

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Request by BellSouth Telecommunications, Inc. for approval of amendment to interconnection, unbundling, and resale agreement with KMC Telecom II, Inc. pursuant to Sections 251, 252, and 271 of the Telecommunications Act of 1996.

DOCKET NO. 981625-TP  
ORDER NO. PSC-99-0132-FOF-TP  
ISSUED: January 25, 1999

The following Commissioners participated in the disposition of this matter:

JOE GARCIA, Chairman  
J. TERRY DEASON  
SUSAN F. CLARK  
JULIA L. JOHNSON  
E. LEON JACOBS, JR.

ORDER APPROVING AMENDMENT TO EXISTING  
INTERCONNECTION, UNBUNDLING, AND RESALE AGREEMENT

BY THE COMMISSION:

On November 17, 1998, BellSouth Telecommunications, Inc., (BellSouth) and KMC Telecom II, Inc. (KMC II) filed a request for approval of an amendment to their existing interconnection, unbundling and resale agreement pursuant to 47 U.S.C. §252(e) of the Telecommunications Act of 1996 (the Act). The amendment to the existing agreement is attached to this Order as Attachment A and incorporated by reference herein.

Both the Act and Chapter 364, Florida Statutes, encourage parties to enter into negotiated agreements to bring about local exchange competition as quickly as possible. Under the requirements of 47 U.S.C. § 252(e), negotiated agreements must be submitted to the state commission for approval. Section 252(e)(4) requires the state to reject or approve the agreement within 90 days after submission or it shall be deemed approved.

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The existing agreement governs the relationship between the companies regarding local interconnection and the exchange of traffic pursuant to 47 U.S.C. § 251. Upon review of the proposed amendment to the existing agreement, we believe that it complies with the Telecommunications Act of 1996; thus, we hereby approve it. The Commission's approval of this agreement should not be construed as a determination that BellSouth has met the requirements of Section 271 of the Act. BellSouth and KMC II are also required to file any subsequent supplements or modifications to their agreement with the Commission for review under the provisions of 47 U.S.C. § 252(e).

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the amendment to the existing interconnection, unbundling and resale agreement between BellSouth Telecommunications, Inc. and KMC Telecom II, Inc., as set forth in Attachment A and incorporated by reference in this Order, is hereby approved. It is further -

ORDERED that any supplements or modifications to this agreement must be filed with the Commission for review under the provisions of 47 U.S.C. § 252(e). It is further

ORDERED that this Docket shall be closed.

By ORDER of the Florida Public Service Commission, this 25th day of January, 1999.

BLANCA S. BAYÓ, Director  
Division of Records and Reporting

By: Kay Flynn  
Kay Flynn, Chief  
Bureau of Records

( S E A L )

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Any party adversely affected by the Commission's final action in this matter may request: 1) reconsideration of the decision by filing a motion for reconsideration with the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or 2) judicial review in Federal district court pursuant to the Federal Telecommunications Act of 1996, 47 U.S.C. § 252(e)(6).

**Amendment V-A to Master Interconnection Agreement Between  
KMC II Telecom, Inc. and BellSouth Telecommunications, Inc.  
Regarding the Sale of BellSouth Telecommunications, Inc. Services to  
KMC-II Telecom, Inc. for the Purposes of Resale**

PURSUANT TO THIS AMENDMENT ("the Amendment"), BellSouth Telecommunications, Inc. ("BellSouth") and KMC-II Telecom, Inc. ("KMC II") hereinafter referred to collectively as the "Parties" hereby agree to amend that certain Interconnection Agreement between the Parties dated February 24, 1997 ("Interconnection Agreement").

NOW THEREFORE, for and in consideration of the mutual provisions contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, BellSouth and KMC II hereby covenant and agree as follows:

**I. Term of the Agreement**

A. The term of this Agreement shall be consistent with the term set forth in Section 21.0 of the Interconnection Agreement.

B. The rates pursuant to which KMC II is to purchase services from BellSouth for resale shall be at a discount rate off of the retail rate for the telecommunications service. The discount rates shall be as set forth in Exhibit A, attached hereto and incorporated herein by this reference and are effective September 1, 1997.

