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961269-TI

October 21, 1996

VIA FEDERAL EXPRESS

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

Re: Application of KMC Telecom Inc. for Authorization to Provide Interexchange Service Within the State of Florida

Dear Ms. Bayo:

Please find enclosed an original and 15 copies of the Application of KMC Telecom Inc. for Authority to Provide Interexchange Telecommunications Service Within the State of Florida. Also enclosed is a copy to file-stamp and return in the enclosed self-addressed, postage-prepaid envelope.

Also enclosed is a 3.5" disk containing the Application and the tariff (attached as Exhibit 4 to the Application). The disk is MS-DOS compatible and high density and the files are in WordPerfect 6.1.

Thank you for your attention to this matter.

Sincerely,

Mary C. Albert

Mary C. Albert

Counsel for KMC Telecom Inc.

Enclosures

172663.1

ACK ____
AFA ____
APP ____
CAF ____
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3000 K Street, N.W. ■ Suite 300
Washington, D.C. 20007-5116
(202)424-7500 ■ Telex 701131 ■ Facsimile (202)424-7645

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

KMC Telecom Inc.	)	
Request for Authority to Provide Interexchange Telecommunications Service within the State of Florida	)	Docket No. ______________

APPLICATION FORM
for
AUTHORITY TO PROVIDE INTEREXCHANGE TELECOMMUNICATIONS SERVICE WITHIN THE STATE OF FLORIDA

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

(X) Original Authority (New company).
( ) Approval of Transfer (To another certificated company).
( ) Approval of Assignment of Existing Certificate (To a noncertificated company).
( ) Approval for Transfer of Control (To another certificated company).

2. Select what type of business your company will be conducting (check all that apply):

(X) Facilities Based Carrier - company owns and operates or plans to own and operate telecommunications switches and transmission facilities in Florida.

( ) Operator Service Provider - company provides or plans to provide alternative operator services for IXCs; or toll operator services to call aggregator locations; or clearinghouse services to bill such calls.

(X) Reseller - company has or plans to have one or more switches, but primarily leases the transmission facilities of other carriers. Bills its own customer base for services used.

( ) Switchless Rebiller - company has no switch or transmission facilities, but may have a billing computer. Aggregates traffic to obtain bulk discounts from underlying carrier. Rebills end users at a rate above its discount, but generally below the rate end users would pay for unaggregated traffic.

( ) Multi-Location Discount Aggregator - company contracts with unaffiliated entities to obtain bulk/volume discounts under multi-location discount plans from certain underlying carriers, then offers the resold service by enrolling unaffiliated customers.

3. Name of corporation, partnership, cooperative, joint venture, or sole proprietorship:

KMC Telecom Inc.

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

KMC Telecom Inc.

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

KMC Telecom Inc.
1545 Route 206, Suite 300
Bedminster, NJ 07921-2567
Telephone: (908) 719-2200
Facsimile: (908) 719-2211

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

KMC Telecom Inc.
1200 South Pine Island Road
Plantation, FL 33324

7. Structure of organization:

( ) Individual
(X) Foreign Corporation
( ) General Partnership
( ) Other, ______________
( ) Corporation
( ) Foreign Partnership
( ) Limited Partnership

8. If applicant is an individual or partnership, please give name, title, and address of sole proprietor or partners.

Not applicable.

(a) Provide proof of compliance with the foreign limited partnership statute (Chapter 620.169 FS), if applicable.

(b) Indicate if the individual or any of the partners have previously been:

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

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

9. If incorporated, please give:

(a) Proof from the Florida Secretary of State that the applicant has authority to operate in Florida.

A copy of Applicant's Certificate of Authority to transact business in the State of Florida as a foreign corporation is attached hereto as Exhibit 1.

Corporation charter number: **F96000002035**

(b) Name and address of the company's Florida registered agent.

CT Corp., 1200 S. Pine Island, Plantation, FL 33324

(c) Provide proof of compliance with the fictitious name statute (Chapter 865.09 FS), if applicable.

Not applicable.

Fictitious name registration number:

(d) Indicate if any of the officers, directors, or any of the ten largest stockholders have previously been:

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

No.

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

No.

10. Who will serve as liaison with the Commission in regard to (please give name, title, address, and telephone number):

(a) Application:

Andrew D. Lipman, Esq.
Mary C. Albert, Esq.
Swidler & Berlin, Chartered
3000 K Street, N.W., Suite 300
Washington, D.C. 20007
Telephone: (202) 424-7500
Facsimile: (202) 424-7643

With a copy to:

G. Scott Brodey, Sr.
Executive Vice President
KMC Telecom Inc.
994 Explorer Blvd.
Huntsville, AL 35806
Telephone: (205) 922-1000
Facsimile: (205) 922-9944

(b) Official Point of Contact for the ongoing operations of the company:

***See* response to 10.b above.**

(c) Tariff:

***See* response to 10.b above.**

(d) Complaints/Inquiries from customers:

***See* response to 10.b above.**

11. List the states in which the applicant:

(a) Has operated as an interexchange carrier.

KMC has yet to operate as a interexchange carrier.

(b) Has applications pending to be certificated as an interexchange carrier.

Applicant is in the process of obtaining intrastate interexchange authority, where required, in numerous states throughout the United States, including Georgia, Illinois, Indiana, Kansas, Louisiana, Maryland, Michigan, Mississippi, New Hampshire, North Carolina, South Carolina, Texas and Virginia.

(c) Is certificated to operate as an interexchange carrier.

Alabama

(d) Has been denied authority to operate as an interexchange carrier and the circumstances involved.

None.

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

None.

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

None.

12. What services will the applicant offer to other certificated telephone companies:

( ) Facilities
( ) Billing and Collection
( ) Maintenance
(**X**) Other None
( ) Operators
( ) Sales

13. Do you have a marketing program?

KMC has not developed a marketing program, but anticipates that its initial marketing vehicles will include direct sales, direct mail and limited print advertising.

14. Will your marketing program: **Not Applicable.**

- ( ) Pay commissions?
- ( ) Offer sales franchises?
- ( ) Offer multi-level sales incentives?
- ( ) Offer other sales incentives?

15. Explain any of the offers checked in question 14 (to whom, what amount, type of franchise, etc.).

No. Applicable.

16. Who will receive the bills for your services (check all that apply)?

( )	Residential Customers	(X)	Business Customers
( )	PATS Providers	( )	PATS Station End-Users
(X)	Hotels and Motels	( )	Hotel and Motel Guests
(X)	Universities	( )	Univ. Dormitory Residents
( )	Other, ____________		

17. Please provide the following (if applicable):

(a) Will the name of your company appear on the bill for your services and, if not, who will the billed party contact to ask questions about the bill (provide name and phone number) and how is this information provided?

Yes, KMC's name will appear on the bills sent to customers.

(b) Name and address of the firm who will bill for your services.

KMC will perform its own billing operations.

18. Please provide all available documentation demonstrating that the applicant has the following capabilities to provide interexchange telecommunications service in Florida.

A. Financial capability.

Regarding the showing of financial capability, the following applies:

The application <u>should contain</u> the applicant's financial statements, including:

1. the balance sheet

2. income statement

3. statement of retained earnings for the most recent 3 years.

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

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

See Exhibit 2.

B. Managerial capability.

See Exhibit 3.

C. Technical capability.

See Exhibit 3.

19. Please submit the proposed tariff under which the company plans to begin operation. Use the format required by Commission Rule 25-24.485 (example enclosed).

KMC's proposed tariff is appended hereto as Exhibit 4.

20. The applicant will provide the following interexchange carrier services (check all that apply):

Applicant is seeking authority to provide all forms of direct dialed interexchange services on a resale basis or through its own facilities (when those are deployed).

(X) MTS with distance sensitive per minute rates

( ) Method of access is FGA
( ) Method of access is FGB
(X) Method of access is FGD
( ) Method of access is 800

( ) MTS with route specific rates per minute

( ) Method of access is FGA
( ) Method of access is FGB
( ) Method of access is FGD
( ) Method of access is 800

( ) MTS with statewide flat rates per minute (*i.e.*, not distance sensitive)

( ) Method of access is FGA
( ) Method of access is FGB
( ) Method of access is FGD
( ) Method of access is 800

( ) MTS for pay telephone service providers

( ) Block-of-time calling plan (Reach Out Florida, Ring America, etc.)

(x) 800 Service (toll free)

( ) WATS-type Service (bulk or volume discount)

( ) Method of access is via dedicated facilities
( ) Method of access is via switched facilities

(X) Private Line Services (channel services) (*i.e.*, 1.544 mbs., DS-3, etc.)

(X) Travel Service

( ) Method of access is 950

(X) Method of access is 800

( ) 900 Service

(X) Operator Services

(X) Available to presubscribed customers

( ) Available to non-presubscribed customers (*i.e.*, to patrons of hotels, students in universities, patients in hospitals)

( ) Available to inmates

Services included are:

(X) Station assistance

(X) Person-to-Person assistance

(X) Directory assistance

(X) Operator verify and interrupt

(X) Conference calling

21. What does the end-user dial for each of the interexchange carrier services that were checked in services included (above)?

    The end-user will dial either "1" or an 800 number to access these services.

22. Other: **Not Applicable**

** APPLICANT ACKNOWLEDGMENT STATEMENT **

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

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

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

4. **APPLICATION FEE:** A non-refundable application fee of $250.00 must be submitted with the application.

5. **RECEIPT AND UNDERSTANDING OF RULES:** I acknowledge receipt and understanding of the Florida Public Service Commission's Rules and Orders relating to my provision of interexchange telephone service in Florida. I also understand that it is my responsibility to comply with all current and future Commission requirements regarding interexchange telephone service.

6. **ACCURACY OF APPLICATION:** By my signature below, I, the undersigned owner or officer of the named utility in the application, attest to the accuracy of the information contained in this application and associated attachments. I have read the foregoing and declare that, to the best of my knowledge and belief, the information is a true and correct statement.

   Further, I am aware that, pursuant to Chapter 837.06, Florida Statutes, "Whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his official duty shall be guilty of a misdemeanor of the second degree, punishable as provided in s. 775.082 and s. 775-083."

UTILITY OFFICIAL: TRICIA BRECKENRIDGE 10-21-96

Tricia Breckenridge — Date
Vice President, Business Relations
KMC Telecom Inc.

(847) 265-9210
Telephone Number

**** APPENDIX A ****

CUSTOMER DEPOSITS AND ADVANCE PAYMENTS

A statement of how the Commission can be assured of the security of the customer's deposits and advance payments may be responded to in one of the following ways (applicant, please check one):

(X) **The applicant will not collect deposits nor will it collect payments for service more than one month in advance.**

( ) **The applicant will file with the Commission and maintain a surety bond in an amount equal to the current balance of deposits and advance payments in excess of one month. (Bond must accompany application.)**

UTILITY OFFICIAL: TRICIA BRECKENRIDGE 10-21-96

Tricia Breckenridge
Vice President, Business Relations
KMC Telecom Inc.

Date

(847) 265-9210
Telephone Number

** APPENDIX B **

INTRASTATE NETWORK

KMC plans to construct a fiber optic SONET ring in the city of Tallahassee, which it will use to provide switched and special access local exchange services and competitive access services. Initially, KMC plans to resell the interexchange services of other certificated interexchange carriers. Eventually, KMC will construct its own interexchange facilities. At this time, KMC does not have a detailed plan of where and exactly which kind of facilities it will construct, but will inform the Commission when this information becomes available.

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

1) **See Above**

2)

3)

4)

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

1) **See Above**

2)

3)

4)

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

POP-to-POP	TYPE	OWNERSHIP
1) **See Above**		
2)		

**** APPENDIX B ****

INTRASTATE NETWORK (continued)

4. **ORIGINATING SERVICE:** Please provide the list of exchanges where you are proposing to provide originating service within thirty (30) days after the effective date of the certificate (Appendix D).

   KMC seeks authority to originate interexchange telecommunications service throughout the State of Florida.

5. **TRAFFIC RESTRICTIONS:** Please explain how the applicant will comply with the EAEA requirements contained in Commission Rule 25-24.471(4)(a) (copy enclosed).

   As described more fully in the body of this Application, KMC initially proposes to provide interexchange service on a resale basis. The certificated carriers from which KMC purchases services for resale will be responsible for complying with Commission Rule 25-24.471(4)(a). When KMC deploys its own facilities-based interexchange service, it will do so in a manner that recognizes that "the local exchange company shall be the sole carrier for O+ local, O- local and O- intraLATA toll calls dialed by end users." KMC will "not change or augment the dialing pattern of end users for such calls." KMC will only provide intraLATA toll services to end users who dial KMC's access code (either 950, 800, or 10XXX).

