Denver, Colorado, acts as the focal point for all of our operating networks, providing integrated and centralized network monitoring, and correlation and problem management. The Network Reliability Center has access to all operating networks and can work independently of the local systems to effect repair or restoration activities. The Network Reliability Center is currently provided by Lucent Technologies, Inc. on a contractual basis. In the future, we may develop our own national center.

We manage our network systems both locally and centrally. Customer service calls and maintenance are primarily handled through the local offices. In addition, as described above, we contract to provide integrated monitoring of our networks via Lucent's National Reliability Center. This is accomplished by the use of a sophisticated integrated management system that is connected via the public network to all of our locations, including our Duluth, Georgia, operations center. With this system the National Reliability Center is capable of accessing all available information regarding the configuration and operating condition of any network components in use. This proactive monitoring capability is further augmented by a 24 hour a day, seven day a week call center, also provided by Lucent at the National Reliability Center, that receives, tracks and manages all customer calls and issues to satisfactory conclusion. The call center works with the Company's own customer care representatives and engineers in the Duluth facility to ensure that timely and consistent service is provided.

SALES AND MARKETING

We target our sales and marketing activities at three separate customer groups: retail, national accounts and wholesale. Retail customers are composed of business, government and institutional telecommunications and data services end-users. National accounts are usually large corporations which have branches or local offices within our markets, but which make their buying decisions centrally from their corporate headquarters. Wholesale customers typically consist of long distance carriers, wireless service providers and national Internet service providers. As of February 29, 2000, we had approximately 290 employees engaged in sales and marketing activities.

RETAIL CUSTOMERS. We target retail customer segments such as business, government, healthcare and educational institutions. We target all business customers in our markets.

NATIONAL ACCOUNTS. While there are few Fortune 500 companies with headquarters located in our operating cities, there are branches and local offices of large corporations within our market areas. Often these large corporations make their buying decisions centrally, either through their telecommunications or MIS functions, which are normally located at corporate headquarters. Our national accounts sales organization is structured to assist them in determining requirements for their various locations within our markets. We believe that this focus on national accounts will further increase our market penetration with large companies in our cities.

WHOLESALE CUSTOMERS. We currently target the major long distance carriers such as AT&T, MCI WorldCom and Sprint, as well as Internet service providers. We believe that we can effectively compete to provide access to these customers based on price, reliability, technology, route diversity, ease-of-ordering and customer service. Historically, long distance carriers have paid significant charges to incumbent local exchange carriers to access the incumbent local exchange carriers' networks. We provide these services at a discount. In addition, to the extent that incumbent local exchange carriers begin to compete with long distance carriers in providing long distance services, the long distance carriers have a competitive incentive to move access business away from incumbent local exchange carriers to competitive local exchange carriers such as the Company. Wireless service providers, who need network backbone to back haul calls, are an active customer base, as are other competitive local exchange carriers as wholesale users.

SUPPLIERS

LUCENT. We have contracted with Lucent Technologies, Inc., as our primary supplier, to purchase switching, transport and digital cross connect products. Lucent has also agreed to implement and test our switches and related equipment. In addition, Lucent and the Company have entered into an agreement pursuant to which Lucent has agreed to monitor the Company's switches on an on-going basis.

BILLING SUPPORT SYSTEMS IMPLEMENTATION. We have entered into an agreement with Billing Concepts Systems, Inc., to provide the Company with comprehensive billing functionality, including the ability to collect call detail records, message rating, bill calculation, invoice generation, commission tracking, customer care and inquiry, accounts receivable and collections management, and quality/revenue assurance. We anticipate that the agreement with Billing Concepts will result in our ability to produce a single bill covering all of the products and services that we provide to a customer. We have begun implementation of the new system and expect to have it implemented in all of our markets.

OPERATIONAL SUPPORT SYSTEMS IMPLEMENTATION. We have entered into an agreement with Eftia OSS Solutions Inc., to develop operational support systems. These systems will manage service order processing, circuit and asset inventory, telephone number inventory and trouble administration. The operational support system's capabilities will be expanded during the later phases of the project to include workforce management, local number portability management, network management, service bureau interfaces and web-based service inquiry. We anticipate the system will automate operational support activities and provide a means of managing operational performance of our business. We have begun this multi-phased project and will be implementing portions of it over the next twelve to eighteen months.

EMPLOYEES

As of February 29, 2000, we had approximately 1,100 full-time employees. None of our employees are represented by a labor union or subject to a collective bargaining agreement, nor have we experienced any work stoppage due to labor disputes. We believe that our relations with our employees are good.

GEOGRAPHIC AREAS

We have no foreign operations. All of our networks are located in, and all of our revenues are attributable to, the United States.

. OPERTIES.

The Company is headquartered in Bedminster, New Jersey in approximately 10,000 square feet of office space, approximately 7,200 of which it leases from Kamine Development Corp. (an entity controlled by Mr. Kamine, the Company's Chairman of the Board).

The Company also maintains an operations center in an aggregate of approximately 41,000 square feet of leased space in Duluth, Georgia under leases which expire at various dates from June 2001 through February 2003. The Company also owns or leases facilities in each of its existing markets for central offices, sales offices and the location of its switches and related equipment.

For more information, please visit KMC Telecom at www.kmctelecom.com, or contact:

Tricia Breckenridge
Executive Vice-President, Business Development
KMC TELECOM, INC.
1755 North Brown Road
Lawrenceville, Georgia 30043
Telephone (678) 985-7900
Facsimile (678) 985-6213

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EXHIBIT H

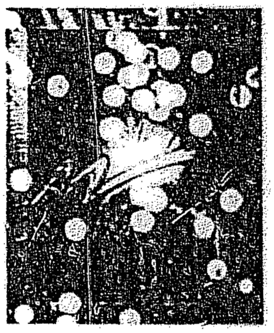
KMC AFFILIATE CERTIFICATIONS

KMC Entity	Authority Granted	Authority Pending
KMC Telecom Inc.	Alabama, Florida, Georgia, Louisiana, North Carolina, Texas, Wisconsin.	N/A
KMC Telecom II Inc.	Florida, Illinois, Indiana, Kansas, Michigan, Minnesota, New Hampshire, North Carolina, Texas.	N/A
KMC Telecom III, Inc.	Alabama, Arkansas, Florida, Indiana, Iowa, Louisiana, Maryland, Michigan, Mississippi, Missouri, New Jersey, North Carolina, Ohio, South Carolina, Tennessee, Texas, West Virginia.	N/A
KMC Telecom IV, Inc.	Alabama, Georgia (IXC), Kansas, Kentucky, Mississippi, Nebraska, Nevada, Oklahoma, Texas.	Georgia (CLEC)
KMC Telecom V, Inc.	Alabama, Arkansas, California, Delaware, Florida, Illinois, Indiana, Iowa, Kentucky, Louisiana, Massachusetts, Michigan, Mississippi, Missouri, Montana, Nebraska, Nevada, New Hampshire (IXC), New Jersey, New York, North Carolina, Oklahoma, Pennsylvania, Rhode Island, Texas, Washington, D.C., West Virginia, Wisconsin.	Arizona, Connecticut, Georgia, Idaho, Maine, Maryland, New Hampshire (CLEC), Ohio
KMV Telecom of Virginia, Inc.	Virginia	N/A
KMC Telecom IV of Virgina, Inc.	Virginia	N/A
KMC Telecom V of Virginia, Inc.	Virginia	N/A

EXHIBIT I

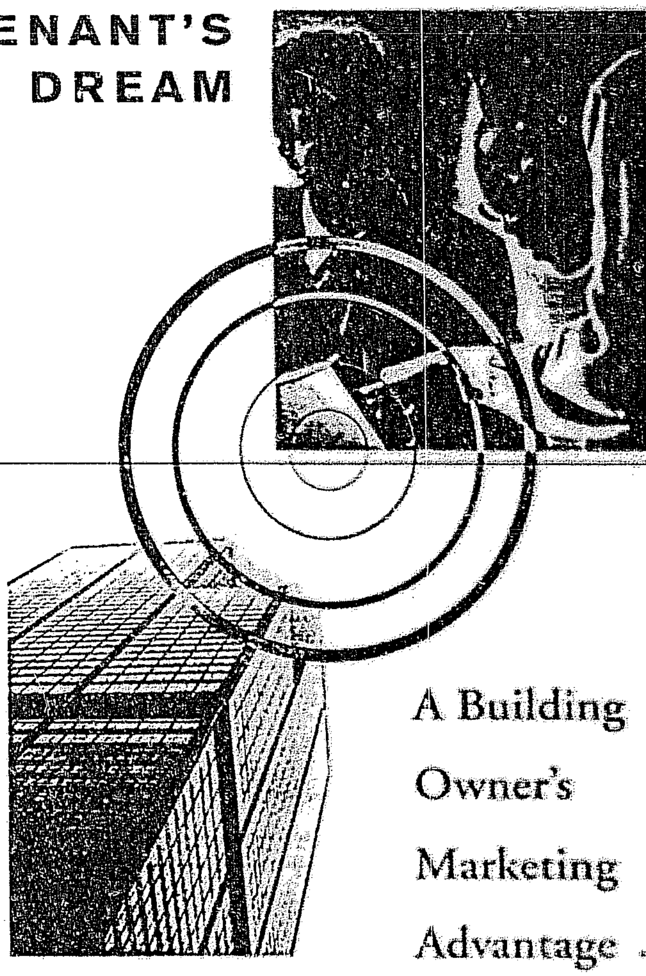
KMC V PROMOTAL AND MARKETING MATERIAL

The Fiber Of Telecommerce



BUSINESS DEVELOPMENT

A TENANT'S DREAM



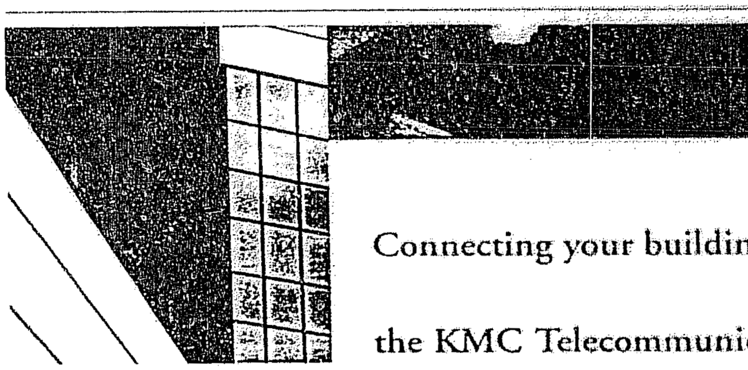
A Building Owner's Marketing Advantage

KMC Telecom®

Creative Solutions with a Hometown Touch™

SONET RING

Telecommunications Network



Connecting your building to the KMC Telecommunications Network is convenient, free, & can be very good for business.

Prime tenants are necessarily demanding when it comes to being wired for business in the 21st century. And for most that means now. With the capacity of high speed modems and computers doubling and tripling to meet the increased demands of businesses, office network managers are aggressively pressing incumbent local exchange carriers (telephone companies) to meet their critical needs for high speed, broadband fiber optic telecommunications systems. Custom solutions that can handle their high volume digital voice, data and multimedia transmissions at lightening-fast speeds—securely, without interference or failure. Speeds that only companies like KMC Telecom can handle with their robust, state-of-the-art telecommunications networks and FlexAble℠ service solutions.

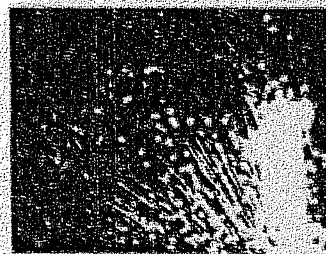
Telecommunications-dependent businesses are the preferred tenants upper class buildings thrive on. Buildings like yours, that forward thinking owners and managers constantly upgrade to maintain their competitive edge through real estate boom and bust cycles. And the one business telecommunications tool today's sophisticated tenants seek, and one that savvy building executives provide, is an in-building fiber optic telecommunications access system for connecting their local area networks (LANs) to KMC Telecom, a competitive local exchange carrier.

For your tenants, a state-of-the-art telecommunications network is no longer wishful thinking. It's here and now. KMC Telecom now serves your business community's telecommunications needs with a state-of-the-art, self-healing SONET ring fiber optic network and advanced digital switching platforms that meet or exceed the high-capacity needs of your tenants. When these important businesses have access to the KMC Telecom Network, not only do they get more done faster, but they save a bundle—*money that can be used to fuel growth and expansion.*

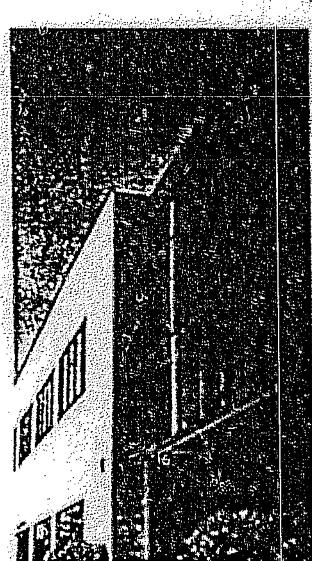
For building owners, accommodating a tenant's need for access to the KMC network can lead to tenants requiring more office space to accommodate growth. Not meeting their needs, obviously, can create dissatisfaction. Especially when the cost to building management is zero (0), and the bottom line telecommunications savings to tenants can range from 15% to 25% off the top of what they are now paying for severely limited service.

Your building can be connected to the KMC Telecom Network—without your having to spend a nickel or go out of your way. Non-intrusive wiring procedures and a compact, closet-size equipment cabinet is all that is required to accommodate tenants' telecommunications needs, while increasing your building's appeal to those seeking offices with access to the Information Highway. And with KMC Telecom access on-site, you can market your building as one truly wired for the 21st century. That's because KMC Telecom's network is a highly flexible design that offers tenants unlimited interconnectivity.

KMC Telecom never forgets: it's your building and they are your tenants. Neither your KMC Telecom City Director nor KMC Telecom Corporate ever loses sight of these important facts. So when we sit down to determine the best method of connecting your building and your tenants to the KMC Telecom Network, we listen to you. We work with you.



With KMC Telecom access on-site you can market your building as one truly wired for the 21st century that offers tenants unlimited interconnectivity.



Furthermore, we continue to monitor your interests and needs for as long as we partner in serving your tenants' telecommunications needs.

And that includes looking for other ways to help you maintain a full house. While very much a hometown company in the communities we serve, nationwide KMC Telecom is a very networked company. And because we have hundreds of key contacts among the upper management ranks of growing companies, we don't hesitate to refer KMC Telecom access-equipped buildings, like yours, to executives inquiring about office space in the towns we serve.

Coming to terms on how and when to bring KMC Telecom Network access to your building is easy. The next step is the signing of a simple-language "Building Entry Agreement" granting KMC Telecom the right to locate its equipment in your building and to offer KMC Telecom Network access service to your tenants. It further grants KMC Telecom right of access to the risers, ducts and mechanical spaces required to connect tenants. This agreement also recognizes your right to approve any such wiring and obligates KMC Telecom to pay for any costs, damages, or expenses incurred in the process. Working with KMC Telecom is really that uncomplicated, and we do everything we can to keep it that way throughout our partnership.

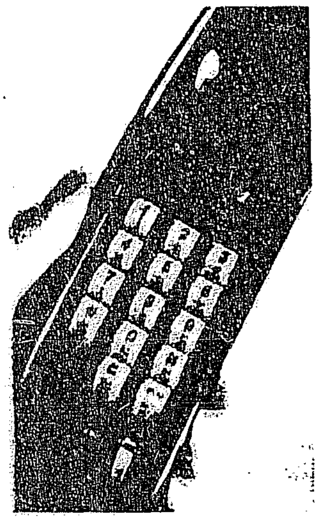
Nothing happens until we have your approval of all engineering specifications. At no cost to you, KMC Telecom submits complete engineering drawings for your inspection and approval. These important drawings cover placement of equipment racks, ventilation and service requirements. After all required modifications are made to the drawings, work begins—but only after we have your full approval.

Our cable installer must also meet with your approval. KMC Telecom works with local contractors to install the cable and equipment racks. We prefer to work with a contractor who is familiar with the methods, procedures and requirements of your building. This means, of course, we are open to your recommendations.

Here is how a typical installation works. Ordinarily, fiber is brought from the street to the equipment site, a room of 75 to 100 square feet located near the core, basement risers or mechanical area of the building. Inside the equipment closet, several metal equipment racks, each approximately two feet wide by one foot deep by seven feet high, are installed. The cable from the street is then connected to the closet and, thereafter, cable is run to individual tenants' offices when requested. Everything is done neatly, quickly and in total cooperation with your building management. From then on, aside from periodic visits to service tenants' needs, maintenance and inspection requirements are minimal.

Some General Guidelines to Equipment Space Requirements

- *Floor Space:* Approximately 100 square feet
- *Ceiling Height Requirement:* Eight feet top to bottom
- *Preferred Location:* Near building risers or other vertical access away from water lines, steam or drain pipes
- *Electrical Requirements:* Two (2) 20 amp dedicated circuits; One (1) 115 volt AC outlet; Central Office or Hogan ground
- *Security:* A locked room or cage IS preferred to prevent tampering.



- *Availability:* The area must be accessible to KMC Telecom personnel every minute of every day, including weekends and holidays. No exceptions.
- *HVAC:* If the area is not served by the building's temperature control system, proper ventilation must be available to prevent unacceptable heat buildup around the equipment.
- *Weight:* Including equipment, the maximum weight of each rack is 355 lbs.

Some Typical Questions & Answers

How do tenants get connected? One call to the local KMC Telecom City Director's office starts the process. Most tenants, however, will know in advance that access to the KMC Telecom Network is going to be an option.

Does KMC require an exclusive agreement to serve my building? While that would be nice, the answer is NO.

Are KMC personnel required on-site to monitor the equipment? Absolutely not. While KMC Telecom personnel must have around the clock access to the KMC Telecom equipment area at all times, maintenance requirements are extremely low.

Do tenants using KMC Telecom need to disconnect from their existing local phone service or purchase special equipment? Yes and No. Initially, most tenants will want to use KMC Telecom to connect to their long distance carrier or for direct connections, so they will still need their existing service for across town connections. However, KMC Telecom is rapidly becoming a one-stop shop for all customer needs, including local dial tone service. Most customers won't need special equipment to connect to the KMC Telecom Network; however, some with more sophisticated needs may.

Will you help pitch perspective tenants? Yes.

More questions? Ask your KMC Telecom City Director all the questions you want and you'll get answers. Unlike some companies' representatives, KMC Telecom City Directors have complete authority and decision-making ability when it comes to looking after customer needs. The KMC Telecom Network Center for your area is listed in the Yellow Pages. If we are new to your area and not yet in the book, or you have trouble getting the number from the incumbent telephone company, call our toll-free number:

1.888.KMC.THE1 (1.888.562.8431)

Making The Telecommitment To Your City

Rapid changes in telecommunications technologies are transforming the very nature of business and how it is conducted worldwide. Today's age of telecommerce depends upon quick and easy access to high-performing, reliable, and compatible voice, data, and video communications that connect globally. In the 19th century, cities depended upon the railroad to connect them to the world of commerce; towns bypassed by the railroad that were cut off from this vital economic link withered away. In the 21st century, cities that lack the infrastructure to get full-speed access onto the "information superhighway" may suffer a similar fate.

KMC Telecom was founded specifically to help cities such as yours get connected and stay competitive, on an even par with such larger metropolitan powerhouses as New York City, Chicago, or Los Angeles. By building a fully-featured, fiber optic-based voice and data communications infrastructure from the ground up, anchored by community and business relationships that are sealed in high-quality customer care, KMC Telecom is "Making the Telecommitment" to your economic success.

A "Golden Ring of Opportunity" for Your Community

While deregulation of the telecommunications industry has resulted in tremendous innovation, the fact is that most local telephone companies continue to rely upon an antiquated analog copper network that worked just fine in Alexander Graham Bell's day, but simply isn't up to the demands of modern telecommerce. While competition has forced telephone and cable companies to upgrade their facilities with higher capacity fiber optics and customized services, their immediate focus is on larger, generally more lucrative, metropolitan markets and big business customers. In their scheme of things, smaller local businesses and consumers in still largely regulated markets can remain on an indefinite waiting list until they get around to considering your neighborhood.

That puts your community at a distinct economic disadvantage, if not serious risk, while waiting for the big telephone and cable companies to get around to serving and understanding your needs.

But there's no need to wait any longer. KMC Telecom was founded in 1995 specifically to serve mid-sized cities such as yours with populations less than 750,000. A KMC Telecom fiber optic network constructed literally in a giant loop around your city represents a "golden ring of opportunity" that by providing local dial tone, toll and long distance services, integrated voice, data, and multimedia services in single, customizable, and cost-effective packages will:

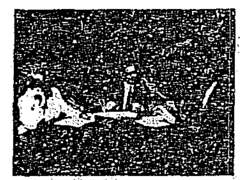
- Attract new businesses and industry
- Increase real estate values
- Grow new investment opportunities
- Provide vital links for world-class education and health care
- Create locally-based, high-wage jobs

Get the Fiber Edge— The Fiber Of Telecommerce

Customized and built to local requirements, each local KMC Telecom fiber optic network complies with industry standards for high performance and reliability via Synchronous Optical Network (SONET) Ring connecting to Lucent Technologies 5ESS switches that provide point-to-point digital channels to swiftly handle high volume data, video, and voice connections. Since the fiber optic cable is so small, we install large excess capacity and rarely have to go back for upgrades. Most cable goes overhead on existing poles, just like another wire. We avoid digging trenches and disrupting and inconveniencing property owners. The benefits are clear to your current and prospective business partners:

- High capacity satisfies demanding bandwidth requirements by multimedia and Internet-based applications
- Network reliability of over 99%.
- System redundancy protects against downtime. Customer traffic is routed in both directions around the loop, so that if a fiber is cut or there is a failure, communications continue to flow without interruption in the other direction.
- Battery back-ups and emergency generators minimize potential for power outages.
- Easily reconfigurable to accommodate new requirements.
- Weatherproof–unlike highly conductive copper wire, fiber is impervious to lightning, static, water, ice, or wind.
- Remote, real-time troubleshooting without service interruption.
- Clear transmissions uncontaminated by static, echo interference, or distortion.
- The most cost-effective means for simultaneous transmission of voice and data.
- Fully compatible with multiple vendor equipment and standards.
- Cable capacity and network flexibility easily accommodates future applications and increased demands for bandwidth.

"In addition to its substantial development in our city's infrastructure, KMC Telecom's network helps keep Greensboro on a level playing field when it comes to attracting new jobs and meeting the information needs of our existing employers.



"Research continues to show that advanced telecommunications architecture is one of the first thresholds to be crossed for consideration in the site selection process."

— Mayor Carolyn Allen, Greensboro, North Carolina

Building Business Together— Across America

Making the Telecommitment means KMC Telecom invests an average $15 million dollars to build your city network, at no cost to you, and will have it up and running in as little as nine months. KMC Telecom works closely with city government and local businesses to ensure a system that accommodates local geography and development plans. Such local, personalized attention is the core underpinning of all our community relationships and business dealings.

KMC Telecom Cities

Akron, OH	Fayetteville, NC	Montgomery, AL
Ann Arbor, MI	Ft. Myers, FL	Pensacola, FL
Augusta, GA	Ft. Wayne, IN	Roanoke, VA
Baton Rouge, LA	Greensboro, NC	Sarasota, FL
Bethesda, MD	Hampton Roads, VA	Savannah, GA
Charleston, SC	Hickory, NC	Shreveport, LA
Chattanooga, TN	Huntsville, AL	Spartanburg, SC
Clearwater/St. Pete, FL	Lansing, MI	Tallahassee, FL
Columbia, SC	Longview, TX	Toledo, OH
Corpus Christi, TX	Madison, WI	Topeka, KS
Dayton, OH	Melbourne, FL	Tri-City, TN
Daytona Beach, FL	Mississippi Gulf Coast	Wilmington, NC
Eden Prairie, MN	Monroe, LA	Winston-Salem, NC

KMC Telecom Is Ready To Serve Your Community

KMC Telecom welcomes the opportunity to become a member of your community. Our first responsibility is good corporate citizenship. KMC Telecom has sponsored city-selected charity events such as a Little League program in Tallahassee, Florida and a youth program in Huntsville, Alabama.

"We are the total opp
of the bureaucracy at
big phone company

"I'm on a first-name basis
my customers. If someon
something, they call me. A
I Make the Telecommitme
customer, I personally s
it that it happens."

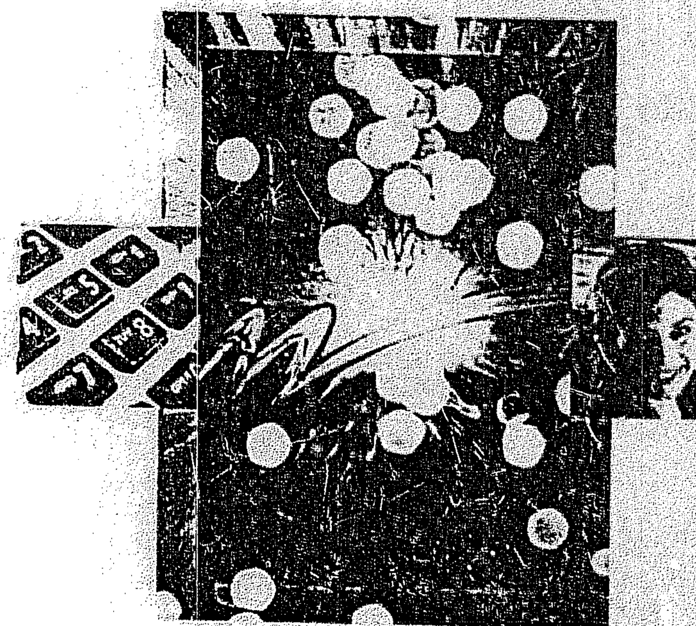
— Kathryn Johnson, KMC City I
Savannah, Georgia

Also keep in mind that KMC Telecom is a major multi-million dollar company that recruits your residents to staff its local operations and contracts with local businesses as needed for a variety of support services. Moreover, KMC Telecom partners with you to build business together. Companies that take advantage of The Fiber of Telecommerce in your city increase our business at the same time they contribute to your ongoing economic development.

