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September 3, 2003

RECEIVED

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PUBLIC SERVICE
COMMISSION

VIA UPS

Ms. Stephanie Bell
Secretary of the Commission
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, KY 40602

Re: ***Informational Filing Only—No Action Required***
Restructuring of KMC Telecom Holdings, Inc. and Subsidiaries

Dear Ms. Bell:

KMC Telecom V, Inc. ("KMC V"), and KMC Data LLC ("KMC Data") (collectively, "KMC")¹ has requested that we file, on their behalf, this informational letter notifying the Kentucky Public Service Commission ("Commission") of an internal corporate restructuring involving changes in current voting interest percentages at the parent company level and modification of certain outstanding indebtedness and other claims (the "Restructuring"). As explained below, the Restructuring does not require Commission approval, and thus, this information is being filed with the Commission for informational purposes only.

Pursuant to the terms of a Restructuring Agreement dated as of June 3, 2003, and of a Second Amended and Restated Credit Agreement dated as of July 25, 2003, together with other related agreements, KMC Telecom Holdings, Inc. ("KMC Holdings"), the ultimate parent of KMC, has undertaken a restructuring of its debt, which involved the amendment and restatement of KMC Holdings' then-outstanding credit agreement, the cancellation of part of the secured debt under that earlier agreement, conversion of part of the secured debt under the credit agreement into secured long-term notes, the exchange of existing common stock for new common stock, and the issuance of additional new common stock increasing the number of

¹ KMC V was authorized as a competitive local exchange carrier and long distance provider in Kentucky on July 28, 2000. KMC Data was authorized as a competitive local exchange carrier and long distance provider in Kentucky on November 26, 2001.

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shares and voting rights held by certain existing stockholders and decreasing those held by other stockholders. Importantly, the total amount of KMC's indebtedness has been substantially reduced.

Debt Restructuring. More specifically, the debt restructuring has allowed KMC Holdings substantially to reduce the amount of its secured debt which, prior to the Restructuring, amounted to approximately \$700 million of senior, secured debt outstanding, plus certain accrued interest obligations and interest swap liabilities (totaling approximately \$60 million). Following the Restructuring, KMC Holdings has reduced the amount of its secured debt to approximately \$437 million in the form of a senior credit and letter of credit facility, senior secured notes and secured payment-in-kind ("PIK") notes. In each case, the interest rates are based on the Eurodollar rates, and therefore, will vary over the terms of the loans and notes. KMC V and KMC Data are not Borrowers or Guarantors under the existing agreements (although their indirect parent, KMC Data Holdco LLC, is a Guarantor), and they did not grant security interests in their assets.

Equity Restructuring. Concurrent with the debt restructuring, the Restructuring has changed the prior voting interest percentages of the stockholders (some of whom are also debtholders) of KMC Holdings. None of the stockholders either before or subsequent to the Restructuring held a controlling 50% or greater share of the voting stock of KMC or otherwise held actual control of KMC. The changes in voting interest percentages are at the parent level and therefore do not involve any transfers of operating authorities and do not affect the identity of the utility entities authorized to provide service in Kentucky or the terms and conditions under which services currently are being offered in this State. Customers of KMC V will remain customers of KMC V. Moreover, as noted above, no individual or group had actual control over KMC prior to the Restructuring as KMC Holdings had a number of independent, substantial stockholders, none of whom controlled a majority of the voting stock. The Restructuring changed the distribution of stock among various stockholders but has not resulted in any stockholder, including affiliates, holding even as much as 20% of the voting stock of KMC. Appointment of the members of the Board of Directors is allotted among several different entities or groups of independent entities, such that no one entity or group of entities has the ability to appoint more than one of the seven members of the Board of Directors. Accordingly, there is no change in control resulting from this transaction as both before and after the transaction, no person or group will own sufficient stock to exercise control over KMC.

Please note that the Restructuring advances the public interest. KMC competes with numerous other interexchange carriers and enhanced network providers as well as the incumbent local exchange carriers and other competitive local exchange carriers in Kentucky. The Restructuring is essential for KMC to avoid the potential need to file for bankruptcy and to continue its service offerings in Kentucky and other states. By improving KMC's financial

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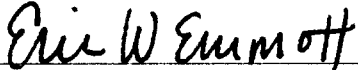
health, the Restructuring enables KMC to better compete with other carriers and to maintain and improve service to the public. Moreover, as noted above, the transaction is completely transparent to customers.

KMC is filing this letter solely for informational purposes and requests that it be retained in the appropriate file. An original and four copies of this letter are enclosed. Also included is a duplicate of this letter and a self-addressed, stamped envelope. Please date stamp the duplicate and return it in the envelope provided. Should the Commission desire any further information about the Restructuring described herein or believe that any further action is required, KMC respectfully requests that the Commission contact Erin Emmott at (202) 955-9766.

Respectfully submitted,

**KMC TELECOM V, INC. AND
KMC DATA LLC**

By:



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