

required under the IRC or the applicable regulations promulgated thereunder) covenants and agrees to deliver to the Borrowers and the Agent within fifteen (15) days prior to the beginning of each subsequent taxable year of such Lender during which this Agreement is still in effect, another such certificate and two accurate and complete original signed copies of IRS Form 4224 (or any successor form or forms required under the IRC or the applicable regulations promulgated thereunder). Each such certificate shall certify as to one of the following:

(a) that such Lender is capable of receiving payments of interest hereunder exempt from or at a reduced deduction or withholding of United States of America federal income tax;

(b) that such Lender is not capable of receiving payments of interest hereunder exempt from or at a reduced deduction or withholding of United States of America federal income tax as specified therein but is capable of recovering the full amount of any such deduction or withholding from a source other than the Borrowers and will not seek any such recovery from the Borrowers; or

(c) that, as a result of the adoption of or any change in any law, treaty, rule, regulation, guideline or determination of a Governmental Authority or any change in the interpretation or application thereof by a Governmental Authority after the date such Lender became a party hereto, such Lender is not capable of receiving payments of interest hereunder without deduction or withholding of United States of America federal income tax as specified therein and that it is not capable of recovering the full amount of the same from a source other than the Borrowers.

Each Lender shall promptly furnish to the Borrowers and the Agent such additional documents as may be reasonably required by the Borrowers or the Agent to establish any exemption from or reduction of any Taxes required to be deducted or withheld and which may be obtained without undue expense to such Lender

(6) For a period with respect to which a Lender has failed to provide the Agent and the Borrowers with the appropriate form described in this SECTION 2.12(b)(5) (other than if such failure is due to a change in law occurring subsequent to the date on which a form originally was required to be provided), such Lender shall not be entitled to indemnification under this SECTION 2.12 with respect to Taxes imposed by the United States by reason of such failure; PROVIDED, HOWEVER, that should a Lender become subject to Taxes because of its failure to deliver a form required hereunder, the Borrowers shall take such steps as such Lender shall reasonably request to assist such Lender to recover such Taxes.

(7) Any Lender that is not a "bank" within the meaning of Section 881(c)(3)(A) of the IRC and satisfies the applicable requirements of SECTION 2.12(b)(5) (a "Qualified Foreign Lender") shall upon receipt of the written request of the Agent or the Borrowers and may, upon its own written request to the Agent, exchange any Note held by or assigned to it for a qualified foreign lender Note (a "QFL Note"). A QFL Note shall be in the form of the applicable

Note attached as Exhibit E-1, E-2 or E-3 but shall contain the following legend: "This Note is a QFL Note, and as such, ownership of the obligation represented by such QFL Note may be transferred only in accordance with Section 2.12 of the Loan and Security Agreement." Any QFL Note issued in replacement of any existing Note pursuant to this Section shall be (i) dated the date of such existing Note, (ii) issued in the name of the Borrowers and (iii) issued in the same principal amount as such existing Note. Any Note replaced pursuant to this Section is sometimes referred to herein as a "Replaced Note".

(8) The Borrowers agree that, upon the request of or delivery of a request to a Qualified Foreign Lender pursuant to paragraph (7) of this SECTION

2.12(b), they shall execute and deliver a QFL Note to the Agent in replacement of the Replaced Note surrendered in connection with such request conforming to the requirements of this paragraph. Each Qualified Foreign Lender shall surrender its Note in connection with any replacement, of a QFL Note and the existing Note to be replaced by such QFL Note in accordance with this paragraph, the Agent shall forward the QFL Note to the Lender which has surrendered its Note for replacement by such QFL Note and shall forward the surrendered Note to the Borrowers marked "canceled". Once issued, QFL Notes (i) shall be deemed to and shall be "Notes" for all purposes under the Loan Documents, (ii) may not be exchanged for Notes which are not QFL Notes, notwithstanding anything to the contrary in the Loan Documents and (iii) shall at all times thereafter be QFL Notes, including, without limitation, following any transfer or assignment thereof.

(9) Notwithstanding anything to the contrary in the Loan Documents, the QFL Notes are registered obligations as to both principal and interest with the Borrowers and transfer of the obligations underlying such QFL Note may be effected only by surrender of the QFL Note to the Borrowers and either reissuance by the Borrowers of such QFL Note to the transferee or issuance by the Borrowers of a new QFL Note to the transferee. A QFL Note shall only evidence a Lender's or an assignee's right, title and interest in and to the related obligation, and in no event is a QFL Note to be considered a bearer instrument or obligation. This SECTION 2.12 shall be construed so that the obligations underlying the QFL Notes are at all times maintained in "registered form" within the meaning of Sections 871(h)(2) and 881(c)(3) of the IRC.

(c)(1) If a Borrower pays any additional amount under this SECTION 2.12 and, as a result, any Lender, together with the Agent, subsequently, in their sole discretion and based on their own interpretation of any relevant laws (but acting in good faith) receive or are granted a final and non-appealable credit against or deduction from or in respect of any tax payable by such Lender, or obtain any other final and non-appealable relief in respect of any tax, which in the opinion of such Lender and the Agent, acting in good faith, is both reasonably identifiable and quantifiable by them without requiring any Lender, the Agent or their professional advisers to expend a material amount of time or incur a material cost in so identifying or quantifying (any of the foregoing, to the extent so reasonably identifiable and quantifiable, being referred to as a "SAVING"), such Lender shall, to the extent that it can do so without prejudice to the retention of the Saving, reimburse such Borrower promptly after such identification and quantification with the amount of such Saving; PROVIDED, HOWEVER, that any such Saving shall be reduced by any costs incurred by such Lender or the Agent in obtaining such Saving.

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(2) Nothing in this SECTION 2.12(c) shall require any Lender to disclose to any Person any information regarding its tax affairs or to arrange its tax and other affairs in any particular manner.

SECTION 2.13. MAXIMUM LAWFUL INTEREST RATE. Notwithstanding any provision contained herein, the total liability of the Borrowers for payment of interest pursuant hereto and the Notes, including any other charges or other amounts, to the extent such charges and other amounts are deemed to be interest, shall not exceed the maximum amount of such interest permitted by law to be charged, collected, or received from the Borrowers (the "MAXIMUM RATE"). If any payments by any Borrower for the account of any Lender include interest in excess of the Maximum Rate, such Lender shall apply such excess to the reduction of the unpaid principal amount owing by such Borrower, or if none is due, such excess shall be returned to such Borrower.

SECTION 2.14. FUNDING ISSUES. (a) INCREASED COSTS. If, due to either (i) the introduction after the date hereof of, or any change after the date hereof in or in the interpretation of, any applicable law, rule or regulation by any Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof or (ii) compliance by any Lender after the date hereof with any final request or final directive issued after the date hereof (whether or not having the force of law) by any such Governmental Authority, central bank or comparable agency, and, as a result of any of the

events set forth in the above clauses (i) and (ii), (x) there shall be any increase in the cost to such Lender in maintaining its Commitment under this Agreement or funding or maintaining its Pro Rata Share of the Loans under this Agreement, or (y) any Lender is subjected to any charge or withholding on its obligations hereunder, or changes in the basis of taxation of payments to any Lender in connection with any of the foregoing (except for changes in the rate of tax on overall net income of any Lender) (collectively, "INCREASED COSTS"), then the Borrowers shall, from time to time, pay, to the Agent for the benefit of such Lender within 15 days after such Lender shall have provided notice to the Agent (and the Agent shall have provided notice to the Borrowers) of such Increased Cost, an amount sufficient to compensate such Lender for such Increased Cost, as provided herein. A certificate setting forth in reasonable detail the computation of the amount of such Increased Cost (which increase in cost shall be determined by such Lender's reasonable allocation of the aggregate of such cost increases resulting from such event), submitted to the Borrowers by such Lender, shall be conclusive and binding for all purposes, absent manifest error.

(b) INCREASED CAPITAL. If any Lender which is subject to minimum capital requirements determines that compliance by such Lender, with any guideline or request from any central bank or other Governmental Authority (whether or not having the force of law) affects or would affect the amount of capital required or expected to be maintained by such Lender, or any corporation controlling such Lender, and such Lender reasonably determines that the amount of such capital is increased by or based upon any commitment to lend hereunder or making or maintaining Loans, its commitment to participate (as provided for in SECTION 2.10(f)) in any Letter of Credit or any Credit Support provided through the Agent in connection with the issuance of any Letter of Credit, or other commitments of this type, then, upon demand by such Person, the Borrowers agree to, within five (5) days of such demand, pay to such Person, from time to time as specified by such Person, additional amounts sufficient to compensate

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such Person in the light of such circumstances, to the extent that such Person reasonably determines such increase in capital to be allocable to such Person's commitment or maintenance of Loans hereunder or such Person's commitment to participate in any Letter of Credit or Credit Support. A certificate as to the amount of such increased cost, submitted to the Borrowers by the applicable Person shall, absent manifest error, be conclusive and binding on the Borrowers for all purposes.

(c) REPLACEMENT OF LENDER. If any Borrower, as a result of the requirements of either SECTION 2.14(a) or SECTION 2.14(b), shall be required to pay any particular Lender (an "AFFECTED LENDER") the additional amounts referred to in such Section, which costs are not imposed by the other Lenders, and such additional amounts are material, then such Borrower shall be entitled to either prepay such Affected Lender without any Prepayment Premium but with any payments required by SECTION 2.07(e), or find a replacement Lender, reasonably acceptable to the Agents (the Agents' consent to such replacement Lender not to be unreasonably withheld), to replace the Affected Lender. The Affected Lender and the replacement Lender shall execute an Assignment Agreement with respect to all of the Affected Lender's Commitments and all Loans owing to the Affected Lender and comply with the other provisions of SECTION 11.08(c). Upon the payment by the replacement Lender to the Affected Lender of the then outstanding principal amount of Loans owing to the Affected Lender, together with accrued interest thereon, and the payment by the Borrower to the Affected Lender of any compensation required with respect to LIBOR Loans pursuant to SECTION 2.07(e), the replacement Lender shall succeed to all of the Affected Lender's rights and obligations under this Agreement and the other Loan Documents.

SECTION 2.15. JOINT AND SEVERAL LIABILITY; CONTRIBUTION. (a) Notwithstanding anything to the contrary in this Agreement or the other Loan Documents, all payment and performance Obligations arising under this Agreement and the other Loan Documents shall be joint and several obligations of each Borrower secured by all the Borrowers' Collateral. The Agent and the Collateral Agent may apply any portion of any Borrower's Collateral to satisfy any of the Obligations of any other Borrower.

(b) CONTRIBUTION AND INDEMNIFICATION BETWEEN THE BORROWERS. To the extent that any Borrower shall, as a result of the operation of SECTION 2.15, pay any Obligation of any other Borrower under the Loan Documents (such payment being referred to as an "ACCOMMODATION PAYMENT"), then such Borrower shall be entitled to contribution and indemnification from, and be reimbursed by such other Borrower, as set forth in the Contribution Agreement. Each Borrower agrees that any extension, forbearance or amendment, or any acceptance, release or substitution of security, or any impairment or suspension of Lender's remedies or rights against any other Borrower or the cessation of the liability of any other Borrower for any reason other than full and indefeasible satisfaction of all Obligations shall not in any way affect the liability of such Borrower. Each Borrower has provided itself of the means of remaining informed of the financial condition of each other Borrower, and waives any right to require any Lender or any of the Agents to keep it informed of the financial condition of any other Borrower. The provisions of this section shall, to the extent expressly inconsistent with any provision in any Loan Document, supersede such inconsistent provision.

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ARTICLE III
REPRESENTATIONS AND WARRANTIES

Each Borrower represents and warrants to the Agent, the Collateral Agent and the Lenders that:

SECTION 3.01. ORGANIZATION; POWERS. (a) Such Borrower (i) is a corporation or limited liability company duly organized, validly existing and in good standing under the laws of its jurisdiction of organization and (ii) is qualified to do business in the jurisdiction in which its principal place of business is located and in every other jurisdiction where such qualification is necessary;

(b) such Borrower has the power and authority to own its properties, to carry on its business as now conducted; and

(c) such Borrower has the power and authority to execute and deliver and perform this Agreement and the other Loan Documents to which it is a party, to borrow hereunder, and will have the power to execute and deliver any Mortgages and Collateral Assignments of Leases or other instruments to be delivered by it subsequent to the date hereof.

SECTION 3.02. CORPORATE AUTHORIZATION. The execution, delivery and performance of this Agreement and the other Loan Documents to which such Borrower is a party, and the Loans hereunder:

(a) have been duly authorized by such Borrower's Board of Directors or managers and, if necessary, such Borrower's stockholders or members;

(b) (1) do not violate (i) any existing provision of law applicable to such Borrower and not immaterial to its business, (ii) such Borrower's Certificate or Articles of Incorporation or other organizational documents, as the case may be, or (iii) any applicable order of any court or other governmental agency, and (2) do not conflict with, result in a breach of or constitute (with due notice or lapse of time or both) a default under any indenture, agreement for borrowed money, bond, note or other similar instrument or any other material agreement to which such Borrower is a party or by which such Borrower or any of such Borrower's property is bound;

(c) do not result in the creation or imposition of any Lien of any nature whatsoever upon any property or assets of such Borrower other than the Liens granted pursuant to this Loan Agreement or the other Loan Documents;

(d) constitute legal, valid and binding obligations of such Borrower, enforceable against such Borrower in accordance with their respective terms; and

(e) do not, as of the date of execution hereof, require any

governmental consent, filing, registration or approval except as set forth on SCHEDULE 3.02.