It's truly a win-win-win situation–for building landlords and real estate developers with increased occupancy rates, for your city with an expanding tax base, and for KMC Telecom with a growing number of satisfied customers!

MAKING THE TELECOMMITMENT.

Providing The Answers Your Business Needs Through The Fiber Of Telecommerce



Creative Solutions with a Hometown Touch.

KMC Telecom.

The Single Source For Your Telecommunications Questions

Deregulation of the telecommunications industry has resulted in tremendous competition and technological innovation. But it also comes with questions about how you and your community can best take advantage of a sometimes confusing array of local, long distance, and data services. KMC Telecom has the answers you're looking for.

Who is KMC Telecom?

One of the fastest growing competitive local exchange carriers (CLEC) in the United States, KMC Telecom was founded in 1995 to specifically address the telecommerce needs of cities otherwise ignored by the big regional telephone companies. A multi-million dollar company headquartered in Bedminster, New Jersey, KMC Telecom installs and maintains an advanced fiber optic ring network that provides a host of customized telecommunications services with a worldwide reach so that hometown businesses can compete on an even footing in the global marketplace. KMC Telecom constructed its first telecommunications network in Huntsville, Alabama in 1995. In just four years, KMC Telecom has completed construction that now provides service to 39 cities in the U.S. Going forward into the 21st century, KMC Telecom's aggressive expansion program is expected to more than double that number!

What is "Making The Telecommitment"?

KMC Telecom makes it every day to people cities, and businesses all across America by building a fully-featured, fiber optic-based telecommunications infrastructure from the ground up, anchored by community and business relationships sealed in high-quality customer care. All the high-speed, high-capacity data services businesses need, as well as basic local and long distance service, are available in a number of enhanced packages. Creative solutions through the economies of scale and technological innovations will reduce costs while providing the superlative service levels from a single provider, with a single integrated, easy-to-read invoice.

What do you mean by "Creative Solutions with a Hometown Touch"?

In addition to superior technology at a competitive price, KMC Telecom is an entrepreneurial company dedicated to grass-roots level service. Your local KMC Telecom City Director is easily accessible and has total decision-making authority. There are no frustrating bureaucracies and need for "buck-passing" to get attention paid to you. This "one-on-one accountability" guarantees faster and more efficient service.

KMC Telecom teams with your local city officials to match our services to your needs, not the other way around. Beginning with initial network planning and installation, KMC Telecom works closely with city government and local businesses to ensure a system that accommodates local geography and development plans. In most cases, a city's new network can be up and running in as little as nine months!

The immediate benefit to the local economy is an influx of new businesses. There is also an increased ability to retain existing business in the tax base drawn by the advanced telecommunications capabilities and services required to compete with major markets. This is conveniently provided with the personal attention of KMC Telecom's "hometown" company presence. This solid and expanding business base also provides new jobs and opportunities for local residents and entrepreneurs.

What is the "Fiber of Telecommerce"?

Fiber optics are the core of our SONET™ ring network. These glass cables have huge capacities for carrying both data and voice signals, without any deterioration over long distances. This not only provides clear voice communications with error-free data connections, but also ensures that future capabilities can be quickly and easily configured at an insignificant expense. Unlike the antiquated copper lines that the local telephone companies still largely rely upon, the KMC Telecom network provides you with the fiber of telecommerce today…and tomorrow!

Why is telecommerce best-suited to a fiber-based SONET design?

Synchronous Optical NETwork (SONET) is the state-of-the-art in network design and reliability; today's interface standard for telecommunications. It guarantees customers and manufacturers alike that their computing platforms, even if otherwise incompatible, work harmoniously, with minimum risk of error or downtime.

Key to SONET reliability is duplication of transmission. The netw... 's built as a ring, or loop, among all locations; voice or data communications are simultaneously sent in two directions around the ring. So if there is a cut or interruption along one path of the loop, the path in the other direction ensures the information vital to your business still gets through, accurately and literally at the speed of light. Actually, an interruption in either direction is highly unlikely, because all network equipment and power sources are fully backed-up with redundant systems, as well as under continuous monitoring by our National Engineering Center in Atlanta, Georgia. Moreover, unlike old-fashioned copper lines, glass is impervious to electrical disturbances caused by lightning strikes.

Do I need a lot of expensive equipment to get connected?

Most likely no. KMC Telecom's services are designed to be compatible with business-level communication equipment and systems. But your applications consultant and local engineering staff can help assess whether additional equipment may be required to meet evolving situations. And these pre and post-installation consulting services are provided fully without any additional charge.

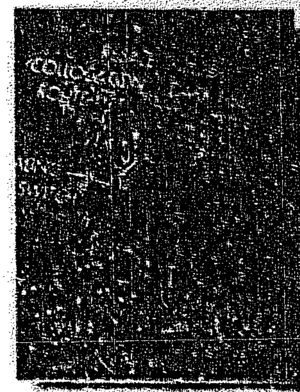
Will I get only the services I need, and not pay for unnecessary add-ons?

Absolutely! The flexibility of our network enables us to offer the fullest range of telecommunications, from the most basic to the most sophisticated, that can be quickly and easily configured as your needs evolve, usually without necessitating any change in your on-premise equipment.

How do I get connected?

It's easy. Call *1.888.KMC THE 1* (1.888.562.8431) for the number of your local KMC Telecom City Director, or for any additional information. And to prove what we mean by hometown touch, a real live person will answer your call!

Jargon Watch



The KMC Telecom Guide to Understanding Common Industry Abbreviations and Terms

Access—The ability of one company to connect to or use another company's communications services or facilities. The 1996 Telecommunications Act mandates that there be no discrimination between or against service providers—that the operating environment must be "neutrally competitive." In practice, this means that KMC Telecom cannot be restrained from accessing other service provider facilities to offer local or long distance telephone service.

Analog—In telecommunications, the generation of a constant electrical signal that is "analogous" to the original voice, data, or video input. Unlike digital, which encodes the signals in computer language (see definition for ***Digital*** below), analog is therefore susceptible to power fluctuations or other variables that degrade or interrupt the signal; it is also a slower and increasingly antiquated form of transmission.

AT&T Consent Decree—The 1982 Consent Decree in which AT&T divested its regional operating companies.

Centrex—Basic and enhanced voice features provided through the local telephone company's central office; as opposed to equipment installed on the customer's premises (Private Branch Exchange, or ***PBX***).

Collocation—Locating equipment in another local or long distance telephone company's facilities in order to connect to that company's services. KMC Telecom's virtual collocation enables it to control the connection regardless of where the equipment is located.

Competitive Local Exchange Carrier (CLEC)—An alternative to the local phone company. While formally considered a CLEC, KMC Telecom's fiber optic services primarily respond to customer demands for levels of speed, clarity, accuracy and other criteria than most Tier 3 (cities with populations between 100,000 to 750,000 residents) local phone companies cannot match with their existing copper wire and analog equipment.

Dark Fiber—Fiber optic cable that is not in use. When finally provided or sold, the recipient/buyer is expected to install equipment to transmit information, called "lighting the cable."

Dedicated—Exclusive allocation of a specific cable or capacity to a specific customer.

Dialing Parity—The ability to automatically route telecommunications to the service provider designated by the customer without use of an access code.

Digital—Any method for encoding sound, data, or images based on predetermined sequences of ones and zeroes (binary digits, or bits) to stand for a specific quantity or datum. For example, the letter "K" co[illegible] represented digitally as 01001011. Current technology permits digital processing storage and transmission of 2.5 billion bits per second (Gbs) with near perfect accuracy.

Dielectric Cable—A copper cable that is shielded against crosstalk, other external electronic interference, or power surges caused by such things as lightning strikes near copper telephone wires. Since fiber optic cable transmits light instead of electrons, it is inherently dielectric and free of such problems.

Fiber Mile(s)—The length (distance) of installed cable (route miles) multiplied by the number of fiber optic cables laid over that distance. Typically, 50 or more cables are contained in a single protective sheath so that such a collective cable over one mile would yield 50 fiber miles.

Incumbent Local Exchange Carrier (ILEC)—A traditional provider of local telephone services; also called a ***Local Exchange Carrier (LEC)***.

Information Highway—The combined total of all fiber optic and electronic systems devoted to moving information in whatever form between producing and using parties, e.g., the Internet.

Interexchange Company (IXC)—Commonly known as long distance service, IXCs carry intra- or interstate communications between local exchanges.

Internet—Originating as a U.S. federal government system for electronically exchanging information, the Internet has been transformed into a worldwide communications, research, and marketing tool an ever-expanding number of sites anyone can access through a personal computer, modem, and service provider.

Local Access and Transport Area (LATA)—One of 161 defined geographical areas in the United States in which a telephone company may provide local or long distance service.

Local Area Network (LAN)—Private short distance data communication network operating under central control (see also ***Wide Area Network***).

Local Exchange Carrier (LEC)—A traditional provider of local telephone services; also called an Incumbent ***Local Exchange Carrier (ILEC)***.

Modem—An acronym for modulator/demodulator, a device that converts digital signals to analog signals and vice versa, used primarily to connect computers to communicate over telephone lines.

Number Portability—Provision for a customer to keep the same telephone number when changing service providers.

Overhead—Information added at the beginning and end of customer traffic for purposes of control, routing, error-checking, and other system operating and maintenance functions.

Private Branch Exchange (PBX)—Sometimes called a "private business exchange," a PBX is a privately owned switch that provides a variety of customizable basic and enhanced voice communications similar to the telco's ***Centrex*** service (see above).

Regional Bell Operating Company (RBOC)—The seven local telephone company "Baby Bells" divested by AT&T as part of the 1982 Consent Decree. While RBOCs may be the ***Incumbent Local Exchange Carrier***, not all ***ILECs*** are RBOCs.

Resale—Sale of communications services purchased, usually at a bulk discount, from another company.

Route Mile—The length (distance) of installed cable (see ***Fiber Mile***).

Self-Healing Ring—A "circular" network design that simultaneously moves traffic in two directions; if a cable is cut or there is component failure in one direction, communications continue uninterrupted in the other direction.

Smart Building—A building with fiber optic cable and switches that permit occupants to use advanced computer systems, connect with high-speed external telecommunications, and employ other cutting-edge telecommunications technologies. In most markets, there is more demand for space in smart buildings, which usually earns a premium compared to space in traditional facilities.

SONET (Synchronous Optical Network)—Defined by the American National Standards Institute to establish compatibility for optical fiber transmission speeds, manufacturing requirements, interface and other criteria.

Speed—Actually, both electronic and fiber optic systems operate at near the speed of light. Speed is often used to mean "capacity," meaning how much information can be transmitted in what period of time, e.g., kilobits per second. At 2.5 Gbs (billion bits per second), KMC Telecom's highest standardized speed (capacity), the entire Encyclopedia could be transmitted in less than .008 of a second. By comparison, it would take nearly four minutes–40,000 times longer–to transmit the same information over a standard analog voice telephone line. Unless applied to a ***dedicated*** line, the nature of digital transmission allows capacity to be divided between customers or between different types of traffic, i.e., voice, data, or video.

Switch—A device that automatically selects the necessary connections to route traffic from a caller to a receiver.

Telecommunications Act of 1996—Federal legislation designed to promote competition and reduce regulation in order to secure lower prices and higher quality services for consumers and to encourage the rapid deployment of new telecommunications technologies.

Tier 3 City—Designation for cities with a population between 100,000 and 750,000 residents. Tier 3 Cities are KMC Telecom's primary market.

Wide Area Network—Private network connecting multiple locations.

Akron Ann Arbor Augusta Baton Rouge Bethesd

Charleston Chattanooga Clearwater/St.Pete Columbi

Corpus Christi Dayton Daytona Beach Eden Prairi

Fayetteville Ft. Myers Ft. Wayne Greensbor

Hampton Roads Hickory Huntsville Lansing

Longview Madison Melbourne Mississippi Gulf Coas

Monroe Montgomery Pensacola Roanoke Sarasota

Savannah Shreveport Spartanburg Tallahassee Toled

Topeka Tri-City Wilmington Winston-Saler

Akron Ann Arbor Augusta Baton Rouge Bethesd

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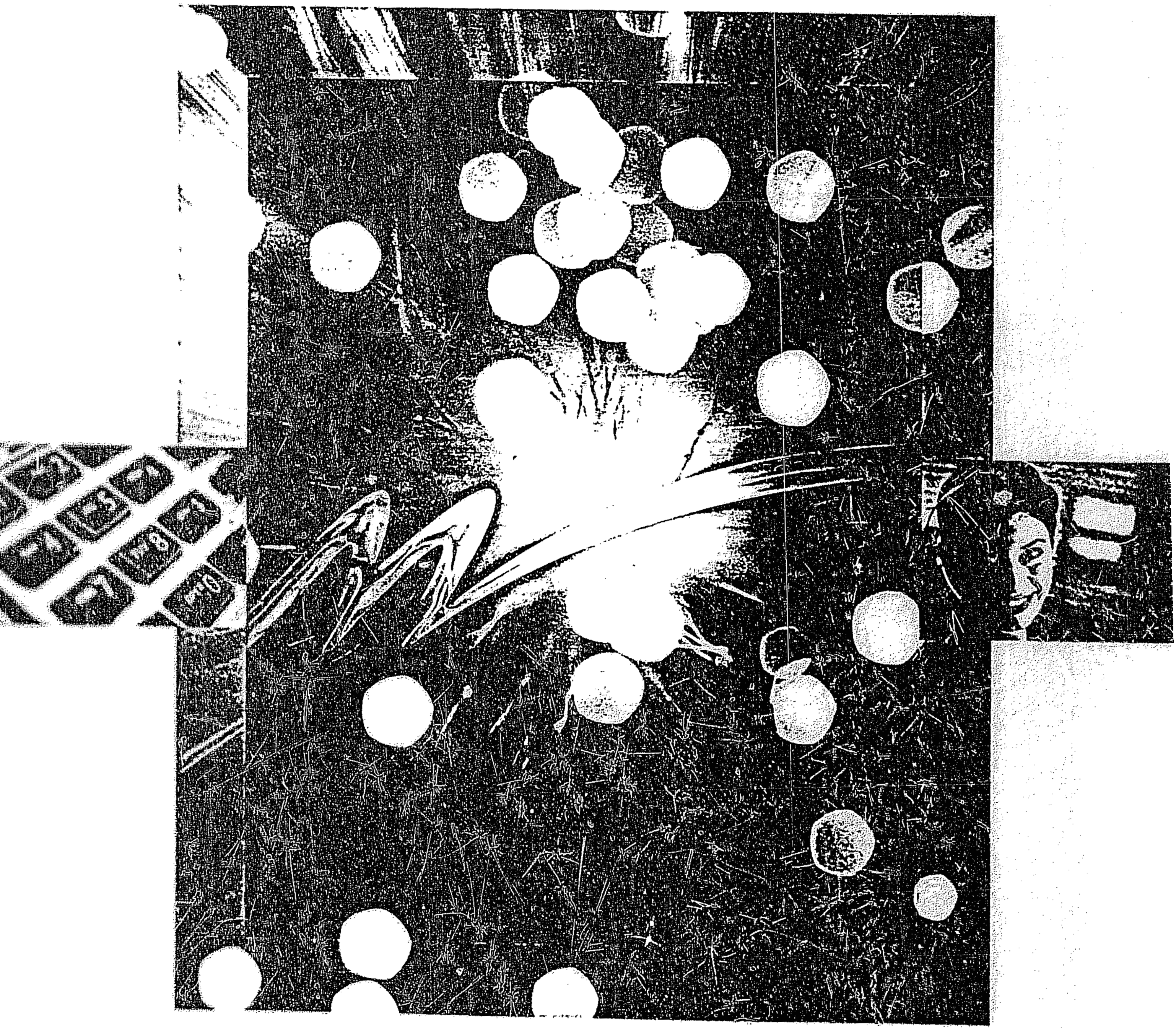
KMC Telecom, Inc. Business Development • 3025 Breckinridge Blvd., Suite 170, Duluth, GA 30096 1.888.212.9444 Fax: 1.770.638.6796 www.kmctelecom.com

Savannah Shreveport Spartanburg Tallahassee Toled

Topeka Tri-City Wilmington Winston-Saler

MAKING THE TELECOMMITMENT.



Creative Solutions with a Hometown Touch™

KMC Telecom.

KMC Telecom
Making The Telecommitment
To Local, Long Distance
and Enhanced Business
Voice and Data Communications

KMC Telecom
makes the telecommitment
with cutting-edge technologies,
a customer-focused
satisfaction commitment
and the widest range of
customized voice and data
telecommunications equipment
and services available.

KMC Telecom is one of the fastest growing competitive local exchange carriers (CLEC) in the United States. What is it that accounts for our unprecedented nationwide growth? We call it "Making The Telecommitment." Every day we *make the telecommitment* to people, cities and businesses all across America. From the ground up, we build a fully-featured, fiber optic-based, voice and data communications infrastructure anchored by community and business relationships that are sealed in high-quality customer care.

The deregulation of the telecommunications industry launched an era of tremendous competition and technological innovation. It has also burdened customers with a confusing array of choices for local, long distance and data services.

Founded in 1995, KMC Telecom specifically addresses the needs of smaller, previously ignored communities that would otherwise be tethered to copper wire facilities. When KMC Telecom enters a new city, its first step is to install a fiber optic ring network built to handle today's, as well as tomorrow's, advanced voice and data applications. KMC Telecom maintains the network to provide a host of customized telecommunications with a worldwide reach so that these smaller cities and their hometown businesses can effectively compete in the global marketplace.

In founding KMC Telecom, Chairman Harold Kamine had the vision to see how cities underserved by the major telecommunications carriers would welcome creative solutions for their needs, provided with a hometown touch. He hand-picked a management team of industry experts with outstanding records of achievement in advanced telecommunications and customer service.

Forward leadership combined with the commitment and efforts of all KMC Telecom associates and partners have resulted in an industry-leading record of business excellence and growth. The company constructed its first network in Huntsville, Alabama in 1995. In just four years, KMC Telecom has completed construction that now provides service to 37 cities in the United States. Going forward into the 21st century, KMC Telecom's aggressive expansion program is expected to more than double that number in the year 2000.

Harold Kamine
Founder & Chairman of the Board

Michael A. Sternberg
Chief Executive Officer

Roscoe Young
Chief Operating Officer

James Grenfell
Executive VP & Chief Financial Officer

Tricia Breckenridge
Executive VP, Business Development

James Barwick
Executive VP, Chief Engineer

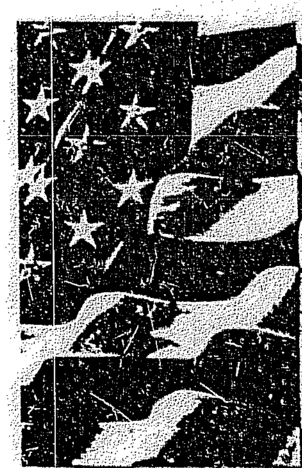
Our investment in the customers and the communities we serve throughout America begins with the construction of a KMC Telecom fiber optic network. This strategically located Synchronous Optical Network (SONET) ring that connects to Lucent Technologies #5ESS switches provides point-to-point digital channels to properly handle high volume data, video and voice connections. Customized and built to local requirements, each fiber optic network achieves the industry-wide standards for excellence, high performance and reliability, as well as full compatibility with national and international systems.

This fiber optic network installation represents an average investment of $12 million by KMC Telecom for each city we serve.

The benefits of this investment are clear:

- High capacity satisfies demanding bandwidth requirements by multimedia and Internet-based applications.
- Network reliability of over 99%.
- System redundancy that protects against down-time. Customer traffic is routed in both directions around the loop, so that if a fiber is cut or there is a failure, communications continue to flow without interruption in the other direction.
- Battery back-ups and emergency generators minimize potential for power outages.
- Easily reconfigurable to accommodate new requirements.
- Weatherproof – unlike highly conductive copper wire, fiber is impervious to lightning, static, water, ice or wind.
- Remote, real-time troubleshooting without service interruption.
- Clear transmissions uncontaminated by static, echo interference or distortion.
- The most cost-effective means for simultaneous transmission of voice and data.
- Fully compatible with multiple vendor equipment and standards.
- Cable capacity and network flexibility easily accommodates future applications and increased demands for bandwidth.

Fiber Optimizing The Future
With KMC Telecom
Making an Investment
in America's Cities



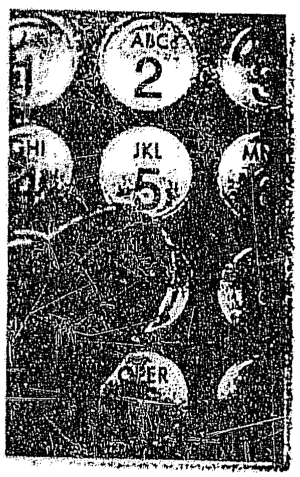
Since fiber optic cable is so small, KMC Telecom installs huge excess capacity to ensure new telecommunications developments and advancements are easily incorporated. Customers can confidently plan for the future, because the KMC Telecom fiber optic network comes with the future already built-in.

Unlike the old technology legacy systems of the Regional Bell Operating Companies (RBOCs), the KMC Telecom fiber optic network easily interfaces directly with customer premises. This network provides seamless connectivity between customers and the outside world anytime, anywhere.

With a digital "smart" network, customers can eliminate their costly investments in PBX or Key System equipment and receive integrated voice, data and video services directly to the desktop. By leasing ClearStar℠ Advantage Centrex-type services, KMC Telecom provides all the latest required facilities, including installation, maintenance and upgrades.

Since all software upgrades and new technologies are easily and cost-effectively handled through the network, customers are

KMC Telecom Is Your Single Source For Effective and Advanced Communications



KMC Telecom customers enjoy competitively priced local, toll and long distance service, plus great choices for integrated customized video, voice and data packages.

spared the expense and hassle of replacing new equipment. This allows KMC Telecom and our customers to keep up with the continual surge in new telecommunications capabilities and demand.

A variety of high speed point-to-point, multi-point and frame relay video, voice and data services, including DSL and Internet connectivity, are readily available at low costs and are easily customized to unique customer requirements.

This is in addition to the local telephone services, enhanced voice features, direct-dial long distance services, including caller card, toll-free, and special access that customers expect from their local telecommunications company. As a single provider, KMC Telecom offers the ease and simplicity of a single, easy-to-understand bill.

KMC Telecom is leading the way as the best example of what CLECs should achieve for their customers: more innovative products and services, greater customer care and lower prices. When KMC Telecom *makes the telecommitment*, it means that the communities, corporate and real estate owners and businesses all benefit.

Serving Communities

KMC Telecom is the clear business choice for cities not served by the RBOCs and major long distance companies. Beginning with initial network planning and installation, KMC Telecom works closely with city government and local businesses to ensure a system that accommodates the local geography and development plans. In most cases, a city's new network can be up and running in as little as nine months.

The immediate benefit to the local economy: an influx of new businesses and the increased ability to retain existing business revenue in the tax base. New companies are drawn to the advanced telecommunications capabilities and services required to compete with major markets, conveniently provided with the KMC Telecom personal attention of a "hometown" company. This solid and expanding business base also provides new jobs and opportunities for local residents and entrepreneurs.

Serving Corporate Real Estate Owners

Building and property management owners continue to prosper with KMC Telecom. The telecommunications-ready "smart" building is more marketable because it offers tenants cost-saving, extensive digital capacity, without any added expense to the owner.

Serving Local Businesses

All the high speed, high-capacity data services businesses need, as well as basic local and long distance service, are available in a number of enhanced KMC Telecom packages. With a single provider, economies of scale and technological innovations reduce costs while providing businesses higher service levels.

KMC Telecom
The Fiber Of Telecommerce
Building Business Across America

KMC Telecom
equips businesses to move
at lightning speed
in the electronic marketplace
and keep pace with
the most advanced cities
worldwide.