**II. Definition of Terms**

A. **CUSTOMER OF RECORD** means the entity responsible for placing application for service; requesting additions, rearrangements, maintenance or discontinuance of service; payment in full of charges incurred such as non-recurring, monthly recurring, toll, directory assistance, etc.

B. **DEPOSIT** means assurance provided by a customer in the form of cash, surety bond or bank letter of credit to be held by the Company.

C. **END USER** means the ultimate user of the telecommunications services.

D. **END USER CUSTOMER LOCATION** means the physical location of the premises where an end user makes use of the telecommunications services.

E. **NEW SERVICES** means functions, features or capabilities that are not currently offered by BellSouth. This includes packaging of existing services or combining a new function, feature or capability with an existing service.

F. **OTHER LOCAL EXCHANGE COMPANY (OLEC)** means a telephone company certificated by the public service commissions of the Company's franchised area to provide local exchange service within the Company's franchised area.

G. **RESALE** means an activity wherein a certificated OLEC, such as KMC II subscribes to the telecommunications services of the Company and then reoffers those telecommunications services to the public (with or without "adding value").

H. **RESALE SERVICE AREA** means the area, as defined in a public service commission approved certificate of operation, within which an OLEC, such as KMC II, may offer resold local exchange telecommunications service.

### III. General Provisions

A. KMC II may resell the tariffed local exchange and toll telecommunications services of BellSouth contained in the General Subscriber Service Tariff and Private Line Service Tariff subject to the terms, and conditions specifically set forth herein. Notwithstanding the foregoing, the exclusions and limitations on services available for resale will be as set forth in Exhibit B, attached hereto and incorporated herein by this reference. In addition, KMC II may not purchase telecommunications services at the wholesale rate for its own use.

BellSouth shall make available telecommunications services for resale at the rates set forth in Exhibit A to this agreement and subject to the exclusions and limitations set forth in Exhibit B to this agreement. It does not however waive its rights to appeal or otherwise challenge any decision regarding resale that resulted in the discount rates contained in Exhibit A or the exclusions and limitations contained in Exhibit B. BellSouth reserves the right to pursue any and all legal and/or equitable remedies, including appeals of any decisions. If such appeals or challenges result in changes in the discount rates or exclusions and limitations, the parties agree that appropriate modifications to this Agreement will be made promptly to make its terms consistent with the outcome of the appeal.

B. The provision of services by the Company to KMC II does not constitute a joint undertaking for the furnishing of any service.

C. KMC II will be the customer of record for all services purchased from BellSouth. Except as specified herein, the Company will take orders from, bill and expect payment from KMC II for all services.

D. KMC II will be the Company's single point of contact for all services purchased pursuant to this Agreement. The Company shall have no contact with the end user except to the extent provided for herein.

E. The Company will continue to bill the end user for any services that the end user specifies it wishes to receive directly from the Company.

F. Each party maintains the right to serve directly any end user within the service area of the other party. Each party will continue to directly market its own telecommunications products and services and in doing so may establish independent relationships with end users of the other party.

G. Neither Party shall interfere with the right of any person or entity to obtain service directly from the other Party.

H. Telephone numbers are assigned to the service furnished. KMC II has no property right to the telephone number or any other call number designation associated with services furnished by the Company, and no right to the continuance of service through any particular central office. The Company reserves the right to change such numbers, or the central office designation associated with such numbers, or both, whenever the Company deems it necessary to do so in the conduct of its business. The Company agrees to treat numbers associated with resold services in the same manner as it treats numbers it provides to its end users. Telephone numbers transmitted via any resold service features are intended solely for the use of the end user of the feature. Unless otherwise agreed, resale of this information is prohibited.