6. **CURRENT FLORIDA INTRASTATE SERVICES:** Applicant has ( ) or has not (X) previously provided intrastate telecommunications in Florida. If the answer is has, fully describe the following:

   a) What services have been provided and when did these services begin?

   b) If the services are not currently offered, when were they discontinued?

UTILITY OFFICIAL: Tricia Breckenridge 10-21-96

Tricia Breckenridge
Vice President, Business Relations
KMC Telecom Inc.

Date

(847) 265-9210
Telephone Number

** APPENDIX C **

FLORIDA TELEPHONE EXCHANGES AND EAS ROUTES

Describe the service area in which you hold yourself out to provide service by telephone company exchange. If all services listed in your tariff are not offered at all locations, so indicate.

In an effort to assist you, attached is a list of major exchanges in Florida showing the small exchanges with which each has extended area service (EAS).

** FLORIDA EAS FOR MAJOR EXCHANGES **

Extended Service Area	with	These Exchanges
PENSACOLA:		Cantonment, Gulf Breeze Pace, Milton Holley-Navarre.
PANAMA CITY:		Lynn Haven, Panama City Beach, Youngstown-Fountain and Tyndall AFB.
TALLAHASSEE:		Crawfordville, Havana, Monticello, Panacea, Sopchoppy and St. Marks.
JACKSONVILLE:		Baldwin, Ft. George, Jacksonville Beach, Callahan, Maxville, Middleburg, Orange Park, Ponte Vedra and Julington.
GAINESVILLE:		Alachua, Archer, Brooker, Hawthorne, High Springs, Melrose, Micanopy, Newberry and Waldo.
OCALA:		Belleview, Citra, Dunnellon, Forest Lady Lake (B21), McIntosh, Oklawaha, Orange Springs, Salt Springs and Silver Springs Shores.
DAYTONA BEACH:		New Smyrna Beach.

**** APPENDIX C ****

FLORIDA TELEPHONE EXCHANGES AND EAS ROUTES (continued)

TAMPA:	Central	None
	East	Plant City
	North	Zephyrhills
	South	Palmetto
	West	Clearwater
CLEARWATER:	St. Petersburg, Tampa-West and Tarpon Springs.	
ST. PETERSBURG:	Clearwater.	
LAKELAND:	Bartow, Mulberry, Plant City, Polk City and Winter Haven.	
ORLANDO:	Apopka, East Orange, Lake Buena Vista, Oviedo, Windermere, Winter Garden, Winter Park, Montverde, Reedy Creek and Oviedo-Winter Springs.	
WINTER PARK:	Aopoka, East Orange, Lake Buena Vista, Orlando, Oviedo, Sanford, Windermere, Winter Garden, Oviedo-Winter Springs Reedy Creek, Geneva and Montverde.	
TITUSVILLE:	Cocoa and Cocoa Beach.	
COCOA:	Cocoa Beach, Eau Gallie, Melbourne and Titusville.	
MELBOURNE:	Cocoa, Cocoa Beach, Eau Gallie and Sebastian.	
SARASOTA:	Bradenton, Myakka and Venice.	

**** APPENDIX C ****

FLORIDA TELEPHONE EXCHANGES AND EAS ROUTES (continued)

FT. MYERS:	Cape Coral, Ft. Myers Beach, North Cape Coral, North Ft. Myers, Pine Island, Lehigh Acres and Sanibel-Captiva Islands
NAPLES:	Marco Island and North Naples.
WEST PALM BEACH:	Boyston Beach and Jupiter.
POMPANO BEACH:	Boca Raton, Coral Springs, Deerfield Beach and Ft. Lauderdale
FT. LAUDERDALE:	Coral Springs, Deerfield Beach, Hollywood and Pompano Beach.
HOLLYWOOD:	Ft. Lauderdale and North Dade.
NORTH DADE:	Hollywood, Miami and Perrine.
MIAMI:	Homestead, North Dade and Perrine.

KMC seeks authority to originate interexchange telecommunications services throughout the State of Florida at the rates identified in its proposed tariff attached hereto as Exhibit 4.

UTILITY OFFICIAL: Tricia Breckenridge 10-21-96

Tricia Breckenridge Date
Vice President, Business Relations
KMC Telecom Inc.

(847) 265-9210
Telephone Number

APPENDICES

APPENDIX A	CUSTOMER DEPOSITS AND ADVANCE PAYMENTS
APPENDIX B	INTRASTATE NETWORK
APPENDIX C	FLORIDA TELEPHONE EXCHANGES AND EAS ROUTES

EXHIBITS

EXHIBIT 1	CERTIFICATE OF AUTHORITY TO TRANSACT BUSINESS
EXHIBIT 2	FINANCIAL STATEMENTS
EXHIBIT 3	MANAGERIAL AND TECHNICAL QUALIFICATIONS
EXHIBIT 4	PROPOSED TARIFF

EXHIBIT 1

Certificate of Authority to Transact Business

State of Florida

Department of State

I certify from the records of this office that KMC TELECOM INC., is a corporation organized under the laws of Delaware, authorized to transact business in the State of Florida, qualified on April 24, 1996.

The document number of this corporation is F96000002035.

I further certify that said corporation has paid all fees and penalties due this office through December 31, 1996, and its status is active.

I further certify that said corporation has not filed a Certificate of Withdrawal.

Given under my hand and the
Great Seal of the State of Florida,
at Tallahassee, the Capital, this the
Fifth day of June, 1996

Sandra B. Mortham

Sandra B. Mortham
Secretary of State

CR2EO22 (1-95)

EXHIBIT B

EXHIBIT B
Financial Capability

KMC is not a publicly traded company and, as a start-up company has only a brief financial history. However, KMC has ample capital to develop and construct its proposed Florida networks and to establish itself as a going concern financially capable of providing the services for which authority is requested herein. On June 6, 1996, KMC closed on a financing arrangement that will result in the infusion of $12 million of equity into the company. In addition, KMC expects to complete a 144A bond offering or private placement that will raise at least $150 million of additional cash prior to year end. Copies of KMC's most recent financial statements and a statement of projected profits and losses for the next three years are attached hereto.[1]

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[1] KMC began its first year of operations in 1994. Therefore, financial information is available for only a two year period.

KPMG Peat Marwick LLP

345 Park Avenue
New York, NY 10154

Independent Auditors' Report

To the Stockholder
Kamine Multimedia Corp. and
KMC Southeast Corp.:

We have audited the accompanying combined balance sheets of Kamine Multimedia Corp. and KMC Southeast Corp. (Development Stage Companies) as of December 31, 1995 and 1994, and the related combined statements of operations, stockholder's deficit and cash flows for the year ended December 31, 1995, for the period from May 10, 1994 (date of inception) to December 31, 1994 and for the period from May 10, 1994 (date of inception) to December 31, 1995. These combined financial statements are the responsibility of the Companies' management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

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

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of Kamine Multimedia Corp. and KMC Southeast Corp. (Development Stage Companies) as of December 31, 1995 and 1994, and the results of their operations and their cash flows for the year ended December 31, 1995, for the period from May 10, 1994 (date of inception) to December 31, 1994 and for the period from May 10, 1994 (date of inception) to December 31, 1995, in conformity with generally accepted accounting principles.

KPMG Peat Marwick LLP

April 26, 1996

KAMINE MULTIMEDIA CORP.
AND KMC SOUTHEAST CORP.
(Development Stage Companies)

Combined Balance Sheets

December 31, 1995 and 1994

Assets

	1995	1994
Current assets:		
Cash	$ 34,370	5,091
Prepaid expenses and other current assets	4,542	–
Total current assets	38,912	5,091
Networks and equipment, net of accumulated depreciation (note 3)	3,496,277	–
Organization costs, net of accumulated amortization	18,637	–
Deferred charges	149,895	2,609
	$ 3,703,721	7,700

Liabilities and Stockholder's Deficit

	1995	1994
Current liabilities:		
Accounts payable	1,791,247	75
Accrued expenses	316,874	–
Due to affiliates	491,067	11,100
Total current liabilities	2,599,188	11,175
Loans payable to stockholder	2,727,400	–
Total liabilities	5,326,588	11,175
Commitments and contingencies (note 5).		
Stockholder's deficit (note 4):		
Common stock, par value $.01 per share; authorized 200 shares, 200 and 100 shares issued and outstanding in 1995 and 1994, respectively	2	1
Additional paid-in capital	1,998	999
Deficit accumulated during the development stage	(1,624,867)	(4,475)
Total stockholder's deficit	(1,622,867)	(3,475)
	$ 3,703,721	7,700

KAMINE MULTIMEDIA CORP.
AND KMC SOUTHEAST CORP.
(Development Stage Companies)

Combined Statements of Operations

Year ended December 31, 1995 and the period from May 10, 1994 (date of inception) to December 31, 1994 and the period from May 10, 1994 (date of inception) to December 31, 1995

		Year ended December 31, 1995	May 10, 1994 (date of inception) to December 31, 1994	May 10, 1994 (date of inception) to December 31, 1995
Costs and expenses:				
General and administrative expenses	$	1,596,929	4,475	1,601,404
Interest expense		23,463	-	23,463
Net loss	$	(1,620,392)	(4,475)	(1,624,867)

See accompanying notes to combined financial statements.

KMC TELECOM INC.
BUDGET - FLORIDA
SUMMARY PAGE

06/10/96
08:16 AM

MILES:	AERIAL	U/G	TOTAL
	30	20	50

SYSTEM BUILD CAPITAL	ESTIMATED FINAL COST
CONSTRUCTION	1,086,000
FIBER OPTIC CABLE	521,750
SYSTEM INTEGRATION	94,000
HARDWARE	460,000
ENGINEERING	75,000
INSPECTOR	35,000
INSURANCE	20,000
ELECTRONICS	1,800,000
LATERALS	337,500
INTER EXCHANGE CARRIER	150,000
CONTINGENCY	171,000
TOTAL	4,750,250

6/14/96

KMC TELECOM INC.
FLORIDA
THREE YEAR PROJECTED INCOME STATEMENT

	1996	1997	1998
REVENUES			
DEDICATED	-	1,088,903	2,173,726
SWITCHED	-	-	770,981
ENHANCED, LOCAL EXCHANGE & OTHER	-	-	-
TOTAL REVENUES	-	1,088,903	2,944,708
OPERATING COSTS			
LINE COSTS	-	-	393,035
SYSTEM OPERATOR	-	370,000	395,900
SYSTEM OPERATION & MAINT.	-	10,000	12,000
OTHER	-	184,445	242,586
TOTAL OPERATING COST	-	564,445	1,043,521
GROSS INCOME	-	524,458	1,901,187
SELLING, GENERAL & ADMINISTRATION (SG&A)			
SALARIES & WAGES	119,000	300,276	364,628
PAYROLL TAXES	19,800	60,055	72,926
RENT	24,700	49,400	50,882
ADVERTISING	12,000	12,000	12,360
OTHER	53,300	51,400	52,942
TOTAL SG&A	228,800	473,132	553,738
CORPORATE OVERHEAD	120,000	49,440	31,827
EBITDA	(348,800)	1,886	1,315,622
DEPRECIATION & AMORTIZATION	202,513	279,263	336,013
EBIT	(551,313)	(277,376)	979,610
INTEREST INCOME	-	-	-
INTEREST EXPENSE		-	-
INCOME BEFORE TAXES	(551,313)	(277,376)	979,610
INCOME TAXES			
NET INCOME	(551,313)	(277,376)	979,610

EXHIBIT C

EXHIBIT C

Managerial Capability

KMC has the managerial ability to provide the services for which authority is requested in this Application. As indicated by the attached biographies, the Applicant's management team has extensive experience in the telecommunications industry and in the provision of local service in particular. Moreover, this experience is augmented by the Applicant's current ownership and successful operation of a 60 mile, digital, optical fiber, SONET ring network in and around Huntsville, Alabama. KMC's Huntsville network became operational on March 31, 1996. Biographies of officers primarily responsible for managing KMC's business are attached hereto as.

G. Scott Brodey, Sr. - *Chief Operating Officer*

Mr. Brodey has 30 years of solid experience in the telecommunications industry, including 22 years as a Corporate Officer and 4 Chief Executive Officer positions.