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SECTION 3.03. FINANCIAL STATEMENTS. The Borrowers have furnished to the Agent and the Lenders the audited consolidated financial statements of KMC Holdings dated as of December 31, 1998, and the unaudited consolidated financial statements for the fiscal quarter ended September 30, 1999, which statements are attached hereto as EXHIBIT I (collectively, the "Financials"). The Financials have been prepared in accordance with GAAP applied on a basis consistent with that of preceding periods and are complete and correct in all material respects. As of the date of the Financials, (a) the Financials fairly represent KMC Holdings' financial position and results of operations; and (b) there are no omissions from the Financials or any other facts or circumstances not reflected in the Financials which are or may be material according to GAAP.

SECTION 3.04. NO MATERIAL ADVERSE CHANGE. There has been no material adverse change in the condition (financial or otherwise), operations or properties of such Borrower since the date of the Financials.

SECTION 3.05. LITIGATION. Except as set forth on SCHEDULE 3.05, there are no actions, suits or proceedings at law or in equity or by or before any Governmental Authority now pending or, to the knowledge of such Borrower, threatened, against or affecting such Borrower or any property or rights of such Borrower as to which there is a reasonable possibility of an adverse determination and which, if adversely determined, would individually or in the aggregate materially impair the right of any Borrower to carry on business substantially as now being conducted or as presently contemplated or would result in any Material Adverse Effect.

SECTION 3.06. TAX RETURNS. Such Borrower has filed or caused to be filed all Federal, state and local tax returns which are required to be filed and has paid or caused to be paid all taxes as shown on such returns or on any assessment received by it to the extent that such taxes have become due, except such taxes the amount, applicability or validity of which are being contested in good faith by appropriate proceedings and with respect to which such Borrower shall have set aside on its books adequate reserves with respect to such taxes as are required by GAAP.

SECTION 3.07. NO DEFAULTS. Such Borrower is not in default (i) with respect to any judgment, writ, injunction, decree, rule or regulation of any Governmental Authority which is likely to have a Material Adverse Effect, or (ii) in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any material agreement or instrument to which such Borrower is a party or by which any of its assets are bound, which is likely to have a Material Adverse Effect.

SECTION 3.08. PROPERTIES. Such Borrower has good and marketable title to all its material properties and assets and all Collateral of such Borrower is free and clear of all Liens of any nature whatsoever, except Permitted Liens.

SECTION 3.09. LICENSES, MATERIAL AGREEMENTS, INTELLECTUAL PROPERTY. (a) Such Borrower has obtained all material Governmental Approvals, which Governmental Approvals are necessary or appropriate for the construction and operation of the Systems as are presently operating, as contemplated in the Milestone Plan, other than immaterial municipal business permits. Such Governmental Approvals are correctly listed on SCHEDULE 3.09(a) and constitute the only Governmental Approvals required in connection with the Systems as are presently operating. All Governmental Approvals of such Borrower are in full force and effect, are duly issued in the name of, or validly assigned to, such Borrower and such Borrower has the power and authority to operate thereunder.

(b) SCHEDULE 3.09(b) accurately and completely lists all material agreements to which such Borrower is a party, including, without limitation, all purchase agreements, construction contracts, right of way or right of occupancy agreements, lease agreements, consulting, employment, management and related

agreements. All of the foregoing agreements are valid, subsisting and in full force and effect and none of such Borrower, or, to the best of such Borrower's knowledge and belief, any other parties, are in material default thereunder. Such Borrower has given true and complete copies of all such agreements to the Agent and the Lenders.

(c) Such Borrower owns or possesses all the patents, trademarks, service marks, trade names, copyrights and licenses, and all rights with respect to the foregoing (the "INTELLECTUAL PROPERTY"), necessary for the conduct of its business as presently conducted without any known conflict with the rights of others. SCHEDULE 3.09(c) accurately and completely lists all Intellectual Property owned or possessed by or licensed to such Borrower. Such Borrower has entered into Intellectual Property Documents with respect to its Intellectual Property, as requested by the Collateral Agent.

SECTION 3.10. COMPLIANCE WITH LAWS. Except as disclosed on SCHEDULE 3.10, the operations of such Borrower comply in all material respects with all applicable federal, state or local laws and regulations, including Environmental Laws. Except as disclosed on SCHEDULE 3.10, to such Borrower's knowledge, none of the operations of such Borrower is subject to any judicial or administrative proceeding alleging the violation of any Environmental Laws. Except as disclosed on SCHEDULE 3.10, such Borrower neither knows nor reasonably should know that any of the operations of such Borrower is the subject of federal or state investigation evaluating whether any Remedial Action is needed to respond to a Release. Except as disclosed on SCHEDULE 3.10, such Borrower has not filed any notice under any federal or state law indicating past or present treatment, storage or disposal of a hazardous waste or reporting a Release. Except as disclosed on SCHEDULE 3.10, such Borrower has no contingent liability of which such Borrower has knowledge or reasonably should have knowledge in connection with any Release.

SECTION 3.11. ERISA. None of such Borrower or any ERISA Affiliate of such Borrower maintains or contributes to any Plan other than a Plan listed on SCHEDULE 3.11 hereto. Each Plan which is intended to be qualified under Section 401(a) of the IRC has been determined by the IRS to be so qualified, and each trust related to any such Plan has been determined to be exempt from federal income tax under Section 501(a) of the IRC. Except as disclosed on SCHEDULE 3.11, none of such Borrower or any ERISA Affiliate maintains or contributes to any employee welfare benefit plan within the meaning of Section 3(1) of ERISA which provides benefits to employees after termination of employment other than as required by Section 601 of ERISA. None of such Borrower or any ERISA Affiliate has breached any of the responsibilities, obligations or duties imposed on it by ERISA or regulations promulgated thereunder with respect to any

Plan which breach could result in a Material Adverse Effect. No Plan has incurred any accumulated funding deficiency (as defined in Section 302(a)(2) of ERISA and Section 412(a) of the IRC), whether waived or not waived. None of such Borrower or any ERISA Affiliate nor any fiduciary of any Plan which is not a Multiemployer Plan (i) has engaged in a nonexempt "prohibited transaction" described in Section 406 of ERISA or Section 4975 of the IRC or (ii) has taken or failed to take any action which would constitute or result in a Termination Event. None of such Borrower or any ERISA Affiliate has incurred any liability to the PBGC which remains outstanding and which could result in a Material Adverse Effect, other than the payment of premiums, and there are no premium payments which have become due which are unpaid. Schedule B to the most recent annual report filed with the IRS with respect to each Plan is complete and accurate. Since the date of each such Schedule B, there has been no adverse change in the funding status or financial condition of the Plan relating to such Schedule B. None of such Borrower or any ERISA Affiliate has (i) failed to make a required contribution or payment to a Multiemployer Plan or (ii) made a complete or partial withdrawal under Sections 4203 or 4205 of ERISA from a Multiemployer Plan. None of such Borrower or any ERISA Affiliate has failed to make a required installment or any other required payment under Section 412 of the IRC on or before the due date for such installment or other payment. None of

such Borrower or any ERISA Affiliate is required to provide security to a Plan under Section 401(a)(29) of the IRC due to a Plan amendment that results in an increase in current liability for the plan year.

SECTION 3.12. INVESTMENT COMPANY ACT; PUBLIC UTILITY HOLDING COMPANY Act. Such Borrower is not an "investment company" as that term is defined in, and is not otherwise subject to regulation under, the Investment Company Act of 1940. Such Borrower is not a "holding company" as that term is defined in, and is not otherwise subject to regulation under, the Public Utility Holding Company Act of 1935.

SECTION 3.13. FEDERAL RESERVE REGULATIONS. Such Borrower is not engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying any margin stock (within the meaning of Regulation U of the Board of Governors of the Federal Reserve System of the United States), and no part of the proceeds of the Loans made to such Borrower will be used to purchase or carry any such margin stock or to extend credit to others for the purpose of purchasing or carrying any such margin stock or for any purpose that violates, or is inconsistent with, the provisions of Regulation T, U or X of said Board of Governors.

SECTION 3.14. COLLATERAL. The security interests granted by ARTICLE VIII hereof, together with the security interests granted pursuant to the Existing Agreement and accompanying financing statements, when duly filed in the offices and jurisdictions set forth on SCHEDULE 3.14 hereof, create valid and perfected first priority Liens in and to the Collateral of such Borrower, enforceable against other Persons in all jurisdictions securing the payment, as applicable, of the Obligations hereunder. Upon filing such financing statements, to the extent that the filing of a financing statement is sufficient to perfect a security interest, no further action is required to perfect the Liens of the Collateral Agent in favor of the Lenders in the Collateral of such Borrower described in SECTION 8.01.

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SECTION 3.15. CHIEF PLACE OF BUSINESS. As of the Closing Date, the chief executive office and principal place of business address of such Borrower is 1545 Route 206, Bedminster, New Jersey 07921. If any change in any such location occurs, such Borrower shall notify the Agent and the Collateral Agent thereof not later than ten days after the occurrence thereof. As of the date of execution hereof, the books and records of such Borrower and all chattel paper and all records of account are located at the principal place of business or chief executive office of such Borrower and if any change in such location occurs, such Borrower shall notify the Agent and the Collateral Agent thereof not later than ten days after the occurrence thereof.

SECTION 3.16. OTHER CORPORATE NAMES. Except as set forth on SCHEDULE 3.16, such Borrower has not used and does not now use and will not use any corporate or fictitious name.

SECTION 3.17. INSURANCE. SCHEDULE 3.17 contains a description of all insurance which such Borrower maintains or has maintained on its behalf. All of such insurance is in full force and effect.

SECTION 3.18. MILESTONE PLAN. The Milestone Plan represents good faith projections of future financial performance of the Borrowers for the periods set forth therein. Such document has been prepared on the basis of the assumptions set forth therein, which the Borrowers believe are reasonable in light of current and reasonably foreseeable business conditions.

SECTION 3.19. CAPITALIZATION AND SUBSIDIARIES. The classes of Equity Interests, number of authorized shares, number of outstanding shares and par values or other designations of the Equity Interests or other equity securities or beneficial interests of such Borrower are correctly set forth on SCHEDULE 3.19. All the outstanding shares of Equity Interests or other equity securities or beneficial interests of such Borrower are duly and validly issued, fully paid and nonassessable, and none of such issued and outstanding shares, equity securities or beneficial interests has been issued in violation of, or is subject to, any preemptive or subscription rights. Except as set forth on SCHEDULE 3.19, there are no: (A) outstanding shares of Equity Interests or other

equity securities or beneficial interests or other securities convertible into or exchangeable for shares of Equity Interests or other equity securities or other beneficial interests of such Borrower, (B) outstanding rights of subscription, warrants, calls, options, contracts or other agreements of any kind, issued, made or granted to or with any Person under which such Borrower may be obligated to issue, sell, purchase, retire or redeem or otherwise acquire or dispose of any shares of Equity Interests or other equity securities or beneficial interests of such Borrower, or (C) Subsidiaries of such Borrower. KMC Holdings beneficially owns, directly or indirectly, all of the Equity Interests of such Borrower.

SECTION 3.20. REAL PROPERTY, LEASES AND EASEMENTS. Such Borrower leases or owns the real property described on SCHEDULE 3.20. Set forth on SCHEDULE 3.20 is a list of (i) all real property leased or owned by such Borrower (the "REAL PROPERTY") and (ii) all easements, rights of way, rights of occupancy, licenses and similar rights with respect to real property granted to

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such Borrower not otherwise disclosed to the Collateral Agent and the Lenders on a title report delivered to the Collateral Agent and the Lenders pursuant to the terms hereof (together with all easements, rights of way, rights of occupancy, licenses and similar rights with respect to real property granted to such Borrower which are so disclosed, collectively, the "EASEMENTS"). Also set forth on SCHEDULE 3.20 is a street address of the Real Property locations described above, including a description of such properties' current use. Except as set forth in SCHEDULE 3.20, such Borrower's interests in the Real Property and the Easements are sufficient in order for such Borrower to conduct its business and operations as presently conducted.

SECTION 3.21. SOLVENCY. After giving effect to any Loans made to such Borrower hereunder, the disbursement of the proceeds of such Loans pursuant to such Borrower's instructions and the execution, delivery and performance of each of the Loan Documents and transactions contemplated thereby, such Borrower is Solvent and is not contemplating either the filing of a petition by it under any state or federal bankruptcy or insolvency laws or the liquidation of all or a substantial portion of its property, and has no knowledge of any Person contemplating the filing of any such petition against such Borrower.