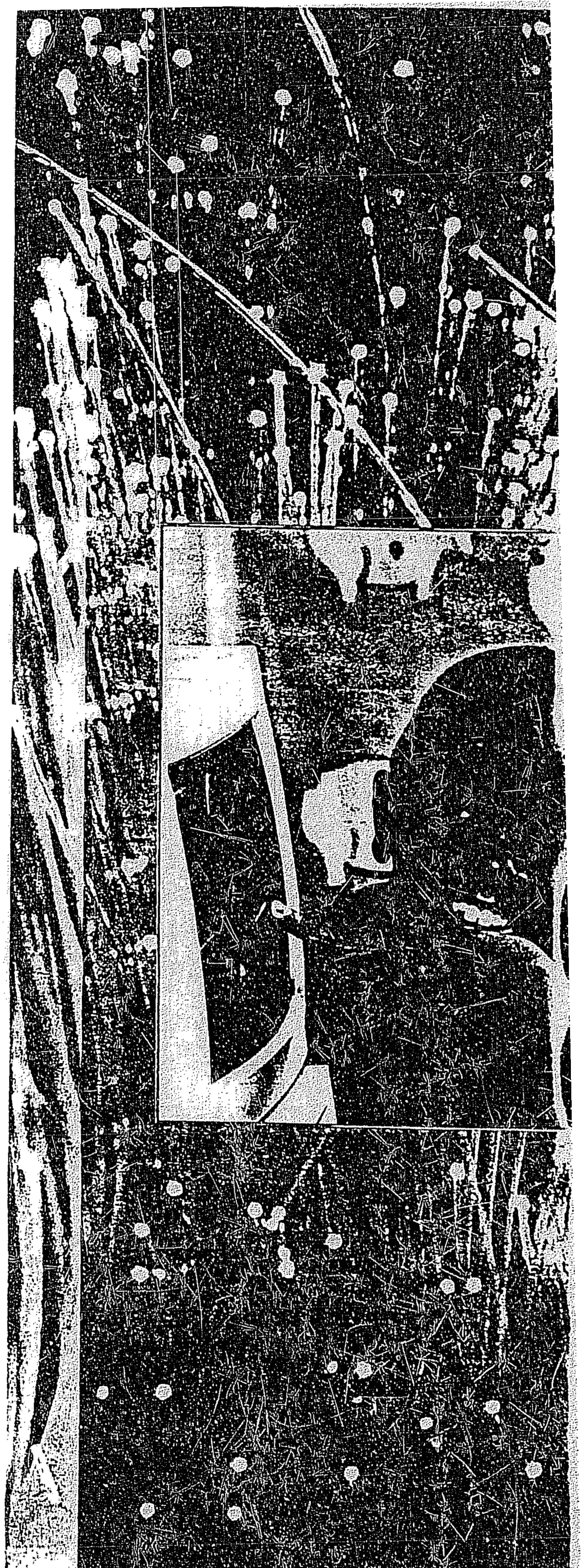
KMC Telecom is Ready,
Willing and FlexAble™
Providing Creative Solutions
with a Hometown Touch

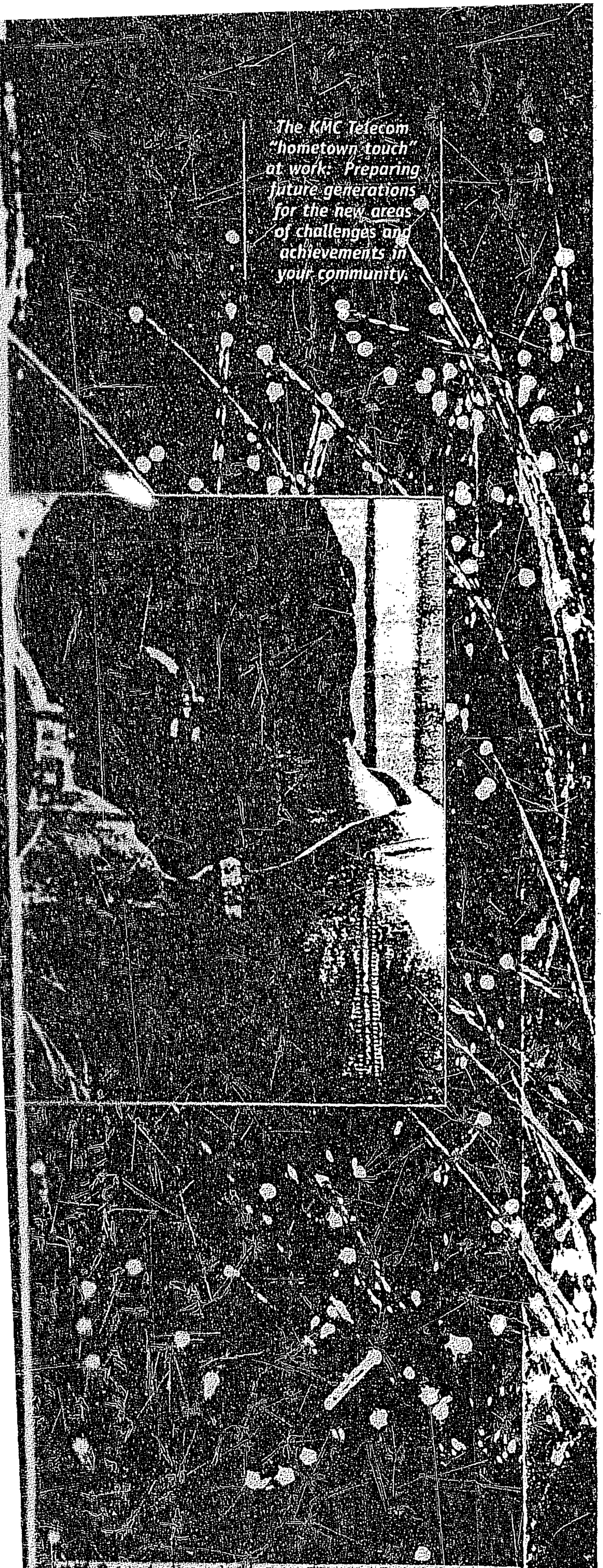
KMC Telecom
is the total opposite of
the bureaucracy at
the big phone companies.
KMC Telecom City Directors
are often on a first name basis
with customers, and
personally see to
it that their requests
are fulfilled.

KMC Telecom believes technology should be designed to serve people. By listening carefully to what our customers want, KMC Telecom provides FlexAble™ Solutions harnessing network flexibility, cap*able* of satisfying almost any telecommunications need, large or small, 24 hours a day, 7 days a week, 365 days a year.

Equally flexible and capable are the highly-trained and dedicated people of the local KMC Telecom City Office. Each office is based in the community it serves, headed by a City Director and staffed whenever possible by local residents.

Moreover, KMC Telecom prides itself on being a "good citizen," actively participating in community affairs, sponsoring charity events and wiring selected local schools.





The KMC Telecom "hometown touch" at work: Preparing future generations for the new areas of challenges and achievements in your community.

Many customers prefer not to have so many choices. They do not want to deal with multiple equipment and service vendors. They want "one-stop shopping" to take advantage of consolidated billing statements, a single-point of contact and discounts for ordering bundled services.

Toward this end, some telephone and cable companies are merging in hopes of combining their separate technologies into a single conduit for voice, data and local and long distance telecommunications. Similarly, the RBOCs are trying to find new partners and develop new facilities to extend their reach beyond their local service territories. However, the fact remains that their immediate focus is on major metropolitan markets. That leaves many cities left with copper wire-based technologies that are positively ancient for 21st century applications.

The future is clear for KMC Telecom. The choice is fiber for the customers we serve. KMC Telecom is pledged to Making The Telecommitment, providing the fiber of telecommerce to America.

The KMC Telecom
City Management Team
Makes The Telecommitment
to You Personally

The KMC Telecom team provides
the most advanced telecommunications
with the highest service levels
so our customer cities and businesses
will win in the new era
of electronic commerce

EXHIBIT J

SAMPLE SERVICE AGREEMENT AND LETTER OF AGENCY

KMC Telecom

Service Agreement

BTN ____________

DD ____________

Customer Information:

Customer Name ____________

Contact Name ____________

Customer Address ____________

City/State/Zip ____________ E-Mail Address ____________

Contact Phone Number ____________ FAX Number ____________

Billing Address ____________

City/State/Zip ____________ Billing Phone Number ____________

Billing Contact ____________ Billing FAX Number ____________

Current LD Carrier ____________ ILEC/CLEC ____________

Service Options and Access Type:

__ New Customer	__ Switched	__ On Future Fiber Route	__ Multi-Tenant Building
__ Existing Customer	__ Dedicated	__ UNE Required	__ OSP Required
__ ROE Agreement Request	__ On Fiber Route	__ Tax Exempt	__ Tax ID ____________

Comments:

Service Options and Access Type:

Order Type: New _ Change _ Disc. _ Supp. _

a *ClearExpress Local*	g *ClearSaver PrePaid*	m *Voice Messaging Cntr*	s *ClearSaver Calling Card*
b *ClearExpress w/Hunting*	h *ClearSaver Toll Free*	n *ClearStar Adv 1000**	t *ClearSaver IntraLATA*
c *ClearExpress DID*	i *ClearFiber DS-0*	o *ClearStar Adv 2000**	u *CPE Required*
d *ClearExpress DOD*	j *ClearFiber DS-1*	p *ClearStar Adv Plus**	v *Other*
e *ClearExpress PRI ISDN*	k *ClearFiber DS-3*	q *Frame Relay - Resale*	____________
f *ClearSaver Long Dist*	l *ClearConference*	r *ClearSaver Pvt. Line*	____________

Directory Listing:

☐ Listing	☐ Keep Listing	☐ New	☐ Change
☐ Published		☐ Main #s	☐ All #s
☐ Non-Published	☐ Listed		SIC ____________

Does this account have more than one listing? (Circle One) Yes / No

Remarks:

Letter of Agency:

The undersigned customer authorizes KMC Telecom , Inc. ("KMC") to provide switched telecommunications services for either local or long distance service, and act as my agent in all matters related to providing KMC switched telecommunications on the telephone number(s) listed and included on this Agreement. The Customer understands that there may be a charge from their local telephone company for changing their present carrier to KMC. The Customer accepts responsibility for all charges associated with the telephone number(s) listed.

The customer hereby agrees to the terms and conditions set forth on the opposite side hereof and in accordance with KMC's state and federal Tariffs. The person signing this Agreement on behalf of the customer is duly authorized and directed to execute the Agreement for the entity having operational responsibility over telecommunications facilities and telephone numbers covered by this Agreement. This service agreement is contingent upon a satisfactory credit application which will accompany this form.

Total Charges for term of services: Non-Recurring Monthly Recurring Term

Signatures:

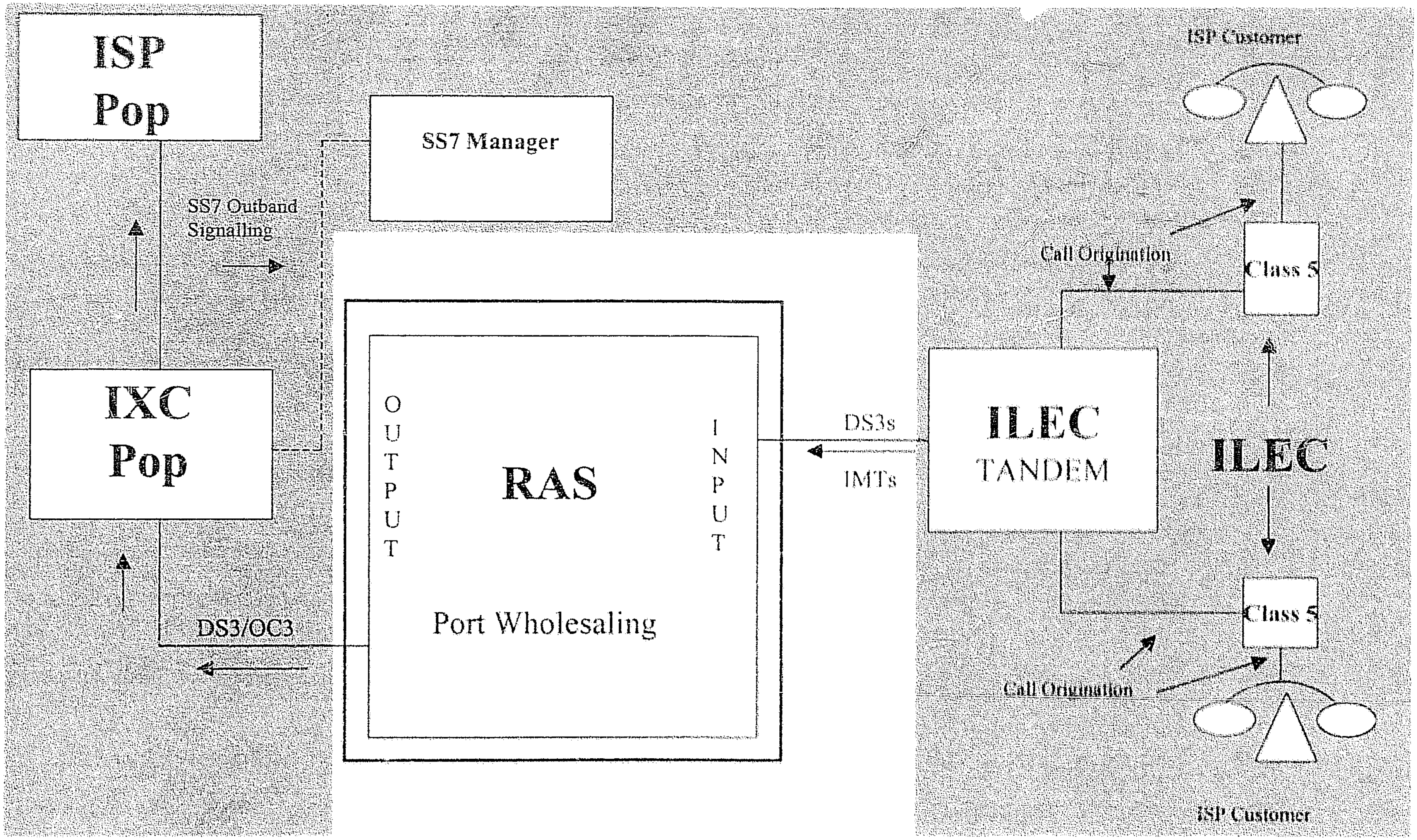
KMC Representative ____________ Sales Code ____________ Date ____________

Customer Representative ____________ Title ____________ Date ____________

** Use USOF support sheets for ClearStar, Voice Messaging and other complex service orders*

EXHIBIT K

NETWORK DIAGRAM OF KMC TELECOM V, INC.



*KMC TELECOM V, INC. NETWORK REPRESENTATION**

*KMC V Network represented by the unshaded areas in the above diagram.

01/26/00

EXHIBIT L

PROPOSED INTRASTATE TELECOMMUNICATIONS SERVICES TARIFF

KMC TELECOM V, INC.

1545 Route 206
Suite 300
Bedminster, New Jersey 07921

Issued:

Effective:

Issued By: Tricia Breckenridge
Executive Vice President of Business Development
KMC Telecom V, Inc.
1755 North Brown Road
Lawrenceville, GA 30043

KMC TELECOM V, INC.

1545 Route 206
Suite 300
Bedminster, New Jersey 07921

INTRASTATE SERVICES TARIFF

This tariff contains the description, regulations and rates for the furnishing of local exchange and interexchange data services provided by KMC Telecom V, Inc., throughout the State of South Dakota. The principal offices of KMC are located at: 1545 Route 206, Suite 300, Bedminster, New Jersey 07921. This tariff is on file with the South Dakota Public Utilites Commission, and copies may be inspected, during normal business hours, at the Company's place of business in Bedminster, New Jersey.

CHECK SHEET

The sheets listed below, which are inclusive of this tariff, are effective as of the date shown at the bottom of the respective sheet(s). Original and revised sheets as named below comprise all changes from the original tariff and are currently in effect as of the date indicated below.

Sheet	Revision	Sheet	Revision
1	Original	31	Original
2	Original	32	Original
3	Original	33	Original
	Original	34	Original
5	Original	35	Original
6	Original	36	Original
7	Original	37	Original
8	Original	38	Original
9	Original	39	Original
10	Original	40	Original
11	Original	41	Original
12	Original	42	Original
13	Original		
14	Original		
15	Original		
16	Original		
17	Original		
18	Original		
19	Original		
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21	Original		
22	Original		
23	Original		
24	Original		
25	Original		
26	Original		
27	Original		
28	Original		
29	Original		
30	Original		

* New or revised

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SYMBOLS

The following are the only symbols used for the purposes indicated below:

(C)	To signify changed regulation.
(R)	To signify decreased rate.
(I)	To signify increased rate.
(T)	To signify a change in text but no change in rate or regulation.
(S)	To signify a reissued matter.
(M)	To signify text relocated without change.
(N)	To signify a new rate or regulation.
(D)	To signify a discontinued rate or regulation.
(Z)	To signify a correction.

TARIFF FORMAT

A. **Sheet Numbering** - Sheet numbers appear in the upper right corner of the page. Sheets are numbered sequentially. However, new sheets are occasionally added to the Tariff. When a new sheet is added between sheets already in effect, a decimal is added. For example, a new sheet added between sheets 14 and 15 would be 14.1.

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

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

2.
2.1
2.1.1.
2.1.1.A.
2.1.1.A.1.
2.1.1.A.1.(a).
2.1.1.A.1.(a).I.
2.1.1.A.1.(a).I.(i).
2.1.1.A.1.(a).I.(i).(1).

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

APPLICATION OF TARIFF

This tariff sets forth the service offerings, rates and terms and conditions of service applicable to the furnishing of intrastate data transmission services by KMC Telecom V, Inc. ("KMC V" or "Company") to business Customers within the State of South Dakota. In the event of any conflict between the provisions of this tariff and the provisions of a Service Order submitted by the Customer to the Company, the provisions of this Tariff shall control to the extent required by law.

The provisioning of local telecommunications services are subject to existing regulations and terms and conditions specified in this tariff and the Company's other related tariffs, and may be revised by superceding filings.

SECTION 1 - DEFINITIONS

1.1 Definitions

Certain terms used generally throughout this tariff are defined below:

Advance Payment: The payment required before the start of service.

Authorized User: A person, corporation or other entity who is authorized by the Company's customer to utilize service provided by the Company to the customer. The Customer is responsible for all charges incurred by an Authorized User.

Commission: South Dakota Public Utilites Commission

Company: KMC Telecom V, Inc.

Customer or Subscriber: The person, firm or corporation which orders intrastate common carrier service pursuant to this tariff and is responsible for the payment of charges and compliance with the Company's regulations. Customer includes joint and authorized users.

Dedicated Access Service: An arrangement whereby a Customer or other common carrier uses a dedicated private line facility to access the Company's network.

Interruption: The inoperability of the subscriber line due to Company facilities malfunction or human error.

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

Local Exchange Carrier or ("LEC"): Denotes any individual, partnership, association, joint-stock company, trust or corporation engaged in providing switched communication within an exchange.

Recurring Charges: The monthly charges to the Customer for services, facilities and equipment, that continue for the agreed upon duration of the service.

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

SECTION 1 - DEFINITIONS (Cont'd)

1.1 **Definitions** (Cont'd)

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

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

SECTION 2 - RULES AND REGULATIONS

2.1 Undertaking of the Company

2.1.1 Scope

2.1.1.1 The services of the Company consist of the furnishing of data transport services throughout the State of South Dakota pursuant to this general tariff offering of service to the general public. In furnishing facilities and services, the Company does not undertake to offer dialtone services or transmit voice messages, but furnishes the use of its facilities to its Customers for data communications.

2.1.1.2 The services offered herein may be used for any lawful purpose, including business, governmental or other use. There are no restrictions on sharing or resale of the Company's services. However, the Customer remains liable for all obligations under this tariff notwithstanding such sharing or resale and regardless of the Company's knowledge of same. The Company shall have no liability to any person or entity other than the Customer. If service is jointly ordered by more than one Customer, each is jointly and severally liable for all obligations herein.

SECTION 2 - **RULES AND REGULATIONS** (Cont'd)

2.1 **Undertaking of the Company** (Cont'd)

2.1.1 Scope (Cont'd)

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

2.1.2 Shortage of Equipment or facilities

2.1.2.1 The Company reserves the right to limit or to allocate the use of its existing and future facilities when necessary because of a lack of facilities or due to any cause beyond the Company's control including but not limited to acts of God, fire, flood, explosion or other catastrophes; any law, order, regulation, direction, action or request of the United States government, or of any other government, including state and local governments having or claiming jurisdiction over the Company, or of any department, agency, commission, bureau, corporation, or other instrumentality of any one or more of these federal, state or local governments, or of any civil or military authority; national emergencies; insurrections, riots, wars; unavailability of rights-of-way or materials; or strikes, lock-outs, work stoppages, or other labor difficulties.

2.1.2.2 The furnishing of service under this tariff is subject to the availability on a continuing basis of all facilities necessary to provide the service. Services will be provided using the Company's data transport facilities, as well as, from time to time and at the sole discretion of the Company, facilities the Company may obtain from other carriers.

SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.1 Undertaking of the Company (Cont'd)

2.1.3 Ownership of Facilities

Title to all facilities and equipment, and related plans and proposals, provided by Company in furnishing service in accordance with this tariff remains in the Company, its agents or contractors. Customer shall not have, nor shall it assert, any right, title or interest in the data transport or other facilities and associated equipment, plans or proposals provided by the Company. Such facilities and equipment, plans and proposals shall be returned to the Company by the Customer whenever requested, within a reasonable period (but in any event not more than fifteen (15) days following the request, in as good condition as reasonable wear will permit.

2.1.4 Governmental Authorizations

The provision of the Company's services is subject to and contingent upon the Company obtaining and retaining all governmental authorizations that may be required or be deemed necessary by Company. Such authorizations may include but are not limited to governmental approvals, consents, licenses, franchises, and permits. Company shall use reasonable efforts to obtain and keep in effect all such governmental authorizations. Company shall be entitled to take, and shall have no liability whatsoever for, any action necessary to bring its facilities and/or services into conformance with any requirement or request of the Federal Communications Commission or other federal, state or local governing entity or agency. Customer shall fully cooperate in and take any action as may be requested by Company to comply with such governmental requirement.

SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.1 Undertaking of the Company (Cont'd)

2.1.5 Rights-of-Way

Where economically feasible (in the sole opinion of the Company), Company shall use reasonable efforts to obtain and maintain, directly or through third parties, rights-of-way necessary for installation of the facilities used to provide Company's services to Customer's property line, building entrance, or other service point as agreed to by Company. Customers use of such rights-of-way shall in all respects be subject to the between the Company and such third parties relating thereto, and shall not regulation or restriction.

2.1.6 Customer Service

The Company's customer service representatives for billing and service inquiries may be reached, toll free at (888) KMC-THE1 / (888) 562-8431. Customers wishing to communicate with the Company in writing may send correspondence to 1545 Route 206, Suite 300, Bedminster, New Jersey 07921.

2.1.7 Term of Service

The minimum term of service under this tariff is one month. Service is provided 24-hours per day, 7-days per week. For purposes of this tariff, a month is considered to have 30 days.

Issued By: Tricia Breckenridge
Executive Vice President of Business Development
KMC Telecom V, Inc.
1755 North Brown Road
Lawrenceville, GA 30043

SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.2 Liability of the Company

2.2.1 The liability of the Company for damages arising out of the furnishing of its services, including but not limited to mistakes, outages, omissions interruptions, delays, errors, or other defects, representations, failures arising out of the use of these services or failure to furnish service, whether caused by act, omission or negligence, shall be limited to the extension of allowances as set forth in section 2.3 of this tariff captioned: "Allowances for Interruptions in Service." The extension of such allowances for interruption shall be the sole remedy of the Customer, and the sole liability of the Company. The Company will not be liable for any direct, indirect, incidental, special, consequential, exemplary or punitive damages to Customer as a result of any Company service, equipment or facilities, or the acts or omissions or negligence of the Company's employees or agents.

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

2.2.3 The Company shall not be liable for any act, omission or defect of any entity furnishing to the Company or to the Customer facilities or equipment used for or with the Company's services; or for the acts or omissions of common carriers or warehousemen.

SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.2 **Liability of the Company** (Cont'd)

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

2.2.5 The Company does not guarantee nor make any warranty with respect to installations it provides for use in an explosive atmosphere. The Customer indemnifies and holds the Company harmless from any liability whatsoever, and for any damages caused or claimed to have been caused in any way, directly or indirectly, as a result of any such installation.

2.2.6 The Company is not liable for any defacement of or damage to Customer's premises resulting from the furnishing of services or equipment or the installation or removal thereof, unless such defacement or damage is caused by the willful misconduct of the Company's employees or agents.

2.2.7 The Company shall be indemnified, defended and held harmless by the Customer against any claim, loss or damage arising from Customer's use of services, involving claims for libel, slander, invasion of privacy, or infringement of copyright arising from the Customer's use of the Company's facilities.

2.2.8 The Company's entire liability, if any, for any claim, loss, damage or expense from any cause whatsoever shall in no event exceed sums actually paid Company by Customer for the specific services giving rise to the claim. Any claim, action or proceeding against the Company which is not filed or commenced within one (1) year after the earlier of: (a) the rendering of the service, or (b) the occurrence of the event with respect to which such claim arose, shall be deemed waived if not brought within such one year period.

SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.2 **Liability of the Company** (Cont'd)

2.2.9 With respect to the furnishing of Company's services to public safety answering points or municipal emergency service providers, the Company's liability, if any, will be limited to the lesser of: (a) the actual monetary damages incurred and proved by the Customer as the direct result of the Company's action, or failure to act, in providing the service, or (b) the sum of $1,000.00.

2.2.10 In the event parties other than Customer, including but not limited to joint users and Customer's customers, shall have use of the Company's service directly or indirectly through Customer, then Customer agrees to forever indemnify and hold the Company harmless from and against any and all claims, demands, suits, actions, losses, damages, assessments or payments which may be asserted by said parties arising out of or relating to the Company's furnishing of service.

2.2.11 Failure by the Company to assert its rights pursuant to one provision of this tariff does not preclude the Company from asserting its rights under other provisions.

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

2.3 **Allowances for Interruptions in Service**

A credit allowance will be given for interruptions of service, which are 30 minutes or longer in duration, subject to the provisions of this section.

SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.3 Allowances for Interruptions in Service (Cont'd)

2.3.1 Credit for Interruptions

2.3.1.1 A credit allowance will be made when an interruption occurs because of a failure of any component furnished by the Company under this tariff. An interruption in service is considered to exist when a circuit, service or facility is unusable to the Customer.