Since March, 1995, he has had overall responsibility for the P&L, direction, daily operation, long range planning, construction, and expansion of city networks for KMC Telecom Inc.

Mr. Brodey began his career at Bell Telephone Co. of PA in 1960 and eventually was promoted to the position of District Manager. From there, he became Executive Vice President of a new facsimile company, Graphic Sciences, Inc., which was later sold to the Burroughs Corporation. After the sale, he moved on to MCI and was promoted to Senior Vice President of Nationwide Operations for the company, as well as serving as a Chief Executive Officer of a subsidiary (N Triple C). In the late seventies and early eighties, Mr. Brodey was Vice President of Sales and Marketing for RCA Global Communications and also CEO of a subsidiary, RCA GlobCom Systems. He then went on to become President of LIN Communications, a major non-wireline cellular provider, which later was sold to McCaw Communications.

In 1985, Mr. Brodey launched the Competitive Access Provider ("CAP") industry. As Founder, President and CEO, he took Institutional Communications Company ("ICC") from the conceptual stage, to become the first metropolitan bypass fiber optic telecommunications company in the country. He was successful in raising $35MM to fund the construction of the first CAP network, ICC, in Washington, D.C. Since that time, Mr. Brodey has been involved in the start-up of four other city CAP operations.

In 1990, he started RiverWatch, Inc., an international consulting firm, serving senior management in Business Development, Strategic Planning and Feasibility Studies.

Tricia Breckenridge - *Vice President, Business Development*

Mrs. Breckenridge has overall responsibility for the identification and development of growth opportunities as it pertains to KMC Telecom Inc. In this capacity, she develops business plans for expansion into new cities, including the negotiation and acquisition of rights-of-way and city franchises, assessing the regulatory environment and obtaining the necessary certifications. Additionally, she produces the business plans for financing, including an encompassing market assessment which requires quantification and qualification of the customer base.

In her most recent capacity as a Vice President and City General Manager for FiberNet USA, Mrs. Breckenridge had total responsibility for the operation, construction and success of the network. This encompassed all sales and marketing functions, including the development of a sales plan, its execution, contract administration, negotiation of building rights-of-entry license agreements, execution of IXC master service and collocation agreements and liaison with city officials.

Prior to joining FiberNet, she was Vice President of Sales and Marketing for Diginet Corporation, who had competitive access networks in Milwaukee, WI, Northbrook and Chicago, IL. In this position, she contributed to and managed the effort which increased sales revenues 100% in ten months.

Mrs. Breckenridge is a senior manager with a solid background in telecommunications. She has had extensive experience in the competitive access industry ("CAP") in several functions, including overall corporate management, corporate development, business and strategic planning, government affairs, market strategy and high level sales.

Her initial entry into the industry was an original Founder/Director of Chicago Fiber Optic Corporation ("CFO"), which is now known as Metropolitan Fiber Systems ("MFS"). She was part of the team which executed the successful bank financing for the construction of one of the first competitive access networks in the country. Since then, she has been intricately involved in several other start-up CAP operations, including Fiber Optic Corporation of the United States ("FOCUS"), where she was President and had overall responsibility for P&L, direction, daily operation, long range planning, and the financing of the corporation and city networks. It was in this capacity that she managed the financing, construction and direction of Philadelphia Fiver Optic Corporation ("PFO").

Prior to her involvement in the competitive access industry, Mrs. Breckenridge was Director of Regulatory Affairs for Telesphere Corporation, a non-facilities based reseller of long distance services.

Mrs. Breckenridge has been very active in industry associations, where she served on the Board of Directors and Executive Committee for the Competitive Telecommunications Association ("COMPTEL") for eight years, and is currently serving her sixth year on the Board of Directors for the Association of Local Telecommunications Services ("ALTS"). Additionally, she was just re-elected to the ALTS Executive Committee, which was re-established in 1995. She is the past Chairman of the ALTS Legal/Regulatory Affairs Committee and is presently serving as a member.

James A. Gillis - *Vice President, Carrier Relations*

Mr. Gillis has five years with the Kamine group of companies as the Vice President, New Business Development, with a primary emphasis in telecommunications. Mr. Gillis has been involved in evaluating new business opportunities in telephone, cable, video and competitive access industries. He has been instrumental in spearheading discussions regarding joint ventures, mergers and acquisitions in the cable and the telephone industries. His primary objective has been to develop synergies between industries by applying new technology with incremental investment and increasing the cash flow of the combined businesses. He has gained wide exposure to new emerging fiber design, technologies and required telecommunications architecture that enables existing services providers to be able to deliver additional voice, data and video services in the converging marketplace.

Mr. Gillis is responsible for KMC Telecom Inc.'s sales revenue and profit and loss of competitive access operations. Additionally, he develops and maintains key relationships with interexchange carriers and major commercial and government accounts. As Vice President and Regional Manager, Mr. Gillis will evaluate, negotiate and recommend new strategic partners, alliances and acquisitions for KMC's growth. Also in this capacity, he will develop regional and city expansion plans, evaluate new market areas, integrated businesses and services, operating provisions and expenses, budget capital requirements and development of enhanced services.

Mr. Gillis has had eleven years of extensive experience in sales, marketing and management for Union Carbide prior to joining the Kamine group of companies. He initiated several new geographic expansions through innovative marketing and sales programs. Additionally, he was responsible for bringing to market several successful value-added services that enhanced overall customer value, and became the recognized commercial application throughout the industry. As Divisional Sales Manager, he provided management with expansion feasibility and implemented the plan. He increased the number of service locations by 60%, and became a Quality Control facilitator for a major company-wide quality initiative.

EXHIBIT D

EXHIBIT D

Technical Capability

KMC has the technical ability to provide the services for which authority is requested in this Application. KMC has an agreement with I-NET, Inc. ("I-NET") of Bethesda, Maryland, to provide network management support in Huntsville and in each of KMC's proposed network locations (Cape Canaveral, Cocoa, Cocoa Beach, Melbourne, Palm Bay, Tallahassee and Titusville). I-NET provides similar services to NASA for its Huntsville, Alabama facility. A description of I-NET and the services it performs for KMC is attached hereto. Additional evidence of KMC's technical ability can be found in the biographies of KMC's management team attached hereto as ***Exhibit C***.

EXHIBIT 2

Financial Statements

Financial Statements

KMC Telecom Inc. and Predecessors

June 30, 1996 and December 31, 1995 and 1994

KMC Telecom Inc. and Predecessors

Financial Statements

June 30, 1996 and December 31, 1995 and 1994

Contents

ERNST & YOUNG LLP

MetroPark
99 Wood Avenue South
P.O. Box 751
Iselin, New Jersey 08830-0471

Phone: 908 906 3200

Report of Independent Auditors

The Board of Directors
KMC Telecom Inc.

We have audited the accompanying balance sheet of KMC Telecom Inc. as of June 30, 1996 and the related statements of operations, net capital deficiency and cash flows for the six month period ended June 30, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The combined financial statements of Kamine Multimedia Corp. and KMC Southeast Corp. (Development Stage Companies and the Predecessors of KMC Telecom Inc.) as of December 31, 1995 and 1994 and for the year ended December 31, 1995 and the period from May 10, 1994 (date of inception) to December 31, 1994 were audited by other auditors, whose report dated April 26, 1996 expressed an unqualified report on those combined financial statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KMC Telecom Inc. as of June 30, 1996, and the results of its operations and cash flows for the six month period ended June 30, 1996, in conformity with generally accepted accounting principles.

Ernst + Young LLP

September 13, 1996

KMC Telecom Inc. and Predecessors

Balance Sheets

	KMC Telecom Inc. June 30, 1996	Predecessors December 31 1995	1994
Assets			
Current assets:			
Cash and cash equivalents	$ 4,524,213	$ 34,370	$ 5,091
Accounts receivable	11,460	–	–
Prepaid expenses and other current assets	65,398	4,542	–
Total current assets	4,601,071	38,912	5,091
Networks and equipment, net of accumulated depreciation	4,677,261	3,496,277	–
Organization costs, net of accumulated amortization	16,419	18,637	–
Deferred charges, net of accumulated amortization	610,853	149,895	2,609
	$ 9,905,604	$ 3,703,721	$ 7,700
Liabilities and net capital deficiency			
Current liabilities:			
Accounts payable	$ 503,221	$ 1,791,247	$ 75
Accrued expenses	420,573	316,874	–
Due to affiliates	81,298	491,067	11,100
Total current liabilities	1,005,092	2,599,188	11,175
Convertible notes payable	6,028,000	–	–
Loans payable to stockholder	4,000,000	2,727,400	–
Total liabilities	11,033,092	5,326,588	11,175
Commitments and contingencies			
Net capital deficiency:			
Preferred stock, par value $.01 per share; 500,000 shares authorized at June 30, 1996, none in 1995 and 1994; none issued	–	–	–
Common stock, par value $.01 per share; authorized 2,000,000 shares at June 30, 1996 and 200 shares in 1995 and 1994; 560,000, 200 and 100 shares issued and outstanding in 1996, 1995 and 1994, respectively	5,600	2	1
Additional paid-in capital	2,140,630	1,998	999
Accumulated deficit	(3,273,718)	(1,624,867)	(4,475)
Total net capital deficiency	(1,127,488)	(1,622,867)	(3,475)
	$ 9,905,604	$ 3,703,721	$ 7,700

See accompanying notes.

KMC Telecom Inc. and Predecessors

Statements of Operations

	KMC Telecom Inc.	Predecessors	
	Six months ended June 30, 1996	Year ended December 31, 1995	May 10, 1994 (date of inception) to December 31, 1994
Revenue	$ 55,333	$ –	$ –
Operating expenses:			
Network operating costs	230,141	–	–
General and administrative	1,212,194	1,591,159	4,475
Depreciation and amortization	92,265	5,770	–
Interest, net	169,584	23,463	–
Net loss	$(1,648,851)	$(1,620,392)	$(4,475)

KMC Telecom Inc. and Predecessors

Statements of Net Capital Deficiency

For the period May 10, 1994
(date of inception) to June 30, 1996

	Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Net Capital Deficiency
	Shares	Amount	Shares	Amount			
Predecessors							
Initial capital contribution, Kamine Multimedia Corp., May 10, 1994	–	$ –	100	$ 1	$ 999	$ –	$ 1,000
Net loss	–	–	–	–	–	(4,475)	(4,475)
Balance, December 31, 1994	–	–	100	1	999	(4,475)	(3,475)
Initial capital contribution, KMC Southeast Corp., April 19, 1995	–	–	100	1	999	–	1,000
Net loss	–	–	–	–	–	(1,620,392)	(1,620,392)
Balance, December 31, 1995	–	–	200	2	1,998	(1,624,867)	(1,622,867)
KMC Telecom Inc.							
Change in authorized capital	–	–	559,800	5,598	(5,598)	–	–
Conversion of stockholder's loan to equity	–	–	–	–	2,088,000	–	2,088,000
Imputed interest on stockholder's loan	–	–	–	–	56,230	–	56,230
Net loss	–	–	–	–	–	(1,648,851)	(1,648,851)
Balance, June 30, 1996	–	$ –	560,000	$5,600	$2,140,630	$(3,273,718)	$(1,127,488)

See accompanying notes.

KMC Telecom Inc. and Predecessors

Statements of Cash Flows

	KMC Telecom Inc.	Predecessors	
	Six months ended June 30, 1996	Year ended December 31, 1995	May 10, 1994 (date of inception) to December 31, 1994
Operating activities			
Net loss	$(1,648,851)	$(1,620,392)	$ (4,475)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:			
Depreciation and amortization	92,459	5,770	–
Non-cash interest expense	100,897	–	–
Changes in assets and liabilities:			
Accounts receivable	(11,460)	–	–
Prepaid expenses and other current assets	(60,856)	(4,542)	–
Accounts payable	(1,288,026)	1,791,172	75
Accrued expenses	103,699	316,874	–
Due to affiliates	(409,769)	479,967	11,100
Organization costs	–	(22,226)	–
Deferred charges	(36,413)	(147,286)	(2,609)
Net cash (used in) provided by operating activities	(3,158,320)	799,337	4,091
Investing activities			
Purchase of networks and equipment	(1,262,683)	(3,498,458)	–
Net cash used in investing activities	(1,262,683)	(3,498,458)	–
Financing activities			
Proceeds from stockholder loans	3,542,161	2,727,400	–
Repayment of stockholder loans	(181,561)	–	–
Proceeds from convertible notes payable, net of issuance costs	5,550,246	–	–
Proceeds from issuance of common stock	–	1,000	1,000
Net cash provided by financing activities	8,910,846	2,728,400	1,000
Net increase in cash and cash equivalents	4,489,843	29,279	5,091
Cash and cash equivalents, beginning of period	34,370	5,091	–
Cash and cash equivalents, end of period	$ 4,524,213	$ 34,370	$ 5,091
Supplemental disclosure of cash flow information			
Cash paid during the period for:			
Interest	$ 96,974	$ 56,537	$ –
Income taxes	$ –	$ 100	$ –

See accompanying notes.