SECTION 3.22. BROKERS, ETC. Such Borrower has not dealt with any broker, finder, commission agent or other similar Person in connection with the Loans or the transactions being effected contemporaneously with this Agreement, and such Borrower covenants and agrees to indemnify and hold harmless the Agent, the Collateral Agent and the Lenders from and against, any broker's fee, finder's fee or commission in connection with such transactions.

SECTION 3.23. NO MATERIAL MISSTATEMENTS. Neither any report, financial statement, exhibit or schedule furnished by or on behalf of such Borrower to the Agent, the Collateral Agent or any Lender in connection with the negotiation of this Agreement and the other Loan Documents or included herein or therein, nor any other information required to be furnished pursuant to the provisions of ARTICLE V hereof, contains any material misstatement of fact or omits to state any material fact necessary to make the statements therein not materially misleading.

SECTION 3.24. YEAR 2000 PROBLEMS. Each Borrower has completed and implemented a Year 2000 Corrective Plan and Year 2000 Corrective Actions, has completed Year 2000 Implementation Testing and has eliminated all Year 2000 Problems, except where the failure to correct the same could not reasonably be expected to have a Material Adverse Effect.

ARTICLE IV CONDITIONS FOR LOANS

The obligations of each Lender to make Loans hereunder are subject to the accuracy, as of the Closing Date and as of the date of making of each of the Loans after the Closing Date, of the representations and warranties

contained in ARTICLE III (except that any representations or warranties that relate to a specified date shall only be reaffirmed as of such date) and the

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other Loan Documents, to the performance by each Borrower of its obligations to be performed hereunder on or before the date of such Loan and to the satisfaction of the following further conditions:

SECTION 4.01. CONDITIONS PRECEDENT TO INITIAL LOAN ON OR AFTER THE CLOSING DATE. In the case of the Loans to be made on the Closing Date and Letters of Credit to be issued or Credit Support for any Letters of Credit to be incurred on the Closing Date:

(a) All then applicable legal matters incident to this Agreement and the other Loan Documents shall be reasonably satisfactory to Counsel.

(b) The Agent and the Collateral Agent, as applicable, shall have received payment in full of the fees set forth in the Fee Letters, and all the other documented out-of-pocket costs and expenses of the Agent and the Collateral Agent incurred on or prior to the Closing Date, including, without limitation, reasonable attorneys' and paralegals' fees and expenses and the fees and expenses incurred in connection with preparation of any environmental audits;

(c) (1) The Agent and the Collateral Agent shall have received the following items, in each case in form and substance satisfactory to the Agent and the Collateral Agent:

(i) the Financials;

(ii) the Milestone Plan showing in reasonable detail and specifying any material underlying assumptions, for the subsequent nine (9) year period, the Borrower's anticipated revenues and expenses and projected statements of cash flow and information with respect to projected capital expenditures and changes in working capital over such period, and a detailed Systems construction and buildout schedule;

(iii) certificates substantially in the form of EXHIBITS J-1, and J-2 hereto, dated the Closing Date, of the secretary or assistant secretary of each of the Borrowers or the sole members of the Borrowers, as applicable, and KMC Holdings, certifying (A) (1) the names and true signatures of the officers authorized to sign each Loan Document to which any Borrower or KMC Holdings is a party, (2) the resolutions of the Board of Directors of each Borrower or KMC Holdings, as applicable, approving the transactions contemplated by the Loan Documents to which each is a party, (3) each Borrower's, or KMC Holdings', as applicable, bylaws, and (B) only with respect to the certificate of KMC Holdings, (1) true and correct copies of the Indentures, (2) true and correct copies of the Management Agreement and the Tax Sharing Agreement and (3) evidence satisfactory to the Agent and the Collateral Agent that Holdings III has either been dissolved or merged into KMC Holdings;

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(iv) the written opinions of special, regulatory and local counsel for the Borrowers and KMC Holdings, dated the Closing Date, addressed to the Agent, the Collateral Agent and the Lenders satisfactory to (and containing only such qualifications and limitations as are satisfactory to)

Counsel, which opinions shall be substantially in the forms set forth in EXHIBITS K-1, K-2 and K-3, respectively, attached hereto;

- (v) certificates of appropriate public officials dated not more than 30 days prior to the Closing Date, as to the legal existence or qualification, and good standing of each Borrower and KMC Holdings from such Person's jurisdiction of organization and from the jurisdiction in which such Person has its principal place of business;
- (vi) each Borrower's and KMC Holdings' Certificate or Articles of Incorporation (or other constituent or organizational documents, as the case may be), in each case, as amended, modified or supplemented on or prior to the Closing Date, each certified to be true, correct and complete by the Secretary of State of the state in which such Person is organized;
- (vii) the General Reaffirmation and Modification Agreement in the form of EXHIBIT T hereto duly executed and delivered by the Borrowers and KMC Holdings;
- (viii) the Term B Loan Notes duly executed and delivered by the Borrowers;
- (ix) this Agreement duly executed and delivered by the Borrowers; and
- (x) Addenda to that certain Trademark Security Agreement dated as of December 22, 1998 between the Borrowers other than KMC III, Leasing III, Telecom.com and Services, and the Collateral Agent, duly executed and delivered by KMC III, Leasing III, Telecom.com and Services.

(2) The Collateral Agent shall have received the following items in each case in form and substance satisfactory to the Collateral Agent:

- (i) Pledge Supplement duly executed by KMC Holdings with respect to the Equity Interests of KMC III and Telecom.com, together with, in each case, for all such Equity Interests which are certificated, stock certificates and undated stock powers executed in blank in form and substance satisfactory to the Collateral Agent and for all such Equity Interests which are limited liability company interests, pledge instructions and

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initial transaction statements in form and substance satisfactory to the Collateral Agent;

- (ii) a Pledge Agreement duly executed by KMC III with respect to the Equity Interests of Leasing III and Services, together with for all such Equity Interests which are certificated, stock certificates and undated stock powers executed in blank in form and substance satisfactory to the Collateral Agent and for all such Equity Interests which are limited liability company interests, pledge instructions and initial transaction statements in form and substance satisfactory to the Collateral Agent;
- (iii) loss payable endorsements substantially in the form of EXHIBIT M attached hereto with respect to each Borrower's insurance policies relating to the Collateral, and insurance certificates required by SECTION 5.04(g) from nationally recognized insurance brokers with respect to each Borrower's insurance policies;
- (iv) with respect to each Borrower's then existing Collection

Accounts, Restricted Account Agreements substantially in the form of such agreements executed and delivered pursuant to the Existing Agreement, copies of which are attached as EXHIBIT N hereto, duly executed by the applicable Borrower and the financial institutions maintaining the Collection Accounts (except to the extent previously delivered pursuant to the Existing Agreement);

- (v) Addenda to the Collateral Assignment of Licenses duly executed by KMC III, Leasing III, Telecom.com and Services, and an updated Schedule I thereto certified as being complete and correct by all the Borrowers, together with consents to assignment of licenses and rights from Persons designated by the Collateral Agent duly executed by such Persons, including agreements as to default notices, cure rights, waiver of lien rights, conveyance of nondisturbance rights and other terms satisfactory to the Collateral Agent;
- (vi) Addenda to the Collateral Assignment of Leases duly executed by KMC III, Leasing III, Telecom.com and Services, and an updated Schedule I thereto certified as being complete and correct by all the Borrowers, together with consents to assignment, duly executed by the appropriate Persons, including agreements as to default notices, cure rights, waiver of lien rights, conveyance of nondisturbance rights and other terms satisfactory to the Collateral Agent with respect to those leased properties specified by the Collateral Agent, together with landlord waivers in the form

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of EXHIBIT D hereto executed by the appropriate landlord with respect to those leased properties specified by the Collateral Agent;

- (vii) Completed environmental questionnaires and indemnity agreement executed by KMC III, Leasing III, Telecom.com and Services and Phase I Environmental Reports with respect to premises described on Schedule 3.10 (if any); and
- (viii) Access Agreements executed and delivered by Kamine Development Corp. with respect to KMC III's, Leasing III's, Telecom.com's and Services' premises located at 1545 Route 206, Suite 300, Bedminster, New Jersey in form and substance satisfactory to the Collateral Agent.

(d) The Agents or the Collateral Agent, as applicable, shall have satisfactorily completed their review of any Lucent Purchase Agreement, any Additional Purchase Agreements, construction and maintenance contracts, right of way agreements and interconnection agreements related to the Systems being financed with the Loans made on the Closing Date.

(e) The Collateral Agent shall have received evidence satisfactory to the Collateral Agent that the Collateral Agent's security interests in the Collateral have been properly perfected and constitute first and prior security interests subject only to Permitted Liens, including by (i) filing Mortgages, the Collateral Assignment of Licenses, the Collateral Assignment of Leases, leasehold mortgages and UCC-1 financing statements (including, without limitation, fixture filings) in certain filing and recording offices, (ii) filing the Trademark Security Agreement in the United States Patent and Trademark Office, (iii) obtaining consents to the Collateral Assignments of Licenses and the Collateral Assignments of Leases and (iv) taking possession of stock certificates and other instruments, in each case, as requested by the Collateral Agent.

(f) The Collateral Agent shall have received evidence satisfactory to the Collateral Agent, including the results of searches conducted in the mortgage recording, UCC, tax Lien and judgment filing records in each appropriate filing office or jurisdiction, that there are no Liens against the

Collateral except Permitted Liens.

(g) The Agent shall have received evidence satisfactory to the Agent that no Borrower has any Debt other than as described in SECTION 6.13 and that the holders of any such Debt described in CLAUSES (v) and (vii) of SECTION 6.13 have executed subordination and standstill agreements satisfactory to the Agent.

(h) The Collateral Agent, as it may require, shall have obtained or waived in writing with respect to each real estate and material equipment lease and each mortgage of any Borrower relating to the Systems being financed with the initial Loan made after the Closing Date (i) the right from the applicable lessors and mortgagees to cure all payment defaults under such leases and

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mortgages by making payment directly to the applicable lessors and mortgagees and (ii) landlord waivers and consents, as the Collateral Agent may require, with respect to each leased facility.

(i) The Agents shall have satisfactorily completed their due diligence investigation of the Borrowers and the Systems and the Borrowers' other assets, and their respective officers and directors including, without limitation, environmental reviews, engineering reviews, review of material agreements of the Borrowers and review of easement matters.

(j) All right of way agreements with respect to each System under construction shall be sufficient to allow full operation of such System and shall, upon request of the Collateral Agent, be assignable to the Collateral Agent or its designee.

(k) Lucent shall have executed and delivered to the Collateral Agent, in form and substance satisfactory to the Agents, a reaffirmation of the Consent and Subordination Agreement dated December 22, 1998 among Lucent, the Borrowers other than KMC III, Leasing III, Telecom.com and Services, and the Collateral Agent.

(l) The obligations of KMC III and Leasing III under the Lucent Loan Agreement shall be discharged in full with the proceeds of the Loans to be made on the Closing Date.

SECTION 4.02. CONDITIONS PRECEDENT TO ALL LOANS. In the case of each Loan hereunder and the obligation to issue Letters of Credit or provide Credit Support therefor:

(a) The representations and warranties of each Borrower set forth in ARTICLE III or in any other Loan Document shall be true and correct in all material respects on and as of the date of such Loan with the same effect as though such representations and warranties had been made on and as of such date, except that any representations or warranties that relate to a specified date shall only be reaffirmed as of such date.

(b) At the time of each such Loan, and after giving effect to such Loan, each Borrower shall be in compliance with all the terms and provisions set forth herein on its part to be observed or performed, and no Event of Default or Default shall have occurred and be continuing.

(c) At the time of each such Loan and after giving effect to each such Loan, there shall have been no material adverse change in the condition (financial or otherwise), operations, properties or prospects of any Borrower since the date of the Financials.

(d) Such Loan, when combined with Loans previously made to the Borrowers, shall not exceed the Commitment Amount.

(e) All legal matters incident to such Loan and the Loan Documents shall be satisfactory to Counsel.

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(f) The Agent shall have received a Notice of Borrowing for the Loan and acceptance certificate and invoices required by SECTION 2.03.

(g) The Collateral Agent shall have first priority Liens on all personal and real property assets that comprise or relate to each System to be funded by such Loan, shall have received collateral assignments of all material third party agreements relating to such Systems, consented to by the applicable third parties, as requested by the Collateral Agent, and shall have received evidence that all necessary Governmental Approvals for such System have been obtained.

(h) The Collateral Agent shall have received copies of such lien waivers and other acknowledgments from Persons constructing the Systems, any subcontractors or vendors (including Lucent or each Additional Vendor) with respect to the construction of the Systems as the Collateral Agent may reasonably request.

(i) All fees and expenses which are due and payable to the Agent and the Collateral Agent on or prior to the date of the advance of such Loan shall have been paid.

(j) The Agents or the Collateral Agent, as applicable, shall have satisfactorily completed their review of any Additional Purchase Agreements, construction and maintenance contracts related to the Systems being financed with such Loan and the interconnection agreements for each System being financed with such Loan.