2.3.1.2 A credit allowance will be made for interruption periods lasting 30 minutes or longer. An interruption period begins when the Customer reports a circuit, service or facility to be interrupted and releases it for testing and repair. An interruption period ends when the circuit, service or facility is operative. If the Customer reports an interruption but declines to release the circuit, service or facility for testing and repair, no interruption period will be deemed to exist.

2.3.1.3 A credit allowance is applied on a pro rata basis, dependent on the duration of the interruption, against the monthly recurring charges or the month-end billing charges payable by Customer under this tariff, and shall be expressly indicated on the next Customer bill. Only those facilities on an interrupted portion of a circuit or service will receive a credit.

SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.3 Allowances for Interruptions in Service (Cont'd)

2.3.1 Credit for Interruptions (Cont'd)

2.3.1.4 For calculating credit allowances, every month is considered to have 30 days. A credit allowance will be calculated for any service interruption lasting 30 minutes or longer on the basis of the proportion of interrupted minutes to total monthly minutes.

2.3.2 Limitations on Allowances

No credit allowance will be made for:

2.3.2.1 interruptions due to noncompliance with this tariff on the part of the Customer, authorized user, joint user, or other common carrier providing service connected to the service of the Company;

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

2.3.2.3 interruptions due to the failure or malfunction of non-Company equipment;

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

2.3.2.5 periods of impaired service during which the Customer continues to use the service;

SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.3 Allowances for Interruptions in Service (Cont'd)

2.3.2 Limitations on Allowances (Cont'd)

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

2.3.2.7 interruptions of service during scheduled maintenance, after reasonable notice to Customer;

2.3.2.8 interruptions of service resulting from the failure, malfunction or removal of facilities, power or equipment provided by the Customer;

2.3.2.9 interruptions of service due to circumstances or causes beyond the control of Company, or interruptions the credit allowance for which would amount to less than one dollar.

2.4 Obligations of the Customer

2.4.1 Scope

The obligations of the Customer shall include the following:

2.4.1.1 Customer shall be responsible for any damage to or loss of the Company's facilities or equipment caused by the acts or omissions of the Customer, or its employees, agents, contractors or suppliers, by Customer's noncompliance with this tariff, by malfunction or failure of any equipment or facility provided by Customer or its agents, employees or suppliers, or by fire, theft or other casualty on the Customer's premises, unless caused by the gross negligence or willful misconduct of Company's employees or agents.

SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.4 Obligations of the Customer (Cont'd)

2.4.1 Scope (Cont'd)

2.4.1.2 Customer shall provide at no cost to, and, as specified from time to time by the Company, any personnel, equipment, space, power, heating and air conditioning needed to operate, and maintain a proper operating environment for, Company facilities and equipment installed on the Customer's premises. Customer shall cooperate with Company in choosing the location, size and characteristics of the Company's equipment space on Customer's premises, which shall define the point of termination of Company's service. Customer may be required to pay, in the sole discretion of the Company, additional non-recurring charges for any additional points of termination within Customer's premises.

2.4.1.3 Customer shall obtain, maintain, and otherwise have full responsibility for all rights-of-way and conduit necessary for installation of Company facilities from the building entrance or property line to the location of Company's equipment space on the Customer's premises. Any costs associated with obtaining and maintaining the rights-of-way described herein, including any necessary building modification costs, shall be borne entirely by the Customer. Customer shall also be responsible for complying with all applicable laws, and obtaining all required permits or other approvals related to the location and installation of Company facilities and equipment in the Customer's premises or within the rights-of-way for which the Customer is responsible. The Customer and the Company may mutually agree to enter into a contract under which Company will provide some or all such non-regulated services and facilities.

SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.4 Obligations of the Customer (Cont'd)

2.4.1 Scope (Cont'd)

2.4.1.4 Customer shall provide a safe place to work and be responsible for complying with all laws and regulations regarding the working conditions on the premises at which Company employees and agents install or maintain the Company's facilities and equipment. The Customer shall be responsible for identifying, monitoring, removing and disposing of any hazardous material (e.g., friable asbestos) prior to, during and after any construction or installation work. Customer may be required to install and maintain Company facilities and equipment if, in the Company's opinion, the equipment space provided by the Customer is a hazardous area.

2.4.1.5 Customer shall grant or obtain permission for Company employees or agents to enter the premises of the Customer at any time for the purpose of installing, inspecting, maintaining, repairing, or removing the facilities or equipment of the Company and/or inspecting Customer-provided equipment which is connected to Company's facilities.

SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.4 Obligations of the Customer (Cont'd)

2.4.1 Scope (Cont'd)

2.4.1.6 Customer shall be responsible for the provision, operation and maintenance of any Customer-provided terminal equipment connected to Company equipment and facilities, and for ensuring that such Customer-provided equipment is compatible with Company equipment and facilities. The magnitude and character of the voltages and currents impressed on Company equipment, facilities and wiring by such Customer-provided equipment shall be such as not to cause damage to Company's equipment, facilities and wiring or injury to Company's employees or to other persons. Upon Company's request, Customer will submit to Company a complete manufacturer's specification sheet for each item of Customer-provided equipment that is or is proposed to be attached to Company's facilities. Company may provide, at the Customer's expense, any additional protective equipment required in the sole opinion of the Company, to prevent damage or injury resulting from the connection of any Customer-provided equipment.

2.4.1.7 Customer warrants that the services ordered pursuant to this tariff are intrastate in nature.

2.4.1.8 Customer shall cooperate with Company to plan, coordinate and undertake any actions required to maintain maximum network capability following natural or man-made disasters, which affect telecommunications services.

SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.4 Obligations of the Customer (Cont'd)

2.4.2 Payments

Obligations of the Customer with regard to payments shall include:

2.4.2.1 Customer shall be responsible for payment of all applicable charges pursuant to this tariff for facilities and service furnished to the Customer or to authorized or joint users or to the Customer's customers. Company's services are provided on a "take or pay" basis, that is, Customer is responsible for the applicable charges for services as ordered, whether or not Customer actually uses all or part of those services or capacity.

2.4.2.2 Customer shall pay all sales, use, excise, access, bypass or other local, state and Federal taxes, fees (including franchise fees), charges or surcharges, however designated, imposed on or based on the provision, sale or use of the Company's services, excluding gross receipts taxes and taxes on the Company's net income. Such taxes shall be separately stated on the Customer's invoice.

SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.4 Obligations of the Customer (Cont'd)

2.4.2 Payments (Cont'd)

2.4.2.3 Customer shall pay outstanding charges in full within 30 days of the invoice date. Charges not paid by Customer within 30 days, or paid in funds not immediately available to the Company, shall be subject to interest at a rate of 1.5% or the highest rate permitted by the Commission unless otherwise agreed by the Company or required by law. Charges normally will be invoiced in advance, with monthly recurring charges invoiced on or about the first of the month for which the charges apply. In the event of a Company billing error or omission, Customer shall be responsible for any back billing invoiced by the Company within 2 years of the original date of service.

2.4.2.4 Customer agrees that Company may conduct an independent verification of Customer's financial condition at any time, and Customer agrees to promptly supply such financial information as may be reasonably requested by Company. If, in the sole opinion of the Company, a Customer presents an undue risk of nonpayment at any time the Company may require that Customer pay its bills within a specified number of days, pay in advance of the furnishing or continuation of any service, and/or make such payments in cash or the equivalent of cash.

2.4.2.5 If required by the Company, Customer shall make an advance payment before services are furnished, which advance payment will be credited to the Customer's initial bill. Company may, in its sole discretion, require such an advance payment, which may be in addition to a deposit.

SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.4 Obligations of the Customer (Cont'd)

2.4.2 Payment (Cont'd)

2.4.2.6 If required by the Company, Customer shall make a deposit before a service is furnished or continues to be held as a guarantee for the payment of charges. Company may require such a deposit, which may be in addition to an advance payment, if Company considers this action necessary to safeguard its interests. A deposit shall not relieve the Customer of the responsibility for prompt payment of bills on presentation. Interest shall be paid at a simple interest rate of 6% annually. At any time, the Company may return the deposit or credit it to the Customer's account. When a service is discontinued the amount of any applicable deposit plus interest will be applied to the Customer's account and any credit balance remaining will be refunded.

2.4.3 Indemnification

With respect to any service or facility provided by the Company, or otherwise in the event of Customer's breach of any of the provisions of this tariff, Customer shall indemnify, defend and hold harmless the Company from and against all claims, actions, damages, liabilities, costs and expenses, for:

2.4.3.1 any loss, destruction or damage to property of the Company or any third party, or the death or injury of any person, to the extent caused by or resulting from the negligent or intentional act or omission of the Customer, its employees, agents, representatives or invitees; and

SECTION 2 - **RULES AND REGULATIONS** (Cont'd)

2.4 Obligations of the Customer (Cont'd)

2.4.3 Indemnification (Cont'd)

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

2.5 Cancellation of Service

If Customer cancels a service order or terminates service before the completion of the term of service specified in the service order for any reason, Customer agrees to pay to Company all costs, fees and expenses incurred by Company in connection with construction and with such termination. In addition, Customer may be liable for termination charge up to a maximum amount equal to the total of charges applicable for the remaining term specified in the service order (discounted to present value at six percent).

2.6 Discontinuance of Service

2.6.1 If Customer fails to timely pay any regulated amount owed to the Company and such failure continues for seven days after written notice to the Customer to comply with any rule or remedy any deficiency, the Company may discontinue or suspend service, reject additional applications for service and/or refuse to complete any pending orders for service without incurring any liability, and/or pursue any other remedies as may be provided at law or in equity.

SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.6. Discontinuance of Service (Cont'd)

2.6.2 If Customer violates any other material term or condition for the furnishing of service or any law, rule or regulation governing the services provided hereunder, and such violation continues for thirty days after written notice thereof to Customer, Company may discontinue or suspend service, refuse additional applications for service and/or refuse to complete any pending orders for service without incurring any liability, and/or pursue any other remedies as may be provided at law or in equity. Customer hereby waives such thirty-day notice requirement in the case of any violation which, in the sole opinion of the Company, if allowed to continue may result in damage to property, injury or death of any person, or impairment of the operation of Company's facilities or which may otherwise expose Company to civil or criminal liability.

2.6.3 Upon the Company's discontinuance of service to the Customer under section 2.6.1 or 2.6.2, the Company, in addition to all other remedies that may be available to the Company at law or in equity or under any other provisions of this tariff, may declare all future monthly and other charges which would have been payable by the Customer during the remainder of the term of service specified in the service order to be immediately due and payable (discounted to present value at six percent).

2.6.4 Upon the Customer filing for bankruptcy or reorganization or failing to discharge an involuntary petition therefore within the time permitted by law, or an assignment for the benefit of creditors, appointment of a trustee or receiver or similar event with respect to Customer, the Company may, in addition to any other remedy available at law or in equity, immediately discontinue or suspend service, refuse additional applications for service and/or refuse to complete any pending orders for service without incurring any liability.

SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.6 Discontinuance of Service (Cont'd)

2.6.5 Upon condemnation of any significant portion of the facilities or associated equipment used by the Company to provide service to Customer or if a casualty renders all or any significant portion of such facilities or equipment inoperable beyond feasible repair, the Company may discontinue or suspend service, refuse additional orders for service and/or refuse to complete any pending orders for service upon notice to Customer, without incurring any liability.

2.6.6 Upon any governmental prohibition or required alteration of the services provided or ordered, or any violation of an applicable law or regulation, the Company may immediately discontinue or suspend service, refuse additional applications for service and/or refuse to complete any pending orders for service without incurring any liability.

2.7 Changes in Equipment and Services

2.7.1 Company may substitute, change or rearrange any equipment, facility or system used in providing services at any time and from time to time, but shall not thereby materially alter the technical parameters of the services provided pursuant to Customer's service order.

2.7.2 Customer shall not cause or allow any facility or equipment of Company to be rearranged, moved, disconnected, altered or repaired without Company's prior written consent.

SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.7 Changes in Equipment and Services (Cont'd)

2.7.3 Upon receipt of a written request from Customer, Company will add, delete or change locations or features of specific circuits and/or equipment. Customer shall be liable for nonrecurring charges for such changes. If a request for deletion of a service represents a cancellation prior to the applicable term of service, Customer will be subject to Company's termination charges.

2.8 Prohibited Uses

2.8.1 The services Company provides shall not be used for any unlawful purpose or for any use with respect to which Customer has not obtained all governmental approvals, authorizations, licenses, consents and permits required to be obtained by Customer.

2.8.2 Customer shall not use the Company's service offerings for resale and/or for shared use unless, if requested to do so by Company, Customer has first demonstrated that such use complies with relevant laws, regulations, policies, orders, decisions and other governmental or legal requirements.

2.8.3 Customer may not use Company's services so as to interfere with or impair any other service or impair the privacy of any communications over any of Company's facilities and associated equipment or over the facilities and equipment of any other communications carrier connected to Company's facilities.

2.8.4 Customer shall not use or allow the use of Company's facilities or equipment installed at the Customer's premises for any purpose other than that for which the Company provides it, without the prior written consent of the Company.

SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.9 Assignment

2.9.1 Company may, without obtaining any further consent from Customer, assign any of its rights, privileges or obligations under this tariff to any subsidiary, parent company or affiliate of Company; pursuant to any sale or transfer of substantially all the business of Company; or pursuant to any financing, merger or reorganization of Company.

2.9.2 Customer may, upon prior written consent of Company, assign its rights, privileges or obligations under this tariff to any subsidiary, parent company or affiliate of Customer; pursuant to any sale or transfer of substantially all the business of Customer; or pursuant to any financing, merger or reorganization of Customer. Any attempt of Customer to make any assignment, transfer, or disposition of its rights, privileges or obligations under this tariff without the consent of Company shall be null and void.

2.10 License, Agency or Partnership

No license, express or implied, is granted by Company to Customer by virtue of an agreement for the furnishing of service hereunder. Neither Customer nor any joint or authorized users shall represent or otherwise indicate to its customers or others that the Company jointly participates in the Customer's joint user's services. The relationship between Company and Customer shall not be that of partners or agents for one or the other, and shall not be deemed to constitute a partnership or agency agreement, unless such relationship or agreement is expressly agreed to in writing by both Company and Customer.

SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.11 Proprietary Information

Neither Company nor Customer or any joint or authorized user shall disclose any plans, drawings, trade secrets or other proprietary information of the other party which is made known in the course of the furnishing of service hereunder, except as may be required by law, without prior written consent.

2.12 Promotions

Company reserves the right, from time to time, to provide promotional offerings. Company will notify Commission prior to effective date of promotions.

2.13 Waiver of Nonrecurring Charges

Company reserves the right to waive nonrecurring charges for moves, additions, and deletions.

2.14 Contested Charges

All bills are presumed accurate, and shall be binding on the Customer unless objection is received by the Company in the timeframe specified in Section 2.4.2.3. In the event that a billing dispute between the Customer and the Company for service furnished to the Customer cannot be settled with mutual satisfaction, the Customer may take the following course of action:

2.14.1 First, the Customer may request, and the Company will provide, an in-depth review of the disputed amount. (The undisputed portion and subsequent bills must be paid on a timely basis or the service may be subject to disconnection.)

2.14.2 Second, if there is still a disagreement about the disputed amount after investigation and review by the Company, the Customer may file an appropriate complaint with the South Dakota Public Utilites Commission. The address of the Commission is:

South Dakota Public Utilities Commission
Capitol Building, 1st floor
500 East Capitol Avenue
Pierre, SD 57501-5070
(605)773-3201
(800) 332-1782
(800) 877-1113 (TTY Through Relay South Dakota)

SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.15 Taxes

State and local sales, use and similar taxes, including gross receipts taxes, are billed as separate items and are not included in the quoted rates for local exchange or long distance telecommunications service.

2.16 Notices and Communications

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

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

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

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

2.17 Incomplete Calls/Wrong Numbers

The Company will not knowingly charge for incomplete calls or wrong numbers. Upon the Customer's request and proper verification, the Company shall promptly adjust and credit the Customer's account for charges or payment for any unanswered call inadvertently billed.

SECTION 3 - SERVICE AREAS

3.1 Exchange Service Areas

The company will provide local exchange services on a resale basis in those areas authorized by the Commission for provision of competitive local services in South Dakota. Specifically, the company will provide local exchange service in the exchange areas currently served by U.S. West Communications, Inc.

SECTION 4 - SERVICE DESCRIPTIONS

4.1 Port Wholesale Service

Company offers port wholesale services to provide high-speed data transmission. These services are available to business subscribers. Services may be offered by the Company via its own facilities and/or the facilities of other carriers.

Port wholesaling is a technology that provides large bandwidth users with data switching capability at the network level, allowing them to acquire capacity as required without investing in data switching equipment. Port wholesaling gives KMC V the ability to provide data switching to Internet service providers by allowing data calls to be terminated through the port wholesale equipment rather than the switch. This enables the Internet service provider to more cost effectively manage its data requirements while, at the same time, increasing the efficiency and capacity of the KMC V Lucent Technologies Series 5ESS(R)-type switch.

Services are subject to service order and service change charges where the Customer requests new services or changes in existing services, as well as indicated Non-Recurring and Monthly Recurring Charges.

SECTION 5 - RATE AND CHARGES

Basic rates charged for services are listed below:

5.1 Port Wholesale

Per Port: $35.00

Issued By: Tricia Breckenridge
Executive Vice President of Business Development
KMC Telecom V, Inc.
1755 North Brown Road
Lawrenceville, GA 30043

SECTION 6 - MISCELLANEOUS SERVICES

6.1 Restoration of Service

6.1.1 Description

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

6.2 Rates

[RESERVED FOR FUTURE USE]

SECTION 7 - SPECIAL ARRANGEMENTS

7.1 Special Construction

7.1.1 Basis for Charges

Where the Company furnishes a facility or service for which a rate or charge is not specified in the Company's tariffs, charges will be based on the costs incurred by the Company and may include: (1) non-recurring type charges; (2) recurring type charges; (3) termination liabilities; or (4) combinations thereof.

7.1.2 Basis for Cost Computation

The costs referred to in 6.1.1 preceding may include one or more of the following items to the extent they are applicable:

7.1.2.1 cost installed of the facilities to be provided including estimated costs for the rearrangements of existing facilities. Cost installed includes:

7.1.2.1.1 equipment and materials provided or used,

7.1.2.1.2 engineering, labor and supervision,

7.1.2.1.3 transportation, and

7.1.2.1.4 rights of way;

7.1.2.2 cost of maintenance;

7.1.2.3 depreciation on the estimated cost installed of any facilities provided, based on the anticipated useful service life of the facilities with an appropriate allowance for the estimated net salvage;

7.1.2.4 administration, taxes and uncollectible revenue on the basis of reasonable average costs for these items;

7.1.2.5 license preparation, processing and related fees;

7.1.2.6 tariff preparation, processing and related fees;

7.1.2.7 any other identifiable costs related to the facilities provided; and

7.1.2.8 an amount for return and contingencies.

SECTION 7 - SPECIAL ARRANGEMENTS (Cont'd)

7.1 Special Construction (Cont'd)

7.1.3 Termination Liability

To the extent that there is no other requirement for use by the Company, a termination liability may apply for facilities specially constructed at the request of the customer.

7.1.3.1 The termination liability period is the estimated service life of the facilities provided.

7.1.3.2 The amount of the maximum termination liability is equal to the estimated amounts for:

7.1.3.2.1 Cost installed of the facilities provided including estimated costs for rearrangements of existing facilities and/or construction of new facilities as appropriate, less net salvage. Cost installed includes the cost of:

(A) equipment and materials provided or used,

(B) engineering, labor and supervision,

(C) transportation, and

(D) rights of way;

7.1.3.2.2 license preparation, processing, and related fees;

7.1.3.2.3 tariff preparation, processing, and related fees;

7.1.3.2.4 cost of removal and restoration, where appropriate; and

7.1.3.2.5 any other identifiable costs related to the specialty constructed or rearranged facilities.

SECTION 7 - SPECIAL ARRANGEMENTS (Cont'd)

7.1 Special Construction (Cont'd)

7.1.3 Termination Liability (Cont'd)

7.1.3.3 The applicable termination liability method for calculating the unpaid balance of a term obligation. The amount of such charge is obtained by multiplying the sum of the amounts determined by a factor related to the unexpired period of liability and the discount rate for return and contingencies. The amount shall be adjusted to reflect the predetermined estimate net salvage, including any reuse of the facilities provided. This product is adjusted to reflect applicable taxes.

7.2 Individual Case Basis (ICB) Arrangements

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

7.3 Special Promotions

The Company may from time to time engage in special promotional trial service offerings of limited duration designed to attract new Customers or to increase Customer awareness of a particular tariff offering. Requests for promotional offerings will be presented to the Commission for its review in accordance with rules and regulations established by the Commission, and will be included in Section 7 of the Company's tariff. All promotions are offered on a non-discriminatory basis.

SECTION 8 - PROMOTIONAL OFFERINGS

[RESERVED FOR FUTURE USE]

SECTION 9 - SERVICE TERRITORY MAPS

EXHIBIT M

FINANCIAL QUALIFICATIONS OF KMC TELECOM V, INC.

KMC V has access to the financing and capital necessary to conduct it telecommunications operations as specified in the Petition. During an initial transition period, KMC V may rely in part upon the sizeable financial assets of its parent company, KMC Telecom Holdings, Inc., ("KMC Holdings"). In support of this Petition, KMC V submits the following financial information of KMC Holdings to demonstrate that it has sufficient access to capital and financial stability adequate to ensure its continued provision of quality local exchange and interexchange telecommunications services within the State of South Dakota. In addition to the information below, KMC Holdings' financial statements, consisting of its most recent SEC Form 10-Q, is appended hereto as part of this *Exhibit M*. As KMC V's revenues increase through the acquisition of customers, KMC V's revenues will supplant KMC Holdings' financial assistance.

KMC Holdings has financed its capital expenditures with equity invested by its founders, preferred stock placements, credit facility borrowings, notes, and Senior Discount Notes.

On May 24, 1999, KMC Holdings issued original notes in a private offering. Approximately $104.1 million of the proceeds of the offering were used to purchase a portfolio of U.S. government securities which have been pledged to secure the payment of the first six interest payments on these notes. KMC Holdings will use the net proceeds of the offering to complete the 14 additional networks which it plans to construct by the end of the first half of 2000.

In February 1999, KMC Holdings issued PIK Preferred Stock and warrants to purchase common stock for aggregate gross proceeds of $65.0 million to two purchasers. In April 1999, KMC Holdings issued additional shares of PIK Preferred Stock and warrants to purchase common stock to one additional purchaser for aggregate gross proceeds of $35.0 million. In February 1999, its subsidiary which will own the 14 additional networks which KMC Holdings currently plans to construct by the end of the first half of 2000, entered into a secured vendor financing facility with Lucent Technologies Inc. Under this Lucent Facility, the subsidiary will be permitted to borrow, subject to certain conditions, up to an aggregate of $600.0 million, primarily for the purchase from Lucent of switches and other telecommunications equipment. As of September 30, 1999, the Company had no borrowings outstanding under the facility.

In December 1998, KMC Holdings refinanced and expanded its $70.0 million senior secured credit facility with Newcourt Commercial Finance Corporation to a new $250.0 million facility. Under the refinanced and expanded facility, which is with a group of lenders led by Newcourt Commercial Finance Corporation, First Union National Bank, General Electric Capital Corporation and Canadian Imperial Bank of Commerce, KMC Holdings' subsidiaries which own its initial 23 networks are permitted to borrow up to an aggregate of $250.0 million, subject to certain conditions, for the purchase of fiber optic cable, switches and other telecommunications equipment and, once certain financial conditions are met, for working capital and other general corporate purposes.

Net cash provided by financing activities from borrowings and equity issuances was $219.4 million for 1998 and $332.1 million for the nine months ended September 30, 1999. KMC Holdings' net cash used in operating and investing activities was $213.8 million for 1998 and $332.0 million for the nine months ended September 30, 1999.

KMC Holdings made capital expenditures of $9.1 million in 1996, $61.1 million in 1997, $161.8 million in 1998 and $218.5 million in the nine months ended September 30, 1999. KMC Holdings currently plans to continue significant capital expenditures. The majority of these expenditures is expected to be made for network construction and the purchase of switches and related equipment to facilitate the offering of its services.

At September 30, 1999, KMC Holdings had outstanding commitments aggregating approximately $92.8 million related to the purchase of fiber optic cable and telecommunications equipment as well as engineering services, principally under its agreements with Lucent Technologies.

KMC Holdings has received a signed commitment from Lucent to refinance the existing Lucent Facility upon terms which would involve the provision of additional funding to the Company and the resetting of the financial covenants for periods after the fourth quarter of 1999.

KMC Holdings believes that its cash, investments held for future capital expenditures and borrowings available under the Senior Secured Credit Facility and the Lucent Facility, together with the net proceeds from its April 1999 issuance of its PIK Preferred Stock and the proceeds of the offering of the original notes will be sufficient to meet its liquidity needs through the completion of its initial 23 networks and the 14 additional networks currently planned for completion by the end of the first half of 2000. Additional sources of financing may include public or private equity or debt financings by the Company, capitalized leases and other financing arrangements.

Specifically, as demonstrated in its Cash Flow statement, appended here as part of this *Exhibit M*, KMC Holdings has access to ample capitol to fund the construction and operation of KMC V's telecommunications network in South Dakota, and to meet any lease and ownership obligations associated with its provision of local exchange telecommunications services in South Dakota.