1. Organization

KMC Telecom Inc. (the "Company") is a rapidly growing competitive local exchange carrier. The Company plans to construct, own and operate state-of-the-art communications facilities and fiber optic networks in selected cities in the United States to provide communication services to interexchange carriers, business, government, institutional and residential end-users.

The predecessors to KMC Telecom, Kamine Multimedia Corp. and KMC Southeast Corp. (the "Predecessors") were incorporated in the state of Delaware on May 10, 1994 and April 19, 1995, respectively. The Predecessors were established through the purchase of 100 shares of common stock of each company by Harold N. Kamine (the "Stockholder") for $1,000 per company. Effective May 23, 1996, Kamine Multimedia Corp. was merged into KMC Southeast Corp., and the surviving corporation was renamed KMC Telecom Inc.

The Company has built an approximately fifty mile fiber optic network in and around the city of Huntsville, Alabama. The network was under construction as of December 31, 1995 and no revenues had been generated as of December 31, 1995. Accordingly, the Predecessors were classified as development stage companies through March 1996, concurrent with the completion of the Huntsville, Alabama network and the generation of revenue from such network. Through February 29, 1996, the deficit accumulated during the development stage was approximately $1,700,000.

Prior to June 1996, the Company was solely dependent upon its Stockholder for the funding of its operating and capital requirements. The Stockholder had indicated his intention to continue funding the operations and capital needs of the Company though January 1, 1997, unless other funding sources were obtained. On June 6, 1996, the Company completed the first portion of a financing with a third party with initial net proceeds of approximately $5,500,000 (see Note 5). Service commenced at the Huntsville, Alabama location in March 1996, however, the Company is not expected to generate significant positive cash flows in the near future, and the Company is presently seeking additional sources of financing to fund the construction of additional networks as well as the Company's ongoing operating needs.

2. Summary of Significant Accounting Policies

Basis of Presentation

As noted above, effective May 23,1996, the Company is the successor resulting from the merger of the Predecessors. The accompanying combined financial statements of the Predecessors include the accounts and results of operations of Kamine Multimedia Corp. and KMC Southeast Corp. All significant intercompany accounts and transactions have been eliminated in combination.

Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Networks and Equipment

Networks and equipment are stated at cost, net of accumulated depreciation. Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method for financial statement reporting purposes.

Expenditures for repairs and maintenance are charged to expense as incurred. The costs of major renewals and betterments are capitalized. Gains and losses on dispositions are reflected in income.

The estimated useful lives of the Company's principal classes of assets are as follows:

Networks:	
Fiber optic systems	20 years
Telecommunications equipment	10 years
Furniture and fixtures	5 years
Leasehold improvements	Life of lease

Organization Costs

Organization and start-up costs including costs to incorporate and register to do business have been capitalized and are being amortized over five years.

2. Summary of Significant Accounting Policies (continued)

Deferred Charges

Costs incurred to obtain access to buildings are deferred by the Company and amortized over the term of the agreements. Costs incurred to obtain city franchises are deferred by the Company and amortized over the initial term of the franchise, generally 5 to 15 years.

As of June 30, 1996, the Company has capitalized an aggregate of approximately $450,000 of issuance costs related to its convertible notes payable. Such costs are being amortized under the interest method, and $16,667 was charged to interest expense during the six month period ended June 30, 1996 (see Note 5).

Income Taxes

Through June 4, 1996, the Predecessors and the Company elected to be treated as "S" Corporations for federal income tax purposes. As a result, any income or loss generated through such date is allocated directly to the Stockholder. Effective June 5, 1996, the Company has revoked its "S" Corporation election.

The Company uses the liability method to account for income taxes. Deferred taxes are recorded based upon differences between the financial statement and tax basis of assets and liabilities.

Use of Estimates

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

Fair Value of Financial Instruments

The Company's financial instruments consist principally of cash and cash equivalents, stockholder loans and convertible notes payable, for which their carrying values approximates their fair values at June 30, 1996.

2. Summary of Significant Accounting Policies (continued)

Reclassifications

Certain December 31, 1995 amounts have been reclassified to conform to the June 30, 1996 presentation.

3. Networks and Equipment

Networks and equipment at June 30, 1996 and December 31, 1995 are comprised of the following:

	1996	1995
Fiber optic systems	$3,542,865	$ –
Telecommunications equipment	838,892	–
Furniture and fixtures	49,532	47,456
Leasehold improvements	8,947	4,864
Construction-in-progress	320,905	3,446,138
	4,761,141	3,498,458
Less accumulated depreciation	(83,880)	(2,181)
	$4,677,261	$3,496,277

Costs capitalized during the development of the Company's networks include amounts incurred related to network engineering, design and construction, negotiation of rights of way, obtaining regulatory authorizations and the net amount of interest costs related to the construction of the network.

Capitalized interest related to the construction of the fiber optic telecommunication system during the six month period ended June 30, 1996 and the year ended December 31, 1995 amounted to $41,686 and $36,940, respectively.

4. Deferred Charges

Deferred charges at June 30, 1996 and December 31, 1995 are comprised of the following:

	1996	1995
Financing fees	$449,754	$ –
Building access agreements	59,000	55,500
Franchise costs	122,113	94,395
Other	5,000	–
	635,867	149,895
Less accumulated amortization	(25,014)	–
	$610,853	$149,895

5. Convertible Notes Payable

The Company entered into a Note Purchase and Investment Agreement dated as of June 5, 1996 (the "Agreement") with two investment companies, Nassau Capital Partners L.P. and NAS Partners I L.L.C. ("Nassau Capital" and "Nassau Partners", respectively, collectively referred to as "Nassau") pursuant to which convertible secured notes payable of $5,952,616 and $47,384 were issued on June 6, 1996 to Nassau Capital and Nassau Partners, respectively, (the "Notes"). Under the Agreement, Nassau has a first priority lien on substantially all of the assets of the Company and a pledge of all shares of the Company's common stock owned by the Stockholder. The Notes are due and payable in full on June 5, 1997 unless they have been converted to equity as described below.

The Notes bear interest at an annual rate of 7%, payable quarterly. At the option of the Company, such interest may be paid either in cash or through a payment in-kind, increasing the outstanding principal amount due under the Notes. The Company has reflected the $28,000 of interest due through June 30, 1996 as additional principal in the accompanying balance sheet. In the event that the Notes are not repaid or converted prior to June 6, 1997, the interest rate payable thereon shall thereafter increase by 2% per quarter, to a maximum rate of 15%.

The Agreement places certain limitations on the types of transactions that the Company can enter into without the consent of Nassau, including restrictions on payment of dividends to the Stockholder, prohibitions against the purchase, redemption or other acquisition or retirement of the Company's common stock and disallowance of any equity issuance, except for issuance under an equity incentive plan for the Company's

5. Convertible Notes Payable (continued)

management and Board of Directors or to certain additional equity contributions from the Stockholder. Additionally, the Agreement prohibits the Company from obtaining additional financing in excess of $500,000 and $250,000 to fund capital expenditures and working capital, respectively, unless approved by Nassau. The Company must also obtain approval from Nassau for any capital expenditures or commitments in excess of budgeted amounts previously approved by Nassau. The Company is also limited with regard to the types of transactions allowed with its affiliates.

The Agreement contemplates three investment tranches: (i) the initial $6,000,000 convertible notes payable issued on June 6, 1996 ("Tranche 1"); (ii) shares of convertible preferred stock with an aggregate liquidation value of $6,000,000 ("Tranche 2"); and (iii) at the Company's option, shares of convertible preferred stock with an aggregate liquidation value of up to $2,950,000 ("Tranche 3"). Concurrent with the closing of the Tranche 2 investment, the convertible notes payable will, by their terms, automatically convert into shares of convertible preferred stock with an aggregate liquidation value of $6,000,000.

The shares of convertible preferred stock to be issued with respect to the Tranche 1 and Tranche 2 investments will be convertible into shares of common stock equal to 2.0833% of the Company's outstanding common stock on a fully diluted basis per $1,000,000 of the amount invested by Nassau. Similarly, the shares of convertible preferred stock to be issued with respect to the Tranche 3 investment, if any, will be convertible into shares of common stock equal to 2.00% of the Company's outstanding common stock on a fully diluted basis per $1,000,000 of the amount invested by Nassau.

The Agreement establishes various conditions precedent to the Tranche 2 closing, including (i) the hiring of a president/chief executive officer; (ii) meeting certain identified operational objectives; (iii) the adoption of an equity incentive plan for the Company's management and Board of Directors; and (iv) certain other requirements.

In the event that the Company has not (a) entered into a firm commitment by December 31, 1996 with either (i) the Stockholder and/or third party for an equity offering with gross proceeds of at least $10,000,000 or (ii) a third party for a Rule 144A debt or equity offering with gross proceeds of at least $100,000,000; and (b) received the cash proceeds of such offering within 45 days of receipt of such firm commitment, then Nassau shall have the option to purchase up to an additional $10,000,000 of convertible preferred stock. The shares of convertible preferred stock to be issued with respect to this

5. Convertible Notes Payable (continued)

portion of the Nassau investment, if any, will be convertible into shares of common stock equal to 2.50% of the Company's outstanding common stock on a fully diluted basis per $1,000,000 of the amount invested by Nassau.

In the event that the Notes have not been converted to equity prior to June 6, 1997, the Company is required to issue to Nassau a warrant exercisable for 10 years from the date of issuance for 7% of the fully diluted shares of the Company's outstanding common stock. Although the Notes have a maturity date of June 5, 1997, they are classified as noncurrent liabilities at June 30, 1996, as management believes that the Notes will be converted to equity prior to June 6, 1997 and Nassau has agreed to extend the maturity date to July 1, 1997.

6. Loans Payable to Stockholder

At June 30, 1996 and December 31, 1995 the Company had loans payable to the Stockholder aggregating $4,000,000 and $2,727,400, respectively.

The proceeds of such loans were used to fund the construction of the network in Huntsville, Alabama, and to fund operating cash flow requirements. These loans are payable on demand and, through April 30, 1996, bore interest at the prime rate (8.25% at April 30, 1996). Interest expense charged by the Stockholder under these loans amounted to approximately $108,000 and $57,000 for the six month period ended June 30, 1996 and the year ended December 31, 1995, respectively (none for the period ended December 31, 1994). Effective May 1, 1996 the Stockholder has elected not to charge interest on these loans. However, for financial reporting purposes, $56,230 of interest expenses has been imputed on these loans for the period from May 1, 1996 to June 30, 1996, and a corresponding credit has been recorded to additional paid-in capital.

In accordance with the terms of the Agreement with Nassau, the Stockholder has agreed not to demand repayment of the loans, other than in the event the Company receives proceeds from an equity issuance with net proceeds of $4,000,000. In the event no such additional equity proceeds are received, the loans will be converted to common equity.

7. Income Taxes

At June 30, 1996, the Company has net operating loss carryforwards of approximately $360,000 which expire at the end of calendar year 2011.

7. Income Taxes (continued)

For financial reporting purposes, the Company has approximately $1,470,000 of available loss carryforwards and net temporary differences. At existing tax rates the future benefit approximates $500,000. A valuation allowance has been established for the entire net tax benefit associated with all carryforwards and temporary differences at June 30, 1996 as their realization is not assured. The composition of expected future tax benefits at June 30, 1996 is as follows:

Loss carryforwards	$ 122,000
Temporary differences:	
Start-up costs	372,000
Other, net	6,000
	500,000
Less valuation allowance	(500,000)
	$ –

8. Commitments and Contingencies

Leases

The Company leases various facilities and equipment under operating leases. Minimum rental commitments are as follows:

Period ending December 31:	
1996	$ 98,600
1997	223,500
1998	238,200
1999	238,800
2000	245,100
Thereafter	2,769,000
	$3,813,200

Rent expense under operating leases was $35,000 and $42,000 for the six month period ended June 30, 1996 and the year ended December 31, 1995 (no rent expense for the 1994 period).