(k) The Collateral Agent shall have obtained or waived in writing with respect to each real estate and material equipment lease, each mortgage, and each material third party agreement relating to the Systems being financed with such Loan (i) the right from the applicable lessors and mortgagees to cure all payment defaults under such leases and mortgages by making payments directly to the applicable lessors and mortgagees, as the Collateral Agent may request, (ii) landlord waivers and consents, as the Collateral Agent may require, with respect to each leased facility, and (iii) consents to collateral assignment, as the Collateral Agent may require, with respect to each such material third party agreement.

(l) There shall not have occurred in the opinion of the Agents, any material adverse change in any two of the three members of Borrower's or KMC Holdings' senior management team, which shall comprise its Chief Executive Officer, Chief Financial Officer and Chief Operating Officer.

(m) If a Loan is requested to finance Aged Equipment, the Collateral Agent, if it so elects, shall have obtained an appraisal of such Aged Equipment from an appraiser selected by the Collateral Agent, which appraisal shall be satisfactory to the Collateral Agent and the cost of which shall be borne by such Borrower.

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ARTICLE V AFFIRMATIVE COVENANTS

Each Borrower covenants and agrees that so long as this Agreement shall remain in effect, any Commitment hereunder shall be outstanding or any Obligations hereunder or under any of the other Loan Documents are unpaid, unless the Requisite Lenders shall have otherwise given prior written consent:

SECTION 5.01. CORPORATE AND FRANCHISE EXISTENCE. Such Borrower shall preserve and maintain its corporate existence, rights, franchises, licenses and privileges in the jurisdiction of its organization, and in all other jurisdictions in which such qualification is necessary in view of its business and operations and property and preserve, protect and keep in full force and effect its material rights and its Governmental Approvals.

SECTION 5.02. COMPLIANCE WITH LAWS, ETC. Such Borrower shall comply in all material respects with all laws and regulations applicable to it, including, without limitation, Environmental Laws, regulations promulgated by

the FCC and any PUC, and other telecommunications laws and regulations, and all material contractual obligations applicable to it.

SECTION 5.03. MAINTENANCE OF PROPERTIES. Such Borrower shall at all times maintain in good repair, working order and condition, excepting ordinary wear and tear, all of its properties material to its operations and make all appropriate repairs, replacements and renewals thereof, in each case consistent with prudent industry practices and sound business judgment and with respect to the maintenance of machinery and equipment, in compliance with applicable government regulations, manufacturers' warranty requests and any licensing requirements.

SECTION 5.04. INSURANCE.

(a) COVERAGE. Without limiting any of the other obligations or liabilities of such Borrower under this Agreement, such Borrower shall carry and maintain, and require each contractor retained in connection with the construction of any System to carry and maintain, each at its own expense, at least the minimum insurance coverage set forth in this SECTION 5.04. Such Borrower shall also carry and maintain any other insurance that the Collateral Agent may reasonably require from time to time. All insurance carried pursuant to this SECTION 5.04 shall be placed with such insurers that have an A.M. Best rating of A:X or better, or as may be acceptable to the Collateral Agent. Such coverage shall be in such form, with terms, conditions, limits and deductibles as shall be acceptable to the Collateral Agent.

(b) CONSTRUCTION PERIOD. During the period from, and including the commencement of construction of any System, to and including the completion of construction of any System, such Borrower shall maintain in full force and effect, pay all premiums when due in respect of, and comply with all terms and conditions of the following coverages:

(i) ALL RISK BUILDER'S RISK. Such Borrower shall maintain all risk builder's risk insurance covering physical loss or damage to such System

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including, but not limited to, fire and extended coverage, collapse, flood, earth movement and windstorm, and comprehensive boiler and machinery coverage (including electrical malfunction and mechanical breakdown). Such insurance shall cover all property during construction and testing, as well as any and all materials, equipment and machinery intended for such System during off-site storage and inland transit and, if necessary, during ocean and air transit. All transit coverage shall be on a "warehouse to warehouse" basis. The all risk builder's risk policy shall be written on a replacement cost basis for the full construction cost of such System or in an amount acceptable to the Collateral Agent and shall contain an agreed amount endorsement waiving any coinsurance penalty. Coverage shall not exclude resultant damage caused by faulty workmanship, design or materials nor shall it exclude machinery and equipment under guarantee or warranty; and

(ii) DELAY IN START-UP. As an extension of the coverage required under SUBSECTION (B)(i) or as a separate policy, such Borrower shall maintain delay in start-up insurance covering net profits (if any), continuing expenses and debt service payments resulting from delays in achieving the completion date for the construction of any System caused by (i) physical loss or damage to such System during construction or testing, (ii) loss or damage to equipment while in ocean, air or inland transit or (iii) loss or damage to equipment while in storage away from the site. Contingent delay in start-up coverage shall also be included to cover delay caused by damage to critical path items while under manufacture or at the supplier's premise. Such extension or separate policy shall have a period of indemnity of not less than twelve (12) months with an agreed amount limit not less than \$20,000,000 combined property, delay in start-up and extra expense per System and shall contain an agreed amount endorsement waiving any coinsurance penalty. Such extension or separate policy shall also cover expediting expenses in an amount not less than \$1,000,000. Deductibles may not exceed seven (7) days; and

(iii) COMPREHENSIVE OR COMMERCIAL GENERAL LIABILITY. Such Borrower shall maintain comprehensive general liability insurance written on an occurrence basis with a limit of liability not less than \$1,000,000 per occurrence and \$2,000,000 in the aggregate. Coverage shall include, but not be limited to, premises/operations, explosion, collapse, and underground hazards, broad form contractual, independent contractors products/completed operations, broad form property damage, and personal injury liability. Such insurance shall not exclude coverage for punitive or exemplary damages where insurable by law; and

(iv) WORKERS' COMPENSATION/EMPLOYER'S LIABILITY. Such Borrower shall maintain workers' compensation insurance in accordance with statutory provisions covering accidental injury, illness or death of an employee of such Borrower while at work or in the scope of his or her employment with such Borrower and employer's liability insurance in an amount not less than \$500,000. Such coverage shall not contain any occupational disease exclusions; and

(v) AUTOMOBILE LIABILITY. Such Borrower shall maintain automobile liability insurance covering owned, non-owned, leased, hired or borrowed

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vehicles against bodily injury or property damage. Such coverage shall have a limit of not less than \$1,000,000; and

(vi) EXCESS/UMBRELLA LIABILITY. Such Borrower shall maintain excess or umbrella liability insurance in an amount not less than \$30,000,000 written on an occurrence basis providing coverage limits in excess of the insurance limits required under SECTION 5.04(B)(iii), (B)(iv) (employer's liability only), and (b)(v). Such insurance shall follow from the primary insurances and drop down in case of exhaustion of underlying limits and/or aggregates. Such insurance shall not exclude coverage for punitive or exemplary damages where insurable by law.

(c) CONTRACTOR INSURANCE COVERAGE. Such Borrower shall cause each contractor retained in connection with the construction of any System to carry and maintain, in full force and effect, such insurance and such bonds as such contractor is required to maintain pursuant to the following:

(i) COMPREHENSIVE OR COMMERCIAL GENERAL LIABILITY. Such contractor shall maintain comprehensive general liability insurance covering the construction of such System written on an occurrence basis with a limit of liability not less than \$5,000,000. Coverage shall include, but not be limited to, premises/operations, explosion, collapse, and underground hazards, sudden and accidental pollution, broad form contractual, independent contractors, products/completed operations, broad form property damage, and personal injury liability. Such insurance may be written in any combination of primary and excess/umbrella forms. The products/completed operations coverage shall be extended to cover such System for two years after completion of such System. Such insurance shall not exclude coverage for punitive or exemplary damages where insurable by law; and

(ii) WORKERS' COMPENSATION/EMPLOYER'S LIABILITY. Such contractor shall maintain workers' compensation insurance in accordance with statutory provisions covering accidental injury, illness or death of an employee of such contractor while at work or in the scope of his or her employment with such contractor and employer's liability insurance in an amount not less than \$5,000,000 written in any combination of primary and excess/umbrella policies, and

(iii) AUTOMOBILE LIABILITY. Such contractor shall maintain automobile liability insurance covering owned, non-owned, leased, hired or borrowed vehicles against bodily injury or property damage. Such coverage shall have a limit of not less than \$5,000,000 written in any combination of primary and excess/umbrella policies.

(d) OPERATIONS PERIOD. Beginning on the completion date of each System, such Borrower shall maintain in full force and effect, pay all premiums when due in respect of, and comply with all terms and conditions of the following insurance coverages for each System.

(i) ALL RISK PROPERTY INSURANCE. Such Borrower shall maintain all risk property insurance covering such System against physical loss or

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damage, including but not limited to fire and extended coverage, collapse, flood, earth movement and windstorm, and comprehensive boiler and machinery coverage (including electrical malfunction and mechanical breakdown). Such insurance shall cover each and every component of such System and shall not contain any exclusion for resultant damage caused by faulty workmanship, design or materials. Coverage shall be written on a replacement cost basis with property, business interruption and extra expense insurance in a combined amount of \$30,000,000 per System. Such insurance policy shall contain an agreed amount endorsement waiving any coinsurance penalty; and

(ii) BUSINESS INTERRUPTION. As an extension of the coverage required under SECTION 5.04(d)(i), such Borrower shall maintain business interruption insurance in an agreed amount equal to twelve (12) months projected loss of net profits, continuing expenses and debt service payments of such System and shall contain an agreed amount endorsement waiving any coinsurance penalty. Contingent business interruption insurance shall also be included to cover the major suppliers and customers of the Borrowers. Coverage shall be included for expediting expenses in an amount not less than \$1,000,000. Such insurance shall also cover service interruption. Deductibles shall not exceed seven (7) days; and

(iii) COMPREHENSIVE OR COMMERCIAL GENERAL LIABILITY INSURANCE. Such Borrower shall maintain comprehensive general liability insurance written on an occurrence basis with a limit of not less than \$1,000,000 per occurrence and \$2,000,000 in the aggregate. Such coverage shall include, but not be limited to, premises/operations, explosion, collapse, underground hazards, contractual liability, independent contractors, products/completed operations, property damage and personal injury liability. Such insurance shall not exclude coverage for punitive or exemplary damages where insurable by law; and

(iv) WORKERS' COMPENSATION/EMPLOYER'S LIABILITY. Such Borrower shall maintain workers' compensation insurance in accordance with statutory provisions covering accidental injury, illness or death of an employee of such Borrower while at work or in the scope of his or her employment with such Borrower and employer's liability insurance in an amount not less than \$500,000. Such coverage shall not contain any occupational disease exclusions; and

(v) AUTOMOBILE LIABILITY. Such Borrower shall maintain automobile liability insurance covering owned, non-owned, leased, hired or borrowed vehicles against bodily injury or property damage. Such coverage shall have a limit of not less than \$1,000,000; and

(vi) EXCESS/UMBRELLA LIABILITY. Such Borrower shall maintain excess or umbrella liability insurance in an amount not less than \$30,000,000 written on an occurrence basis providing coverage limits in excess of the insurance limits required under SECTIONS 5.04(d)(iii), (d)(iv) (employer's liability only), and (d)(v). Such insurance shall follow from the primary insurances and drop down in case of exhaustion of underlying limits and/or

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aggregates. Such insurance shall not exclude coverage for punitive or exemplary damages where insurable by law.

(e) ENDORSEMENTS. Such Borrower shall cause all insurance carried and maintained in accordance with this SECTION 5.04 to be endorsed as follows:

(i) Such Borrower shall be the named insured and the Collateral Agent shall be an additional insured and loss payee with respect to policies described in SECTION 5.04(b)(i), (b)(ii), (d)(i) and (d)(ii). Such Borrower shall be the named insured and the Collateral Agent shall be an additional insured with respect to policies described in SECTION 5.04(b)(iii), (b)(v), (b)(vi), (d)(iii), (d)(v) and (d)(vi). Such Borrower and the Collateral Agent shall be additional insureds under all insurances carried by contractors under SECTION 5.04(c) to the extent allowed by law. All policies shall provide that any obligation imposed upon such Borrower and/or any contractor, including but not limited to the obligation to pay premiums, shall be the sole obligation of such Borrower and/or the contractor and not that of the Agent, the Collateral Agent or any Lender; and

(ii) with respect to policies described in SECTION 5.04(b)(i) and (b)(ii), and (d)(i) and (d)(ii), the interests of the Collateral Agent shall not be invalidated by any action or inaction of such Borrower, or any other Person, and shall insure the Collateral Agent regardless of any breach or violation by such Borrower, any contractor or any other Person, of any warranties, declarations or conditions of such policies, and

(iii) inasmuch as the liability policies are written to cover more than one insured, all terms, conditions, insuring agreements and endorsements, with the exception of the limits of liability, shall operate in the same manner as if there were a separate policy covering such insured; and

(iv) the insurers thereunder shall waive all rights of subrogation against the Agent, the Collateral Agent or the Lenders, any right of setoff or counterclaim and any other right to deduction, whether by attachment or otherwise; and

(v) such insurance shall be primary without right of contribution of any other insurance carried by or on behalf of the Agent, the Collateral Agent or the Lenders with respect to their interests as such in such System; and

(vi) if such insurance is canceled for any reason whatsoever, including nonpayment of premium, or any changes are initiated by such Borrower or carrier which affect the interests of the Collateral Agent, such cancellation or change shall not be effective as to the Collateral Agent until thirty (30) days, except in the case of non-payment of premium which shall be ten (10) days, after receipt by the Collateral Agent of written notice sent by registered mail from such insurer.

