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P.O. BOX 3350, TAMPA, FLORIDA 33601-3350

TELEPHONE (813) 224-0800

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CABLE GRANDLAW

PLEASE REPLY TO
TALLAHASSEE

TALLAHASSEE OFFICE
117 S. GADSDEN
TALLAHASSEE, FLORIDA 32301
TELEPHONE (904) 222-2525
FAX (904) 222-5000

June 21, 1996

VIA HAND DELIVERY

Ms. Blanca Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Application of KMC Telecom Inc. for Authority to Provide Alternative
Local Exchange Service, Docket No. 960756-TX

Dear Ms. Bayo:

Enclosed for filing are the original and six (6) copies of KMC Telecom Inc.'s
application for authority to provide alternative local exchange service. Also enclosed
is the \$250.00 application fee.

Please acknowledge receipt and filing of the above by stamping the duplicate
copy of this letter and application form and returning it to me.

Thank you for your assistance.

Sincerely,

Vicki Gordon Kaufman
Vicki Gordon Kaufman

enclosures

cc: G. Scott Brodey
John Heitmann

Consent with filing and
sent to Fiscal for deposit
forward a copy of check
with a proof of deposit

SLH

Person who forwarded check

RECEIVED & FILED

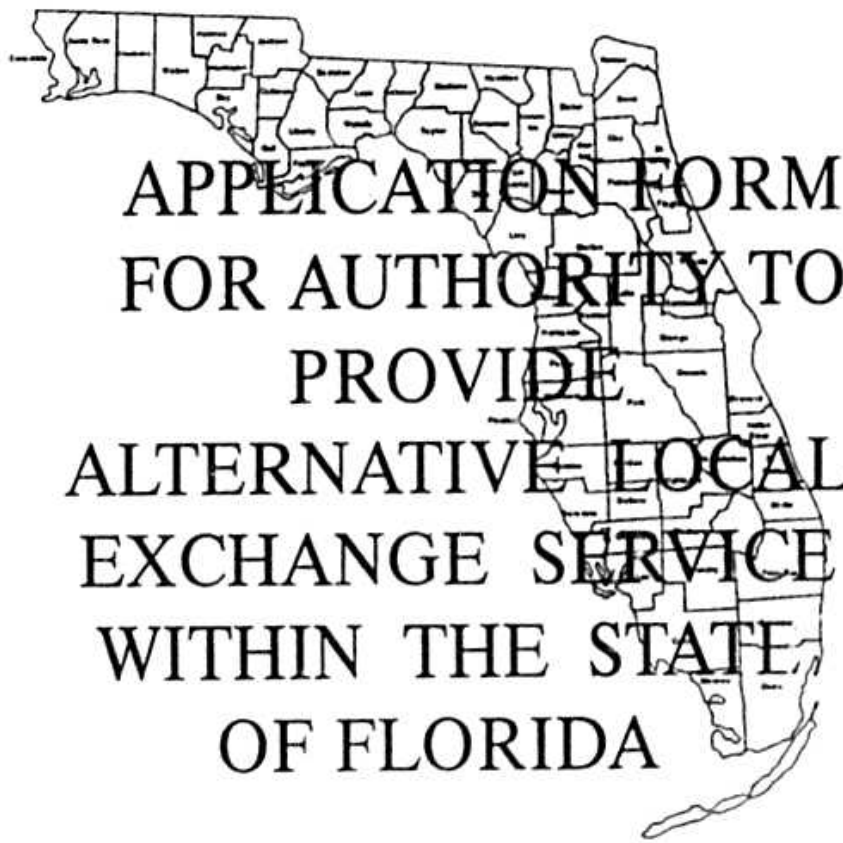
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DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

ORIGINAL
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APPLICATION FORM
FOR AUTHORITY TO
PROVIDE
ALTERNATIVE LOCAL
EXCHANGE SERVICE
WITHIN THE STATE
OF FLORIDA

DOCUMENT NUMBER-DATE

65792 JUN 81 9

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

**APPLICATION FORM
for**

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

INSTRUCTIONS

1. This form is used for an original application for a certificate and for approval of sale, assignment or transfer of an existing alternative local exchange certificate. In case of a sale, assignment or transfer, the information provided shall be for the purchaser, assignee or transferee.
2. Respond to each item requested in the application and appendices. If an item is not applicable, please explain why.
3. Use a separate sheet for each answer which will not fit the allotted space.
4. If you have questions about completing the form, contact:

**Florida Public Service Commission
Division of Communications, Certification & Compliance Section
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0866
(904) 413-6600**

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

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

(X) **Original authority** (new company)

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

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

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

2. Name of applicant:

KMC Telecom Inc.

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

KMC Telecom Inc.
994 Explorer Blvd.
Huntsville, AL 35806
(205) 922-1000

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

KMC intends to open offices in Melbourne and Tallahassee within the next several months. Prior to the opening of these Florida offices, inquiries should be directed to G. Scott Brodey, Sr., KMC's Chief Operating Officer, at KMC Telecom Inc., 994 Explorer Blvd., Huntsville, AL 35806, (205) 922-1000. In addition, the Applicant may be reached through its Florida counsel: Vicki Gordon Kaufman at McWhirter, Reeves, McGlothlin, Davidson, Rief & Bakas, P.A., 117 S. Gadsden, Tallahassee, Florida 32301, (904) 222-2525.