Franchise Agreements

At June 30, 1996, the Company was obligated under franchise agreements to various cities to make payments based upon the Company's financial performance. The franchise

8. Commitments and Contingencies (continued)

terms range from 5 to 15 years, with several of the franchise agreements providing for renewal options. The franchise fees payable under the agreements are based on percentages of various financial measurements, including gross receipts, gross revenues, and billings. Several of the franchise agreements contain construction commitment clauses, with specified timeframes for commencement and completion of construction of the fiber optic telecommunication systems.

The Company has not commenced construction within the time specified by two of its franchise agreements. Neither of these municipalities has indicated to management that it intends to exercise its option to revoke the franchise. In the event one or both of these franchises were revoked, it would not have a material adverse impact on the Company's financial statements.

Consulting Agreements

The Company entered into an agreement with a third party marketing services company specializing in real estate on August 7, 1995. The agreement is for an initial period of two years, and may be renewed for successive one year terms if agreed to by the parties. The third party's services will include the marketing and negotiation services related to obtaining building entry agreements in the Huntsville, Alabama area. The third party has successfully obtained 50 agreements through June 30, 1996.

The Company entered into an agreement with a third party provider of specialized professional information technology services on September 18, 1995. The agreement is for an initial period of one year starting upon commencement of a specified phase of the contract. The agreement may be renewed if agreed to by the parties. The third party's services will include configuration, delivery, installation, maintenance and technical support services related to the fiber optic telecommunication system in Huntsville, Alabama. Minimum future consideration for the initial period of this agreement is approximately $235,000.

Purchase Commitments

As of June 30, 1996, the Company has outstanding commitments aggregating approximately $2,100,000 related to the purchases of fiber optic cable and telecommunications equipment as well as engineering services.

9. Related Party Transactions

The Company has informal agreements with certain affiliated companies whereby the affiliated companies provide certain administrative services, such as personnel, utilities, supplies and, through May 31, 1996, rent for the Company and its Predecessors. The Company incurred approximately $205,000 of expense related to these agreements for the six month period ended June 30, 1996 and $859,000 of expense related to these agreements for the year ended December 31, 1995 (none for the period ended 1994).

Effective June 1, 1996, the Company has entered into a lease through November 2015 with an affiliated company. The lease provides for a base annual rental cost of approximately $112,000, adjusted periodically for changes in the consumer price index, plus operating expenses. Rent expense recognized under this lease for the month of June 1996 was $12,700.

Amounts due to affiliated companies were $81,298, $491,067 and $11,100 at June 30, 1996 and December 31, 1995 and 1994, respectively.

10. Subsequent Events

The Company has obtained three additional franchise agreements subsequent to June 30, 1996. The franchise terms under the agreements range from 7 to 15 years, and the franchise agreements provide for a renewal option. The franchise fees payable under the agreements are similar to those under the Company's existing agreements.

In July 1996, the Company entered into a three year employment agreement with its new chief executive officer. In addition to a base salary, the agreement provides for certain incentive compensation payments, based upon the Company's completion of construction and attainment of specified revenues for additional networks. Additionally, the agreement provides for the award of stock options subsequent to the Company's adoption of an equity incentive plan.

The Company and Nassau are currently finalizing the documents related to the Tranche 2 closing, which will incorporate revisions to certain terms and conditions of the Note Purchase and Investment Agreement. The Tranche 2 closing is expected to generate an additional $6,000,000 of gross proceeds from Nassau in the form of convertible secured notes payable. The Company expects that all of the Nassau notes will be converted to equity prior to their maturity dates.

<u>EXHIBIT 3</u>

Managerial and Technical Qualifications

Michael Sternberg - *President*

Mr. Sternberg has 28 years of experience in all facets of telecommunications, including business development, marketing, sales and general management. Most recently, Mr. Sternberg was founder and Chief Operating Office of RimSat, a privately owned satellite company, which owns and operates two Russian-built satellites, and which sells TV, voice and data capacity to Asian operators.

Previously, Mr. Sternberg was Senior Vice President, Sales and Marketing with Metropolitan Fiber Systems in Oak Brook, IL; President of Stantel Telecommunications, division of STC, a leader in digital telecommunications transmission products in Falls Church, VA; Senior Vice President, Marketing and Corporate Development at CIT-Alcatel in Reston, VA; Vice President, Marketing at General Dynamics Communications Company in St. Louis, MO; Executive Vice President, Marketing and Sales of OKI Electronics of America in Fort Lauderdale, and Chief Operating Officer of National Telephone Company in Hartford.

G. Scott Brodey, Sr. - *Executive Vice President*

Mr. Brodey has 30 years of solid experience in the telecommunications industry, including 22 years as a Corporate Officer and 4 Chief Executive Officer positions.

Since March 1995, he has had overall responsibility for the P&L direction, daily operation, long-range planning, construction, and expansion of city networks for KMC Telecom Inc.

Mr. Brodey began his career at Bell Telephone Co. Of PA in 1960 and was eventually promoted to the position of District Manager. From there, he became Executive Vice President of a new facsimile company, Graphic Sciences, Inc., which was later sold to the Burroughs Corporation. After the sale, he moved on to MCI and was promoted to Senior Vice president of Nationwide Operations for the company, as well as serving as a Chief Executive Officer of a subsidiary (N Trip C). In the late seventies and early eighties, Mr. Brodey was Vice President of Sales and Marketing for RCA Global Communications and also CEO of a subsidiary, RCA GlobCom Systems. He then went on to become President of the LIN Communications, a major non-wireline cellular provider, which later was solid to McCaw Communications.

In 1985, Mr. Brodey launched the Competitive Access Provider ("CAP") Industry. As Founder, President and CEO, he took Institutional Communications Company ("ICC") from the conceptual stage, to become the first metropolitan bypass fiber optic telecommunications company in the country. He was successful in raising $35MM to fund the construction of the first CAP network, ICC, in Washington, D.C. Since that time, Mr. Brodey has been involved in the start-up of four other city CAP operations.

In 1990, he started RiverWatch, Inc., an international consulting firm, serving senior management in Business Development, Strategy Planning and Feasibility Studies.

Tricia Breckenridge - *Vice President Business Relations*

Mrs. Breckenridge has overall responsibility for the identification and development of growth opportunities as it pertains to the competitive access division of KMC Telecom Inc. In this capacity, she develops business plans for expansion into new cities, including the negotiation and acquisition of rights-of-way and city franchises, assessing the regulatory environment and obtaining the necessary certifications. Additionally, she produces the business plans for financing, including an encompassing market assessment, which is the quantification and qualification of the customer base.

In her most recent capacity as a Vice President and City General Manager for FiberNet USA, she had total responsibility for the operation, construction and success of the network. This encompassed all sales and marketing functions, including the development of a sales plan, its execution, contract administration, negotiation of building rights-of-entry license agreements, execution of IXC master service and collocation agreements and liaison with city officials.

Prior to joining FiberNet, she was Vice President of Sales and Marketing for Diginet Corporation, which had competitive access networks in Milwaukee, WI, Northbrook and Chicago, IL. In this position, she contributed to and managed the effort which increased sales revenues 100% in 10 months

Mrs. Breckenridge is a senior manager with a solid background in telecommunications. She has had extensive experience in the competitive access industry ("CAP") in several functions, including overall corporate management, corporate development, business and strategic planning, government affairs, market strategy and high level sales.

Her initial entry into the industry was as an original Founder/Director of Chicago Fiber Optic Corporation ("CFO"), which is now known as Metropolitan Fiber Systems ("MFS"). She was part of the team that executed the successful bank financing for the construction of one of the first competitive access networks in the country. Since then, she has been intricately involved in several other start-up CAP operations, including Fiber Optic Corporation of the United States ("FOCUS"), where she was President and had overall responsibility for P&L, direction, daily operation, long range planning, and the financing of the Corporation and city networks. It was in this capacity that she managed the financing, construction and direction of Philadelphia Fiber Optic Corporation ("PFO").

Prior to her involvement in the competitive access industry, Mrs. Breckenridge was Director of Regulatory Affairs for Telesphere Corporation, a non-facilities based reseller of long distance services.

Mrs. Breckenridge has been very active in industry associations. She served on the Board of Directors and Executive Committee for the Competitive Telecommunications Association ("COMPTEL") for eight years, and is currently serving her sixth year on the Board of Directors for the Association of Local Telecommunications Services ("ALTS"). Additionally, she was just reelected to the ALTS Executive Committee, which was reestablished in 1995. She is the past Chairman of the ALTS Legal/Regulatory Affairs Committee and is presently serving as a member.

James A. Gillis - *Vice President, Regional Manager*

Mr. Gillis has five years with the Kamine Group as the Vice President, New Business Development, with a primary emphasis in telecommunications. Mr. Gillis has been involved in evaluating new business opportunities in telephone, cable, video, and competitive access industries. He has been instrumental in spearheading discussions regarding joint ventures, mergers, and acquisitions in the Cable and the Competitive Access industries. His primary objective has been to develop synergy between industries by applying new technology with incremental investment and increasing the cash flow of the combined businesses. He has gained wide exposure to new emerging fiber design, technologies, and required telecommunications architecture that enables existing services providers to be able to deliver additional voice, data and video services in the converging marketplace.

Mr. Gillis is responsible for KMC Telecom's sales revenue and profit and loss of CAP operations. Additionally, he develops and maintains key relationships with interexchange carriers and major commercial and government accounts. As Vice President and Regional Manager, Mr. Gillis will evaluate, negotiate and recommend new strategic partners, alliances and acquisitions for KMC Telecom's CAP growth. Also in this capacity, he will develop regional and city expansion plans, evaluate new market areas, integrated businesses and services, operating provisions and expenses, budget capital requirements and development of enhanced services.

Mr. Gillis has had 11 years of extensive experience in sales, marketing and management for Union Carbide prior to the Kamine Group. He initiated several new geographic expansions through innovative marketing and sales programs. Additionally, he was responsible for bringing to market several successful value-added services that enhanced overall customer value, and became the recognized commercial application throughout the industry. As Divisional Sales Manager, he provided management with expansion feasibility and implemented the plan. He increased the number of service locations by 60%, and became a Quality Control facilitator for a major company-wide quality initiative.

Tom Drolet - *Director of Engineering and Operations*

Prior to joining KMC, Mr. Drolet was Director of Engineering and Operations for Metronet, Inc., where he was responsible for all engineering and CAD activities in the company's telecommunications and CATV divisions.

Immediately preceding his tenure at Metronet, Mr. Drolet held various management positions at MCImetro, where he was responsible for all Outside Plant Engineering activities in the east and central regions of the country. Mr. Drolet played a key role in MCImetro's successful and rapid expansion into the CAP market with the development of 40 Sonet Ring networks between January 1994 and October 1995.

During the five years Mr. Drolet spent with MCImetro, and his additional five years with MCI Telecommunications, he has gained a wealth of experience in all aspects of Outside Plant

Engineering in managing the feasibility, development, and implementation of 300 mile long-haul projects, to small area networks for various clients throughout the United States.

I-NET

KMC Telecom Inc. ("KMC") has contracted with I-NET, Inc. ("I-NET") for the network design, implementation, operations and maintenance of all networks operated by KMC. In this role, I-NET acts as the technical integrator of KMC's SONET-based, fiber backbone networks which employ the latest in SONET transmission equipment, digital cross connect systems and network management systems to ensure delivery of state-of-the-art, reliable, digital services to KMC's customers.

I-NET is a privately owned, Bethesda, Maryland-based, networking and telecommunications solutions provider that provides voice, data, and video network support for customers worldwide. Its staff of over 4000 professionals, located in offices in 30 states and overseas in Europe, Asia and South America, has extensive experience in the design, implementation, management and operations of all types of local and wide area networks supporting the latest technologies including Frame Relay, Switched Multimegabit Data Service ("SMDS") and Asynchronous Transfer Mode ("ATM"). I-NET's experience in managing large, diverse, global networks is recognized industry wide and has lead to its being selected by many government and commercial clients representing diverse business markets to manage and operate their mission-critical networks. Representative clients include British Petroleum and Haliburton in the energy arena, LSI Logic in manufacturing, Chemical Bank in Financial and DoD, NASA, Commerce, INS, IRS and U.S. Postal Service in the government sector. Founded in 1985 by President and CEO Kavelle Bajaj, I-NET has sustained steady growth since its inception. 1996 revenues are projected to be in excess of $450 million.