- I. The Company may provide any service or facility for which a charge is not established herein, as long as it is offered on the same terms to KMC II.
- J. Service is furnished subject to the condition that it will not be used for any unlawful purpose.
- K. Service will be discontinued if any law enforcement agency advises that the service being used is in violation of the law.
- L. The Company can refuse service when it has grounds to believe that service will be used in violation of the law.
- M. The Company accepts no responsibility to any person for any unlawful act committed by KMC II or its end users as part of providing service to KMC II for purposes of resale or otherwise.
- N. The Company will cooperate fully with law enforcement agencies with subpoenas and court orders for assistance with the Company's customers. Law enforcement agency subpoenas and court orders regarding end users of KMC II will be directed to KMC II. The Company will bill KMC II for implementing any requests by law enforcement agencies regarding KMC II end users.
- O. The characteristics and methods of operation of any circuits, facilities or equipment provided by any person or entity other than the Company shall not:
1. Interfere with or impair service over any facilities of the Company, its affiliates, or its connecting and concurring carriers involved in its service;
  2. Cause damage to their plant;
  3. Impair the privacy of any communications; or
  4. Create hazards to any employees or the public.
- P. KMC II assumes the responsibility of notifying the Company regarding less than standard operations with respect to services provided by KMC II.
- Q. Facilities and/or equipment utilized by BellSouth to provide service to KMC II remain the property of BellSouth.
- R. White page directory listings will be provided in accordance with regulations set forth in Section A6 of the General Subscriber Service Tariff and will be available for resale.
- S. BellSouth will provide customer record information to the KMC II provided the KMC II has the appropriate Letter(s) of Authorization. BellSouth may provide customer record information via one of the following methods: US mail, fax, or by electronic interface. BellSouth will provide customer record information via US mail if a single

record is twenty (20) pages or more. BellSouth will provide customer record information via US mail or fax on an interim basis only.

KMC II agrees to compensate BellSouth for any reasonable and demonstrable BellSouth incurred expenditures associated with providing such information to KMC II. KMC II will adopt and adhere to the BellSouth guidelines associated with each method of providing customer record information.

T. BellSouth's messaging services may be made available for resale subject to the execution of BellSouth's Messaging Agreement and without the wholesale discount.

U. BellSouth's Inside Wire Maintenance Plans may be made available for resale at rates, terms and conditions as set forth by BellSouth and without the wholesale discount.

#### IV. BellSouth's Provision of Services to KMC II

A. KMC II agrees that its resale of BellSouth services shall be as follows:

1. The resale of telecommunications services shall be limited to users and uses conforming to the class of service restrictions.
2. To the extent KMC II is a telecommunications carrier that serves greater than 5 percent of the Nation's presubscribed access lines, KMC II shall not jointly market its interLATA services with the telecommunications services purchased from BellSouth pursuant to this Agreement in any of the states covered under this Agreement. For the purposes of this subsection, to jointly market means any advertisement, marketing effort or billing in which the telecommunications services purchased from BellSouth for purposes of resale to customers and interLATA services offered by KMC II are packaged, tied, bundled, discounted or offered together in any way to the end user. Such efforts include, but are not limited to, sales referrals, resale arrangements, sales agencies or billing agreements. This subsection shall be void and of no effect for a particular state covered under this Agreement as of February 8, 1999 or on the date BellSouth is authorized to offer interLATA services in that state, whichever is earlier.
3. Hotel and Hospital PBX service are the only telecommunications services available for resale to Hotel/Hotel and Hospital end users, respectively. Similarly, Access Line Service for Customer Provided Coin Telephones is the only local service available for resale to Independent Payphone Provider (IPP) customers. Shared Tenant Service customers can only be sold those telecommunications services available in the Company's A23 Shared Tenant Service Tariff. This provision does not preclude KMC II from providing additional services to Hotels/Hotels and Hospitals that do not violate tariff class of service restrictions and/or the terms and conditions of this Agreement.
4. KMC II is prohibited from furnishing both flat and measured rate service on the same business premises to the same subscribers (end users) as stated in A2 of the Company's Tariff except for backup service as indicated in the applicable state tariff Section A3.
5. If telephone service is established and it is subsequently determined that the class of service restriction has been violated, KMC II will be notified and billing for that service will be immediately changed to the appropriate class of service. Service charges for changes between class of service, back billing, and interest as described in this subsection shall apply at the Company's sole discretion. Interest at a rate as

set forth in Section A2 of the General Subscriber Service Tariff and Section B2 of the Private Line Service Tariff for the applicable state, compounded daily for the number of days from the back billing date to and including the date that KMC II actually makes the payment to the Company may be assessed.