(f) CERTIFICATIONS. On the Closing Date, and at each policy renewal, but not less than annually, such Borrower shall provide to the Collateral Agent approved certification from each insurer or by an authorized representative of each insurer. Such certification shall identify the underwriters, the type of

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insurance, the limits, deductibles, and term thereof and shall specifically list the special provisions delineated for such insurance required for this SECTION 5.04.

(g) INSURANCE REPORT. Concurrently with the furnishing of all certificates referred to in this SECTION 5.04, such Borrower shall furnish the Collateral Agent with an opinion from an independent insurance broker, acceptable to the Collateral Agent, stating that all premiums then due have been paid and that, in the opinion of such broker, the insurance then maintained by such Borrower is in accordance with this section. Furthermore, upon its first knowledge, such broker shall advise the Collateral Agent promptly in writing of any default in the payment of any premiums or any other act or omission, on the part of any Person, which might invalidate or render unenforceable, in whole or

in part, any insurance provided by such Borrower hereunder.

(h) APPLICATION OF PAYMENTS. All payments received by such Borrower from any insurance referred in SECTION 5.04(b)(i), (b)(ii), (d)(i) and (d)(ii) shall be promptly delivered directly to the Collateral Agent, which amounts shall be applied by the Collateral Agent, upon request by such Borrower and provision to the Collateral Agent of detailed information, including a construction schedule and cost estimates, which establish to the reasonable satisfaction of the Collateral Agent that the amounts available and the proposed schedule are adequate to restore, replace or rebuild the property subject to insurance payments in a timely manner, to such restoration, replacement or rebuilding unless an Event of Default or Default shall have occurred and be continuing or such Borrower shall have failed to make such request within thirty (30) days after receipt of such amounts by Collateral Agent, in which case such amounts shall be applied in the Requisite Lenders' sole discretion to the repayment of the Obligations or such restoration, replacement or rebuilding.

(i) GENERAL. The Collateral Agent shall be entitled, upon reasonable advance notice, to review and/or receive copies of such Borrower's (or other appropriate party's) books and records regarding all insurance policies carried and maintained with respect to each System and such Borrower's obligations under this SECTION 5.04. Notwithstanding anything to the contrary herein, no provision of this Agreement or any other Loan Document shall impose on the Collateral Agent, the Agent or any Lender any duty or obligation to verify the existence or adequacy of the insurance coverage maintained by such Borrower, nor shall the Collateral Agent, the Agent or any Lender be responsible for any representations or warranties made by or on behalf of such Borrower to any insurance broker, company or underwriter. The Collateral Agent or the Agent, at its sole option, may obtain such insurance if not provided by such Borrower; in such event, such Borrower shall reimburse the Collateral Agent or the Agent upon demand for the cost thereof together with interest, and such costs shall constitute Obligations secured by the Collateral.

SECTION 5.05. OBLIGATIONS AND TAXES. Such Borrower shall pay all of its indebtedness and obligations promptly and in accordance with their terms and pay and discharge promptly all taxes, assessments and governmental charges or levies imposed upon it or upon its income or profits or in respect of its property, before the same shall become in default, as well as all lawful claims

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for labor, materials and supplies or otherwise which, if unpaid, might become a Lien upon such properties or any part thereof; PROVIDED, HOWEVER, that such Borrower shall not be required to pay and discharge or to cause to be paid and discharged any such tax, assessment, charge, levy or claim so long as the validity or amount thereof shall be contested in good faith by appropriate proceedings diligently pursued, and such Borrower shall set aside on its books such reserves as are required by GAAP with respect to any such tax, assessment, charge, levy or claim so contested.

SECTION 5.06. FINANCIAL STATEMENTS, REPORTS, ETC. Such Borrower shall furnish to the Agent and the Lenders (except as otherwise provided herein):

(a) within one hundred twenty (120) days after the end of each fiscal year, annual consolidated and consolidating financial statements for KMC Holdings, and combined financial statements for the Borrowers, including the balance sheets and statements of operations, stockholders' equity (consolidated only) and cash flows, for such fiscal year, prepared in accordance with GAAP, which consolidated financial statements and other above described financial information shall have been audited by a nationally recognized independent certified public accounting firm satisfactory to the Agent, and accompanied by such independent certified public accounting firm's unqualified opinion;

(b) within forty-five (45) days after the end of the first three fiscal quarters during each fiscal year and within one hundred twenty (120) days after the end of the fourth fiscal quarter (i) consolidated and consolidating unaudited balance sheets and statements of operations, and consolidated statements of stockholders' equity and cash flows for KMC Holdings, and combined unaudited balance sheets, statements of operations, stockholders' equity and

cash flows of the Borrowers as of the end of each such fiscal quarter, as applicable, and for the then elapsed portion of the fiscal year and (ii) a statement of revenues and EBITDA for the Borrowers as of the end of each such fiscal quarter, as applicable, and for the then elapsed portion of the fiscal year, calculated for each city where a System has been constructed in accordance with the Milestone Plan;

(c) within forty-five (45) days after the end of each month during each fiscal year (or within one hundred twenty (120) days after the end of each December), a detailed statement of operations for the Borrowers on a combined basis for such month and year-to-date period with comparisons to the corresponding projections for such month and year-to-date period set forth in the Milestone Plan; PROVIDED, that such Borrowers shall only be required to deliver the statement described in this SECTION 5.06(c) on a quarterly basis at any time that, and only for so long as, the Borrowers on a combined basis have achieved positive EBITDA;

(d) concurrently with provision of the financial statements referred to in CLAUSES (a), (b) and (c) above, a certificate of KMC Holdings' independent certified public accountant or KMC Holdings' chief financial officer, as applicable, to the effect that the financial statements referred to in CLAUSE (a), (b) and (c) above, present fairly the financial position and results of operations of KMC Holdings, and the Borrowers and as having been prepared in accordance with GAAP consistently applied, in each case subject to normal year end audit adjustments except for the statements referred to in CLAUSE (a) above;

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(e) concurrently with the provision of (i) the financial statements referred to in CLAUSE (a) above and (ii) any statements delivered pursuant to CLAUSE (b) above in respect of the periods ending March 31, June 30 or September 30, a Periodic Reporting Certificate of the chief financial officer of KMC Holdings setting forth the calculations contemplated in ARTICLE VII hereof and certifying as to the fact that such Person has examined the provisions of this Agreement and that no Event of Default or any Default, shall have occurred and be continuing or if such an event has occurred, a statement explaining its nature and extent and setting forth the steps the Borrowers propose to take to cure such Event of Default or Default;

(f) (i) not later than December 1 of each calendar year, consolidating and consolidated projected annual statements of operations, balance sheets and cash flow statements for KMC Holdings for the succeeding fiscal year, such statements to be reasonably acceptable to the Agents, and (ii) not later than January 15 of each calendar year, an annual operating budget on a quarterly basis for such calendar year, with each such budget to be in compliance with the Milestone Plan;

(g) to the Collateral Agent, all material agreements or licenses affecting the Governmental Approvals of any Borrower or any System promptly after any execution, or material amendment thereto;

(h) to the Collateral Agent, promptly upon their becoming available, copies of any material periodic or special documents, statements or other information filed by any Borrower with the FCC, PUC or other Governmental Authority in connection with the construction and/or operation of any System or with respect to the transactions contemplated by any of the Loan Documents, and copies of any material notices and other material communications from the FCC, PUC or from any other Governmental Authority;

(i) immediately upon any officer of any Borrower obtaining knowledge of any condition or event (i) which either constitutes an Event of Default or a Default, (ii) which renders any representation or warranty contained herein materially false or misleading, or when made, renders any document materially false or misleading, or (iii) which would result in any financial results for any fiscal year to materially deviate from the financial results projected for such fiscal year in the Milestone Plan or the financial projections described in CLAUSE (f) above, a certificate signed by an authorized officer of such Borrower specifying in reasonable detail the nature and period of existence thereof and what corrective action such Borrower has taken or proposes to take with respect thereto;

(j) within thirty (30) days after the end of each fiscal year of such Borrower, a certificate signed by an authorized officer of such Borrower (x) setting forth all the Real Property, Easements, licenses, rights of way and other similar interests in real property acquired by such Borrower in the preceding year and (y) confirming that no Default or Event of Default has occurred and is continuing;

(k) evidence in the manner set forth in SECTION 5.04(e) of insurance complying with SECTION 5.04;

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(l) following the written request of the Agent, not later than forty-five (45) days after the end of each fiscal month, reports on accounts receivable and accounts payable of such Borrower in such detail and format as may be reasonably requested by the Agent;

(m) promptly upon the filing thereof, copies of all registration statements and annual, quarterly, monthly or other regular reports which such Borrower or KMC Holdings files with the Securities and Exchange Commission; and

(n) promptly from time to time such other information regarding the operations (including, without limitation, construction budgeting and System completion), business affairs and condition (financial or otherwise) of such Borrower or KMC Holdings as the Agent may reasonably request.

SECTION 5.07. LITIGATION AND OTHER NOTICES. Such Borrower shall give the Agent prompt written notice upon obtaining knowledge of the following: (a) all Events of Default or Defaults and all events of default or any event that would become an event of default upon notice or lapse of time or both under any of the terms or provisions of any note, or of any other evidence of indebtedness or agreement or contract governing the borrowing of money in excess of \$250,000 in the aggregate, of such Borrower; (b) any levy, attachment, execution or other process against any of the property or assets, real or personal, of such Borrower in an amount in excess of \$250,000; (c) the filing or commencement of any action, suit or proceeding by or before any court or any Governmental Authority which, if adversely determined against such Borrower, would result in a Material Adverse Effect; (d) any material adverse notice, letter or other correspondence of any kind from the FCC or the PUC relating to the Governmental Approvals or any System; (e) any default under any other material license, agreement or contract to which such Borrower is a party; and (f) any matter which has resulted in, or which such Borrower reasonably believes will result in, a Material Adverse Effect on such Borrower.

SECTION 5.08. MORTGAGES; LANDLORD CONSENTS; LICENSES AND OTHER Agreements. As security for the Obligations, such Borrower shall with respect to each System (a) promptly execute and deliver to the Collateral Agent (1) Mortgages in favor of and satisfactory to the Collateral Agent with respect to any real property purchased by such Borrower on which a switch or network operating center is located, and at the request of the Collateral Agent, with respect to any other real property purchased by such Borrower, together with lender's title policies for any such real property satisfactory to the Collateral Agent, if requested by the Collateral Agent, (2) leasehold mortgages or collateral assignments of leases, landlord waivers or consents, and appropriate Uniform Commercial Code fixture financing statements, in each case satisfactory to the Collateral Agent with respect to any real property leased by such Borrower and on which Switch Equipment or a network operating center is located, and at the request of the Collateral Agent, with respect to any other leased real property of such Borrower, (3) Mortgages or collateral assignments and consents satisfactory to the Collateral Agent with respect to such Borrower's Easements and rights of way, as requested by the Collateral Agent, (4) collateral assignments of leases and lessor consents, satisfactory to and as requested by the Collateral Agent, with respect to any long-haul fiber leased by such Borrower and (5) with respect to each System, collateral assignments and consents to such assignments from the applicable third Persons, for each other material lease, license, contract or other agreement or instrument entered into

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by such Borrower after the date hereof, as required by the Collateral Agent and (b) (1) update Schedule 1 to the Collateral Assignment of Licenses to cover all Governmental Approvals obtained by such Borrower after the Closing Date and agreements entered into by such Borrower after the Closing Date with third Persons, (2) obtain consents to collateral assignments from the licensors granting the Governmental Approvals referred to in CLAUSE (b)(1) above and from those third Persons referred to in CLAUSE (b)(1) above that are specified by the Collateral Agent, such consents to collateral assignment to be in form and substance satisfactory to the Collateral Agent and (3) update Schedule 1 to the Collateral Assignment of Leases to cover all leases referred to in CLAUSE (a)(2) above.

SECTION 5.09. ERISA. Such Borrower shall comply in all material respects with the applicable provisions of ERISA and furnish to the Agent, (i) as soon as possible, and in any event within thirty (30) days after such Borrower or any officer of such Borrower knows or has reason to know that any Reportable Event with respect to any Plan has occurred or any Termination Event has occurred, a statement of an officer of such Borrower setting forth details as to such Reportable Event or Termination Event and the corrective action that such Borrower proposes to take with respect thereto, together with a copy of the notice of any such Reportable Event given to the PBGC, and (ii) promptly after receipt thereof, a copy of any notice such Borrower may receive from the PBGC relating to the intention of the PBGC to terminate any Plan or to appoint a trustee to administer any such Plan.

SECTION 5.10. ACCESS TO PREMISES AND RECORDS. Such Borrower shall permit representatives of the Agents to have access to such Borrower's books and records and to the Collateral and the premises of such Borrower at reasonable times upon reasonable notice and to make such excerpts from such records as such representatives deem necessary and to inspect the Collateral.