EXHIBIT 4

Proposed Tariff

TITLE SHEET
FLORIDA TELECOMMUNICATIONS TARIFF

This tariff contains the rates, rules and regulations governing communication services within the state of Florida provided by KMC Telecom Inc. with principal offices at 1545 Route 206, Bedminster, New Jersey 07921-2567.

Issued:________________ Effective:________________

By: G. Scott Brodey, Sr.
Executive Vice President
KMC Telecom Inc.
994 Explorer Blvd.
Huntsville, AL 35806

CHECK SHEET

The Sheets 1 to 58 are effective as of the date shown. Revised pages as named below contain all changes from the original tariff that are in effect on the date thereof.

SHEET	REVISION	SHEET	REVISION	SHEET	REVISION
1	Original	21	Original	42	Original
2	Original	22	Original	43	Original
3	Original	23	Original	44	Original
4	Original	25	Original	44	Original
5	Original	26	Original	45	Original
6	Original	27	Original	46	Original
7	Original	28	Original	47	Original
8	Original	29	Original	48	Original
9	Original	30	Original	49	Original
10	Original	31	Original	50	Original
11	Original	32	Original	51	Original
12	Original	33	Original	52	Original
13	Original	34	Original	53	Original
14	Original	35	Original	54	Original
15	Original	36	Original	55	Original
16	Original	37	Original	56	Original
17	Original	38	Original	57	Original
18	Original	39	Original	58	Original
19	Original	40	Original		
20	Original	41	Original		

* New or revised

Issued:________________ Effective:________________

By: G. Scott Brodey, Sr.
Executive Vice President
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Huntsville, AL 35806

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Executive Vice President
KMC Telecom Inc.
994 Explorer Blvd.
Huntsville, AL 35806

EXPLANATION OF SYMBOLS

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

D	Delete or Discontinue
I	Change Resulting In An Increase To A Customer's Bill
M	Moved from Another Tariff Location
N	New
R	Change Resulting In A Reduction To A Customer's Bill
T	Change In Text or Regulation But No Change In Rate or Charge

By: G. Scott Brodey, Sr.
Executive Vice President
KMC Telecom Inc.
994 Explorer Blvd.
Huntsville, AL 35806

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 FPSC. For example, the 4th revised Sheet 14 cancels the 3rd revised Sheet 14. Because of various suspension periods, deferrals, etc. the FPSC follows in their tariff approval process, the most current sheet number on file with the Commission is not always the tariff page in effect. Consult the Check Sheet for the sheet currently in effect.

TARIFF FORMAT (cont'd.)

(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 FPSC, 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 this page 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 FPSC.

Certain terms used generally throughout this tariff are described below.

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

Communications Services
The Company's intrastate telephone services offered pursuant to this tariff.

Company
KMC Telecom Inc., the issuer of this tariff.

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

Dedicated Inbound Calls:
Refers to calls that are terminated via dedicated access facilities connecting the Customer's premises and the Company's Point of Presence (POP). This service is offered to the extent facilities are available and where the Company and the Customer jointly arrange for the establishment of dedicated access facilities connecting the Customer's trunk-compatible PBX or other suitable equipment to the Company's POP. The Customer shall be responsible for all costs and charges associated with the dedicated access facilities.

Dedicated Outbound Calls:
Refers to service that is offered to the extent facilities are available in those cases where the Company and the Customer jointly arrange for the establishment of dedicated access facilities connecting the Customer's trunk-compatible PBX or other suitable equipment to the Company's POP. The Customer shall be responsible for all costs and charges associated with the dedicated access facilities.

COMMUNICATIONS SERVICES

Joint User

A person, firm or corporation which is designated by the Customer as a user of services furnished to the Customer by the Company, and to whom a portion of the charges for service will be billed under a joint user arrangement as specified herein.

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.

Recurring Charges

The monthly charges to the Customer for services, facilities and equipment which continue for the agreed upon duration of the service.

Service Commencement Date

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

Service Order

The written request for communications 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.

Shared

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

Shared Inbound Calls:

Refers to calls that are terminated via the Customer's LEC-provided local exchange access line.

Shared Outbound Calls:

Refers to calls in Feature Group D exchanges whereby the Customer's local telephone lines are presubscribed by the local exchange company to the Company's outbound service such that "1 + 10-digit number" calls are automatically routed to the Company's network. Calls to stations within the Customers LATA may be placed by dialing " 10 + NXX" or "101XXXX" + 10-digit number.

User

A Customer, Joint User, or any other person authorized by the Customer to use service provided under this tariff.

2.1 Undertaking of the Company

2.1.1 Application

(A) This tariff applies to intrastate communications services furnished by KMC Telecom Inc. to business customers within the State of Florida in accordance with the conditions set forth below. This tariff applies only for the use of the Company's services for communications between and among points within the State of Florida. These services may be provided in conjunction with the Company's interstate telecommunications services which are provided under the Company's Federal tariff.

(B) Services offered under this tariff are not offered for the purpose of completing calls between two points within the same local calling area or metropolitan exchange area, as defined in the tariffs of the Local Exchange Telecommunications Company or Companies serving those points.

(C) Presubscribed services are provided from all converted equal access end offices within the State of Florida where the Company has a point of presence (POP) within the LATAs. Other products will be provided in areas as specified for each product in Section 4 of this tariff.

(D) The operator services are furnished to authorized users of the Company's MTS service and to users accessing public telephones presubscribed to the Company and to patrons, patients, students, and other authorized users of the station telephone or other facilities of privately owned coin operated telephone station providers, hotels, motels, hospitals, airports, colleges, universities, and other customers.

2.1 Undertaking of the Company (cont'd.)

2.1.2 Scope

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

2.1.3 Shortage of Facilities

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

2.1.4 Terms and Conditions

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

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

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2.1 Undertaking of the Company (cont'd.)

2.1.4 Terms and Conditions (cont'd.)

(C) At the expiration of the initial term specified in each Service Order, or in any extension thereof, service shall continue on a month-to-month basis at the current rates unless terminated by either party upon 30 days written notice. Any termination shall not relieve Customer of its obligation to pay any charges incurred under the Service Order and this tariff prior to termination. The rights and obligations which by their nature extend beyond the termination of the term of the Service Order shall survive such termination.

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

(E) This tariff shall be interpreted and governed by the laws of the State of Florida without regard for its choice of laws provision.

2.1 Undertaking of the Company (cont'd.)

2.1.5 Liability of the Company

(A) Except as otherwise stated in this Tariff, the liability of the Company for damages arising out of the furnishing of its Services, including but not limited to mistakes, omissions, interruptions, delays, or errors, or other defects, representations, or use of these services or arising out of the failure to furnish the service, whether caused by acts or omission, shall be limited to the extension of allowances for interruption as set forth in Section 2.8. 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 the Customer as a result of any Company service, equipment or facilities, or any acts or omissions or negligence of the Company's employees or agents.

(B) The Company shall not be liable for any delay or failure of performance or 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, 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 materials; or strikes, lock-outs, work stoppages, or other labor difficulties.

2.1 Undertaking of the Company (cont'd.)

2.1.5 Liability of the Company (cont'd.)

(C) The Company shall not be liable for (a) any act or omission of any entity furnishing to the Company or to the Company's Customers facilities or equipment used for interconnection with Network Services; or (b) for the acts or omissions of common carriers or warehousemen.

(D) 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 equipment or facilities provided by the Customer or third parties.

2.1 Undertaking of the Company (cont'd.)

2.1.5 Liability of the Company (cont'd.)

(E) 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 and all loss, claims, demands, suits, or other action, or any liability whatsoever, whether suffered, made, instituted, or asserted by any other party or person(s), and for any loss, damage, or destruction of any property, whether owned by the Customer or others, caused or claimed to have been caused directly or indirectly by the installation, operation, failure to operate, maintenance, removal, presence, condition, location, or use of any installation so provided. The Company reserves the right to require each Customer to sign an agreement acknowledging acceptance of the provisions of this Section 2.1.5(E) as a condition precedent to such installations.

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

(G) The Company shall be indemnified, defended and held harmless by the Customer from and against all loss, liability, damage and expense, including reasonable counsel fees, due to claims for libel, slander, invasion of privacy or infringement of copyright in connection with the material transmitted over the Company's facilities; and any other claim resulting from any act or omission of the Customer or patron(S) of the Customer relating to the use of the Company's facilities.

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2.1 Undertaking of the Company (Cont'd.)

2.1.5 Liability of the Company (Cont'd.)

(H) The entire liability for any claim, loss, damage or expense from any cause whatsoever shall in no event exceed sums actually paid the Company by the Customer for the specific services in the month in which the event giving rise to the liability occurred. No action or proceeding against the Company shall be commenced more than one year after the event giving rise to the liability occurred.

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

(J) The Company shall indemnify, defend, and hold harmless the Customer from and against all claims, actions, damages, liabilities, costs and expenses, including reasonable attorneys' fees, for any injury to persons or property, and any interruption of, interference to, or other defect in any service provided by the Company to any third party, if such injury, interruption, interference, or other defect was not caused by any negligent or intentional act or omission of the Customer or any of its officers, employees, agents, invitees, or contractors.

2.1 Undertaking of the Company (cont'd.)

2.1.6 Provision of Equipment and Facilities

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

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

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

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

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

2.1.7 Ownership of Facilities

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

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2.2 Prohibited Uses

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

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

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

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

2.3 Obligations of the Customer

2.3.1 Customer Premises Provisions

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

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

2.3.2 Liability of the Customer

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

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

2.3 Obligations of the Customer

2.3.2 Liability of the Customer

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

2.4 Customer Equipment and Channels

2.4.1 Interconnection of Facilities

(A) Interconnection between Customer-provided and Company-provided service must be made by the Customer's purchase of dedicated access lines or through the use of LEC-provided switched access service.

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

By: G. Scott Brodey, Sr.
Executive Vice President
KMC Telecom Inc.
994 Explorer Blvd.
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2.4 Customer Equipment and Channels (cont'd.)

2.4.2 Inspections

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

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

2.5 Advance Payments

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

2.6 Customer Deposits

The company will not request customer deposits.

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2.7 Payment Arrangements

2.7.1 Payment for Service

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

(A) Taxes

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

2.7.2 Billing and Collection of Charges

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

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

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

By: G. Scott Brodey, Sr.
Executive Vice President
KMC Telecom Inc.
994 Explorer Blvd.
Huntsville, AL 35806

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By:

G. Scott Brodey, Sr.
Executive Vice President
KMC Telecom Inc.
994 Explorer Blvd.
Huntsville, AL 35806

2.7 Payment Arrangements (Cont'd.)

2.7.2 Billing and Collection of Charges (Cont'd.)

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

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

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

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

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

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

2.7 Payment Arrangements (Cont'd.)

2.7.2 Billing and Collection of Charges (Cont'd.)

(G) Customers have up to 90 days (commencing 5 days after remittance of the bill) to initiate a dispute over charges or to receive credits.

(H) If service is disconnected by the Company in accordance with section 2.7.3 following and later restored, restoration of service will be subject to all applicable installation charges.

2.7.3 Discontinuance of Service for Cause

(A) Upon nonpayment of any amounts owing to the Company, the Company may, by giving 24 hours prior written notice to the Customer, discontinue or suspend service without incurring any liability.

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

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

2.7 Payment Arrangements (Cont'd.)

2.7.3 Discontinuance of Service for Cause (cont'd.)

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

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

(F) In the event of fraudulent use of the Company's network, the Company may without notice suspend or discontinue service. The Customer will be liable for all related costs as set forth in Section 2.10 of this tariff. The Customer will also be responsible for payment of any reconnection charges.

(G) Upon the Company's discontinuance of service to the Customer under Section 2.7.3(A) or 2.7.3(B), the Company, in addition to all other remedies that may be available to the Company at law or in equity or under any other provision of this tariff, may declare all future monthly and other charges which would have been payable by the Customer during the remainder of the term for which such services would have otherwise been provided to the Customer to be immediately due and payable (discounted to present value at six percent).