6. The Company reserves the right to periodically audit services purchased by KMC II to establish authenticity of use. Such audit shall not occur more than once in a calendar year. KMC II shall make any and all records and data available to the Company or the Company's auditors on a reasonable basis. The Company shall bear the cost of said audit.

B. Resold services can only be used in the same manner as specified in the Company's Tariff. Resold services are subject to the same terms and conditions as are specified for such services when furnished to an individual end user of the Company in the appropriate section of the Company's Tariffs.

C. KMC II may resell services only within the specific resale service area as defined in its certificate.

D. Telephone numbers transmitted via any resold service feature are intended solely for the use of the end user of the feature. Resale of this information is prohibited.

E. No patent, copyright, trademark or other proprietary right is licensed, granted or otherwise transferred by this Agreement. KMC II is strictly prohibited from any use, including but not limited to sales, marketing or advertising, of any BellSouth name or trademark.

V. Maintenance of Services

A. Both Parties agree to work cooperatively to develop a maintenance and installation interface process.

B. Services resold under the Company's Tariffs and facilities and equipment provided by the Company shall be maintained by the Company.

C. KMC II or its end users may not rearrange, move, disconnect, remove or attempt to repair any facilities owned by the Company, other than by connection or disconnection to any interface means used, except with the written consent of the Company.

D. KMC II accepts responsibility to notify the Company of situations that arise that may result in a service problem.

E. KMC II will be the Company's single point of contact for all repair calls on behalf of KMC II's end users. The parties agree to provide one another with toll-free contact numbers for such purposes.

F. KMC II will contact the appropriate repair centers in accordance with procedures established by the Company.

G. For all repair requests, KMC II accepts responsibility for adhering to the Company's prescreening guidelines prior to referring the trouble to the Company.



H. The Company will bill KMC II for handling troubles that are found not to be in the Company's network pursuant to its standard time and material charges. The standard time and material charges will be no more than what BellSouth charges to its retail customers for the same services.

I. The Company reserves the right to contact KMC II's customers, if deemed necessary, for maintenance purposes. The Company shall not market its own services during contact with KMC II's end users while performing its obligations under this agreement.

#### VI. Establishment of Service

A. After receiving certification as a local exchange company from the appropriate regulatory agency, KMC II will provide the appropriate Company service center the necessary documentation to enable the Company to establish a master account for KMC II. Such documentation shall include the Application for Master Account, proof of authority to provide telecommunications services, an Operating Company Number ("OCN") assigned by the National Exchange Carriers Association ("NECA") and a tax exemption certificate, if applicable. When necessary deposit requirements are met, the Company will begin taking orders for the resale of service.

B. Service orders will be in a standard format designated by the Company and will adhere to approved industry standards.

C. When notification is received from KMC II that a current customer of the Company will subscribe to KMC II's service, standard service order intervals for the appropriate class of service will apply. The standard service ordering intervals will be the same intervals that apply to end users of the Company.

D. The Company will not require end user confirmation prior to establishing service for KMC II's end user customer. KMC II must, however, be able to demonstrate end user authorization upon request.

E. KMC II will be the single point of contact with the Company for all subsequent ordering activity resulting in additions or changes to resold services except that the Company will accept a request directly from the end user for conversion of the end user's service from KMC II to the Company or will accept a request from another OLEC for conversion of the end user's service from the KMC II to the other LEC. The Company will notify KMC II that such a request has been processed.

F. If the Company determines that an unauthorized change in local service to KMC II has occurred, the Company will reestablish service with the appropriate local service provider and will assess KMC II as the OLEC initiating the unauthorized change, the unauthorized change charge described in F.C.C. Tariff No. 1, Section 13. Appropriate nonrecurring charges, as set forth in Section A4. of the General Subscriber Service Tariff, will also be assessed to KMC II. These charges can be adjusted if KMC II provides satisfactory proof of authorization. Similarly, if KMC II determines that an unauthorized change of a KMC II end user to the Company has occurred, the Company will reestablish the end user's service with KMC II and will credit KMC II an amount equal to the above described charge.