C. Physical address of alternative local exchange service in Florida including street name, number, post office box, city, zip code and phone number.

See Response to Question 3.B.

FORM PSC/CMU 8 (07/95)
Required by Chapter 364.337 F.S.

4. Structure of organization:

- | | |
|--|--|
| <input type="checkbox"/> Individual | <input checked="" type="checkbox"/> Corporation |
| <input type="checkbox"/> Foreign Corporation | <input type="checkbox"/> Foreign Partnership |
| <input type="checkbox"/> General Partnership | <input type="checkbox"/> Limited Partnership |
| <input type="checkbox"/> Joint Venture | <input type="checkbox"/> Other, Please explain _____ |

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

Corporate charter number: F96000002035

See Exhibit A

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

KMC South East Corp.

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

Fictitious name registration number: _____

Applicant will file this document as soon as it become available.

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

N/A

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

N/A

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

G. Scott Brodey, Sr., Chief Operating Officer, KMC Telecom Inc.
994 Explorer Blvd., Huntsville, AL 35806
(205) 922-1000/(205) 922-9944-Fax, Internet address: kwilder@hiwaay.net

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

KMC has applications for ALEC authority pending in Alabama, Georgia, Louisiana and Texas.

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

N/A

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

N/A

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

KMC's Melbourne and Tallahassee offices will be staffed with customer service representatives and technicians capable of accepting service orders and addressing service inquiries and complaints. Prior to the opening of these Florida offices, prospective Florida customers may contact G. Scott Brodey, Sr., KMC's Chief Operating Officer, toll-free at 1-800-221-8032.

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

A. Financial capability.

Regarding the showing of financial capability, the following applies:

The application should contain 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 affirm that the financial statements are true and correct.

See Exhibit B

B. Managerial capability.

See Exhibit C

C. Technical capability.

See Exhibit D

AFFIDAVIT

By my signature below, I, the undersigned officer, attest to the accuracy of the information contained in this application and attached documents and that the applicant has the technical expertise, managerial ability, and financial capability to provide alternative local exchange service in the State of Florida. I have read the foregoing and declare that to the best of my knowledge and belief, the information is true and correct. I attest that I have the authority to sign on behalf of my company and agree to comply, now and in the future, with all applicable commission rules and orders.

Further, I am aware that pursuant to Chapter 837.06, Florida Statutes, "Whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his official duty shall be guilty of a misdemeanor of the second degree, punishable as provided in s. 775.082 and s. 775.083".

Official:


Signature

6/20/96
Date

Title:

G. Scott Brodey, Sr.
Chief Operating Officer

(205) 922-1000
Telephone Number

Address:

994 Explorer Blvd.
Huntsville, AL 35806

EXHIBIT A

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



CH2E022 (1-95)

Sandra B. Northam

Sandra B. Northam
Secretary of State

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

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

KPMG Peat Marwick LLP345 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.



April 26, 1996

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

Combined Balance Sheets

December 31, 1995 and 1994

Assets	<u>1995</u>	<u>1994</u>
Current assets:		
Cash	\$ 34,370	5,091
Prepaid expenses and other current assets	<u>4,542</u>	<u>-</u>
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	<u>149,895</u>	<u>2,609</u>
	<u>\$ 3,703,721</u>	<u>7,700</u>
Liabilities and Stockholder's Deficit		
Current liabilities:		
Accounts payable	1,791,247	75
Accrued expenses	316,874	-
Due to affiliates	<u>491,067</u>	<u>11,100</u>
Total current liabilities	2,599,188	11,175
Loans payable to stockholder	<u>2,727,400</u>	<u>-</u>
Total liabilities	<u>5,326,588</u>	<u>11,175</u>
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	<u>(1,624,867)</u>	<u>(4,475)</u>
Total stockholder's deficit	<u>(1,622,867)</u>	<u>(3,475)</u>
	<u>\$ 3,703,721</u>	<u>7,700</u>

**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, <u>1995</u>	May 10, 1994 (date of in- ception) to December 31, <u>1994</u>	May 10, 1994 (date of in- ception) to December 31, <u>1995</u>
Costs and expenses:			
General and administrative expenses	\$ 1,596,929	4,475	1,601,404
Interest expense	<u>23,463</u>	<u>-</u>	<u>23,463</u>
Net loss	\$ <u>(1,620,392)</u>	<u>(4,475)</u>	<u>(1,624,867)</u>

See accompanying notes to combined financial statements.

KMC TELECOM INC.
BUDGET - FLORIDA
SUMMARY PAGE

06/10/96
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MILES:	AERIAL	U/G	TOTAL
	30	20	50

ESTIMATED
FINAL COST

SYSTEM BUILD CAPITAL

=====	=====
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
=====	=====

**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 ("COMPTTEL") 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*.

I-NET

I-NET, Inc. ("I-NET"), a privately owned, Bethesda, Maryland-based, networking and telecommunications solutions provider, 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 governmental 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.

In support of KMC Telecom, Inc. ("KMC"), I-NET is responsible 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 the KMC customer base.