2.7 Payment Arrangements (Cont'd.)

2.7.3 Discontinuance of Service for Cause (cont'd.)

(H) The Customer is responsible for providing adequate access lines to enable the Company to terminate all 800 Service calls to the Customer's telephone equipment. Should the Customer have insufficient access lines on which to terminate 800 Service calls, the Company reserves the right to request the Customer to add additional lines for call terminations. If, after 90 days, the Customer has not made the requested change, the Company, without incurring any liability, reserves the right to terminate the Customer's 800 Service, with 30 days written notice.

2.7.4 Notice to Company for Cancellation of Service

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

2.8 Allowances for Interruptions in Service

Interruptions in service, which are not due to the negligence of, or noncompliance with the provisions of this tariff by, the Customer or the operation or malfunction of the facilities, power or equipment provided by the Customer, will be credited to the Customer as set forth in 2.8.1 for the part of the service that the interruption affects.

2.8.1 Credit for Interruptions

(A) 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 period begins when the Customer reports a service, facility or circuit to be interrupted and releases it for testing and repair. An interruption period ends when the service, facility or circuit is operative. If the Customer reports a service, facility or circuit to be inoperative but declines to release it for testing and repair, it is considered to be impaired, but not interrupted.

(B) For calculating credit allowances, every month is considered to have 30 days. A credit allowance is applied on a pro rata basis against the rates specified hereunder and is dependent upon the length of the interruption. Only those facilities on the interrupted portion of the circuit will receive a credit.

By: G. Scott Brodey, Sr.
Executive Vice President
KMC Telecom Inc.
994 Explorer Blvd.
Huntsville, AL 35806

2.8 Allowances for Interruptions in Service (Cont'd.)

2.8.1 Credit for Interruptions (Cont'd.)

(C) A credit allowance will be given for interruptions of 15 minutes or more. Credit allowances shall be calculated as follows:

Interruptions of 24 Hours or Less

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

Two or more interruptions of 15 minutes or more during any one 24-hour period shall be considered as one interruption.

By: G. Scott Brodey, Sr.
Executive Vice President
KMC Telecom Inc.
994 Explorer Blvd.
Huntsville, AL 35806

2.8 Allowances for Interruptions in Service (Cont'd.)

2.8.1 Credit for Interruptions (Cont'd.)

(C) (Cont'd.)

Interruptions Over 24 Hours and Less Than 72 Hours. Interruptions over 24 hours and less than 72 hours will be credited 1/5 day for each 3-hour period or fraction thereof. No more than one full day's credit will be allowed for any period of 24 hours.

Interruptions Over 72 Hours. Interruptions over 72 hours will be credited 2 days for each full 24-hour period. No more than 30 days credit will be allowed for any one month period.

2.8.2 Limitations on Allowances

No credit allowance will be made for interruptions of service:

(A) due to the negligence of, or noncompliance with the provisions of this tariff or contract by, the Customer, authorized user, joint user, or other common carrier providing service connected to the service of the Company;

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

(C) due to the failure or malfunction of non-Company equipment;

(D) 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;

2.8 Allowances for Interruptions in Service (Cont'd.)

2.8.2 Limitations on Allowances (Cont'd.)

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

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

(G) due to circumstances or causes beyond the control of Company; and

(H) that occur or continue due to the Customer's failure to authorize replacement of any element of special construction.

2.8.3 Cancellation For Service Interruption

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

2.9 Cancellation of Service/Termination Liability

If a Customer cancels a Service Order or terminates services before the completion of the term for any reason whatsoever other than a service interruption (as defined in Section 2.8.1), Customer agrees to pay to Company termination liability charges, which are defined below. These charges shall become due and owing as of the effective date of the cancellation or termination and be payable within the period set forth in Section 2.7.2.

2.9 Cancellation of Service/Termination Liability (Cont'd.)

2.9.1 Termination Liability

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

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

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

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

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

2.10 Customer Liability for Unauthorized Use of the Network

2.10.1 Unauthorized Use of the Network

Unauthorized use of the Network occurs when a person or entity that does not have actual, apparent, or implied authority to use the Network, obtains the Company's services provided under this tariff.

2.10.2 Liability for Calling Card Fraud

(A) The Customer is liable for the unauthorized use of the Network obtained through the fraudulent use of a Company calling card, provided that the unauthorized use occurs before the Company has been notified.

(B) A Company calling card is a telephone calling card issued by the Company at the Customer's request, which enables the Customer or user(s) authorized by the Customer to place calls over the Network and to have the charges for such calls billed to the Customer's account.

(C) The Customer must give the Company written notice that an unauthorized use of the Company calling card has occurred or may occur as a result of loss, theft or other reasons.

(D) The Customer is responsible for payment of all charges for services furnished to the Customer or to users authorized by the Customer to use service provided under this tariff. This responsibility is not changed due to any use, misuse, or abuse of the Customer's service or Customer-provided equipment by third parties, the Customer's employees, or the public.

2.10 Customer Liability for Unauthorized Use of the Network (cont'd.)

2.10.2 Liability for Calling Card Fraud (cont'd.)

(E) The Customer is liable for all charges incurred as a result of unauthorized use of the Network, including incidental and consequential damages. In addition, the Customer is responsible for payment of any charges related to the suspension and/or termination of service and any charges for reconnection of service.

2.10.3 Liability for Credit Card Fraud and Other Unauthorized Use

(A) The Customer is liable for the unauthorized use of the Network obtained through the fraudulent use of a credit card, provided: (1) the card is an accepted credit card, and (2) the unauthorized use occurs before the Company has been notified.

An accepted credit card is any credit card that a cardholder has requested or applied for and received, or has signed, used, or authorized another person to use to obtain credit. Any credit card issued as an renewal or substitute in accordance with this paragraph is an accepted credit card when received by the cardholder.

(B) The liability of the Customer for unauthorized use of the Network by credit card fraud will not exceed the lesser of $50 or the amount of money, property, labor, or services obtained by the unauthorized user before notification to the Company.

(C) The Customer must give the Company written notice that an unauthorized use of the credit card has occurred.

2.11 Special Conditions Governing Operator Services

2.11.1 Obligations of the Company

In compliance with the Florida Public Service Commission rules and regulations, when providing operator services, the Company will:

(A) Identify itself, audibly, and distinctly, to the customer at the beginning of each call before the customer incurs any charges and also a second time prior to connecting the call before the customer incurs any charges, otherwise referred to as double branding; and

(B) Inform the customer, upon request, of the rates to be charged and explain the method of billing and collection used by the Company at no charge. In addition, explain the methods by which complaints concerning rates, charges, or collection practices will be resolved; and

(C) Permit the customer to terminate the call at no charge before the call is connected; and

(D) Not bill for unanswered or incomplete telephone calls; and

(E) Not engage in call splashing (billing rates other than from the actual call origination) unless the customer requests to be transferred to another provider of operator services, the customer is informed prior to incurring any charges that the rates for the call may not reflect the rates from the actual originating location of the call, and the customer then consents to be transferred; and

2.11 Special Conditions Governing Operator Services

2.11.1 Obligations of the Company (cont'd.)

(F) Withhold payment of any compensation to aggregators if the Company reasonably believes that the aggregator is engaging blocking 800, 950 or any other end user access to the end user's carrier of choice; and

(G) Upon receipt of any emergency telephone call, the Company shall immediately connect the call to the appropriate emergency service of the reported locations of the emergency, if known, and, if not known, of the originating location of the call.

(H) All 0- and 0+ IntraLATA calls are routed to the local exchange company.

2.11 Special Conditions Governing Operator Services (cont'd.)

2.11.2 Requirements of the Aggregator

(A) The aggregator shall display plainly on or in close proximity to all telephones printed documentation (tent cards) notifying the end user of the following:

(1) The name, address and toll-free telephone number of the company providing the operator services;

(2) Operator service provider intralata and interlata rates or how to obtain these rates (collect, credit card, person-to-person, etc.).

(3) A written disclosure that informs the end users that they have a right to obtain access to the carrier of their choice, and that they may contact their preferred carrier for information on accessing that carrier's service using that station telephone.

(4) Intralata and interlata dialing instructions.

(5) Hotel surcharge for local and long distance calls, if any.

(B) An aggregator shall not charge higher rates for calls accessing the operator service provider via 800, 950 or 10XXX access numbers than those rates charged for calls using the presubscribed operator services provider.

3.1 Rates Charged Based on Timing of Calls

Where charges for service are specified based on the timing of calls, such as the duration of a telephone call, the following rules apply:

3.1.1 Calls are measured in durational increments identified for each service. All calls which are fractions of a measurement increment are rounded-up to the next whole unit.

3.1.2 Timing on completed calls begins when the call is answered by the called party. Answering is determined by hardware answer supervision in all cases where this signaling is provided by the terminating local carrier and any intermediate carrier(s).

3.1.3 Timing terminates on all calls when either party hangs up or the Company's network receives an on-hook signal from the terminating carrier.

3.1.4 Calls originating in one time period and terminating in another will be billed in proportion to the rates in effect during different segments of the call.

3.1.5 All times refer to local time.

3.2 Rates Based Upon Calculation of Distance

Where the charges for service are specified based upon distance, the following rules apply:

3.2.1 Distance between two points is measured as airline distance between the Rate Centers of the originating and terminating telephone lines. The Rate Center is set of geographic coordinated. as referenced in National Exchange Carrier Association, Inc. Tariff FCC No. 4, associated with each NPA-NXX combination (where NPA is the area code and NXX is the first three digits of a seven-digit telephone number). Where their is no telephone number associated with an access line on the Company's network (such as dedicated 800 or WATS access line), the Company will apply the Rate Center of the Customer's main billing telephone number.

3.2.2 The airline distance between any two Rate Centers is determined as follows:

(A) Obtain the "V" (vertical) and "H" (horizontal) coordinates for each Rate Center from the above-referenced NECA tariff.

(B) Compute the difference between the "V" coordinates of the two rate centers; and the difference between the two "H" coordinates.

(C) Square each difference obtained in step (B) above.

By: G. Scott Brodey, Sr.
Executive Vice President
KMC Telecom Inc.
994 Explorer Blvd.
Huntsville, AL 35806

3.2 Application of Rates (cont'd.)

3.2.2 Rates Based Upon Calculation of Distance (cont'd.)

(D) Add the square of the "V" difference and the square of the "H" difference obtained in step (C).

(E) Divide the sum of the squares by 10. Round to the next higher whole number if any fraction is obtained.

(F) Obtain the square root of the whole number result obtained above. Round to the next higher whole number if any fraction is obtained. This is the airline mileage.

(G) Formula = $\sqrt{\dfrac{(V1 - V2)^2 + (H1 - H2)^2}{10}}$

3.3 Minimum Call Completion Rate

A customer can expect a call completion rate (number of calls completed/number of calls attempted) of not less than 99.5% during peak use periods for the Company services.

By: G. Scott Brodey, Sr.
Executive Vice President
KMC Telecom Inc.
994 Explorer Blvd.
Huntsville, AL 35806

3.4 Service Offerings

3.4.1 Message Telecommunications Service (MTS)

Message Telecommunications Service (MTS) is a communications service which is available for use by customers twenty-four (24) hours a day. Customers may originate MTS from locations served by the Company, and may terminate in all locations within the State of Florida. Operator, Calling Card, and Directory Assistance services are available to Customers of the Company's MTS service subject to the provisions of Sections 3.4.3 and 4.3.3 of this tariff.

MTS calls will be billed in 6 second increments with an initial billing period of 18 seconds.

The service is offered in two variations depending upon the method the Customer employs to gain access to the Company's network for use of the service:

Presubscribed MTS is offered in Feature Group D (FGD) exchanges whereby the Customer's local telephone lines are presubscribed by the local exchange company (LEC) to the Company's MTS service, such that "1+" interLATA calls are automatically routed to the Company's network.

Dedicated MTS is offered to the extent facilities are available in those cases where the Company and the Customer jointly arrange for the establishment of dedicated access facilities connecting the Customer's trunk-compatible PBX or other suitable equipment to the Company's POP. The Customer shall be responsible for all costs and charges associated with the dedicated access facilities.

3.4.2 <u>800 Service</u>

800 Service is an inbound communications service which permits calls to be completed at the Customer's location without charge to the calling party. Access to the service is gained by dialing a ten (10) digit telephone number (800+ NXX-XXXX) which will terminate at the Customer's location. Calls may originate from any location within the State of Florida and may terminate at the Customer's location.

800 Service will be billed per call based on the duration of the call. Each call will be billed in 6 second increments with an initial billing period of 30 seconds. Usage discounts apply to aggregate monthly interstate and intrastate usage.