SECTION 5.11. DESIGN AND CONSTRUCTION. Such Borrower shall design, construct, equip and operate its Systems substantially as previously disclosed to Lenders in the Milestone Plan and in accordance with prudent industry standards.

SECTION 5.12. ENVIRONMENTAL NOTICES. If such Borrower shall (a) receive written notice that any violation of any Environmental Law may have been committed or is about to be committed by such Borrower, (b) receive written notice that any administrative or judicial complaint or order has been filed or is about to be filed against such Borrower alleging violations of any Environmental Law or requiring such Borrower to take any action in connection with any Release of any Contaminant into the environment, or (c) receive any written notice from a Governmental Authority or private party alleging that such Borrower may be liable or responsible for costs associated with a response to or cleanup of a Release or any damages caused thereby, such Borrower shall provide the Agent with a copy of such notice within twenty (20) Business Days of such Borrower's receipt thereof.

SECTION 5.13. AMENDMENT OF ORGANIZATIONAL DOCUMENTS. Such Borrower shall notify the Agent and the Collateral Agent of any amendment to its Certificate or Articles of Incorporation or other organizational documents within ten (10) days of the occurrence of any such event, and provide the Agent with copies of any amendments certified by the secretary of such Borrower and of

all other relevant documentation. Such Borrower shall promptly deliver to the Collateral Agent such financing statements executed by such Borrower which the Collateral Agent may request as a result of any such event.

SECTION 5.14. THIRD PARTY AGREEMENTS AND DELIVERY AND ACCEPTANCE CERTIFICATES. Such Borrower shall provide the Collateral Agent with (i) copies of all interconnection agreements, right of way agreements, easement agreements, real property leases, construction agreements, equipment purchase agreements, fiber leases, telephone line leases, state and local franchise agreements and other agreements with municipalities, that in each case relate to each System of

such Borrower, promptly after execution of each such agreement; PROVIDED, HOWEVER, that with respect to certain of the foregoing categories of agreements specified by the Collateral Agent, such Borrower shall be permitted to provide the Collateral Agent with inventories of the particular types of agreements in lieu of delivering copies of the agreements, which inventories shall be (x) in form and substance satisfactory to the Collateral Agent and (y) updated by the applicable Borrower promptly following the execution of any additional agreement of the type inventoried; PROVIDED, FURTHER, HOWEVER, that nothing in the foregoing proviso shall limit the Collateral Agent's ability to, at any time, request and receive a copy of any third party agreement from the applicable Borrower, and (ii) with respect to each System, copies of delivery and acceptance certificates substantially in the form of EXHIBIT R hereto with respect to each item of Telecommunications Equipment with an invoiced purchase price in excess of \$250,000, in each case, where such certificates are not required to be delivered to the Collateral Agent pursuant to SECTION 2.03(a), promptly after completion of such System or acceptance of such item of Equipment, as applicable.

SECTION 5.15. ACCOUNTS PAYABLE. Such Borrower shall pay each of its accounts payable in accordance with its practices as of the Closing Date but in any event no later than sixty (60) days after the due date, PROVIDED, HOWEVER, that such Borrower shall not be required to pay any account payable as long as the validity thereof shall be contested in good faith by appropriate protest or proceedings and such Borrower shall have set aside adequate reserves on its books with respect thereto in accordance with GAAP.

SECTION 5.16. INTELLECTUAL PROPERTY. Such Borrower shall enter into Intellectual Property Documents, in form and substance satisfactory to the Collateral Agent, with respect to all of the Intellectual Property owned by such Borrower.

SECTION 5.17. FISCAL YEAR. Such Borrower shall maintain a fiscal year ending on December 31.

SECTION 5.18. REQUIRED CONTRIBUTION. The Borrowers shall obtain the Required Contribution on or prior to August 31, 2000.

SECTION 5.19. SUBSIDIARY GUARANTEES AND PLEDGES. Such Borrower shall (i) cause each Person which becomes a Subsidiary of such Borrower and does not become a Borrower under this Agreement to execute a Guaranty and Security Agreement in the form of EXHIBIT U hereto, and (ii) execute a Pledge Agreement pursuant to which all of the Equity Interests in such Person will be pledged to the Collateral Agent, PROVIDED, that in the event such Person is an indirect

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Subsidiary of such Borrower, such Borrower shall cause each applicable Subsidiary of such Borrower to pledge all of the Equity Interests in such Person to the Collateral Agent.

SECTION 5.20. ACCOUNTING; MAINTENANCE OF RECORDS. Such Borrower shall maintain a system of accounting established and administered in accordance with GAAP. Such Borrower shall keep and maintain, and cause each of its Subsidiaries to keep and maintain, in all material respects, proper books of record and account in which entries in conformity with GAAP shall be made of all dealings and transactions in relation to their respective businesses and activities.

SECTION 5.21. FURTHER ASSURANCES. Such Borrower agrees to do such further acts and things and to execute and deliver to the Agent or the Collateral Agent such additional assignments, agreements, powers and instruments, at such Borrower's expense, as the Agent or the Collateral Agent may reasonably require or deem advisable to carry into effect the purposes of this Agreement and the other Loan Documents or to better assure and confirm unto the Agent or the Collateral Agent its rights, powers and remedies hereunder and thereunder.

ARTICLE VI
NEGATIVE COVENANTS

Each Borrower covenants and agrees with the Agent, the Collateral Agent and the Lenders that as long as this Agreement shall remain in effect, any Commitment hereunder shall be outstanding or any Obligations hereunder or under any of the Loan Documents shall be unpaid, unless the Requisite Lenders shall have otherwise given prior written consent:

SECTION 6.01. LIENS, ETC. Such Borrower shall not create, incur, assume or suffer to exist, directly or indirectly, any Lien upon or with respect to any of its properties or the Collateral, now owned or hereafter acquired, or upon any proceeds, products, issues, income or profits therefrom except for the following ("PERMITTED LIENS"):

(i) Liens granted pursuant to the Loan Documents;

(ii) Liens securing any Purchase Debt to the extent that the Liens cover only the subject assets purchased with such Purchase Debt;

(iii) Liens for taxes, assessments or governmental charges or levies on such Borrower's property if the same shall not at the time be delinquent or thereafter can be paid without penalty, or are being diligently contested in good faith and by appropriate proceedings and for which such Borrower shall have set aside reserves on its books as required by GAAP;

(iv) Liens imposed by law, such as landlord's, carrier's, warehousemen's and mechanic's liens, which liens shall be waived in writing to the extent waivable, and with respect to obligations not yet due or being contested in good faith by appropriate proceedings and in either case

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for which such Borrower shall have set aside adequate reserves on its books as required by GAAP;

(v) Liens arising out of pledges or deposits under workmen's compensation laws, unemployment insurance, old age pensions, or other social security benefits other than any Lien imposed by ERISA;

(vi) Liens incurred or deposits made in the ordinary course of business to secure surety bonds provided that such Liens shall extend only to cash collateral for such surety bonds; or

(vii) Liens on cash securing the reimbursement obligations under the Excluded Letters of Credit.

SECTION 6.02. USE OF PROCEEDS. Such Borrower shall not use the proceeds of any Loan for any purpose other than as provided in SECTION 2.02 hereof.

SECTION 6.03. SALE OF ASSETS, CONSOLIDATION, MERGER, ETC. Such Borrower shall not consolidate with or merge into any other Person, or without the prior written consent of the Requisite Lenders, sell, lease, transfer or otherwise dispose of any Collateral, except for (a) sales of inventory in the ordinary course of business, and (b) any sale, lease, transfer or other disposition of assets no longer used or useful in the conduct of the Business for the fair market value thereof not to exceed \$250,000 in the aggregate; PROVIDED, HOWEVER, that if no Event of Default has then occurred or is continuing or would result therefrom, any Borrower, upon provision of thirty days prior written notice to the Agent and upon compliance with SECTION 8.02, may merge with another Borrower.

SECTION 6.04. DIVIDENDS AND DISTRIBUTIONS; SALE OF EQUITY INTERESTS.

(a) Such Borrower shall not purchase, redeem or otherwise acquire any interest of such Borrower, declare or make or pay any dividends in any fiscal year of such Borrower on any class or classes of stock, return capital of such Borrower to its shareholders, make any other distribution on or in respect of any shares of any class of capital stock of such Borrower or make other payments to any shareholder of such Borrower (including in the form of compensation, loan, expense reimbursement or management fee); PROVIDED, HOWEVER, that provided no

Event of Default or Default has occurred and is continuing or would result therefrom, (i) such Borrower may make payments of fees or compensation for services which are in the nature of management, corporate overhead or administrative services to the extent permitted by SECTION 6.05 hereof, (ii) provided further, that (A) during the previous four fiscal quarters of the Borrowers, EBITDA equaled at least eighty-five percent (85%) of "Estimated EBITDA" (as defined below) and such Estimated EBITDA is a positive number, (B) during the previous four fiscal quarters of the Borrowers, the Borrowers

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maintained a Fixed Charge Coverage Ratio of at least 1.10 to 1.00, (C) with respect to the next four fiscal quarters of the Borrowers, EBITDA for the Borrowers, as projected in the most recent financial information furnished pursuant to SECTION 5.06(e), is projected to equal at least eighty-five percent (85%) of Estimated EBITDA for such fiscal quarters and such Estimated EBITDA is a positive number, and (D) with respect to the next four fiscal quarters of the Borrowers, the Fixed Charge Coverage Ratio as projected in the most recent financial information submitted to the Agent and the Lenders pursuant to SECTION 5.06(e), is projected to equal at least 1.10 to 1.00, the Borrowers may pay to KMC Holdings dividends in the amount necessary to make (i) scheduled principal and interest payments under the Indentures, and any other amounts due under the Indentures (including Sections 4.14 and 7.07 thereunder), and (ii) required payments of cash dividends due to the holders of KMC Holdings' Series E and F Senior Redeemable, Exchangeable PIK Preferred Stock. Estimated EBITDA shall mean "EBITDA" as calculated in the Milestone Plan.

(b) Such Borrower shall not sell or issue any additional Equity Interests.

SECTION 6.05. MANAGEMENT FEES AND PERMITTED CORPORATE OVERHEAD. Such Borrower shall not pay or enter into any arrangement to pay any fee or compensation, or reimburse expenses of, an Affiliate or any other Person for services which are in the nature of management, corporate overhead or administrative services except to the extent provided for in the Milestone Plan, the Management Agreement or as described on SCHEDULE 6.11 attached hereto.

SECTION 6.06. GUARANTEES; THIRD PARTY SALES AND LEASES. Such Borrower shall not directly or indirectly, (i) assume any obligation or indebtedness of another Person, (ii) make or assume any Guarantee, or (iii) finance any third party sales or leases, other than its obligations under SECTION 2.15.

SECTION 6.07. INVESTMENTS. Such Borrower shall not, directly or indirectly, make any Investments except:

(i) Investments in marketable, direct obligations issued or guaranteed by the United States of America, or of any governmental agency or political subdivision thereof, maturing within 365 days of the date of purchase;

(ii) Investments in certificates of deposit issued by a bank organized under the laws of the United States of America or any state thereof or the District of Columbia, in each case having capital, surplus and undivided profits totaling more than \$500,000,000 and rated at least A by Standard & Poor's Ratings Service and A-2 by Moody's Investors Service, Inc. maturing within 365 days of purchase;

(iii) Investments in certificates of deposit, repurchase agreements, money market or other cash management accounts, bankers acceptances and short term Eurodollar time deposits with financial institutions having a long term deposit rating of at least A+ from Moody's Investors Service, Inc. or Standard & Poor's Ratings Group, respectively;

(iv) Investments in commercial paper rated P1 or A1 by Moody's Investors Service, Inc. or Standard & Poor's Ratings Group respectively; and

(v) Investments not exceeding 365 days in duration in money market funds that invest substantially all of such funds' assets in the Investments described in the preceding clauses (i), (ii), (iii) or (iv).