G. The Company may, in order to safeguard its interest, require KMC II to make a deposit to be held by the Company as a guarantee of the payment of rates and charges, unless satisfactory credit has already been established. Any such deposit may be held during the continuance of the service as security for the payment of any and all amounts accruing for the service.

H. Such deposit may not exceed two months' estimated billing.

I. The fact that a deposit has been made in no way relieves KMC II from complying with the Company's regulations as to advance payments and the prompt payment of bills on presentation nor does it constitute a waiver or modification of the regular practices of the Company providing for the discontinuance of service for non-payment of any sums due the Company.

J. The Company reserves the right to increase the deposit requirements when, in its sole judgment, the conditions justify such action.

K. In the event that KMC II defaults on its account, service to KMC II will be terminated and any deposits held will be applied to its account.

L. In the case of a cash deposit, interest at the rate of six percent per annum shall be paid to KMC II during the continuance of the deposit. Interest on a deposit shall accrue annually and, if requested, shall be annually credited to KMC II by the accrual date.

#### VII. Payment And Billing Arrangements

A. When the initial service is ordered by KMC II, the Company will establish an accounts receivable master account for KMC II.

B. The Company shall bill KMC II on a current basis all applicable charges and credits.

C. Payment of all charges will be the responsibility of KMC II. KMC II shall make payment to the Company for all services billed. The Company is not responsible for payments not received by KMC II from KMC II's customer. The Company will not become involved in billing disputes that may arise between KMC II and its customer. Payments made to the Company as payment on account will be credited to an accounts receivable master account and not to an end user's account.

D. The Company will render bills each month on established bill days for each of KMC II's accounts.

E. The Company will bill KMC II, in advance, charges for all services to be provided during the ensuing billing period except charges associated with service usage, which charges will be billed in arrears. Charges will be calculated on an individual end user account level, including, if applicable, any charges for usage or usage allowances. BellSouth will also bill all charges, including but not limited to 911 and E911 charges, telecommunications relay charges, and franchise fees, to KMC II.

F. The payment will be due by the next bill date (i.e., same date in the following month as the bill date) and is payable in immediately available funds. Payment is considered to have been made when received by the Company.

If the payment due date falls on a Sunday or on a Holiday which is observed on a Monday, the payment due date shall be the first non-Holiday day following such Sunday or Holiday. If the payment due date falls on a Saturday or on a Holiday which is observed on Tuesday, Wednesday, Thursday, or Friday, the payment due date shall be the last non-Holiday day preceding such Saturday or Holiday. If payment is not received by the payment due date, a late payment penalty, as set forth in I. following, shall apply.

G. Upon proof of tax exempt certification from KMC II, the total amount billed to KMC II will not include any taxes due from the end user. KMC II will be solely responsible for the computation, tracking, reporting and payment of all federal, state and/or local jurisdiction taxes associated with the services resold to the end user.

H. As the customer of record, KMC II will be responsible for, and remit to the Company, all charges applicable to its resold services for emergency services (E911 and 911) and Telecommunications Relay Service (TRS) as well as any other authorized charges of a similar nature.

I. If any undisputed portion of the payment is received by the Company after the payment due date as set forth preceding, or if any portion of the payment is received by the Company in funds that are not immediately available to the Company, 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 payment due date times a late factor. The late factor shall be as set forth in Section A2 of the General Subscriber Service Tariff and Section B2 of the Private Line Service Tariff.

J. Any switched access charges associated with interexchange carrier access to the resold local exchange lines will be billed by, and due to, the Company. No additional charges are to be assessed to KMC II.

K. The Company will not perform billing and collection services for KMC II as a result of the execution of this Agreement. All requests for billing services should be referred to the appropriate entity or operational group within the Company.