800 Service is offered in two variations depending upon the method the Customer employs to access the Company's network for use of the service:

<u>Presubscribed</u> 800 service calls are originated via normal shared use facilities and are terminated via the Customer's LEC-provided local exchange service access line.

<u>Dedicated</u> 800 service calls are originated via normal shared use facilities and are terminated via dedicated access facilities connecting the Customer's premises and the Company's POP. This service is offered to the extent facilities are available and where the Company and the Customer jointly arrange for the establishment of dedicated access facilities connecting the Customer's trunk-compatible PBX or other suitable equipment to the Company's POP. The Customer shall be responsible for all costs and charges associated with the dedicated access facilities.

3.4.3 Miscellaneous Services

(A) Operator Service

Operator Service is available to users of the Company's MTS service and to users accessing presubscribed public payphones or customer provided stations for operator-assisted calls. In addition to usage charges, each operator call will be assessed a charge(s) as set forth in Section 4.4.1 of this tariff. The methods available to the Customer for accessing the Company's operator depends upon the type of MTS:

Presubscribed MTS users and presubscribed public payphones or customer provided stations may dial "00"; or dial "0+ the called interLATA telephone number (NPA+NXX-XXXX)" for long distance calling assistance from the equal access (FGD) areas.

Dedicated MTS users may dial "00" or "0+".

By: G. Scott Brodey, Sr.
Executive Vice President
KMC Telecom Inc.
994 Explorer Blvd.
Huntsville, AL 35806

3.4 Service Offerings (cont'd.)

3.4.3 Miscellaneous Services (cont'd.)

(A) Operator Service (cont'd.)

Time Periods

Day, Evening, Night, and Weekend rates apply as follows:

Time Applicable

Rates	From	To But Not Including	Days Applicable
Day*	8:00 A.M.	5:00 P.M.	Mon. - Fri.
Evening	5:00 P.M.	11:00 P.M.	Sun. - Fri.
Night	11:00 P.M.	8:00 A.M.	Every day
Weekend	8:00 A.M.	11:00 P.M.	Saturday
Weekend	8:00 A.M.	5:00 P.M.	Sunday

*Rates Applicable on Certain Holidays:

Holidays include: New Year's Day (January 1), Independence Day (July 4), Labor Day (the first Monday in September), Thanksgiving Day (the fourth Thursday in November), and Christmas Day (December 25).

3.4 Service Offerings (cont'd.)

3.4.3 Miscellaneous Services (cont'd.)

(B) KMC Calling Card Service

KMC Calling Card Service is provided to Customers for use when away from their established service location. Access to the service is gained by dialing a Company designated 800 access number (800-NXX-XXXX), plus the Customer's/ User's KMC Calling Card authorization number and the called telephone number. The service includes a Customer-programmable speed dialing capability for up to eight telephone numbers, and a capability whereby a Customer may establish 2-to-6 digit, verified or unverified accounting codes for use with the KMC Calling Card at no additional charge.

The KMC Calling Card can also be used to place operator-assisted and directory assistance calls, subject to the application of additional charges.

Beyond these standard features, the KMC Calling card includes the following enhanced features: conference calling, KMC Voice Mail access, voice messaging, and news and information access. Use of these enhanced features is subject to separate charges. KMC Calling Card calls are billed in six second increments, with a one minute minimum. This service is offered with Peak and Off-Peak pricing. A description of the additional features are as follows.

(1) Operator-Assisted Calls

The KMC Calling Card can be used to place KMC operator-assisted calls. Surcharges apply per call, in addition to the standard usage charges.

3.4 Service Offerings (cont'd.)

3.4.3 Miscellaneous Services (cont'd.)

(B) KMC Calling Card Service (cont'd.)

(2) Directory Assistance Calls

The KMC Calling Card can be used to place calls for Directory Assistance. A flat charge will apply per requested number (Requested Number Charge). At the Customer's option, the Company will automatically place a call to the requested number. For calls completed in this manner, a Call Completion Charge and the Standard Usage Charges will apply in addition to the Requested Number Charge.

(3) Enhanced Features Charges

Enhanced features are available for use as described below. Enhanced features charges apply in lieu of standard usage charges. Usage charges are billed in six second increments with a one minute minimum.

(a) Conference Calling

Allows a User to establish a conference call by accessing the conference operator. Charges apply per established line and per minute of usage.

(b) Voice Mail Access

Allows a User to access KMC Voice Mail and to place return calls without having to hang-up and initiate a new calling card call.

3.4 Service Offerings (cont'd.)

3.4.3 Miscellaneous Services (cont'd.)

(B) KMC Calling Card Service (cont'd.)

(3) Enhanced Features Charges (cont'd.)

(c) Voice Messaging

Allows the User to leave up to a three minute voice recorded message that is stored for future delivery when the called number is busy or no answer.

(d) News and Information

Provides access to news, weather, sports, financial information and other features.

(4) Rate Periods

Peak and Off-Peak rate periods are as follows:

Non-Holiday Rate Periods	From	To But Not Including	Days
Peak	8:00 a.m.	5:00 p.m.	Mon-Fri
Off-Peak	5:00 p.m.	8:00 a.m.	Mon-Fri
	8:00 a.m.	8:00 a.m.	Sat-Sun
	8:00 a.m.	8:00 a.m.	Holidays

Holidays: On Christmas Day (Dec. 25), New Years Day (Jan. 1), Memorial Day, Independence Day (July 4), Labor Day (first Monday in Sept.) and Thanksgiving Day (fourth Thursday in Nov.) the Off-Peak Period rate applies unless a lower rate would normally apply.

M - Material on this sheet previously appeared on SHEET 32.2.

3.4 Service Offerings (cont'd.)

3.4.3 Miscellaneous Services (cont'd.)

(C) Bill-to-Calling Card (BCC) Service

Bill-to-Calling Card Service allows users of touch-tone telephones connected to the Company's MTS services to charge calls to their local exchange company (LEC) calling card. In addition to standard MTS, the BCC charge, as set forth in 4.4.3 applies when users complete calls by entering both the called number and their LEC calling card number without the assistance of an operator; in addition, Operator charges will apply as set forth in 4.4.1, if operator assistance is required. For BCC calls to Directory Assistance, the appropriate charges set forth in 4.4.4 will apply in addition. The Company accepts only LEC calling cards which it can identify as valid. Charges for BCC calls will appear on the user's LEC bill.

(D) Directory Assistance (DA)

Company will connect MTS Service Customers to Directory Assistance (DA) for a fee as set forth in Section 4.4.4. A credit allowance for DA will be provided upon request if the Customer experiences poor transmission quality, is cut-off, receives an incorrect telephone number, or misdials the intended DA number (NPA + 555-1212).

3.4 Service Offerings (cont'd.)

3.4.4 Special Promotions

The Company may from time to time engage in special promotional service offerings designed to attract new customers or to increase existing subscribers awareness of a particular tariff offering. These promotions will be approved by the Florida Public Service Commission with specific starting and ending dates, times, and/or locations and under no circumstances run for longer than 90 days in any 12 month period.

3.4.5 Special Service Arrangements

Customer-specific service arrangements, which may include engineering, installation, construction, facilities, assembly and/or other special services, may be furnished in addition to existing tariff offerings. Rates, terms, and conditions plus any additional regulations, if applicable for the special service arrangements will be developed upon the customer's request. Unless otherwise specified, the regulations for the special service arrangements are in addition to the applicable regulations specified in other sections of this tariff. The necessary tariff revisions will be filed to reflect the special service arrangements.

COMMUNICATIONS SERVICES

4.1 Message Telecommunications Service (MTS)

	Dedicated MTS	Presubscribed MTS
		$ .1700
Per minute usage rates:		
20,000 - 40,000	$ .1150	
40,001 - 90,000	$ .1125	
90,001 - +	$ .1100	

4.2 800 Service

	Dedicated 800	Presubscribed 800
		$ .1800
Per minute usage rates:		
20,000 - 40,000	$ .1250	
40,001 - 90,000	$ .1225	T
90,001 - +	$ .1200	

4.2.1 Recurring and Non-Recurring Rates

	Monthly Recurring	Non-Recurring
Shared charge per 800 number	$10.00	$15.00
Dedicated charge per routing arrangement	$40.00	$50.00

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By: G. Scott Brodey, Sr.
Executive Vice President
KMC Telecom Inc.
994 Explorer Blvd.
Huntsville, AL 35806

Section 4 -- RATES (cont'd.)

4.3 Miscellaneous Services

4.3.1 Operator Service

Per minute usage rates:

	DAY		EVENING		NIGHT/WEEKEND	
Rate Mileage	Initial Period	Each Addt'l Minute	Initial Period	Each Addt'l Minute	Initial Period	Each Addt'l Minute
1 - 10	$.1900	$.0900	$.1425	$.0675	$.0950	$.0450
11 - 22	0.2600	0.1600	0.1950	0.1200	0.1350	0.0800
23 - 55	0.2700	0.2180	0.2025	0.1635	0.1550	0.1140
56 - 124	0.2700	0.2200	0.2025	0.1650	0.1585	0.1185
125-292	0.2700	0.2260	0.2025	0.1700	0.1610	0.1235
293-430	0.2700	0.2300	0.2025	0.1725	0.1625	0.1235
431-624	0.2700	0.2350	0.2025	0.1725	0.1660	0.1285

Per call rates:

(A)	Person-to-Person	$ 2.50
(B)	Station-to-Station	$ 1.00
(C)	Operator Dialed Charge (applies in addition to other operator charges)	$ .60
(D)	Busy Line Verification	$ 2.00
(E)	Busy Line Interrupt	$ 3.00

By: G. Scott Brodey, Sr.
Executive Vice President
KMC Telecom Inc.
994 Explorer Blvd.
Huntsville, AL 35806

Section 4 -- RATES (cont'd.)

4.3 Miscellaneous Services (cont'd.)

4.3.2 KMC Calling Card Service

A) Standard Usage Charges
-(per minute of use)

1)	Peak Rate	$0.26
2)	Off-Peak Discount	10%

B) Operator-Assisted Calls

1)	Person-to-Person surcharge	$3.50
2)	Station-to-Station surcharge	$0.60

C) Directory Assistance Calls

1)	Requested Number Charge	$0.60
2)	Call Completion Charge	$0.50

D) Enhanced Feature Charges

1)	Conference Calling	
	per established line	$2.00
	per minute of usage per line	$0.26
2)	Voice Mail Access	
	per minute of usage	$0.26
3)	Voice Messaging	
	per call	$1.50
4)	News and Information	
	per minute of usage	$0.28

4.3.3 BCC Service

BCC Charge	$0.50

4.3.4 Directory Assistance

By: G. Scott Brodey, Sr.
Executive Vice President
KMC Telecom Inc.
994 Explorer Blvd.
Huntsville, AL 35806

COMMUNICATIONS SERVICES

Per requested number	$0.60

Issued:________________ Effective:________________

By: G. Scott Brodey, Sr.
Executive Vice President
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4.4 Exemptions and Special Rates

4.4.1 Discounts for Hearing Impaired Customers

A telephone toll message which is communicated using a telecommunications device for the deaf (TDD) by properly certified hearing or speech impaired persons or properly certified business establishments or individuals equipped with TDDs for communicating with hearing or speech impaired persons will receive, upon request, credit on charges for certain intrastate toll calls placed between TDDs. The credit to be given on a subsequent bill for such calls placed between TDDs will be equal to applying the evening rate during business day hours and the night/weekend rate during the evening rate period. Discounts do not apply to surcharges or per call add on charges for operator service when the call is placed by a method that would normally incur the surcharge.

4.4.2 Operator Assistance for Handicapped Persons

Operator station surcharges will be waived for operator assistance provided to a caller who identified him or herself as being handicapped and unable to dial the call because of a handicap.

4.4.3 Directory Assistance for Handicapped Persons

There is no charge for Directory Assistance for the first 50 calls in a monthly billing period from handicapped persons. Such persons must contact the Company for credit on their directory assistance calls.

4.4 Exemptions and Special Rates

4.4.4 Discounts for Telecommunications Relay Service

For intrastate toll calls received from the telecommunications relay service, there will be a 50 percent discount off the applicable rate for a voice non relay call except that where either the calling or called party indicates that either party is both hearing and visually impaired, the call will be discounted 60 percent off the applicable rate for a voice non relay call. The above discounts apply only to time-sensitive elements of a charge for the call and shall not apply to per call charges such as a credit card surcharge.