SECTION 6.08. SUBSIDIARIES; PERMITTED ACQUISITIONS. Such Borrower shall not create or acquire any Subsidiary or acquire all or any significant portion of the assets or Equity Interests of another Person; provided, however, that each Borrower may acquire all the Equity Interests of, or all or any significant portion of the assets of, another Person, if such acquisition meets the following requirements (each such acquisition constituting a "Permitted Acquisition"):

- (1) no Default or Event of Default shall have occurred and be continuing or would result from such transaction or transactions or the incurrence of any Debt by any Borrower or KMC Holdings in connection therewith;
- (2) If such acquisition is being effectuated by means of the acquisition of Equity Interests of any Person (or the formation of a new Subsidiary in order to acquire assets of another Person), such acquired Person (unless merged with and into a Borrower) shall become a Borrower hereunder pursuant to an Accession Agreement and shall deliver such documentation as is reasonably required by the Agent to evidence the enforceability of such Accession Agreement;
- (3) The Collateral Agent shall, immediately upon the consummation of such acquisition, obtain a first priority Lien, for the benefit of the Lenders and as collateral for the payment of the Obligations, in the assets being purchased or acquired by virtue of an acquisition of Equity Interests and the Borrowers shall have complied in all respects with the provisions of SECTION 8.02 with respect to such assets;
- (4) The assets being acquired shall be substantially similar, related or incidental to the Businesses;
- (5) After giving effect to such acquisition, the representations and warranties set forth in ARTICLE III hereof shall be true and correct in all material respects on and as of the date of such acquisition with the same effect as though made on and as of such date and including with respect to any Person that becomes a new Borrower pursuant to paragraph (2) above;
- (6) The purchase is consummated pursuant to a negotiated acquisition agreement on a non-hostile basis;
- (7) The Borrowers shall have submitted a revised Milestone Plan demonstrating (i) PRO FORMA compliance with the applicable Financial Covenants set forth in Article VII after giving effect to such Acquisition, and (ii) that if such acquisition is made after the Required Contribution has been obtained or after August 31, 2000, that the Milestone Plan remains fully funded and that if such acquisition is made before the Required Contribution has been obtained, that the acquisition does not result in the Milestone Plan becoming less fully funded than it was prior to giving effect to such acquisition;

- (8) The Borrowers shall have delivered an appraisal to the Agent and the Collateral Agent reasonably satisfactory to the Collateral Agent, which appraisal establishes that in the aggregate the purchase price of the assets being acquired in such acquisition (measured by appropriate market multiples) does not exceed the fair market value of such assets; and
- (9) The aggregate cash consideration paid by the Borrowers for all

such acquisitions shall not exceed \$60,000,000.

SECTION 6.09. PERMITTED ACTIVITIES. Such Borrower shall not engage in any business or activity other than the operation of its Business in accordance with the Milestone Plan without the prior written consent of the Requisite Lenders.

SECTION 6.10. DISPOSITION OF LICENSES, ETC. Such Borrower shall not sell, assign, transfer or otherwise dispose or attempt to dispose of in any way any Governmental Approval or any other licenses, permits or approvals, the assignment, transfer or disposal of which would result in a Material Adverse Effect, without the prior written consent of the Requisite Lenders.

SECTION 6.11. TRANSACTIONS WITH AFFILIATES. Except for the Management Agreement, the Tax Sharing Agreement, or as set forth on SCHEDULE 6.11, such Borrower shall not directly or indirectly, enter into any transaction, including, without limitation, leases or other agreements for the purchase or use of any goods or services, with any Affiliate, except in the ordinary course of and pursuant to reasonable requirements of such Borrower's business upon fair and reasonable terms no less favorable to such Borrower than it would obtain in a comparable arm's length transaction with an unaffiliated Person.

SECTION 6.12. ERISA. Such Borrower shall not:

(A) engage, or permit any ERISA Affiliate to engage, in any prohibited transaction described in Section 406 of ERISA or 4975 of the IRC for which a statutory or class exemption is not available or a private exemption has not been previously obtained from the United States Department of Labor;

(B) permit to exist any accumulated funding deficiency (as defined in Section 302 of ERISA and Section 412 of the IRC), whether or not waived;

(C) fail, or permit any ERISA Affiliate to fail, to pay timely required contributions or annual installments due with respect to any waived funding deficiency to any Benefit Plan;

(D) terminate, or permit any ERISA Affiliate to terminate, any Benefit Plan which would result in any material liability of such Borrower under Title IV of ERISA;

(E) fail to make any contribution or payment to any Multiemployer Plan which such Borrower or any ERISA Affiliate may be required to make under any agreement relating to such Multiemployer Plan, or any law pertaining thereto;

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(F) amend, or permit any ERISA Affiliate to amend, a Plan resulting in an increase in current liability for the plan year such that such Borrower is required to provide security to such Plan under Section 401(a)(29) of the IRC; or

(G) fail, or permit any ERISA Affiliate to fail, to pay any required installment under Section 412 of the IRC on or before the due date for such installment or other payment.

SECTION 6.13. INDEBTEDNESS. Such Borrower shall not create or suffer to exist any Debt or any other obligations for the deferred purchase price of property or services except:

(i) the Obligations;

(ii) the obligations arising under any Loan Document;

(iii) obligations under leases contemplated in the Milestone Plan and the Schedules to this Agreement;

(iv) obligations under Capitalized Leases, financing leases or loan agreements or similar debt documents with respect to the financing and contemplated purchase of office equipment, vehicles and non-essential

telecommunications equipment, not to exceed an aggregate amount for the Borrowers of \$5,000,000 at any time ("PURCHASE DEBT");

(v) additional unsecured Debt subordinate to the payment of the Obligations on terms and conditions approved by the Agents but in no event to exceed an aggregate amount for the Borrowers of \$1,000,000 in principal amount outstanding at any time;

(vi) performance bonds and bid bonds executed solely in connection with the construction of Systems in the ordinary course of business;

(vii) Qualified Intercompany Loans;

(viii) Debt to the Agent consisting of reimbursement obligations for letters of credit in an aggregate outstanding amount not to exceed \$250,000 at any one time for the account of the Borrower and not issued pursuant to SECTION 2.10 (the "EXCLUDED LETTERS OF CREDIT"); and

(ix) Debt consisting of indebtedness, obligations or other liabilities in respect of any Interest Rate Agreement with the Agent, the Collateral Agent, any Lender or any other party acceptable to, and pursuant to documentation in form and substance acceptable to, the Agent.

SECTION 6.14. PREPAYMENT AND DEBT DOCUMENTS. (a) Such Borrower shall not voluntarily prepay any Debt, except the Obligations in accordance with the terms hereof.

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(b) Such Borrower shall not amend any agreement relating to Debt other than the Obligations in any manner which would increase the amount of principal, interest or fees on such debt, or accelerate any payments of such Debt.

SECTION 6.15. SALE AND LEASEBACK TRANSACTIONS. Such Borrower shall not, directly or indirectly, enter into any arrangement with any Person providing for such Borrower to lease or rent property that any Borrower or KMC Holdings has sold or will sell or otherwise transfer to such Person.

SECTION 6.16. MARGIN REGULATION. Such Borrower shall not use or permit any other Person to use any portion of the proceeds of any credit extended under this Agreement in any manner which might cause the extension of credit made by any Lender or the application of such proceeds to violate the Securities Act of 1933 or Securities Exchange Act of 1934 (each as amended from time to time, and any successor statute) or to violate Regulation T, Regulation U, or Regulation X, or any other regulation of the Federal Reserve Board, in each case as in effect on the date or dates of such extension of credit and such use of proceeds.

SECTION 6.17. MANAGEMENT AND TAX SHARING AGREEMENTS. Such Borrower shall not amend the Management Agreement or the Tax Sharing Agreement in any manner that would have a material adverse effect on the Lenders, the Borrowers or the transactions contemplated hereby.

ARTICLE VII FINANCIAL COVENANTS

Each Borrower covenants and agrees with the Agent and the Lenders that as long as this Agreement shall remain in effect, any Commitment hereunder shall be outstanding or the Obligations hereunder or under any of the Loan Documents shall be unpaid, unless the Requisite Lenders shall have otherwise given prior written consent:

SECTION 7.01. FINANCIAL COVENANTS PRIOR TO ACHIEVING POSITIVE EBITDA. Until the earlier of (i) March 31, 2002 and (ii) the date on which the Borrowers shall have achieved positive EBITDA for all the Borrowers on a combined basis for two consecutive fiscal quarters and a Total Leverage Ratio equal to or less than 9:1 as determined by reference to the financial statements submitted pursuant to SECTION 5.06:

(a) TOTAL DEBT TO CONTRIBUTED CAPITAL. The Borrowers shall not at any

time permit the ratio of the Total Debt to Contributed Capital to exceed 1.00 to 1.00.

(b) MINIMUM REVENUES. As of the last day of each fiscal quarter, the Borrowers shall on a combined basis have revenues at least equal to 85% of the amount projected for such date in the Milestone Plan, which amount is set forth in ITEM 1 on ANNEX B attached hereto.

(c) EBITDA.

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(i) As of the last day of each fiscal quarter occurring on or after the Closing Date and on or prior to June 30, 2001, the Borrowers shall not permit the EBITDA losses for all the Borrowers on a combined basis for the two fiscal quarters then ending to exceed the greater of (A) 115% of such losses projected for each such date in the Milestone Plan, which amount is set forth in ITEM 2 on ANNEX B attached hereto and (B) an amount equal to \$7,500,000 more than the aggregate amount of EBITDA losses projected for each such date in the Milestone Plan, which latter amount is set forth in ITEM 2 on ANNEX B attached hereto.

(ii) As of the last day of each fiscal quarter thereafter, the Borrowers shall not permit EBITDA for all the Borrowers on a combined basis for the two fiscal quarters then ending to be less than the greater of (A) 85% of the amount of EBITDA projected for each such date in the Milestone Plan, which amount is set forth in ITEM 3 on ANNEX B attached hereto and (B) an amount equal to \$7,500,000 less than the aggregate amount of EBITDA projected for each such date in the Milestone Plan, which latter amount is set forth as ITEM 3 on ANNEX B attached hereto.

(d) CAPITAL EXPENDITURES. As of the last day of each fiscal quarter, the Borrowers shall not permit capital expenditures on a combined, cumulative basis beginning on the Closing Date to exceed the amount projected for each such date in the Milestone Plan by more than \$25,000,000, which amount is set forth in ITEM 4 on ANNEX B attached hereto, unless any such excess is funded with cash capital contributions or Qualified Intercompany Loans from KMC Holdings that are not part of the Required Contribution.

(e) MINIMUM ACCESS LINES. As of the last day of each fiscal quarter beginning March 31, 2000, the Borrowers shall have in place at least seventy-five percent (75%) of the Access Lines projected for each such date in the Milestone Plan, which amounts are set forth in ITEM 5 on Annex B attached hereto.

SECTION 7.02. FINANCIAL COVENANTS AFTER ACHIEVING POSITIVE EBITDA. On and after the earlier of (i) March 31, 2002, and (ii) the date on which the Borrowers have achieved positive EBITDA on a combined basis for two consecutive fiscal quarters and a Total Leverage Ratio equal to or less than 9:1 as determined by reference to the financial statements submitted pursuant to SECTION 5.06:

(a) MAXIMUM TOTAL LEVERAGE RATIO. As of the last day of each fiscal quarter, the Borrowers shall not permit the Total Leverage Ratio to be greater than the following:

FISCAL QUARTER ENDING	MAXIMUM TOTAL LEVERAGE RATIO
On or prior to December 31, 2001	9.00 to 1.00
March 31, 2002	8.00 to 1.00
June 30, 2002	6.00 to 1.00
September 30, 2002	4.00 to 1.00
December 31, 2002	4.00 to 1.00

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ARTICLE VIII
COLLATERAL SECURITY

SECTION 8.01. COLLATERAL SECURITY. (a) To secure payment and performance of all of the Obligations, each of KMC III, Leasing III, Telecom.com and Services hereby grants, and each of the other Borrowers hereby reaffirms, grants and hereby regrants, to the Collateral Agent for the benefit of the Collateral Agent, the Agent and the Lenders, to the extent permitted by law, a right of setoff against and a continuing security interest in and to all of such Borrower's tangible and intangible personal property, fixtures and real property leasehold and easement interests, whether now owned or existing, or hereafter acquired or arising, wheresoever located, including, without limitation, all of the following property, or interests in property: (a) all machinery, equipment, Telecommunications Equipment and fixtures, including without limitation, fiber optic and other cables, transmission and switching equipment, transmission facilities, connection equipment, conduit, carrier pipes, junctions, regenerators, power sources, alarm systems, electronics, structures and shelters and cable laying equipment; (b) all Accounts, accounts receivable, other receivables, contract rights, leases, chattel paper, investment property, and general intangibles of such Borrower (including, without limitation, goodwill, going concern value, patents, trademarks, trade names, service marks, blueprints, designs, product lines and research and development), including, without limitation, all of such Borrower's rights under all present and future Governmental Approvals, permits, licenses and franchises heretofore or hereafter granted to such Borrower for the operation and ownership of its Systems (excluding licenses and permits issued by the FCC, any PUC or any other Governmental Authority to the extent, and only to the extent, it is unlawful to grant a security interest in such licenses and permits, but including, to the maximum extent permitted by law, all rights incident or appurtenant to such licenses and permits, including, without limitation, the right to receive all proceeds derived from or in connection with the sale, assignment or transfer of such licenses and permits), whether now owned or hereafter acquired by such Borrower, or in which such Borrower may now have or hereafter acquire an interest; (c) all instruments, letters of credit, documents of title, policies and certificates of insurance, securities, bank deposits, deposit accounts (including such Borrower's Collection Accounts), checking accounts and cash now or hereafter owned by such Borrower, or in which such Borrower may now have or hereafter acquire an interest; (d) all inventory, including all merchandise, raw materials, work in process, finished goods and supplies, now or hereafter owned by such Borrower or in which such Borrower may now have or hereafter acquire an interest; (e) all of such Borrower's leasehold interest in any real property, all of such Borrower's licenses, easements and rights of way with respect to real property; (f) all accessions, additions or improvements to, substitutions

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for and all proceeds and products of, all of the foregoing, including proceeds of insurance; and (g) all books, records, documents, computer tapes and discs relating to all of the foregoing.