L. Pursuant to 47 CFR Section 51.617, the Company will bill KMC II end user common line charges identical to the end user common line charges the Company bills its end users.

M. In general, the Company will not become involved in disputes between KMC II and KMC II's end user customers over resold services. If a dispute does arise that cannot be settled without the involvement of the Company, KMC II shall contact the designated Service Center for resolution. The Company will make every effort to assist in the resolution of the dispute and will work with KMC II to resolve the matter in as timely a manner as possible. KMC II may be required to submit documentation to substantiate the claim.

#### VIII. Discontinuance of Service

A. The procedures for discontinuing service to an end user are as follows:

1. Where possible, the Company will deny service to KMC II's end user on behalf of, and at the request of, KMC II. Upon restoration of the end user's service, restoral charges will apply and will be the responsibility of KMC II.
2. At the request of KMC II, the Company will disconnect a KMC II end user customer.
3. All requests by KMC II for denial or disconnection of an end user for nonpayment must be in writing.
4. KMC II will be made solely responsible for notifying the end user of the proposed disconnection of the service.

5. The Company will continue to process calls made to the Annoyance Call Center and will advise KMC II when it is determined that annoyance calls are originated from one of their end user's locations. The Company shall be indemnified, defended and held harmless by KMC II and/or the end user against any claim, loss or damage arising from providing this information to KMC II. It is the responsibility of KMC II to take the corrective action necessary with its customers who make annoying calls. Failure to do so will result in the Company's disconnecting the end user's service.
- B. The procedures for discontinuing service to KMC II are as follows:
1. Pursuant to the Section 33.0 of the Interconnection Agreement and upon a determination that KMC II has violated Section 36.4 of the Interconnection Agreement, BellSouth shall reserve the right to discontinue service to KMC II.
  2. The procedures for discontinuing resale service to KMC II shall be as delineated in Sections 21.0, 30.0 and 33.0 of the Interconnection Agreement.

#### **IX. Liability**

- A. The liability of the Company for damages arising out of mistakes, omissions, interruptions, preemptions, delays errors or defects in transmission, or failures or defects in facilities furnished by the Company, occurring in the course of furnishing service or other facilities and not caused by the negligence of KMC II, or of the Company in failing to maintain proper standards of maintenance and operation and to exercise reasonable supervision shall in no event exceed an amount equivalent to the proportionate charge to KMC II for the period of service during which such mistake, omission, interruption, preemption, delay, error or defect in transmission or defect or failure in facilities occur. The Company shall not be liable for damage arising out of mistakes, omission, interruptions, preemptions, delays, errors or defects in transmission or other injury, including but not limited to injuries to persons or property from voltages or currents transmitted over the service of the Company, (1) caused by customer-provided equipment (except where a contributing cause is the malfunctioning of a Company-provided connecting arrangement, in which event the liability of the Company shall not exceed an amount equal to a proportional amount of the Company billing for the period of service during which such mistake, omission, interruption, preemption, delay, error, defect in transmission or injury occurs), or (2) not prevented by customer-provided equipment but which would have been prevented had Company-provided equipment been used.
- B. The Company shall be indemnified and saved harmless by KMC II against any and all claims, actions, causes of action, damages, liabilities, or demands (including the costs, expenses and reasonable attorney's fees, on account thereof) of whatever kind or nature that may be made by any third party as a result of the Company's furnishing of services to KMC II.
- C. The Company shall be indemnified, defended and held harmless by KMC II and/or the end user against any claim, loss or damage arising from the use of services offered for resale involving:
1. Claims for libel, slander, invasion of privacy or infringement of copyright arising from KMC II's or end user's own communications.

2. Claims for patent infringement arising from acts combining or using Company services in connection with facilities or equipment furnished by the end user or KMC II.

3. All other claims arising out of an act or omission of KMC II or its end user in the course of using services.

D. KMC II accepts responsibility for providing access for maintenance purposes of any service resold under the provisions of the appropriate Tariffs. The Company shall not be responsible for any failure on the part of KMC II with respect to any end user of KMC II.