KMC TELECOM HOLDINGS INC

Filing Type: 10-Q
Description: Quarterly Report
Filing Date: Nov 14, 2000
Period End: Sep 30, 2000

Primary Exchange: N/A
Ticker: N/A

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10-Q OTHERDOC

EX-27 OTHERDOC

Document is copied.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2000

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________________ to ____________________

COMMISSION FILE NUMBER: 333-50475

KMC TELECOM HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	22-3545325
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1545 ROUTE 206, SUITE 300
BEDMINSTER, NEW JERSEY 07921
(Address, including zip code, of principal executive offices)

(908) 470-2100
(Registrant's telephone number, including area code)

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. [X] Yes [ ] No

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

CLASS	OUTSTANDING
Common Stock, par value $0.01 per share.	861,145 shares, as of November 8, 2000

KMC TELECOM HOLDINGS, INC.

INDEX

PART I - FINANCIAL INFORMATION
KMC TELECOM HOLDINGS, INC.
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)

	DECEMBER 31, 1999	SEPTEMBER 30, 2000
ASSETS		
Current assets:		
Cash and cash equivalents	$85,966	$128,520
Restricted investments	37,125	37,125
Accounts receivable, net of allowance for doubtful accounts of $5,551 and $[illegible] in 1999 and 2000, respectively	27,373	48,733
Prepaid expenses and other current assets	1,375	176,865

[illegible]	151,839	391,243
[illegible]	51,446	81,490
[illegible], net	639,324	842,861
[illegible], net	3,602	4,369
[illegible], net	38,816	42,248
[illegible]	1,013	1,569
	$886,040	$ 1,363,780
[illegible]		
[illegible]	$167,490	$233,587
[illegible]	37,047	92,003
[illegible]	4,309	19,101
[illegible]	208,846	344,691
[illegible]	235,000	616,121
[illegible]	301,137	329,933
[illegible]	275,000	275,000
[illegible]	1,019,983	1,565,745
[illegible]		
[illegible] PIK preferred stock, par value $.01 per [illegible]:		
[illegible] shares issued and outstanding:		
[illegible] and 72 shares in 2000 [illegible]	50,770	59,031
[illegible] and 46 shares in 2000 [illegible]	41,370	45,305
[illegible] preferred stock, par value $.01 per [illegible] shares issued and outstanding:		
[illegible] and 2000 ($12,380 liquidation preference)	71,349	103,032
[illegible] and 2000 ($17,500 liquidation preference)	40,301	68,263
[illegible] preferred stock, par value $.01 per share; [illegible] shares issued and outstanding:		
[illegible] 1999, 59 shares in 2000 ($19,900 [illegible])	-	19,395
[illegible] 1999, [illegible] shares in 2000 [illegible]	-	158,471
[illegible] shares issued and outstanding	33,755	43,657
[illegible]	12,925	16,039
[illegible]	250,470	513,196
[illegible]:		
[illegible] $.01 par share; 1,000 shares [illegible] 637 shares issued and outstanding [illegible]	6	6
[illegible]	(9,163)	(23,113)
[illegible]	(375,256)	(692,054)
[illegible] (deficiency)	(384,413)	(715,161)
	$886,040	$ 1,363,780

See accompanying notes.

KMC TELECOM HOLDINGS, INC.

[illegible] CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

	THREE MONTHS ENDED SEPTEMBER 30,	NINE MONTHS ENDED SEPTEMBER 30,

	1999	2000	1999	2000
Revenue	$ 15,572	$ 60,949	$ 42,284	$ 129,025
Operating expenses				
Network operating costs:				
Non-cash stock compensation	557	482	1,059	2,335
Other network operating costs	23,631	46,944	56,191	112,234
Selling, general and administrative:				
Non-cash stock compensation	(6,404)	6,402	12,181	27,221
Other selling, general and administrative costs	22,479	41,058	60,698	120,108
Depreciation and amortization	7,593	20,431	19,230	51,549
Total operating expenses	46,742	115,317	149,359	313,447
Loss from operations	(31,170)	(54,368)	(107,075)	(184,422)
Other expense	-		(4,297)	-
Interest income	3,980	3,782	7,035	8,290
Interest expense	(21,834)	(36,073)	(47,848)	(94,473)
Net loss before cumulative effect of change in accounting principle	(49,024)	(86,659)	(152,185)	(270,605)
Cumulative effect of change in accounting principle	-		-	(1,705)
Net loss	(49,024)	(86,659)	(152,185)	(272,310)
Dividends and accretion on redeemable preferred stock	1,330	(13,229)	(42,085)	(72,210)
Net loss applicable to common shareholders	$ (47,694)	$(99,888)	$ (194,270)	$ (344,520)
Net loss per common share before cumulative effect of change in accounting principle	$ (55.93)	$(116.06)	$ (228.20)	$ (400.52)
Cumulative effect of change in accounting principle	-	-	-	(1.99)
Net loss per common share	$ (55.93)	$(116.06)	$ (228.20)	$ (402.51)
Weighted average number of common shares outstanding	852,676	860,639	851,321	855,932
Pro forma amounts assuming the change in accounting principle was applied retroactively:				
Net loss applicable to common shareholders	$(48,226)	$(99,888)	$ (195,421)	$ (342,815)
Net loss per common share	$ (56.56)	$(116.06)	$ (229.55)	$ (400.52)

See accompanying notes.

KMC TELECOM HOLDINGS, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	NINE MONTHS ENDED SEPTEMBER 30,	
	1999	2000
OPERATING ACTIVITIES		
Net loss	$ (152,185)	$ (272,310)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	19,230	51,549
Non-cash interest expense	40,174	41,368
Non-cash stock option compensation expense	13,240	29,556
Changes in assets and liabilities:		
Accounts receivable	(16,271)	(21,360)
Prepaid expenses and other current assets	239	(7,154)
Other assets	1,065	(30,680)
Accounts payable	14,707	(18,113)
Accrued expenses	10,837	34,228
Deferred revenue	1,748	14,792
Net cash used in operating activities	(67,216)	(178,124)
INVESTING ACTIVITIES		
Construction of networks and purchases of equipment	(216,508)	(328,678)
Acquisitions of franchises, authorizations and related assets	(1,221)	(1,239)
Purchases of investments, net	(47,080)	-

Net cash used in investing activities	(264,809)	(329,917)
FINANCING ACTIVITIES		
Proceeds from issuance of preferred stock and related warrants, net of issuance costs	91,235	172,500
Proceeds from exercise of stock options	333	562
Proceeds from issuance of senior notes, net of issuance costs and purchase of portfolio of restricted investments	159,942	-
Repurchase and retirement of Series F preferred stock		(3,329)
Proceeds from credit facilities, net of issuance costs	80,541	379,862
Net cash provided by financing activities	332,051	550,595
Net increase (decrease) in cash and cash equivalents	26	42,554
Cash and cash equivalents, beginning of period	21,181	85,966
Cash and cash equivalents, end of period	$ 21,207	$ 128,520
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the period for interest, net of amounts capitalized	$ 5,751	$ 43,010

See accompanying notes.

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KMC TELECOM HOLDINGS, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2000

1. BASIS OF PRESENTATION AND ORGANIZATION

KMC Telecom Holdings, Inc. and its subsidiaries are collectively referred to herein as the Company. All significant intercompany accounts and transactions have been eliminated in consolidation.

The Company is a fiber-based integrated communications provider providing data and voice services to its customers, principally business, government and institutional end-users, as well as Internet service providers, long distance companies and wireless service providers, primarily in the South, Southeast, Midwest and Mid-Atlantic United States.

The unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial reporting. Accordingly, they do not include certain information and note disclosures required by generally accepted accounting principles for annual financial reporting and should be read in conjunction with the financial statements and notes thereto of KMC Telecom Holdings, Inc. as of and for the year ended December 31, 1999.

The unaudited interim financial statements reflect all adjustments (consisting only of normal recurring adjustments) which management considers necessary for a fair presentation of the results of operations for these periods. The results of operations for the interim periods are not necessarily indicative of the results for the full year.

The balance sheet of KMC Telecom Holdings, Inc. at December 31, 1999 was derived from the audited consolidated balance sheet at that date.

Certain reclassifications have been made to the 1999 unaudited condensed consolidated financial statements to conform with the 2000 presentation.

2. ACCOUNTING CHANGE

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101 ("SAB 101"), REVENUE RECOGNITION IN FINANCIAL STATEMENTS. SAB 101 provides additional guidance in applying generally accepted accounting principles to revenue recognition in financial statements. Through December 31, 1999, the Company recognized installation revenue upon completion of the installation. Effective January 1, 2000, in accordance with the provisions of SAB 101, the Company is recognizing installation revenue over the average contract period. The cumulative effect of this change in accounting principle resulted in a charge of approximately $1.7 million which was recorded in the quarter ended March 31, 2000. For the nine months ended September 30, 2000, the net effect of adopting this change in accounting principle was a deferral of the recognition of $3.5 million of revenue, which increased net loss for the period by $4.10 per share. Revenue for the nine months ended September 30, 2000 includes $1.6 million of revenues that, prior to the accounting change, had been recognized through December 31, 1999.

3. NETWORKS, PROPERTY AND EQUIPMENT

Networks and equipment are comprised of the following:

	DECEMBER 31, 1999	SEPTEMBER 30, 2000
	(IN THOUSANDS)	
Fiber optic systems	$ 164,985	$ 242,454
Telecommunications equipment	421,718	531,981
Furniture and fixtures	21,397	26,832
Leasehold improvements	1,811	2,344
Construction-in-progress	66,380	127,149
	676,291	930,760
Less accumulated depreciation	(36,967)	(87,899)
	$ 639,324	$ 842,861

Costs capitalized during the development of the Company's networks include amounts incurred related to network engineering, design and construction and capitalized interest. Capitalized interest related to the construction of the networks for the nine months ended September 30, 1999 and 2000 amounted to $3.4 million and $10.1 million, respectively.

4. INTANGIBLE ASSETS

Intangible assets are comprised of the following:

	DECEMBER 31, 1999	SEPTEMBER 30, 2000
	(IN THOUSANDS)	
Franchise costs	$ 2,015	$ 2,807
Authorizations and rights-of-way	2,052	2,565
Building access agreements and other costs	1,038	972
	5,105	6,344
Less accumulated amortization	(1,503)	(1,975)
	$ 3,602	$ 4,369

[illegible]. ACCRUED EXPENSES

Accrued expenses are comprised of the following:

	DECEMBER 31, 1999	SEPTEMBER 30, 2000
	(IN THOUSANDS)	
Accrued compensation	$ 11,423	$ 21,101
Accrued costs related to financing activities	7,316	11,498
Accrued interest payable	8,544	27,396
Accrued telecommunications costs	3,794	8,094
Other accrued expenses	5,970	23,914
	$ 37,047	$ 92,003

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[illegible]. SENIOR SECURED CREDIT FACILITIES

AMENDED SENIOR SECURED CREDIT FACILITY

During the quarter ended March 31, 2000, our subsidiaries, KMC Telecom, Inc., KMC Telecom II, Inc., KMC Telecom of Virginia, Inc. and KMC Telecom III, Inc. (collectively, the "Borrowers"), amended, restated and combined the Senior Secured Credit Facility and the Lucent Facility, into a single facility by entering into a $700 million Loan and Security Agreement (the "Amended Senior Secured Credit Facility") with a group of lenders led by Newcourt Commercial Finance Corporation, GE Capital Corporation, Canadian Imperial Bank of Commerce, First Union National Bank and Lucent Technologies Inc. (collectively, the "Lenders").

The Amended Senior Secured Credit Facility includes a $175 million reducing revolver facility (the "Revolver"), a $75 million term loan (the "Term Loan") and a $450 million term loan facility (the "Lucent Term Loan"). At September 30, 2000, the outstanding loan balances on the Revolver, the Term Loan and the Lucent Term Loan, were approximately $165 million, $75 million, and $341 million, respectively.

The Revolver will mature on April 1, 2007. Proceeds from the Revolver can be used to finance the purchase of certain equipment, transaction costs and, upon attainment of certain financial conditions, for working capital and other general corporate purposes. The aggregate commitment of the Lenders under the Revolver will be reduced on each quarterly payment date beginning April 1, 2003. The initial quarterly commitment reduction is 5.0%, reducing to 3.75% on July 1, 2003, then increasing to 6.25% on July 1, 2004, and further increasing to 7.50% on July 1, 2006. Commencing with the fiscal year ending December 31, 2001, the aggregate Revolver commitment will be further reduced by an amount equal to 50% of excess operating cash flows (as defined in the Amended Senior Secured Credit Facility) for the prior fiscal year until the Borrowers achieve certain financial conditions. The Borrowers must pay an annual commitment fee on the unused portion of the Revolver ranging from .75% to 1.25%.

The Term Loan is payable in twenty consecutive quarterly installments of $190,000 beginning on April 1, 2002 and two final installments of $35.6 million each on April 1, 2007 and July 1, 2007. Proceeds from the Term Loan can be used to finance the purchase of certain equipment, transaction costs, working capital and other general corporate purposes.

The Lucent Term Loan provides for an aggregate commitment of up to $450 million. Proceeds from the Lucent Term Loan can be used to purchase Lucent products or to reimburse the Borrowers for Lucent products previously purchased with cash or other sources of liquidity. The Lucent Term Loan will mature on July 1, 2007 and requires quarterly principal payments beginning on July 1, 2003 of 5%. The principal payment decreases to 3.75% per quarter beginning on October 1, 2003, increases to 6.25% on October 1, 2004 and further increases to 7.50% on October 1, 2006. An annual commitment fee of 1.50% is payable for any unused portion of the Lucent Term Loan.

Borrowings under the Amended Senior Secured Credit Facility will bear interest payable, at the Borrowers' option, at either (a) the "Applicable Base Rate Margin" (which generally ranges from 2.00% to 3.25%) plus the greater of (i) the administrative agent's prime rate or (ii) the overnight federal funds rate plus .5% or (b) the "Applicable LIBOR Margin" (which generally ranges from 3.00% to 4.25%) plus LIBOR, as defined. "Applicable Base Rate Margin" interest is payable quarterly while "Applicable LIBOR Margin" interest is payable at the end of each applicable interest period or at least every three months. Under the Amended Senior Secured Credit Facility the Borrowers were being charged a weighted average interest rate of 11.87% at September 30, 2000. If a payment default were to occur, the interest rate will be increased by four percentage points. If any other event of default were to occur, the interest rate will be increased by two percentage points.

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KMC Holdings has unconditionally guaranteed the repayment of the Amended Senior Secured Credit Facility when such repayment is due, whether at maturity, upon acceleration, or otherwise. KMC Holdings has pledged the shares of each of the Borrowers to the Lenders to collateralize its obligations under the guaranty. In addition, the Borrowers have each pledged all of their assets to the Lenders.

The amended senior secured credit facility contains a number of affirmative and negative covenants, one of which requires us to make additional cash capital contributions to our subsidiaries which are the borrowers thereunder of at least $35 million prior to August 31, 2001. The original covenant required $185 million in cash capital contributions by April 1, 2001. However, because we contributed $150 million of the proceeds of our Series G private equity financing toward fulfilling this requirement, the lenders amended this covenant by extending the due date on the remaining $35 million of cash capital contributions to August 31, 2001. Because the entire $185 million cash capital contribution was not made by July 31, 2000, however, the applicable interest rate associated with the facility has increased by 100 basis points until the remaining $35 million amount is contributed. Additional affirmative and negative covenants include, among others, covenants restricting the ability of the Borrowers to consolidate or merge with any person, sell or lease assets not in the ordinary course of business, sell or enter into long term leases of dark fiber, redeem stock, pay dividends or make any other payments (including payments of principal or interest on loans) to KMC Holdings, create subsidiaries, transfer any permits or licenses, or incur additional indebtedness or act as guarantor for the debt of any person, subject to certain conditions.

The Borrowers are required to comply with certain financial tests and maintain certain financial ratios, including, among others, a ratio of total debt to contributed capital, certain minimum revenues, maximum EBITDA losses and minimum EBITDA, maximum capital expenditures and minimum access lines, a maximum total leverage ratio, a minimum debt service coverage ratio, a minimum fixed charge coverage ratio and a maximum consolidated leverage ratio. The covenants become more restrictive upon the earlier of (i) March 31, 2002 and (ii) after the Borrowers achieve positive EBITDA on a combined basis for two consecutive fiscal quarters and a total leverage ratio (as defined) equal to or less than 9 to 1.

Failure to satisfy any of the financial covenants will constitute an event of default under the Amended Senior Secured Credit Facility permitting the lenders, after notice, to terminate the commitment and/or accelerate payment of outstanding indebtedness thereunder. The Amended Senior Secured Credit Facility also includes other customary events of default, including, without limitation, a cross-default to other material indebtedness, material undischarged judgments, bankruptcy, loss of a material franchise or material license, breach of representations and warranties, a material adverse change, and the occurrence of a change of control.

TELECOM IV SENIOR SECURED TERM LOAN

During the quarter ended June 30, 2000, our subsidiary, KMC Telecom, IV, Inc., closed a new senior secured term loan (the "Telecom IV Loan") from Lucent Technologies Inc. The Telecom IV Loan initially provides up to $35 million of principal borrowings, plus accrued interest, until certain conditions are met and then provides for additional principal borrowings up to a ceiling of $50 million, plus accrued interest. Proceeds from the Telecom IV Loan can be used to purchase or install Lucent products and will be used to purchase equipment for future expansion. The Telecom IV Loan will mature on October 1, 2007 and requires quarterly principal payments beginning on January 1, 2003 of 2.5% of the outstanding principal balance, with the percentage increasing to 5% on January 1, 2005, 6.25% on October 1, 2005, and 7.5% on October 1, 2006, with the balance due on October 1, 2007. As of September 30, 2000, the outstanding principal loan balance on this term loan was approximately $35 million.

Borrowings under the Telecom IV Loan will bear interest payable, at the Company's option, at either (a) the Applicable Base Rate Margin (which generally ranges from 2.25% to 3.50% based on the Company's total debt to total contributed capital ratio) plus the greater of (i) the administrative agent's prime rate or (ii) the overnight federal funds rate plus .5% or (b) the LIBOR Rate plus the Applicable Margin (which generally ranges from 3.25% to 4.50% based on the Company's debt to contributed capital ratio). "Applicable Base Rate Margin" interest is payable quarterly while "Applicable LIBOR Margin" interest is payable at the end of each applicable interest period, or at least every three months. Under the Telecom IV Loan, the Company was being charged a weighted average interest rate of 11.31% at September 30, 2000. There are no financial covenants on this loan. However, there are affirmative and negative covenants that, generally, are no more restrictive to the Company than the Company's other debt agreements. If any events of default were to occur, the interest rate would increase by two percentage points.

7. SERVICE REVENUES

The Company provides on-network services and resells switched services previously purchased from the incumbent local exchange carrier. On-network services include services provided through direct connections to our own networks, services provided by means of unbundled network elements leased from the incumbent local exchange carrier and dedicated circuits. The Company's service revenues consist of the following:

	THREE MONTHS ENDED SEPTEMBER 30, 1999	THREE MONTHS ENDED SEPTEMBER 30, 2000	NINE MONTHS ENDED SEPTEMBER 30, 1999	NINE MONTHS ENDED SEPTEMBER 30, 2000
	(in thousands)		(in thousands)	
On-network	$ 10,778	$ 58,408	$ 25,498	$ 120,298
Resale	4,794	2,541	16,786	8,727
Total	$ 15,572	$ 60,949	$ 42,284	$ 129,025

8. COMMITMENTS AND CONTINGENCIES

PURCHASE COMMITMENTS

As of September 30, 2000, the Company has outstanding commitments aggregating approximately $96.5 million related to purchases of telecommunications equipment and fiber optic cable and its obligations under its agreements with certain suppliers.

REDEMPTION RIGHTS

Pursuant to a stockholders agreement, certain of the Company's stockholders and warrant holders have "put rights" entitling them to have the Company repurchase their preferred and common shares and redeemable common stock warrants for the fair value of such securities if no Liquidity Event (defined as (i) an initial public offering with gross proceeds of at least $40 million, (ii) the sale of substantially all of the stock or assets of the Company or (iii) the merger or consolidation of the Company with one or more other corporations) has taken place by the later of (x) October 22, 2003 or (y) 90 days after the final maturity date of the Senior Discount Notes. The restrictive covenants of the Senior Discount Notes limit the Company's ability to repurchase such securities. All of the securities subject to such "put rights" are presented as redeemable equity in the accompanying balance sheets.

The redeemable preferred stock, redeemable common stock and redeemable common stock warrants, which are subject to the stockholders agreement, are being accreted up to their fair market values from their respective issuance dates to their earliest potential redemption date (October 22, 2003). At

September 30, 2000, the aggregate redemption value of the redeemable equity was approximately $580 million, reflecting per share redemption amounts of $1,454 for the Series A Preferred Stock, $711 for the Series C Preferred Stock, $338 for the Series G Preferred Stock and $300 for the redeemable common stock and redeemable common stock warrants.

9. NET LOSS PER COMMON SHARE

The following table sets forth the computation of net loss per common share-basic (in thousands, except share and per share amounts):

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	1999	2000	1999	2000
Numerator:				
Net loss before cumulative effect of change in accounting	$ (49,024)	$ (86,659)	$ (152,185)	$ (270,805)
Cumulative effect of change in accounting principle.......	-	-	-	(1,705)
Net loss	(49,024)	(86,659)	(152,185)	(272,510)
Dividends and accretion on redeemable preferred stock.....	1,330	(13,229)	(42,085)	(72,010)
Numerator for net loss applicable to common shareholders..	$ (47,694)	$ (99,888)	$ (194,270)	$ (344,520)
Denominator:				
Denominator for net loss per common share weighted average number of common shares outstanding......................	852,676	860,539	851,321	855,032
Net loss per common share before cumulative effect of change in accounting principle -- basic........................	$ (55.93)	$ (116.06)	$ (228.20)	$ (400.92)
Cumulative effect of change in accounting principle..........			-	(1.99)
Net loss per common share -- basic........................	$ (55.93)	$ (116.06)	$ (228.20)	$ (402.91)

Options and warrants to purchase an aggregate of 483,273 and 666,730 shares of common stock were outstanding as of September 30, 1999 and 2000, respectively, but a computation of diluted net loss per common share has not been presented, as the effect would be anti-dilutive.

10. SIGNIFICANT CONTRACTS AND CUSTOMERS

In March 2000, the Company entered into an agreement with Qwest Communications Corporation ("Qwest"), pursuant to which (i) the Company took delivery of approximately $134 million of Internet infrastructure equipment from Qwest and (ii) the Company agreed to install and maintain this equipment, in over 90 cities throughout the United States, principally to handle Internet service provider traffic on behalf of Qwest. As amended, the services agreement is for a term of 51 months, commencing November 2000 and expiring January 2005. The Company entered into a lease financing transaction in June 2000 to fund the entire cost of this equipment.

In June 2000, the Company entered into a second agreement with Qwest, pursuant to which (i) the Company took delivery of approximately $168 million of Internet infrastructure equipment from Qwest and (ii) the Company agreed to install and maintain this equipment throughout the United States, principally to handle Internet service provider traffic on behalf of Qwest. The second services agreement commences in November 2000 and expires in July 2005. The Company entered into a financing transaction to fund the cost of this equipment in November 2000 (see Note 15).

Contracts with Qwest accounted for approximately 30% of the Company's total revenue during the nine months ended September 30, 2000. A significant portion of the Qwest business was generated from long term guaranteed revenue contracts. For the nine months ended September 30, 1999, no one customer accounted for more than 10% of revenue.

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11. INTEREST RATE SWAP AGREEMENTS

AMENDED AND RESTATED INTEREST RATE SWAP AGREEMENT

In April 2000, the Company entered into an amended and restated interest rate swap agreement (the "Amended Swap") with a commercial bank to reduce the impact of changes in interest rates on its outstanding variable rate debt. The Amended Swap effectively fixes the Company's interest rate on $325 million of outstanding variable rate borrowings under the Amended Senior Secured Credit Facility (see Note 6) through April 2003 after which time the Amended Swap is reduced to $225 million through January 2004 and then finally reduced to $100 million until termination of the Amended Swap in April 2005. The Company is exposed to credit loss in the event of nonperformance by the other party to the interest rate swap agreement. However, the Company does not anticipate nonperformance by the counterparty.

JUNE 2000 SWAP

In June 2000, the Company entered into an interest rate swap agreement (the "June 2000 Swap") with a commercial bank to reduce the impact of changes in interest rates on its outstanding variable rate debt. The June 2000 Swap effectively fixes the Company's interest rate on an additional $90 million of its long-term debt for a period of 5 years. The Company is exposed to credit loss in the event of nonperformance by the other party to the interest rate swap agreement. However, the Company does not anticipate nonperformance by the counterparty.

12. BELLSOUTH RECIPROCAL COMPENSATION SETTLEMENT

In May 2000, the Company reached a resolution of its claims for payment of certain reciprocal compensation charges, previously disputed by BellSouth Corporation. Under the agreement, BellSouth made a one-time payment that resolved all amounts billed through March 31, 2000. In addition, BellSouth and the Company agreed to future rates for reciprocal compensation, setting new contractual terms for payment. Under the terms of the agreement, the rates for reciprocal compensation will be reduced, and will apply to all local traffic, including ISP-bound traffic, thereby eliminating the principal area of dispute between the parties. The reduction will be phased in over a three-year period beginning with a rate of $.002 per minute of use in year 2000, $.00175 per minute of use for 2001 and $.0015 per minute of use for 2002.