**X. Treatment of Proprietary and Confidential Information**

A. Both parties agree that it may be necessary to provide each other during the term of this Agreement with certain confidential information, including trade secret information, including but not limited to, technical and business plans, technical information, proposals, specifications, drawings, procedures, customer account data and like information (hereinafter collectively referred to as "Information"). Both parties agree that all Information shall either be in writing or other tangible format and clearly marked with a confidential, private or proprietary legend, or, when the Information is communicated orally, it shall also be communicated that the Information is confidential, private or proprietary. The Information will be returned to the owner within a reasonable time. Both parties agree that the Information shall not be copied or reproduced in any form. Both parties agree to receive such Information and not disclose such Information. Both parties agree to protect the Information received from distribution, disclosure or dissemination to anyone except employees of the parties with a need to know such Information and which employees agree to be bound by the terms of this Section. Both parties will use the same standard of care to protect Information received as they would use to protect their own confidential and proprietary Information.

B. Notwithstanding the foregoing, both parties agree that there will be no obligation to protect any portion of the Information that is either: 1) made publicly available by the owner of the Information or lawfully disclosed by a nonparty to this Agreement; 2) lawfully obtained from any source other than the owner of the Information; or 3) previously known to the receiving party without an obligation to keep it confidential.

**XI. Resolution of Disputes**

Except as otherwise stated in this Agreement, the parties agree that if any dispute arises as to the interpretation of any provision of this Agreement or as to the proper implementation of this Agreement, the parties will petition the applicable state Public Service Commission for a resolution of the dispute. However, each party reserves any rights it may have to seek judicial review of any ruling made by that Public Service Commission concerning this Agreement.

**XII. Limitation of Use**

The parties agree that this Agreement shall not be proffered by either party in another jurisdiction as evidence of any concession or as a waiver of any position taken by the other party in that jurisdiction or for any other purpose.

**XIII. Waivers**

Any failure by either party to insist upon the strict performance by the other party of any of the provisions of this Agreement shall not be deemed a waiver of any of the provisions of this Agreement, and each party, notwithstanding such failure, shall have the right thereafter to insist upon the specific performance of any and all of the provisions of this Agreement.

**XIV. Governing Law**

This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Georgia, without regard to its conflict of laws principles.

**XV. Arm's Length Negotiation**

This Agreement was executed after arm's length negotiations between the undersigned parties and reflects the conclusion of the undersigned that this Agreement is in the best interests of all parties.

**XVI. Notices**

A. Every notice, consent, approval, or other communications required or contemplated by this Agreement shall be in writing and shall be delivered in person or given by postage prepaid mail, address to:

BellSouth Telecommunications, Inc.

CLEC Account Team  
600 North 19<sup>th</sup> Street  
9<sup>th</sup> floor  
Birmingham, AL 35203

KMC<sup>II</sup> Telecom, Inc.

Don Menendez  
3075 Breckinridge Boulevard, Suite 415  
Duluth, GA 30136  
(770) 806-4980 Fax (770) 806-4988

or at such other address as the intended recipient previously shall have designated by written notice to the other party.

B. Where specifically required, notices shall be by certified or registered mail. Unless otherwise provided in this Agreement, notice by mail shall be effective on the date it is officially recorded as delivered by return receipt or equivalent, and in the absence of such record of delivery, it shall be presumed to have been delivered the fifth day, or next business day after the fifth day, after it was deposited in the mails.

**XVII. Amendments**

This Agreement may be amended at any time upon written agreement of both parties.

XVIII. Entire Agreement

This Agreement sets forth the entire understanding and supersedes prior agreements between the parties relating to the subject matter contained herein and merges all prior discussions between them, and neither party shall be bound by any definition, condition, provision, representation, warranty, covenant or promise other than as expressly stated in this Agreement or as is contemporaneously or subsequently set forth in writing and executed by a duly authorized officer or representative of the party to be bound thereby.

KMC Telecom, Inc.

BY: 

Signature

NAME: Michael A. Sternberg  
Printed Name

TITLE: President

DATE: September 24, 1998

BellSouth Telecommunications, Inc.

BY: 

Signature

NAME: Jerry Headrix  
Printed Name

TITLE: Director

DATE: 10/1/98

DUPLICATE ORIGINAL

**EXHIBIT "A"**  
**APPLICABLE DISCOUNTS**

The telecommunications services available for purchase by KMC II for the purposes of resale to KMC II end users shall be available at the following discount off of the retail rate.

	<u>DISCOUNT</u>	
<u>STATE</u>	<u>RESIDENCE</u>	<u>BUSINESS</u>
ALABAMA	17%	17%
FLORIDA	21.83%	16.81%
GEORGIA	20.3%	17.3%
KENTUCKY	16.79%	15.54%
LOUISIANA*	20.72%	20.72%
MISSISSIPPI	15.75%	15.75%
NORTH CAROLINA	21.5%	17.6%
SOUTH CAROLINA	14.8%	14.8%
TENNESSEE**	16%	16%

\* Effective as of the Commission's Order in Louisiana Docket No. U-22020 dated November 12, 1996.

\*\* The Wholesale Discount is set as a percentage off the tariffed rates. If OLEC provides its own operator services and directory services, the discount shall be 21.56%. These rates are effective as of the Tennessee Regulatory Authority's Order in Tennessee Docket No. 90-01331 dated January 17, 1997.



**EXHIBIT B**

Type of Service	AL		FL		GA		KY		LA	
	Resale?	Discount?	Resale?	Discount?	Resale?	Discount?	Resale?	Discount?	Resale?	Discount?
1 Grandfathered Services	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
2 Contract Service Arrangements	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes
3 Promotions - > 90 Days	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
4 Promotions - < 90 Days	Yes	No	Yes	No	Yes	No	No	No	Yes	No
5 Lifeline/Link Up Services	Yes	Yes	Yes	Yes	Yes	Yes	No	No	Yes	Yes
6 911/E911 Services	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No
7 N11 Services	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No	No
8 Non-Recurring Charges	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Type of Service	MS		NC		SC		TN	
	Resale?	Discount?	Resale?	Discount?	Resale?	Discount?	Resale?	Discount?
1 Grandfathered Services	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
2 Contract Service Arrangements	Note 5	Note 5	Yes	Yes	Yes	No	Yes	Yes
3 Promotions - > 90 Days	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Note 3
4 Promotions - < 90 Days	Yes	No	Yes	No	Yes	No	No	No
5 Lifeline/Link Up Services	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Note 4
6 911/E911 Services	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
7 N11 Services	No	No	No	No	Yes	Yes	Yes	Yes
8 Non-Recurring Charges	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No

**Additional Comments:**

- 1 Grandfathered services can be resold only to existing subscribers of the grandfathered service.
- 2 Where available for resale, promotions will be made available only to end users who would have qualified for the promotion had it been provided by BellSouth directly.
- 3 In Tennessee, long-term promotions (offered for more than ninety (90) days) may be obtained at one of the following rates:
  - (a) the stated tariff rate, less the wholesale discount;
  - (b) the promotional rate (the promotional rate offered by BellSouth will not be discounted further by the wholesale discount rate)
- 4 Lifeline/Link Up services may be offered only to those subscribers who meet the criteria that BellSouth currently applies to subscribers of these services. In Tennessee, Reseller shall purchase BellSouth's Message Rate Service at the stated tariff rate, less the wholesale discount. Reseller must further discount the wholesale Message Rate Service to LifeLine customers with a discount which is no less than the minimum discount that BellSouth now provides. Reseller is responsible for recovering the Subscriber Line Charge from the National Exchange Carriers Association interstate toll settlement pool just as BellSouth does today. The maximum rate that reseller may charge for LifeLine Service shall be capped at the flat retail rate offered by BellSouth.
- 5 In Mississippi, all Contract Service Arrangements entered into by BellSouth or terminating after the effective date of the Commission Order (3/10/97) will be subject to resale without the wholesale discount. All CSAs which are in place as of the effective date of the Commission order (3/10/97) will not be eligible for resale.
- 6 Some of BellSouth's local exchange and toll telecommunications services are not available in certain central offices and areas.