13. EQUITY TRANSACTIONS

SERIES G PREFERRED EQUITY

In July 2000, the Company issued 58,881 and 481,108 shares of Series G-1 Voting and G-2 Non-Voting Convertible Preferred Stock (the "Series G Preferred Stock"), respectively, to Lucent Technologies, Dresdner Kleinwort Benson Private Equity Partners, CIT Lending Services, Nassau Capital Partners and Harold N. Kamine, its Chairman of the Board, for aggregate gross proceeds of $182.5 million. The Series G Preferred Stock has a liquidation preference of $337.97 per share and an annual cumulative dividend equal to 7% of the liquidation preference. Payment of the unpaid dividends is triggered by (i) an initial public offering in which the Company receives aggregate gross proceeds of at least $80 million or (ii) a merger, consolidation or sale of substantially all assets.

Each share of Series G Preferred Stock is convertible into a number of shares of common stock equal to the liquidation preference of each share divided by the conversion price then in effect. Initially, the conversion price is $337.97. However, this price is adjustable, subject to certain exceptions, upon the occurrence of certain events including (i) the issuance or sale of common

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stock for a consideration per share less than the conversion price, (ii) the issuance of rights or options to acquire common stock or convertible securities with an exercise price less than the conversion price and (iii) the issuance or sale of other convertible securities with a conversion or exchange price lower than the conversion price. The Series G Preferred Stock will be automatically converted into common stock upon (i) a Qualified Public Offering, defined as sale of common stock pursuant to a registration statement in which the Company receives aggregate gross proceeds of at least $80 million, provided that the per share price at which such shares are sold in such offering is not less than the liquidation preference then in effect, or (ii) the election of holders of at least two-thirds of the outstanding shares of Series G Preferred Stock.

The Series G Preferred Stock ranks senior to the common stock, Series A Convertible Preferred Stock and Series C Convertible Preferred Stock, on a parity with the Series F Senior Redeemable, Exchangeable, PIK Preferred Stock and junior to the Series E Senior Redeemable, Exchangeable, PIK Preferred Stock. The Series G-1 shareholders are entitled to vote on all matters before the common holders, as a single class with the common, on an as if converted basis.

Subject to certain limitations and conditions, at the request of the holders of at least two-thirds of the Series G Preferred Stock, the Company may be required to redeem the Series G Preferred Stock upon (i) a change of control or sale of the Company, or (ii) August 15, 2009.

REPURCHASE AND RETIREMENT OF SERIES F PREFERRED STOCK

In September 2000, the Company repurchased and retired 2,965 shares of

Series F preferred stock at 110% of its liquidation preference plus accrued and unpaid dividends for approximately $3.3 million in accordance with the provisions of the certificate of designation applicable to the Series F preferred stock.

14. INITIAL PUBLIC OFFERING FILING

On September 19, 2000, the Company filed a Form S-1 registration statement with the Securities and Exchange Commission covering an initial public offering of the Company's common stock. As of the date hereof, the Form S-1 has not become effective and the Company's equity securities are not publicly traded.

15. SUBSEQUENT EVENTS

QWEST INTERNET INFRASTRUCTURE EQUIPMENT FINANCING

In November 2000, our subsidiary, KMC Telecom Funding Corporation, entered into an agreement with Dresdner Kleinwort Benson North American Leasing, Inc. to finance the $168 million of Internet infrastructure equipment purchased from Qwest in June 2000 (See Note 10). The Loan will be paid back over a term of 48 months at a rate of 200 basis points above LIBOR through October 15, 2001 and 600 basis points over LIBOR thereafter.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This form 10-Q contains forward-looking statements. These statements reflect our current estimates, expectations and projections about our future results, performance, prospects and opportunities. In some cases, you can identify these statements by forward-looking words such as "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "should", "will", "would" and similar expressions. These forward-looking statements are based on all information currently available to us and subject to a number of risks, uncertainties and other factors that could cause our actual results, performance, prospects or opportunities to differ materially from those expressed in, or implied by, these forward-looking statements. These risks, uncertainties and other factors include matters related to:

- our operations and prospects,
- our expected financial position,
- our funding needs and financing sources,
- the possibility that changes in financial performance may affect our compliance with financial covenants under our amended senior secured credit facility,
- our network construction and development plans,
- the ability of tier iii markets to profitably support one or more competitive telecommunications companies,
- regulatory matters, and
- expected competitors in our markets.

All subsequent written and oral forward-looking statements by or attributable to us or persons acting on our behalf are expressly qualified in their entirety by these factors. Except as otherwise required to be disclosed in periodic reports required to be filed by public companies with the securities and exchange commission pursuant to the commission's rules, we have no duty to update these statements.

OVERVIEW

We are a rapidly growing fiber-based integrated communications provider offering data, voice and Internet infrastructure services. We offer these services to businesses, governments and institutional end-users, Internet service providers, long distance carriers and wireless service providers. Our business has two distinct components: serving communications-intensive customers in Tier III markets, and providing data services on a nationwide basis.

We provide a full suite of broadband communications services in 35 Tier III markets, which we define as markets with a population between 100,000 and 750,000. We own and operate robust fiber-based networks and Lucent switching equipment in all of our Tier III markets, which are predominantly located in the South, Southeast, Midwest and Mid-Atlantic United States. We will continue to expand in Tier III markets because we believe that these markets have attractive growth attributes and are typically less competitive than larger markets. Our customers in these markets include: AT&T, Boeing, City of Augusta, Columbia Hospital, NASA, Pillsbury, State of Wisconsin, Texas A&M University and Wal-Mart.

We also provide nationwide data services under long-term guaranteed revenue contracts with Qwest and Broadwing. Under these contracts, we provide local Internet access infrastructure and other enhanced data services. Currently, we have contracts representing approximately $250 million in annualized revenues in approximately 140 markets. We expect these markets to be

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operational by the first half of 2001. The Internet infrastructure we are deploying includes technologically advanced platforms from Cisco and Nortel, which we believe will result in a cost-effective and technologically superior solution for our customers.

TIER III MARKETS. We have installed fiber-based SONET networks, or self-healing synchronous optical networks, using a Lucent 5ESS(R) switch in each of our 33 operational markets, and are currently constructing networks in two additional Tier III markets using a similar architecture. Our fiber optic networks are initially designed and built to reach approximately 80% of the business access lines in each of our markets, typically requiring a local fiber loop of about [illegible] to 40 miles.

As our switches have become operational, our operating margins have improved meaningfully. Our operating margins have also improved due to increased on-network revenues relative to resale revenues. On-network revenues are revenues earned from services provided on our network, including by direct connection to our switch, unbundled network element or dedicated circuit. Resale revenues are generated when traffic is carried completely on the incumbent local exchange carriers' facilities. Resale revenues have declined from approximately [illegible]% of our revenues during the first quarter of 1999 to approximately 4% of our total revenues during the third quarter of 2000.

NATIONWIDE DATA PLATFORM. We currently provide Internet access infrastructure for Qwest and Broadwing. We provide this service using remote access servers manufactured by Cisco and Nortel which we are deploying in our supernodes. Supernodes are concentration points for high-speed connectivity to the Internet. We will have 44 supernodes, including nine in our existing markets.

Under the terms of our existing guaranteed revenue contracts, we provide the routing and ancillary equipment for each supernode, as well as data transport service from the incumbent local exchange carrier to our supernode location. Our customers pay us a fixed price per port and compensate us for certain expenses, including space, power and transport, that we may incur above an agreed level. This structure provides highly predictable revenues and costs over the life of each contract, currently ranging from 51 to 57 months. One of these contracts began generating revenues during the third quarter of 2000. Revenues will continue to increase as the contracts are phased in through the second quarter of 2001. We expect these contracts to provide positive margins and cash flow beginning with the commencement of revenues in the third quarter of 2000.

We purchased approximately $134.4 million of equipment relating to these contracts during the first quarter of 2000. We sold this equipment to General Electric Credit Corporation and CIT Lending Services Corporation, and leased it back from them, during the second quarter of 2000. The term of this sale-leaseback, including renewal periods, matches the initial term of these data contracts. We purchased an additional $168.6 million of equipment relating to these contracts during the second quarter of 2000, and in November 2000 obtained financing for this balance from Dresdner Kleinwort Benson North American Leasing, Inc.

REVENUE. Our revenue is derived from the sale of local switched services, long distance services, Centrex-type services, private line services, special access services and Internet access infrastructure. Historically, a significant portion of our revenue has been derived from the resale of switched services. We have transitioned the majority of our customers on-network and as a result the portion of our revenue related to the resale of switched services has decreased to 7% of total revenue for the nine months ended September 30, 2000. We expect that the revenue recognized related to the nationwide data platform guaranteed revenue contracts will continue to increase through the first quarter of 2001 as we begin providing services under these contracts.

RECIPROCAL COMPENSATION. We recognized reciprocal compensation revenue of approximately $9.7 million, or 15.1% of our total revenue for 1999 and approximately $14.3 million or 11.1% of our total revenue for the nine months ended September 30, 2000. In May 2000, we reached a resolution of our claims for

payment of certain reciprocal compensation charges, previously disputed by BellSouth Corporation (see Note 12 of the Notes to Unaudited Condensed Consolidated Financial Statements included in Item 1). Under the agreement, BellSouth made a one-time payment that resolved all amounts billed through March 31, 2000. In addition, we agreed with BellSouth on future rates for reciprocal compensation, setting new contractual terms for payment. Our prior agreement with BellSouth provided for a rate of $.009 per minute of use for reciprocal compensation. Under the terms of the new agreement, the rates for reciprocal compensation which will apply to all local traffic, including ISP bound traffic, will decrease over time. The reduction will be phased in over a three-year period beginning with a rate of $.002 per minute of use in year 2000, $.00175 per minute of use in year 2001 and $.0015 per minute of use in year 2002.

We are currently pursuing resolution of this issue with other incumbent local exchange carriers. Our goal is to reach mutually acceptable terms for both outstanding and future reciprocal compensation amounts for all traffic. We cannot assure you that we will reach new agreements with these carriers on favorable terms.

As of September 30, 2000, we have provided reserves which we believe are sufficient to cover any amounts which may not be collected, but we cannot assure you that this will be the case. Our management will continue to consider the circumstances surrounding this dispute periodically in determining whether additional reserves against unpaid balances are warranted.

OPERATING EXPENSES. Our principal operating expenses consist of network operating costs, selling, general and administrative expenses, stock option compensation expense and depreciation and amortization. Network operating costs include charges for termination and unbundled network element charges; charges from incumbent local exchange carriers for resale services; charges from long distance carriers for resale of long distance services; salaries and benefits associated with network operations, billing and information services and customer care personnel; franchise fees and other costs. Network operating costs also include a percentage of both our intrastate and interstate revenues which we pay as universal service fund charges. National data platform operating expenses include space, power, transport, maintenance, staffing, sales, general and administrative and rental expenses under our operating lease agreement. Certain of these costs are passed through to the carrier customer, which allows us to limit our maintenance and servicing costs to a predetermined level, and to receive offsetting revenues for any costs in excess of that level. Selling, general and administrative expenses consist of sales personnel and support costs, corporate and finance personnel and support costs and legal and accounting expenses. Depreciation and amortization includes charges related to plant, property and equipment and amortization of intangible assets, including franchise acquisition costs. Depreciation and amortization expense will increase as we place additional networks into service or expand existing networks.

INTEREST EXPENSE. Interest expense includes interest charges on our senior notes, senior discount notes and our senior secured credit facilities. Interest expense also includes amortization of deferred financing costs.

RESULTS OF OPERATIONS

As a result of the development and rapid growth of the Company's business during the periods presented, the period-to-period comparisons of the Company's results of operations are not necessarily meaningful and should not be relied upon as an indication of future performance.

THREE MONTHS ENDED SEPTEMBER 30, 2000 COMPARED TO
THREE MONTHS ENDED SEPTEMBER 30, 1999

REVENUE. Revenue increased 290% from $15.6 million for the three months ended September 30, 1999 (the "1999 Third Quarter") to $60.9 million for the three months ended September 30, 2000 (the "2000 Third Quarter"). This increase is attributable to our Tier III business deriving revenues from 35 markets during the 2000 Third Quarter compared to 23 markets during the 1999 Third Quarter, as well as to the fact that our data services business began to generate revenues for the first time in the 2000 Third Quarter.

On-network local switched services, long distance services, Centrex-type services, private line services, special access services and Internet access infrastructure revenues ("On-network revenues") represented 96% of total revenue in the 2000 Third Quarter, compared to 69% of total revenue in the 1999 Third Quarter; while revenue derived from the resale of switched services ("Resale revenue") represented 4% and 31% of total revenue, respectively, during those periods. On-network revenues are revenues earned from services provided on our network, including by direct connection to our switch, unbundled network element or dedicated circuit. In addition, we recognized reciprocal compensation revenue of $4.0 million, or 7% of our total revenues during the 2000 Third Quarter.

NETWORK OPERATING COSTS. Network operating costs, excluding non-cash stock compensation expense, increased 99% from $23.6 million for the 1999 Third Quarter to $46.9 million for the 2000 Third Quarter. This increase of approximately $23.3 million was due primarily to the increase in the number of markets in which we operated in the 2000 Third Quarter as compared to the 1999 Third Quarter and that we began making operating lease payments in the 2000 Third Quarter related to the equipment utilized in the data services business. The detailed components of this increase are $12.6 million in direct costs associated with providing on-network services, resale services, leasing unbundled network element services and operating lease payments, $3.9 million in personnel costs, $3.1 million in consulting and professional services costs, $2.4 million in network support services, $600,000 in telecommunications costs, and $700,000 in other direct operating costs.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses, excluding non-cash stock compensation expense, increased 83% from $22.5 million for the 1999 Third Quarter to $41.1 million in the 2000 Third Quarter. This increase of approximately $18.6 million is due primarily to the increase in the number of markets in which we operated in the 2000 Third Quarter as compared to the 1999 Third Quarter. The detailed components of this increase are $8.3 million in personnel costs, $3.9 million in consulting and professional services costs, $1.8 million in facility costs, $800,000 in telecommunications costs, $600,000 in travel related costs, as well as increases in other marketing and general and administrative costs aggregating approximately $3.2 million.

STOCK OPTION COMPENSATION EXPENSE. Stock option compensation expense, a non-cash charge, increased from an aggregate of negative $7.0 million in the 1999 Third Quarter to an aggregate of $6.9 million for the 2000 Third Quarter. This increase is due primarily to a more stable estimated fair value of the Company's common stock in the 2000 Third Quarter compared to the 1999 Third Quarter when the estimated fair value of the Company's common stock had decreased.

DEPRECIATION AND AMORTIZATION. Depreciation and amortization expense increased 168% from $7.6 million for the 1999 Third Quarter to $20.4 million for the 2000 Third Quarter. This increase is due primarily to depreciation expense associated with the greater number of networks in commercial operation during the 2000 Third Quarter.

INTEREST INCOME. Interest income decreased 5% from $4.0 million in the 1999 Third Quarter to $3.8 million in the 2000 Third Quarter. The decrease is

due primarily to larger average cash, cash equivalent and restricted cash balances during the 1999 Third Quarter as compared to the 2000 Third Quarter.

INTEREST EXPENSE. Interest expense increased 66% from $21.8 million in the 1999 Third Quarter to $36.1 million in the 2000 Third Quarter. Of this increase, $13.1 million is attributable to higher borrowings under the Amended Senior Secured Credit Facility and $1.2 million is due to the additional accretion on the Senior Discount Notes. We capitalized interest of $2.2 million related to network construction projects during the 1999 Third Quarter and $4.2 million during the 2000 Third Quarter.

NET LOSS BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE. For the reasons stated above, net loss before cumulative effect of change in accounting principle increased from $49.0 million for the 1999 Third Quarter to $88.7 million for the 2000 Third Quarter.

NINE MONTHS ENDED SEPTEMBER 30, 2000 COMPARED TO
NINE MONTHS ENDED SEPTEMBER 30, 1999

REVENUE. Revenue increased 205% from $42.3 million for the nine months ended September 30, 1999 (the "1999 Nine Months") to $129.0 million for the nine months ended September 30, 2000 (the "2000 Nine Months"). This increase is attributable to the fact that our Tier III business derived revenues from 35 markets during the 2000 Nine Months compared to 23 markets during the 1999 Nine Months as well to the fact that our data services business began to generate revenues for the first time in the 2000 Third Quarter.

On-network local switched services, long distance services, Centrex-type services, private line services, special access services and Internet access infrastructure revenues ("On-network revenues") represented 93% of total revenue in the 2000 Nine Months, compared to 60% of total revenue in the 1999 Nine Months; while revenue derived from the resale of switched services ("Resale revenue") represented 7% and 40% of total revenue, respectively, during these periods. On-network revenues include revenues derived from services provided through direct connections to our own networks, services provided by means of unbundled network elements leased from the incumbent local exchange carrier and services provided by dedicated circuit. In addition, we recognized reciprocal compensation revenue of approximately $14.3 million or 11.1% of our total revenue for the nine months ended September 30, 2000.

NETWORK OPERATING COSTS. Network operating costs, excluding non-cash stock compensation expense, increased 100% from $56.2 million for the 1999 Nine Months to $112.2 million for the 2000 Nine Months. This increase of approximately $56.0 million was due primarily to the increase in the number of markets in which we operated in the 2000 Nine Months as compared to the 1999 Nine Months and to the fact that we first began to make operating lease payments in the 2000 Third Quarter related to the equipment utilized in the data services business. The detailed components of this increase are $24.8 million in direct costs associated with providing on-network services, resale services, leasing unbundled network element services and operating lease payments, $15.3 million in personnel costs, $7.0 million in network support services, $4.6 million in consulting and professional services costs, $2.1 million in telecommunications costs and $2.2 million in other direct operating costs.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses, excluding non-cash stock compensation expense, increased 98% from $60.7 million for the 1999 Nine Months to $120.1 million in the 2000 Nine Months. This increase of approximately $59.4 million is due primarily to the increase in the number of markets in which we operated in the 2000 Nine Months as compared to the 1999 Nine Months. The detailed components of this increase are $30.5 million in personnel costs, $5.1 million in consulting and professional services, $4.1 million in facility costs, $2.5 million in telecommunications costs, $2.2 million in travel related costs, as well as increases in other marketing and general and administrative costs aggregating approximately $15.0 million.

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STOCK OPTION COMPENSATION EXPENSE. Stock option compensation expense, a non-cash charge, in aggregate increased 124% from $13.2 million in the 1999 Nine Months to $29.6 million for the 2000 Nine Months. This increase is due primarily to an increase in the estimated fair value of the Company's Common Stock, as well as the grant of additional option awards, in the 2000 Nine Months, as compared to the 1999 Nine Months.

DEPRECIATION AND AMORTIZATION. Depreciation and amortization expense increased 168% from $19.2 million for the 1999 Nine Months to $51.5 million for the 2000 Nine Months. This increase is due primarily to depreciation expense associated with the greater number of networks in commercial operation during the 2000 Nine Months.

OTHER EXPENSE. During the 1999 Second Quarter, the Company recorded a $4.7 million charge to other expense in connection with an unfavorable arbitration award. The net amount due under the terms of the award was paid in full in June 1999.

INTEREST INCOME. Interest income increased 19% from $7.0 million in the 1999 Nine Months to $8.3 million in the 2000 Nine Months. The increase is due primarily to larger average cash, cash equivalent and restricted cash balances during the 2000 Nine Months as compared to the 1999 Nine Months as well as receiving interest at a higher average rate.

INTEREST EXPENSE. Interest expense increased 98% from $47.8 million in the 1999 Nine Months to $94.5 million in the 2000 Nine Months. Of this increase $29.4 million is attributable to higher borrowings under the Amended Senior Secured Credit Facility, $14.9 million is related to the issuance of $275 million of 13 1/2 % Senior Notes in May 1999 and $4.4 million is due to the additional accretion on the Senior Discount Notes. We capitalized interest of $9.5 million related to network construction projects during the 1999 Nine Months and $10.1 million during the 2000 Nine Months.

NET LOSS BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE. For the reasons stated above, net loss before cumulative effect of change in accounting principle increased from $152.2 million for the 1999 Nine Months to [illegible] million for the 2000 Nine Months.

LIQUIDITY AND CAPITAL RESOURCES

We have incurred significant operating and net losses as a result of the development and operation of our networks. We expect that such losses will continue as we emphasize the development, construction and expansion of our networks and build our customer base. As a result, we do not expect there to be any cash provided by operations in the near future. We will also need to fund the expansion of our existing networks and the building of new networks as well as to fund our capital expenditures related to our nationwide data platform business. To date, we have financed our operating losses and capital expenditures with equity invested by our founders, preferred stock placements, credit facility borrowings, operating leases and the 12 1/2% Senior Discount Notes and the 13 1/2% Senior Notes.

During the first quarter of 2000, we amended, restated and combined our prior Senior Secured Credit Facility and our prior Lucent Facility in a single [illegible] million facility (See Note 6 of the Notes to Unaudited Condensed Consolidated Financial Statements). Under the amended senior secured credit facility, our subsidiaries which own our 35 existing networks and the 2 Tier III networks which are to be completed during 2000 are permitted to borrow up to an aggregate of $700.0 million, subject to certain conditions, for the purchase of fiber optic cable, switches and other telecommunications equipment and, once certain financial conditions are met, for working capital and other general corporate purposes.

During the quarter ended June 30, 2000, our subsidiary, KMC Telecom IV, Inc., closed a new senior secured term loan (the "Telecom IV Senior Secured Term Loan") from Lucent Technologies Inc. Proceeds from this loan can be used to purchase or install Lucent products. The loan is initially capped at $35.0 million of principal borrowings (plus accrued interest) until certain conditions are met that allow for additional borrowings up to a ceiling of $50.0 million (plus accrued interest). This loan will be used to purchase equipment for future expansion.

In July 2000, we issued shares of Series G Convertible Preferred Stock to Lucent Technologies, Dresdner Kleinwort Benson Private Equity Partners, CIT Lending Services, Nassau Capital Partners and Harold N. Kamine, our Chairman, for aggregate gross proceeds of $182.5 million (See Note 13 of the Notes to Unaudited Condensed Consolidated Financial Statements). The Series G Convertible Preferred Stock has an aggregate liquidation preference of $182.5 million and an annual cumulative dividend equal to 7% of the liquidation preference. Payment of the unpaid dividends is triggered by an initial public offering in which we receive aggregate gross proceeds of at least $80.0 million or a merger, consolidation or sale of substantially all of our assets. In such event, we may elect to pay these dividends with additional shares of our common stock.

As of November 8, 2000, we had $581.3 million and $34.8 million of indebtedness outstanding under the amended senior secured credit facility and the Telecom IV senior secured term loan, respectively. Subject to certain conditions, as of November 8, 2000, we had an additional $118.7 million and [illegible] in borrowing capacity available under these facilities, respectively. The amended senior secured credit facility contains a number of affirmative and negative covenants, one of which requires us to make additional cash capital contributions to our subsidiaries which are the borrowers thereunder of at least [illegible] million prior to August 31, 2001. The original covenant required $185.0 million in cash capital contributions by April 1, 2001. However, because we contributed $150.0 million of the proceeds of our Series G private equity financing toward fulfilling this requirement, the lenders amended this covenant by extending the due date on the remaining $35.0 million of cash capital contributions to August 31, 2001. Because the entire $185.0 million cash capital contribution was not made by July 31, 2000, however, the applicable interest rate associated with the facility has increased by 100 basis points until the remaining $35.0 million amount is contributed.

Net cash provided by financing activities from borrowings was $550.6 million and our net cash used in operating and investing activities was $508.0 million for the 2000 Nine Months.

We made capital expenditures of $218.5 million in the 1999 Nine Months versus $254.6 million in the 2000 Nine Months. As of September 30, 2000 we had outstanding purchase commitments aggregating approximately $96.5 million related to the purchase of fiber optic cable and telecommunication equipment under our agreements with certain suppliers and service providers. Continued significant capital expenditures are expected to be made during the remainder of 2000 and thereafter. The majority of these expenditures are expected to be made for network construction and the purchase of switches and related equipment to facilitate the offering of our services. We expect to continue to incur operating losses while we expand our business and build our customer base. Actual capital expenditures and operating losses will depend on numerous factors, including the nature of future expansion and acquisition opportunities and factors beyond our control, including economic conditions, competition, regulatory developments and the availability of capital.

In addition to the capital expenditures above, we took delivery of approximately $134.4 million and $168.6 million of Internet infrastructure equipment in March and June 2000, respectively, in association with entering into agreements with Qwest Communications Corporation (see Note 10 of the Notes to Unaudited Condensed Consolidated Financial Statements). We entered into a lease financing transaction in the 2000 Second Quarter to fund the cost of the $134.4 million of equipment purchased in March 2000 and in November 2000 we

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entered into a financing transaction to fund the cost of the $168.6 million of equipment purchased in June 2000.

We believe that our cash and borrowings available under the amended senior secured credit facility will be sufficient to meet our liquidity needs through the completion of our remaining two networks currently planned for completion during 2000, as well as operating losses and capital expenditure requirements for all of our 37 Tier III markets and other existing commitments into the second quarter of 2001. However, our liquidity and financial position will continue to be impacted by our financial performance.

In addition, in the event that our plans change, the assumptions upon which our plans are based prove inaccurate, we expand or accelerate our business plan or we determine to consummate acquisitions, the foregoing sources of funds may prove insufficient and we may be required to seek additional financing sooner than we currently expect. Additional sources of financing may include public or private equity or debt financings, leases and other financing arrangements. We can give no assurance that additional financing will be available to us or, if available, that it can be obtained on a timely basis and on acceptable terms.

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ITEM 3 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risks relating to our operations result primarily from changes in interest rates. A substantial portion of our long-term debt bears interest at a fixed rate. However, the fair market value of the fixed rate debt is sensitive to changes in interest rates. We are subject to the risk that market interest rates will decline and the interest expense due under the fixed rate debt will exceed the amounts due based on current market rates. We have entered into two interest rate swap agreements with commercial banks to reduce the impact of changes in interest rates on a portion of our outstanding variable rate debt. The agreements effectively fix the interest rate on $415.0 million of our outstanding variable rate borrowings under the amended senior secured credit facility due 2007. A $325 million interest rate swap agreement entered into in April 2000 terminates in April 2004 and a $90 million interest rate swap agreement entered into in June 2000 terminates in June 2005. For other information regarding the swap agreements, see Note 11 of the Notes to Unaudited Condensed Consolidated Financial Statements contained in Item 1.

The following table provides information about our significant financial instruments that are sensitive to changes in interest rates (in millions):

	Fair Value on September 30, 2000	Future Principal Payments						
		2000	2001	2002	2003	2004	Thereafter	Total
Long Term Debt								
Fixed Rate								
Senior Discount Notes, interest payable at 12 1/2%, maturing 2008	$180.0	$ -	$ -	$ -	$ -	$ -	[illegible]	[illegible]
Senior Notes, interest payable at 13 1/2%, maturing 2009	243.6	-					275.0	[illegible]
Variable rate,								
Amended Senior Secured Credit Facility, interest variable (11.87% at September 30, 2000) (a)	581.3	-		6	51.2	93.5	[illegible]	[illegible]
Telecom IV Senior Secured Term Loan, interest variable (11.31% at September 30, 2000) (a)	34.8	-	-		3.5	3.5	[illegible]	[illegible]
Interest rate swaps								
Variable rate for fixed rate	(2.6)	-			-		-	-
Total	$1,037.1	$ -	$ -	$ 6	[illegible]	[illegible]	[illegible]	[illegible]

(a) Interest is based on a variable rate, which at our option, is determined by either a base rate or LIBOR, plus, in each case, a specified margin.

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PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

Not Applicable.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS.

(a) Applicable.

(b) Not Applicable.

(c) On July 12, 2000, one entity exercised stock options to purchase 7,500 shares of common stock previously granted to that entity under the 1998 Stock Purchase and Option Plan for Key Employees of KMC Telecom Holdings, Inc. and Affiliates for aggregate gross proceeds of $562,500. The sale was made in reliance on the exemption from registration provided by Section 4(2) of the Securities Act, on the basis that the transaction did not involve a public offering. A Stockholder's Agreement executed by the entity contains representations as to its investment intent and imposes substantial restrictions upon transfer of the securities.

On September 8, 2000, the Company granted options to purchase an aggregate of 18,200 shares of common stock to its employees and employees of certain of its affiliates under the 1998 Stock Purchase and Option Plan for Key Employees of KMC Telecom Holdings, Inc. and Affiliates. No consideration was received by the Company for the issuance of the options. Options to purchase 6,000 shares are exercisable at an exercise price of $250 per share and options to purchase 12,200 shares are exercisable at an exercise price of $300 per share. The issuance of the options was made in reliance upon the exemption from the registration requirements of the Securities Act provided by Section 4(2) of that Act, on the basis that the transaction did not involve a public offering.

(d) Not Applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

Not Applicable.

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

(a)(i) Written consents of the holders of the Company's Common Stock, Series A Cumulative Convertible Preferred Stock and Series C Cumulative Convertible Preferred Stock, voting as a single class, dated as of July 5, 2000, were executed by such holders in lieu of a Special Meeting of such holders.

(a)(ii) Written consents of the holders of the Company's Series A Cumulative Convertible Preferred Stock, voting as a class, dated as of July 7, 2000, were executed by such holders in lieu of a Special Meeting of such holders.

(a)(iii) Written consents of the holders of the Company's Series C Cumulative Convertible Preferred Stock, voting as a class, dated as of July 5, 2000, were executed by such holders in lieu of a Special Meeting of such holders

(a)(iv) Written consents of the holders of the Company's Series E Senior Redeemable, Exchangeable, PIK Preferred Stock, voting as a class, dated as of July 5, 2000, were executed by such holders in lieu of a Special Meeting of such holders.

(a)(v) Written consents of the holders of the Company's Series F Senior Redeemable, Exchangeable, PIK Preferred Stock, voting as a class, dated as of July 6, 2000, were executed by such holders in lieu of a Special Meeting of such holders

(b) Not Applicable.

(c)(i) By written consent, the holders of the Company's Common Stock, Series A Cumulative Convertible Preferred Stock and Series C Cumulative Convertible Preferred Stock, voting as a single class, approved and adopted amendments to the Company's Amended and Restated Certificate of Incorporation (A) to effect an increase in the aggregate number of authorized shares of the Company's capital stock from 4,128,800 to 7,950,000 shares, composed of an increase in the aggregate number of authorized shares of the Company's common stock from 3,000,000 to 4,250,000 and an increase in the aggregate number of authorized shares of the Company's preferred stock from 1,128,800 to 3,700,000, and (B) to delete Articles Eighth and Ninth from the Amended and Restated Certificate of Incorporation. Out of the 1,152,574.9 shares of Common Stock, Series A Cumulative Convertible Preferred Stock and Series C Cumulative Convertible Preferred Stock issued and outstanding, consents were obtained from the holders of 1,107,372 shares.

(c)(ii) By unanimous written consent, the holders of the Company's Series A Cumulative Convertible Preferred Stock, voting as a class, approved (A) a Certificate of Amendment to the Certificate of the Powers, Designations, Preferences and Rights of the Series A Cumulative Convertible Preferred Stock, par value $.01 per share, as required by the Certificate of Designations governing the rights of the holders of the Series A Cumulative Convertible Preferred Stock, (B) a Certificate of the Powers, Designations, Preferences and Rights of the Series G-1 Voting Convertible Preferred Stock and the Series G-2 Non-Voting Convertible Preferred Stock and the issuance of up to an aggregate of 1,250,000 shares of Series G-1 Preferred Stock and Series G-2 Preferred Stock, and (C) the amendments to the Company's Amended and Restated Certificate of Incorporation (x) to effect an increase in the aggregate number of authorized shares of the Company's capital stock from 4,128,800 to 7,950,000 shares, composed of an increase in the aggregate number of authorized shares of the Company's common stock from 3,000,000 to 4,250,000 and an increase in the aggregate number of authorized shares of the Company's preferred stock from 1,128,800 to 3,700,000, and (y) to delete Articles Eighth and Ninth from the Amended and Restated Certificate of Incorporation.

(c)(iii) By unanimous written consent, the holders of the Company's Series C Cumulative Convertible Preferred Stock, voting as a class, approved (A) a Certificate of Amendment to the Certificate of the Powers, Designations, Preferences and Rights of the Series C Cumulative Convertible Preferred Stock, par value $.01 per share, as required by the Certificate of Designations governing the rights of the holders of the Series C Cumulative Convertible Preferred Stock, (B) a Certificate of the Powers, Designations, Preferences and Rights of the Series G-1 Voting Convertible Preferred Stock and the Series G-2 Non-Voting Convertible Preferred Stock and the issuance of up to an aggregate of 1,250,000 shares of Series G-1 Preferred Stock and Series G-2 Preferred Stock, and (C) the amendments to the Company's Amended and Restated Certificate of Incorporation (x) to effect an increase in the aggregate number of authorized shares of the Company's capital stock from 4,128,800 to 7,950,000 shares, composed of an increase in the aggregate number of authorized shares of the Company's common stock from 3,000,000 to 4,250,000 and an increase in the aggregate number of authorized shares of the Company's preferred stock from 1,128,800 to 3,700,000, and (y) to delete Articles Eighth and Ninth from the Amended and Restated Certificate of Incorporation.

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(c)(iv) By written consent, the holders of the Company's Series E Senior Redeemable, Exchangeable, PIK Preferred Stock, voting as a class, approved (A) a Certificate of Amendment to the Certificate of the Powers, Designations, Preferences and Rights of the Series E Senior Redeemable, Exchangeable, PIK Preferred Stock, par value $.01 per share, as required by the Certificate of Designations governing the rights of the holders of the Series E Senior Redeemable, Exchangeable, PIK Preferred Stock, (B) a Certificate of the Powers, Designations, Preferences and Rights of the Series G-1 Voting Convertible Preferred Stock and the Series G-2 Non-Voting Convertible Preferred Stock and the issuance of up to an aggregate of 1,250,000 shares of Series G-1 Preferred Stock and Series G-2 Preferred Stock, and (C) the amendments to the Company's Amended and Restated Certificate of Incorporation (x) to effect an increase in the aggregate number of authorized shares of the Company's capital stock from 4,128,800 to 7,950,000 shares, composed of an increase in the aggregate number of authorized shares of the Company's common stock from 3,000,000 to 4,250,000 and an increase in the aggregate number of authorized shares of the Company's preferred stock from 1,128,800 to 3,700,000, and (y) to delete Articles Eighth and Ninth from the Amended and Restated Certificate of Incorporation. Out of the 69,815.46 shares of Series E Senior Redeemable, Exchangeable, PIK Preferred Stock issued and outstanding, consents were obtained from the holders of 63,980.32 shares.

(c)(v) By unanimous written consent, the holders of the Company's Series F Senior Redeemable, Exchangeable, PIK Preferred Stock, voting as a class, approved (A) a Certificate of Amendment to the Certificate of the Powers, Designations, Preferences and Rights of the Series F Senior Redeemable, Exchangeable, PIK Preferred Stock, par value $.01 per share, as required by the Certificate of Designations governing the rights of the holders of the Series F Senior Redeemable, Exchangeable, PIK Preferred Stock, (B) a Certificate of the Powers, Designations, Preferences and Rights of the Series G-1 Voting Convertible Preferred Stock and the Series G-2 Non-Voting Convertible Preferred Stock and the issuance of up to an aggregate of 1,250,000 shares of Series G-1 Preferred Stock and Series G-2 Preferred Stock, and (C) the amendments to the Company's Amended and Restated Certificate of Incorporation (x) to effect an increase in the aggregate number of authorized shares of the Company's capital stock from 4,128,800 to 7,950,000 shares, composed of an increase in the aggregate number of authorized shares of the Company's common stock from 3,000,000 to 4,250,000 and an increase in the aggregate number of authorized shares of the Company's preferred stock from 1,128,800 to 3,700,000, and (y) to delete Articles Eighth and Ninth from the Amended and Restated Certificate of Incorporation.

(d) Not Applicable.

ITEM 5. OTHER INFORMATION.

Not Applicable.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) EXHIBITS

3.1 Certificate of Amendment of the Amended and Restated Certificate of Incorporation of KMC Telecom Holdings, Inc. dated July 7, 2000 (incorporated herein by reference to Exhibit 3.5 to KMC Telecom Holdings, Inc.'s Registration Statement on Form S-1 filed on September 19, 2000 (hereinafter referred to as the "KMC Holdings' S-1")).

3.2 Certificate of Amendment to the Certificate of the Powers, Designations, Preferences and Rights of the Series A Cumulative

Convertible Preferred Stock, Par Value $.01 Per Share, dated July 7, 2000 (incorporated herein by reference to Exhibit 3.10 to KMC Holdings' S-1).

3.3 Certificate of Amendment to the Certificate of the Powers, Designations, Preferences and Rights of the Series C Cumulative Convertible Preferred Stock, Par Value $.01 Per Share, dated July 7, 2000 (incorporated herein by reference to Exhibit 3.14 to KMC Holdings' S-1).

3.4 Certificate of Amendment to the Certificate of Voting Powers, Designations, Preferences and Relative Participating, Optional or Other Special Rights and Qualifications, Limitations and Restrictions Thereof of the Series E Senior Redeemable, Exchangeable, PIK Preferred Stock, dated July 7, 2000 (incorporated herein by reference to Exhibit 3.20 to KMC Holdings' S-1).

3.5 Certificate of Amendment to the Certificate of Voting Powers, Designations, Preferences and Relative Participating, Optional or Other Special Rights and Qualifications, Limitations and Restrictions Thereof of the Series F Senior Redeemable, Exchangeable, PIK Preferred Stock, dated July 7, 2000 (incorporated herein by reference to Exhibit 3.24 to KMC Holdings' S-1).

3.6 Amendment No. 1 to the Amended and Restated By-Laws of KMC Telecom Holdings, Inc., amended as of July 5, 2000 (incorporated herein by reference to Exhibit 3.27 to KMC Holdings' S-1).

27 Financial Data Schedule.

(b) REPORTS ON FORM 8-K

(b)(i)A report on Form 8-K was filed by the Registrant on July 12, 2000 pursuant to Item 5 thereof reporting certain information with respect to the issuance of Series G Convertible Preferred Stock. Such information was disclosed in a Press Release, dated July 12, 2000, filed as an exhibit to such report.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: November 14, 2000

KMC TELECOM HOLDINGS, INC.
(Registrant)

By: /S/ WILLIAM F. LENAHAN

William F. Lenahan
Chief Executive Officer
(Principal Executive Officer)

By: /S/ WILLIAM H. STEWART

William H. Stewart
Chief Financial Officer
(Principal Financial Officer)

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EXHIBIT INDEX

NO. DESCRIPTION

3.1 Certificate of Amendment of the Amended and Restated Certificate of Incorporation of KMC Telecom Holdings, Inc. dated July 7, 2000 (incorporated herein by reference to Exhibit 3.5 to KMC Telecom Holdings, Inc.'s Registration Statement on Form S-1 filed on September 19, 2000 (hereinafter referred to as the "KMC Holdings' S-1")).

3.2 Certificate of Amendment to the Certificate of the Powers, Designations, Preferences and Rights of the Series A Cumulative Convertible Preferred Stock, Par Value $.01 Per

Share, dated July 7, 2000 (incorporated herein by reference to Exhibit 3.10 to KMC Holdings' S-1).

3.3 Certificate of Amendment to the Certificate of the Powers, Designations, Preferences and Rights of the Series C Cumulative Convertible Preferred Stock, Par Value $.01 Per Share, dated July 7, 2000 (incorporated herein by reference to Exhibit 3.14 to KMC Holdings' S-1).

3.4 Certificate of Amendment to the Certificate of Voting Powers, Designations, Preferences and Relative Participating, Optional or Other Special Rights and Qualifications, Limitations and Restrictions Thereof of the Series E Senior Redeemable, Exchangeable, PIK Preferred Stock, dated July 7, 2000 (incorporated herein by reference to Exhibit 3.20 to KMC Holdings' S-1).

3.5 Certificate of Amendment to the Certificate of Voting Powers, Designations, Preferences and Relative Participating, Optional or Other Special Rights and Qualifications, Limitations and Restrictions Thereof of the Series F Senior Redeemable, Exchangeable, PIK Preferred Stock, dated July 7, 2000 (incorporated herein by reference to Exhibit 3.24 to KMC Holdings' S-1).

3.6 Amendment No. 1 to the Amended and Restated By-Laws of KMC Telecom Holdings, Inc., amended as of July 5, 2000 (incorporated herein by reference to Exhibit 3.27 to KMC Holdings' S-1).

27 Financial Data Schedule.

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EX-27 OTHERDOC
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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE BALANCE SHEET OF KMC TELECOM HOLDINGS, INC. AS OF SEPTEMBER 30, 2000 AND THE RELATED STATEMENT OF OPERATIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2000, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

9-MOS
Dec-31-2000
Jan-1-2000
Sep-30-2000
128,520,000
0
56,398,000
(7,665,000)
0
391,243,000

930,760,000
(87,899,000)
1,363,780,000
344,691,000
604,933,000
513,196,000
0
6,000
(715,167,000)
1,363,780,000
0
129,025,000
0
112,234,000
201,213,000
0
94,473,000
(270,605,000)
0
(270,605,000)
0
0
(1,705,000)
(272,310,000)
(402.51)
(402.51)

EXHIBIT N

INTERCONNECTION REQUEST LETTER

KELLEY DRYE & WARREN LLP

A PARTNERSHIP INCLUDING PROFESSIONAL ASSOCIATIONS

1200 19TH STREET, N.W.

SUITE 500

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AFFILIATED OFFICES
NEW DELHI, INDIA
TOKYO, JAPAN

FACSIMILE
(202) 955-9792

DIRECT LINE (202) 887-1257
E-MAIL: AKlein@KelleyDrye.com

October 2, 2000

Via Overnight Mail (303) 965-3029

Heidi Higer
Qwest Communications, Inc.
Interconnection Compliance Information Manager
1801 California Street
Denver, CO 80202

RE: KMC TELECOM II, INC. AND KMC TELECOM V, INC. - Request Pursuant to §252(i) of the Telecommunications Act of 1996 to Adopt the Interconnection Agreement Between USWest/Qwest and Sprint for Minnesota
Our File No. 035725.0042

Dear Ms. Higer:

KMC Telecom II, Inc. and KMC Telecom V, Inc. (collectively "KMC") hereby notify USWest/Qwest ("Qwest"), pursuant to section 252(i) of the Communications Act of 1934, as amended ("the Act"), of their election to adopt the interconnection agreement between Qwest and Sprint for Minnesota.

Each adopted agreement should include all amendments and modifications thereto, and all amendments and modifications yet to be filed incorporating arbitration awards issued by the Public Utility Commission ("Commission"), and other pertinent decisions of the Commission as of the date of this letter. KMC is not aware that any such amendments or modifications have been filed or approved to date. Therefore, this request is predicated upon the assumption that the agreement described in this letter is the current agreement between Qwest and Sprint in Minnesota. KMC understands that both parties will take the adopted agreements subject to the outcome of pending appeals, if any, of decisions approving the agreements.

By execution of this adoption letter, neither KMC nor Qwest waives any of its rights or remedies under the Act; the rules, decisions or administrative processes of the Federal

Communications Commission; the rules and decisions of the relevant Commission, or any other applicable law. In addition, KMC's adoption of this interconnection agreement does not affect any rights KMC has to negotiate amendments or successor agreements to the one adopted herein, or to adopt a replacement agreement.

If Qwest's understanding of any of the statements in, or matters covered by, this adoption letter differs in any way from KMC's understanding, as set forth in this letter, please let me know immediately.

Please acknowledge receipt of this request by signing the enclosed copy of this letter in the space provided and returning it to the undersigned. In accordance with our prior conversations, please include the following information in the "Notices" section of the Agreement:

Tricia Breckenridge
KMC Telecom, Inc.
1755 North Brown Road
Lawrenceville, GA 30043

Kindly contact me at your earliest convenience in order to discuss your preferred procedure for the preparation of adopted versions of the selected agreement for KMC, and please send all correspondence and documents related to this matter to the undersigned. Thank you for your cooperation in this matter.

Sincerely yours,

Andrew M. Klein
Counsel to KMC Telecom II, Inc. and KMC Telecom V, Inc.

ACCEPTED AND AGREED TO:
QWEST

BY: ______________________________

DATED: October ___, 2000.

cc: Dave Sered, KMC Telecom, Inc.
John Evans, KMC Telecom V, Inc.

006446

KELLEY DRYE & WARREN LLP
1200 19TH STREET, N.W.
WASHINGTON, DC 20036

15-122/540
BRANCH 00480

DATE December 4, 2000

PAY TO THE ORDER OF South Dakota Public Utilities Commission $ 250.00

Two Hundred Fifty And No/100-- DOLLARS

First Union National Bank
#1 054001220

Florence K. Lambert

⑈00006446⑈ ⑆054001220⑆ 2000034690853⑈

DETACH AND RETAIN THIS STATEMENT
THE ATTACHED CHECK IS IN PAYMENT OF ITEMS DESCRIBED BELOW. IF NOT CORRECT PLEASE NOTIFY US PROMPTLY. NO RECEIPT DESIRED
KELLEY DRYE & WARREN LLP

DATE	DESCRIPTION	AMOUNT
12/4/00	Charge 03725.0042 for filing fee for the application of KMC Telecom V, Inc. to provide resold intrastate interexchange telecommunications services in South Dakota. TC00-199	$250.00

South Dakota Public Utilities Commission
WEEKLY FILINGS
For the Period of December 7, 2000 through December 13, 2000

If you need a complete copy of a filing faxed, overnight expressed, or mailed to you, please contact Delaine Kolbo within five business days of this filing. Phone: 605-773-3705 Fax: 605-773-3809

CONSUMER COMPLAINTS

CT00-113 In the Matter of the Complaint filed by FSST Social Services, Flandreau, South Dakota, against Ionex Communications North, Inc. Regarding Poor Service.

The Complainant indicates that Ionex did not provide services as requested. The Complainant requests imposition of penalties.

Staff Analyst: Leni Healy
Staff Attorney: Kelly Frazier
Date Docketed: 12/11/00
Intervention Deadline: N/A

CT00-114 In the Matter of the Complaint filed by FSST Social Services, Flandreau, South Dakota, against MCI WorldCom Regarding Unauthorized Switching of Services.

The Complainant indicates that MCI WorldCom was not authorized to provide telecommunications services to FSST Social Services. The Complainant requests imposition of penalties.

Staff Analyst: Leni Healy
Staff Attorney: Kelly Frazier
Date Docketed: 12/11/00
Intervention Deadline: N/A

CT00-115 In the Matter of the Complaint filed by FSST Social Services, Flandreau, South Dakota, against Telecom*USA Regarding Unauthorized Switching of Services.

The Complainant indicates that Telecom*USA was not authorized to provide telecommunications services to FSST Social Services. The Complainant requests imposition of penalties.

Staff Analyst: Leni Healy
Staff Attorney: Kelly Frazier
Date Docketed: 12/11/00
Intervention Deadline: N/A

ELECTRIC

EL00-035 In the Matter of the Joint Request for Electric Service Territory Exception between Southeastern Electric Cooperative, Inc. and NorthWestern Corporation.

On December 11, 2000, Southeastern Electric Cooperative and NorthWestern Corporation filed a joint request for a service territory exception for service to a storage shed located in the northwest quarter of Section 8, Range 60 West, Township 97 North in Hutchinson County. The customer is constructing a storage shed and in order for SEC to provide electric service a line extension of approximately 1/4 of a mile would be required. NorthWestern has facilities within 50 feet of the proposed storage shed.

Staff Analyst: Michele Farris
Staff Attorney: Kelly Frazier
Date Docketed: 12/11/00
Intervention Deadline: 12/29/00

NATURAL GAS

NG00-009 In the Matter of the Filing by MidAmerican Energy Company for Approval of Tariff Revisions

MidAmerican Energy Company (MidAmerican) filed revised Sales and Gas Transportation Tariff Sheets with the Commission on December 11. MidAmerican is proposing changes in the areas of Curtailment, Grace Balancing and Late Nomination - Rescheduling Service Fee, Short Critical Day Penalty, Waiver of Penalties, Change from "BTU Daily Gas Wire" to "Gas Daily" Index, and Optional Daily Balance Service. The proposed changes are anticipated to have a minimal impact on the company's revenue. A Customer Notice letter explaining the changes will be provided as an insert within customers' bills in January 2001. The company is requesting an effective date of February 1, 2001.

Staff Analyst: Heather Forney
Staff Attorney: Kelly Frazier
Date Docketed: 12/11/00
Intervention Deadline: 12/29/00

TELECOMMUNICATIONS

TC00-199 In the Matter of the Application of KMC Telecom V, Inc. for a Certificate of Authority to Provide Interexchange Telecommunications Services and Local Exchange Services in South Dakota.

KMC Telecom V, Inc. is seeking a Certificate of Authority to provide intrastate interexchange telecommunications services and local exchange services in South Dakota. The applicant intends to provide a full range of 1+ interexchange services including MTS, private line, WATS, toll free, ISDN and frame relay services through resale and also intends to operate as a resold and facilities-based local exchange services provider of high-speed data transmission services, to customers to and from all points in the state of South Dakota in all areas approved for service by competitive local exchange carriers.

TC00-208 In the Matter of the Application of Access One, Inc. for a Certificate of Authority to Provide Interexchange Telecommunications Services in South Dakota.

Access One, Inc. is seeking a Certificate of Authority to provide intraLATA and interLATA interexchange service in the state of South Dakota. Access One, Inc. proposes to resell dedicated, toll free, calling card and directory assistance services.

Staff Analyst: Dave Jacobson
Staff Attorney: Kelly Frazier
Date Docketed: 12/11/00
Intervention Deadline: 12/29/00

TC00-201 **In the Matter of the Application of NOW Communications of South Dakota, Inc. for a Certificate of Authority to Provide Interexchange Telecommunications Services and Local Exchange Services in South Dakota.**

NOW Communications of South Dakota is seeking a Certificate of Authority to provide intrastate interexchange and local exchange telecommunication services in South Dakota. The applicant intends to provide basic local exchange services on a resale basis in Qwest's service territory and intends to resell long distance services from major facilities-based carriers.

Staff Analyst: Keith Senger
Staff Attorney: Kelly Frazier
Date Docketed: 12/12/00
Intervention Deadline: 12/29/00

KELLEY DRYE & WARREN LLP

A LIMITED LIABILITY PARTNERSHIP

1200 19TH STREET, N.W.

SUITE 500

WASHINGTON, D.C. 20036

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FACSIMILE

(202) 955-9792

www.kelleydrye.com

WRITER'S DIRECT LINE

(202) 887-1254

WRITER'S E-MAIL

ejenkins@kelleydrye.com

[illegible]

RECEIVED

JAN 04 2001

SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

January 3, 2001

VIA FEDERAL EXPRESS

Mr. Keith Senger
Utility Analyst
The South Dakota Public Utilities Commission
500 East Capitol Avenue
Pierre, SD 57501

Re: In the Matter of the Applications of KMC Telecom V, Inc. for a Certificate of Authority to Provide Interexchange Telecommunications Services and Local Exchange Services in South Dakota.

Dear Mr. Senger:

KMC Telecom V, Inc. ("KMC V"), by its undersigned attorney, hereby files these data responses with the South Dakota Public Utilities Commission ("Commission") in response to your letter dated December 19, 2000. In support of its applications to provide competitive local exchange telecommunications services and interexchange telecommunications services (the "Applications"), KMC V provides the following information required by the Administrative Rules of South Dakota ("ARSD") and South Dakota Codified Law ("SDCL"):

(1) ARSD 20:10:24:02(3)(a), 20:10:32:03(4)(d): KMC V hereby submits as *Appendix 1* its Certificate of Authority issued by the South Dakota Secretary of State;

(2) ARSD 20:10:32:03(5): KMC V is seeking to provide resold and facilities-based local exchange telecommunications services and resold interexchange telecommunications services in 49 States. The dates and status of these state authorizations to provide service is listed in the chart attached hereto as *Appendix 2*;

(3) ARSD 20:10:24:02(8), 20:10:32:03(11): As stated in its Local Application (§IV.A., ¶30.) and its Interexchange Application (§III.K), KMC V, as a newly formed corporation incorporated on March 15, 2000, does not have financial statements for a 12 month period. KMC V will initially rely on the significant financial resources of its parent

company, KMC Telecom Holdings, Inc. ("KMC Holdings"). A notarized statement guaranteeing KMC Holdings' financial support of KMC V's telecommunications services in South Dakota is attached hereto as ***Appendix 3***. Both a description of KMC Holdings' financial qualifications and its most recent 10-Q were filed with the Local and Interexchange Applications as Exhibits M and G respectively. KMC Holdings' most recent 10-K is over 300 pages and therefore has not been filed with the Applications, however, it can be viewed on the Internet at http://www.freeedgar.com/;

(4) ARSD 20:10:24:02(11), 20:10:32:03(15): KMC V does not engage in multilevel marketing;

(5) ARSD 20:10:24:02(14), 20:10:32:03(21): KMC V is in good standing with all state telecommunications jurisdictions where it has been authorized to provide service. KMC V has not been the subject of a complaint in any state or federal commission regarding the unauthorized switching of a customer's telecommunications and the act of charging customers for services that have not been ordered;

(6) ARSD 20:10:32:03(8) and (16): With its Applications, KMC V is requesting authority to offer local exchange services in South Dakota, except in those areas served by a rural telephone company, and if in the future should KMC V choose to provide local exchange services statewide, with respect to rural telephone companies, KMC V will come request such authority from the Commission;

(7) ARSD 20:10:32:03(10): Initially, KMC V will not provide dialtone services and will only provide data services. Accordingly KMC V agrees with the restriction to be placed in the Commission's Order granting authority. KMC V understands that it may apply for removal of the restriction when the obligations of ARSD 20:10:32:10 have been met and the information in ARSD 20:10:32:03(10) has been provided;

(8) KMC V respectfully requests waiver of ARSD 20:10:32:03(10) and further requests that the Commission recognize the Applicant's intention to offer only data services initially and not provide dialtone service and deem that KMC V not be required to provide the services required by ARSD 20:10:32:10;

(9) The entire Section 2.6.3 of the proposed South Dakota P.U.C. Tariff No. 1 has been deleted. The corresponding revised tariff pages are attached hereto as ***Appendix 4***;

(10) In Section 2.14 of the proposed South Dakota P.U.C. Tariff No. 1, the phrase "in the time frame specified in Section 2.4.2.3." has been deleted and replaced with the phrase "within one hundred eighty (180) days of the date of the invoice on which the disputed charges appear." The corresponding revised tariff pages are attached hereto as ***Appendix 4***;

(11) As reflected in the revised tariff sheets attached hereto as ***Appendix 4***, the proposed South Dakota P.U.C. Tariff No. 1 has been revised as follows:

- In Section 2.2.1 of the proposed South Dakota P.U.C. Tariff No. 1, the phrase "and to the provisions of SDCL 49-13-1.1 and any other applicable law" has been added to the end of the first sentence in Section 2.2.1;

- In Section 2.2.6 the words "negligent or" have been added between the phrase "damages is caused by the" and "willful misconduct";

- In Section 2.2.1, the last two sentences have been deleted;

- The entire Section 2.2.3 has been deleted;

- The first sentence in Section 2.2.8 has been deleted;

- The entire Section 2.2.9 has been deleted.

Enclosed please find an original and ten (10) copies of this filing, a duplicate copy and a self-addressed stamped envelope. Please date-stamp the duplicate upon receipt and return it in the envelope provided. Please do not hesitate to contact me if you have any further questions.

Respectfully submitted,

Eric D. Jenkins

Enclosures

cc: James Spitz (w/ enclosures)

APPENDIX 1

State of South Dakota

OFFICE OF THE SECRETARY OF STATE

Certificate of Authority

I, JOYCE HAZELTINE, Secretary of State of the State of South Dakota, hereby certify that the Application for a Certificate of Authority of **KMC TELECOM V, INC. (DE)** to transact business in this state duly signed and verified pursuant to the provisions of the South Dakota Corporation Acts, have been received in this office and are found to conform to law.

ACCORDINGLY and by virtue of the authority vested in me by law, I hereby issue this Certificate of Authority and attach hereto a duplicate of the application to transact business in this state.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the Great Seal of the State of South Dakota, at Pierre, the Capital, this December 6, 2000.

Joyce Hazeltine

Joyce Hazeltine
Secretary of State

APPENDIX 2

KMC Entity	Authority Granted (approved)	Authority Pending (filed)
KMC Telecom V, Inc.	**Alabama** (8/12/00), **Arkansas** (9/8/00), **California** (8/3/00), **Connecticut** (12/6/00), **Delaware** (7/11/00), **Florida** (Local: 7/11/00, IXC: 8/18/00), **Georgia** (12/19/00), **Illinois** (10/18/00), **Indiana** (9/6/00), **Iowa** (8/7/00), **Kentucky** (7/27/00), **Louisiana** (8/30/00), **Massachusetts** (6/2/00), **Michigan** (11/2/00), **Mississippi** (8/29/00), **Missouri** (8/16/00), **Montana** (11/30/00), **Nebraska** (9/12/00), **Nevada** (7/19/00), **New Hampshire** (IXC: 6/16/00)), **New Jersey** (7/20/00), **New York** (6/8/00), **North Carolina** (11/3/00), **Oklahoma** (9/1/00), **Pennsylvania** (9/13/00), **Rhode Island** (5/16/00), **Texas** (11/06/00), **Washington**, D.C. (9/1/00), **West Virginia** (9/29/00), **Wisconsin** (6/9/00).	**Arizona** (4/28/00), **Maine** (5/12/00), **Maryland** (5/26/00), **New Hampshire** (CLEC: 6/16/00)), **North Dakota** (12/6/00), **Ohio** (6/8/00), **Oregon** (12/6/00), **South Dakota** (12/6/00), **Washington** (12/6/00), **Tennessee** (12/19/00), **Utah** (12/7/00), **Vermont** (12/18/00), **Wyoming** (12/15/00), **Minnesota** (12/20/00), **Colorado** (12/19/00).
KMC Telecom V of Virginia, Inc.	**Virginia** (10/18/00).	N/A.

APPENDIX 3

STATEMENT OF FINANCIAL GUARANTEE

Roscoe C. Young, II , Affiant, being duly sworn according to law, deposes and says that:

He is the **President and Chief Operating Officer** of KMC Telecom Holdings, Inc.

That he is authorized to and does make this affidavit for said corporation;

That KMC Telecom Holdings, Inc., guarantees financial support of Applicant KMC Telecom V, Inc., in its endeavor to obtain certification and provide telecommunications services in the State of **South Dakota** as described in this Application.

Roscoe C. Young, II

Roscoe C. Young, II
President & Chief Operating Officer
KMC Telecom Holdings, Inc.

[Commonwealth/State] of New Jersey :

: ss.

County of Somerset :

Sworn and subscribed before me this 4th day of December, 2001

Jeannette Barretta

Signature of official administering oath

JEANNETTE BARRETTA
A Notary Public of New Jersey
My Commission Expires March 18, 2002

My commission expires

DC01/ENKE/111898.1

APPENDIX 4

SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.2 Liability of the Company

2.2.1 The liability of the Company for damages arising out of the furnishing of its services, including but not limited to mistakes, outages, omissions interruptions, delays, errors, or other defects, representations, failures arising out of the use of these services or failure to furnish service, whether caused by act, omission or negligence, shall be limited to the extension of allowances as set forth in section 2.3 of this tariff captioned: "Allowances for Interruptions in Service," and the provisions of SDCL 49-13-1.1 and any other applicable law.

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

SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.2 Liability of the Company (Cont'd)

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

2.2.4 The Company does not guarantee nor make any warranty with respect to installations it provides for use in an explosive atmosphere. The Customer indemnifies and holds the Company harmless from any liability whatsoever, and for any damages caused or claimed to have been caused in any way, directly or indirectly, as a result of any such installation.

2.2.5 The Company is not liable for any defacement of or damage to Customer's premises resulting from the furnishing of services or equipment or the installation or removal thereof, unless such defacement or damage is caused by negligent or the willful misconduct of the Company's employees or agents.

2.2.6 The Company shall be indemnified, defended and held harmless by the Customer against any claim, loss or damage arising from Customer's use of services, involving claims for libel, slander, invasion of privacy, or infringement of copyright arising from the Customer's use of the Company's facilities.

2.2.7 Any claim, action or proceeding against the Company which is not filed or commenced within one (1) year after the earlier of: (a) the rendering of the service, or (b) the occurrence of the event with respect to which such claim arose, shall be deemed waived if not brought within such one year period.

SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.2 Liability of the Company (Cont'd)

2.2.8 In the event parties other than Customer, including but not limited to joint users and Customer's customers, shall have use of the Company's service directly or indirectly through Customer, then Customer agrees to forever indemnify and hold the Company harmless from and against any and all claims, demands, suits, actions, losses, damages, assessments or payments which may be asserted by said parties arising out of or relating to the Company's furnishing of service.

2.2.9 Failure by the Company to assert its rights pursuant to one provision of this tariff does not preclude the Company from asserting its rights under other provisions.

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

2.3 Allowances for Interruptions in Service

A credit allowance will be given for interruptions of service, which are 30 minutes or longer in duration, subject to the provisions of this section.

SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.6. Discontinuance of Service (Cont'd)

2.6.2 If Customer violates any other material term or condition for the furnishing of service or any law, rule or regulation governing the services provided hereunder, and such violation continues for thirty days after written notice thereof to Customer, Company may discontinue or suspend service, refuse additional applications for service and/or refuse to complete any pending orders for service without incurring any liability, and/or pursue any other remedies as may be provided at law or in equity. Customer hereby waives such thirty-day notice requirement in the case of any violation which, in the sole opinion of the Company, if allowed to continue may result in damage to property, injury or death of any person, or impairment of the operation of Company's facilities or which may otherwise expose Company to civil or criminal liability.

2.6.3 Upon the Customer filing for bankruptcy or reorganization or failing to discharge an involuntary petition therefore within the time permitted by law, or an assignment for the benefit of creditors, appointment of a trustee or receiver or similar event with respect to Customer, the Company may, in addition to any other remedy available at law or in equity, immediately discontinue or suspend service, refuse additional applications for service and/or refuse to complete any pending orders for service without incurring any liability.

SECTION 2 - **RULES AND REGULATIONS** (Cont'd)

2.11 Proprietary Information

Neither Company nor Customer or any joint or authorized user shall disclose any plans, drawings, trade secrets or other proprietary information of the other party which is made known in the course of the furnishing of service hereunder, except as may be required by law, without prior written consent.

2.12 Promotions

Company reserves the right, from time to time, to provide promotional offerings. Company will notify Commission prior to effective date of promotions.

2.13 Waiver of Nonrecurring Charges

Company reserves the right to waive nonrecurring charges for moves, additions, and deletions.

2.14 Contested Charges

All bills are presumed accurate, and shall be binding on the Customer unless objection is received by the Company within one hundred eighty (180) days of the date of the invoice on which the disputed charges appear. In the event that a billing dispute between the Customer and the Company for service furnished to the Customer cannot be settled with mutual satisfaction, the Customer may take the following course of action:

2.14.1 First, the Customer may request, and the Company will provide, an in-depth review of the disputed amount. (The undisputed portion and subsequent bills must be paid on a timely basis or the service may be subject to disconnection.)

2.14.2 Second, if there is still a disagreement about the disputed amount after investigation and review by the Company, the Customer may file an appropriate complaint with the South Dakota Public Utilites Commission. The address of the Commission is:

South Dakota Public Utilities Commission
Capitol Building, 1st floor
500 East Capitol Avenue
Pierre, SD 57501-5070
(605)773-3201
(800) 332-1782
(800) 877-1113 (TTY Through Relay South Dakota)

TC00-199

KELLEY DRYE & WARREN LLP

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WRITER'S E-MAIL

elleydrye.com

RECEIVED

JAN 09 2001

SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

January 8, 2001

VIA FEDERAL EXPRESS

Ms. Keith Senger
Utility Analyst
The South Dakota Public Utilities Commission
500 East Capitol Avenue
Pierre, SD 57501

Re: In the Matter of the Applications of KMC Telecom V, Inc. for a Certificate of Authority to Provide Interexchange Telecommunications Services and Local Exchange Services in South Dakota.

Dear Mr. Senger:

KMC Telecom V, Inc. ("KMC V"), by its undersigned attorney, hereby files these data responses with the South Dakota Public Utilities Commission ("Commission") in response to your second data request dated January 5, 2001. In support of its applications to provide competitive local exchange telecommunications services and interexchange telecommunications services (the "Applications"), KMC V provides the following information required by the Administrative Rules of South Dakota ("ARSD") and South Dakota Codified Law ("SDCL"):

(2-1) ARSD 20:10:24:02(8), 20:10:32:03(11): KMC V hereby respectfully requests that the Commission waive the above Rules requiring the "applicant" to submit financial statements consisting of balance sheets, income statements, and cash flow statements for the most recent 12 month period and accept the financial statements and financial guarantee of its parent company, KMC Holdings, already on file with the Commission. As noted in its 1st Response to the staff's 1st Data Request, KMC V as a newly formed corporation, incorporated on March 15, 2000, does not have financial statements covering the most recent 12 month period.

(2-2) In lieu of submitting a bond, KMC V hereby agrees to the Commission's restrictions from offering prepaid calling cards and services or from collecting customer deposits and advance payments. KMC understands that these restrictions will be placed in the Commission's Order granting authority. Accordingly, as reflected in the revised tariff sheets appended hereto as *Attachment A*, the proposed South Dakota P.U.C. Tariff No. 1 has been revised as follows:

- Section 2.4.2.5 has been deleted and replaced with the phrase, "The Company will not require Advanced Payments.";

- Section 2.4.2.6 has been deleted and replaced with the phrase, "The Company will not require deposits.".

(2-3) As reflected in the revised tariff sheets appended hereto as ***Attachment A***, the proposed South Dakota P.U.C. Tariff No. 1 has been revised as follows:

- In Section 2.2.1 of the proposed South Dakota P.U.C. Tariff No. 1, the phrase "and to the provisions of SDCL 49-13-1, 49-13-1.1 and any other applicable law" has been added to the end of the first sentence in Section 2.2.1;

Enclosed please find an original and ten (10) copies of this filing, a duplicate copy and a self-addressed stamped envelope. Please date-stamp the duplicate upon receipt and return it in the envelope provided. Please do not hesitate to contact me if you have any further questions.

Respectfully submitted,

Eric D. Jenkins

Enclosures

cc: James Spitz (w/ enclosures)

ATTACHMENT A

SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.2 Liability of the Company

2.2.1 The liability of the Company for damages arising out of the furnishing of its services, including but not limited to mistakes, outages, omissions interruptions, delays, errors, or other defects, representations, failures arising out of the use of these services or failure to furnish service, whether caused by act, omission or negligence, shall be limited to the extension of allowances as set forth in section 2.3 of this tariff captioned: "Allowances for Interruptions in Service," and the provisions of SDCL 49-13-1, 49-13-1.1 and any other applicable law.

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

Issued By: Tricia Breckenridge
Executive Vice President of Business Development
KMC Telecom V, Inc.
1755 North Brown Road
Lawrenceville, GA 30043

SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.4 Obligations of the Customer (Cont'd)

2.4.2 Payments (Cont'd)

2.4.2.3 Customer shall pay outstanding charges in full within 30 days of the invoice date. Charges not paid by Customer within 30 days, or paid in funds not immediately available to the Company, shall be subject to interest at a rate of 1.5% or the highest rate permitted by the Commission unless otherwise agreed by the Company or required by law. Charges normally will be invoiced in advance, with monthly recurring charges invoiced on or about the first of the month for which the charges apply. In the event of a Company billing error or omission, Customer shall be responsible for any back billing invoiced by the Company within 2 years of the original date of service.

2.4.2.4 Customer agrees that Company may conduct an independent verification of Customer's financial condition at any time, and Customer agrees to promptly supply such financial information as may be reasonably requested by Company. If, in the sole opinion of the Company, a Customer presents an undue risk of nonpayment at any time the Company may require that Customer pay its bills within a specified number of days, pay in advance of the furnishing or continuation of any service, and/or make such payments in cash or the equivalent of cash.

2.4.2.5 The Company will not require Advance Payments.

Issued By: Tricia Breckenridge
Executive Vice President of Business Development
KMC Telecom V, Inc.
1755 North Brown Road
Lawrenceville, GA 30043

SECTION 2 - **RULES AND REGULATIONS** (Cont'd)

2.4 **Obligations of the Customer** (Cont'd)

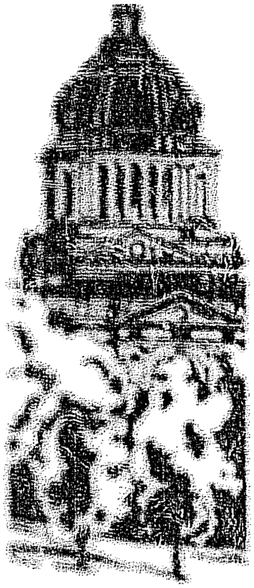
2.4.2 Payment (Cont'd)

2.4.2.6 The Company will not require deposits.

2.4.3 Indemnification

With respect to any service or facility provided by the Company, or otherwise in the event of Customer's breach of any of the provisions of this tariff, Customer shall indemnify, defend and hold harmless the Company from and against all claims, actions, damages, liabilities, costs and expenses, for:

2.4.3.1 any loss, destruction or damage to property of the Company or any third party, or the death or injury of any person, to the extent caused by or resulting from the negligent or intentional act or omission of the Customer, its employees, agents, representatives or invitees; and



South Dakota
Public Utilities Commission
State Capitol Building, 500 East Capitol Avenue, Pierre, South Dakota 57501-5070

January 26, 2001

Ms. Tricia Breckenridge
Executive Vice President of
Business Development
KMC Telecom V, Inc.
1755 North Brown Road
Lawrenceville, GA 30043

RE: CERTIFICATE OF AUTHORITY - DOCKET TC00-199

Dear Ms. Breckenridge:

Enclosed you will find copy of Order Granting Certificate of Authority with reference to KMC Telecom V, Inc. I sent you a copy of this Order on January 25, 2001, however, there was an error in the caption of that document. The name of the company in the caption of that Order listed "KMC Telecom V, Inc. d/b/a South Dakota GTS." Of course, d/b/a South Dakota GTS should not have been in this Order. I have deleted "d/b/a South Dakota GTS" from the enclosed Order. Would you please destroy the Order I sent you on January 25, 2001, and replace it with the enclosed Order.

Thank you very much.

Very truly yours,

Delaine Kolbo
Legal Secretary

cc: Mr. Eric D. Jenkins
Enc.

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE APPLICATION OF KMC TELECOM V, INC. FOR A CERTIFICATE OF AUTHORITY TO PROVIDE INTEREXCHANGE TELECOMMUNICATIONS SERVICES AND LOCAL EXCHANGE SERVICES IN SOUTH DAKOTA	))))))	ORDER GRANTING CERTIFICATE OF AUTHORITY TC00-199

On December 7, 2000, the Public Utilities Commission (Commission) received an application for a certificate of authority from KMC Telecom V, Inc. (KMC).

KMC proposes to offer a full range of 1+ interexchange services, including MTS, private line, WATS, toll free, ISDN and frame relay services through resale and to operate as a resold and facilities-based local exchange services provider of high-speed data transmission services to customers to and from all points in South Dakota in all areas approved for service by competitive local exchange carriers. A proposed tariff was filed by KMC.

On December 14, 2000, the Commission electronically transmitted notice of the filing and the intervention deadline of December 29, 2000, to interested individuals and entities. No petitions to intervene or comments were filed and at its regularly scheduled January 17, 2001, meeting, the Commission considered KMC's request for a certificate of authority. Commission Staff recommended granting a certificate of authority, subject to KMC not offering basic local dial tone service to end users, subject to the condition that KMC not offer a prepaid calling card or require deposits or advance payments without prior approval of the Commission, and subject to rural safeguards. Commission Staff further recommended a waiver of ARSD 20:10:32:03(10).

The Commission finds that it has jurisdiction over this matter pursuant to SDCL Chapter 49-31, specifically 49-31-3 and 49-31-69 and ARSD 20:10:24:02, 20:10:24:03 and 20:10:32:03. The Commission finds that KMC has met the legal requirements established for the granting of a certificate of authority. KMC has, in accordance with SDCL 49-31-3 and 49-31-71, demonstrated sufficient technical, financial and managerial capabilities to offer telecommunications services in South Dakota. Further, the Commission finds that there is good cause to waive subparagraph (10) of ARSD 20:10:32:03.

The Commission approves KMC's application for a certificate of authority, subject to KMC not offering basic local dial tone service to end users, subject to the condition that KMC not offer a prepaid calling card or require deposits or advance payments without prior approval of the Commission, and subject to rural safeguards. If KMC chooses to provide dial tone in the future, it must file with the Commission for approval. The certificate of authority for KMC shall authorize it to offer local exchange services in South Dakota, except in those areas served by a rural telephone company. In the future, should KMC choose to provide local exchange services statewide, with respect to rural telephone companies, KMC will have to come before the Commission in another proceeding before being able to provide local service in that rural service area pursuant to 47 U.S.C. § 253(f) which allows the Commission to require a company that seeks to provide service in a rural service area to meet the requirements in 47 U.S.C. § 214(e)(1) for designation as an eligible telecommunications carrier. In addition, the granting of statewide certification will not affect the exemptions, suspensions, and modifications for rural telephone companies found in 47 U.S.C. § 251(f). It is therefore

ORDERED, that KMC's application for a certificate of authority to provide interexchange telecommunications services and local exchange services is granted, effective February 15, 2001, subject to KMC not offering basic local dial tone service to end users, and subject to the condition that KMC not offer a prepaid calling card or require deposits or advance payments without prior approval of the Commission; and it is

FURTHER ORDERED, that KMC shall file informational copies of tariff changes with the Commission as the changes occur; and it is

FURTHER ORDERED, that the Commission shall authorize KMC to offer its local exchange services in South Dakota, except in those areas served by a rural telephone company; and it is

FURTHER ORDERED, that the Commission finds good cause to waive subparagraph (10) of ARSD 20:10:32:03.

Dated at Pierre, South Dakota, this 24th day of January, 2001.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that this document has been served today upon all parties of record in this docket, as listed on the docket service list, by facsimile or by first class mail, in properly addressed envelopes, with charges prepaid thereon.

By: Delaine Kolbo

Date: 1/25/01

(OFFICIAL SEAL)

BY ORDER OF THE COMMISSION:

Pam Nelson

PAM NELSON, Vice Chairman

Laska Schoenfelder

LASKA SCHOENFELDER, Commissioner

SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

CERTIFICATE OF AUTHORITY

To Conduct Business As A Telecommunications Company
Within The State of South Dakota

Authority was Granted effective February 15, 2001
Docket No. TC00-199

This is to certify that

KMC TELECOM V, INC.

is authorized to provide interexchange telecommunications services, including local exchange services in nonrural areas in South Dakota, subject to the condition that it not offer a prepaid calling card or require deposits or advance payments without prior approval of the Commission.

This certificate is issued in accordance with SDCL 49-31-3 and 49-31-69 and ARSD 20:10:24:02 and 20:10:32:03, and is subject to all of the conditions and limitations contained in the rules and statutes governing its conduct of offering telecommunications services.

Dated at Pierre, South Dakota, this 24th day of January, 2001.

SOUTH DAKOTA PUBLIC UTILITIES COMMISSION:

Pam Nelson

PAM NELSON, Vice Chairman

Laska Schoenfelder

LASKA SCHOENFELDER, Commissioner

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE APPLICATION OF KMC TELECOM V, INC. FOR A CERTIFICATE OF AUTHORITY TO PROVIDE INTEREXCHANGE TELECOMMUNICATIONS SERVICES AND LOCAL EXCHANGE SERVICES IN SOUTH DAKOTA	))))))	ERRATA NOTICE TC00-199

Due to an error in the Order Granting Certificate of Authority in the above captioned matter dated January 24, 2001, the following is provided as a correction of that error. The waiver listed in the Order Granting Certificate of Authority was described as follows:

ARSD 20:10:32:03(10).

The correct description of the waivers are as follows:

ARSD 20:10:24:02(8) and ARSD 20:10:32:03(10) and (11).

Dated at Pierre, South Dakota, this 6th day of February, 2001.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that this document has been served today upon all parties of record in this docket, as listed on the docket service list, by facsimile or by first class mail, in properly addressed envelopes, with charges prepaid thereon.

By Delaine Kolbo

Date 2/6/01

(OFFICIAL SEAL)

BY ORDER OF THE COMMISSION:

Pam Nelson

PAM NELSON, Vice Chairman

Laska Schoenfelder

LASKA SCHOENFELDER, Commissioner