SECTION 8.02. PRESERVATION OF COLLATERAL AND PERFECTION OF SECURITY INTERESTS THEREIN. Such Borrower shall execute and deliver to the Collateral Agent for the benefit of the Collateral Agent, the Agent and the Lenders, prior to the Closing Date, and at any time or times thereafter at the request of the Collateral Agent, all financing statements or other documents (and pay the cost of filing or recording the same in all public offices deemed necessary by the Collateral Agent), as the Collateral Agent may request, in a form satisfactory to the Collateral Agent, to perfect and keep perfected the security interest in the Collateral granted by such Borrower to the Collateral Agent or to otherwise protect and preserve the Collateral and the Collateral Agent's security interest therein or to enforce the Collateral Agent's security interest in the Collateral. Should such Borrower fail to do so, the Collateral Agent is authorized to sign any such financing statements as such Borrower's agent. Such Borrower further agrees that a carbon, photographic or other reproduction of this Agreement or of a financing statement is sufficient as a financing statement.

SECTION 8.03. APPOINTMENT OF THE COLLATERAL AGENT AS THE BORROWERS' ATTORNEY-IN-FACT. Such Borrower hereby irrevocably designates, makes, constitutes and appoints the Collateral Agent (and all persons designated by the Collateral Agent) as such Borrower's true and lawful attorney-in-fact, and authorizes the Collateral Agent, in such Borrower's or the Collateral Agent's name, to, following the occurrence and during the continuance of an Event of Default: (i) demand payment of such Borrower's Accounts; (ii) enforce payment of such Borrower's Accounts by legal proceedings or otherwise; (iii) exercise all of such Borrower's rights and remedies with respect to proceedings brought to collect an Account; (iv) sell or assign any Account upon such terms, for such amount and at such time or times as the Collateral Agent deems advisable; (v) settle, adjust, compromise, extend or renew an Account; (vi) discharge and release any Account; (vii) prepare, file and sign such Borrower's name on any proof of claim in bankruptcy or other similar document against an account debtor of such Borrower; (viii) notify the post office authorities to change the address for delivery of such Borrower's mail to an address designated by the Collateral Agent, and open and deal with all mail addressed to such Borrower; (ix) do all acts and things which are necessary, in the Collateral Agent's sole discretion, to fulfill such Borrower's obligations under this Agreement; (x) take control in any manner of any item of payment or proceeds thereof; (xi) have access to any lockbox or postal box into which such Borrower's mail is deposited; (xii) endorse such Borrower's name upon any items of payment or proceeds thereof and deposit the same in the Collateral Agent's account on account of the Obligations; (xiii) endorse such Borrower's name upon any chattel paper, document, instrument, invoice, or similar document or agreement relating to any Account or any goods pertaining thereto; and (xiv) sign such Borrower's name on any verification of Accounts and notices thereof to account debtors.

SECTION 8.04. COLLECTION OF ACCOUNTS AND RESTRICTED ACCOUNT Arrangements. Such Borrower hereby represents and warrants that each depository account ("COLLECTION ACCOUNT") now maintained by such Borrower at any bank ("COLLECTION AGENT") for the collection of checks and cash constituting proceeds

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of Accounts and sales of other personal property which are part of the Collateral is identified on SCHEDULE 8.04 attached hereto and made a part hereof. With respect to each Collection Account, such Borrower shall, no later than the Closing Date, deliver (to the extent not previously delivered pursuant to the Existing Agreement) to the Collateral Agent, a "RESTRICTED ACCOUNT AGREEMENT" substantially in the form of EXHIBIT N attached hereto and made a part hereof, duly executed and delivered by such Borrower and the applicable Collection Agent, authorizing and directing such Collection Agent, upon receipt of written notice from the Collateral Agent that an Event of Default has occurred and is continuing, to deposit all checks and cash received into a restricted account (a "RESTRICTED ACCOUNT") and remit all amounts deposited in such Restricted Account to the Collateral Agent's account specified in such Restricted Account Agreement until such time as the Collection Agent receives written notice from the Collateral Agent rescinding such instruction. Such Borrower shall, following the occurrence and during the continuance of an Event of Default and any subsequent request by the Collateral Agent therefor, take such further action as the Collateral Agent may reasonably deem desirable to effect the transfer of exclusive ownership and control of the Restricted Accounts and all Collection Accounts to the Collateral Agent. Until all of the Obligations have been indefeasibly paid in full, such Borrower agrees not to enter into any agreement or execute and deliver any direction which would modify, impair or adversely affect the rights and benefits of the Collateral Agent under any Restricted Account Agreement. Such Borrower shall not open, establish or maintain any Collection Account (other than those identified on SCHEDULE 8.04 hereto) without first having delivered to the Collateral Agent a duly executed and delivered Restricted Account Agreement with respect to such Collection Account. Such Borrower shall notify the Collateral Agent in writing not less than five (5) days prior to the date it shall open or establish any Collection Account other than an account described on SCHEDULE 8.04 hereto.

SECTION 8.05. CURE RIGHTS. Such Borrower expressly authorizes the Collateral Agent, and the Collateral Agent may, but shall not be required to, at any time and from time to time, to take any and all action that it reasonably determines to be necessary or desirable to cure any default or violation

(including a payment default) of such Borrower in connection with any real estate lease, license agreement, Governmental Approval or any other material lease, agreement or contract entered into with respect to the Systems.

ARTICLE IX
EVENTS OF DEFAULT; REMEDIES

SECTION 9.01. EVENTS OF DEFAULT. The following events shall each constitute an "EVENT OF DEFAULT":

(a) Any Borrower shall fail to pay the principal of or interest on its Notes or any other amounts payable hereunder or under any of the other Loan Documents when due, whether as scheduled, at a date fixed for prepayment, by acceleration or otherwise, and five (5) Business Days shall have elapsed; or

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(b) Any Borrower shall fail to observe or perform any other covenant, condition or agreement to be observed or performed by such Borrower in any of the Loan Documents, and such Borrower fails to cure such breach within ten (10) Business Days after written notice thereof unless the breach relates to a covenant contained in SECTIONS 5.04, or ARTICLE VI (other than SECTION 6.05 or SECTION 6.07) or VII, in which case no notice or grace period shall apply, or unless the breach relates to SECTION 5.06, in which case an Event of Default shall occur on the thirtieth day following the breach without any notice requirement, unless the breach shall have been cured before such date; or

(c) Any representation or warranty made by any Borrower or KMC Holdings in connection with this Agreement or any other Loan Document, or the Loans or any statement or representation made in any report, certificate, financial statement or other instrument furnished by or on behalf of such Borrower or KMC Holdings pursuant to this Agreement or any other Loan Document, shall prove to have been false or misleading in any material respect when made or delivered or when deemed made in accordance with the terms hereof or thereof; or

(d) Any Borrower or KMC Holdings shall fail to make any payment due (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) on any other obligation for borrowed money in excess of \$250,000 with respect to any Borrower or in excess of \$1,000,000 with respect to KMC Holdings, and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such indebtedness; or any other default or event under any agreement or instrument relating to any indebtedness for borrowed money in excess of \$250,000 with respect to any Borrower or in excess of \$1,000,000 with respect to KMC Holdings, or any other event, shall occur and shall continue after the applicable grace period, if any, specified in such agreement or instrument if the effect of such default or event is to accelerate, or to permit the acceleration of, the maturity of such indebtedness in excess of \$250,000 with respect to any Borrower or in excess of \$1,000,000 with respect to KMC Holdings; or any such indebtedness in excess of \$250,000 with respect to any Borrower or in excess of \$1,000,000 with respect to KMC Holdings shall be declared to be due and payable or required to be prepaid (other than by a regularly scheduled required prepayment) prior to the stated maturity thereof; or

(e) Any Borrower or KMC Holdings shall (i) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator or similar official for such Borrower or KMC Holdings or for a substantial part of its property, (ii) make a general assignment for the benefit of creditors, (iii) become unable, or admit in writing its inability, to pay its debts as they become due, (iv) voluntarily or involuntarily dissolve, liquidate or wind up its affairs, or (v) take action for the purpose of effecting any of the foregoing; or

(f) a proceeding under any bankruptcy, reorganization, arrangement of debts, insolvency or receivership law is filed by or against any Borrower or KMC Holdings, or any Borrower or KMC Holdings takes any action to authorize any of the foregoing matters, and in the case of any such proceeding instituted against any Borrower or KMC Holdings (but not instituted by any Borrower or KMC Holdings), either such proceeding shall remain undismissed or unstayed for a period of 60 days or any of the actions sought in such proceeding (including,

without limitation, the entry of an order for relief against, or the appointment of a receiver, trustee or other similar official for any Borrower or KMC

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Holdings or any substantial part of its property) shall be granted or shall occur; or

(g) a Termination Event occurs which the Requisite Lenders in good faith believe would subject any Borrower to a material liability; or

(h) the plan administrator of any Plan applies under Section 412(d) of the IRC for a waiver of the minimum funding standards of Section 412(a) of the IRC and the Requisite Lenders in good faith believe that the approval of such waiver could subject any Borrower or any ERISA Affiliate to material liability; or

(i) any of the Governmental Approvals or any other license, Governmental Approval or other governmental consent or approval necessary for the continuing operation of any Borrower or any System or any other material Governmental Approval or approval of or material filing with the FCC, any PUC or any other Governmental Authority with respect to the conduct by any Borrower of its business and operations, including its Business, shall not be obtained or shall cease to be in full force and effect, which in respect of any of the Governmental Approvals shall, in the case of an order of the FCC, any PUC or other Governmental Authority having jurisdiction with respect thereto, revoking, or deciding not to renew, any such Governmental Approval, occur upon the issuance of such order, and, in the case of any other order revoking or terminating any of the Governmental Approvals or deciding not to renew such Governmental Approvals prior to the termination thereof, occur when such order becomes final, and in each case, such event is also reasonably likely to result in a Material Adverse Effect; or

(j) the FCC, any PUC or any other Governmental Authority, by final order, determines that the existence or performance of this Agreement or any other Loan Document will result in a revocation, suspension or material adverse modification of any of the Governmental Approvals for any System, and such determination is reasonably likely to result in a Material Adverse Effect; or

(k) for any reason any Loan Document shall not be in full force and effect or shall not be enforceable in accordance with its terms, or any security interest or lien granted pursuant thereto with respect to Collateral having an aggregate value of \$500,000 or greater shall fail to be perfected or to have its intended priority, or any Borrower or any Affiliate thereof shall contest the validity of any Lien granted under, or shall disaffirm its obligations under any Loan Document; or

(l) any Borrower shall default under any Lucent Purchase Agreement or Additional Purchase Agreement, which default shall not have been cured or waived within the applicable grace period thereunder unless such Borrower is contesting such default in good faith by appropriate protest or proceedings and shall have set aside adequate reserves in accordance with GAAP; or

(m) for any reason, any Borrower ceases to operate any System or ceases to own any of its Governmental Approvals necessary for the continuing operation of any System, and such cessation is reasonably likely to result in a Material Adverse Effect; or

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(n) a judgment or judgments for the payment of money in excess of \$250,000 individually or \$500,000 in the aggregate at any one time shall have been rendered against any Borrower and the same shall have remained unsatisfied and in effect for any period of sixty (60) days during which no stay of execution shall have been obtained; or

(o) any Borrower is enjoined, restrained or in any way prevented by the order of any court or administrative or regulatory agency from conducting

its business in any material respect with respect to any one or more of its Systems and such event is reasonably likely to result in a Material Adverse Effect; or

(p) any Borrower becomes subject to any liabilities, costs, expenses, damages, fines or penalties which could reasonably be expected to have a Material Adverse Effect arising out of or related to (i) any Remedial Action in response to a Release or threatened Release at any location of any Contaminant into the indoor or outdoor environment or (ii) any material violation of any Environmental Law; or

(q) a Change of Control shall occur; or

(r) KMC Holdings shall fail to observe or perform any covenant, condition or agreement to be observed or performed by KMC Holdings in the KMC Holdings Guaranty or in the Pledge Agreement executed and delivered by it in favor of the Collateral Agent; or

(s) any Borrower shall fail to observe or perform any covenant, condition or agreement to be observed or performed by such Borrower in any material agreement (other than a Loan Document or an agreement referred to in SECTION 9.01(d)), such Borrower fails to cure such breach within ten (10) Business Days after written notice thereof, and such failure is reasonably likely to result in a Material Adverse Effect, unless such Borrower is contesting such covenant, condition or agreement by appropriate protest or proceedings and shall have set aside adequate reserves in accordance with GAAP.

SECTION 9.02. TERMINATION OF COMMITMENT; ACCELERATION. Upon the occurrence and at any time during the continuance of any Event of Default, the Agent shall upon direction from the Requisite Lenders:

(a) by notice to the Borrowers, terminate Lenders' Commitment to make Loans hereunder; or

(b) by notice to the Borrowers, declare the Obligations to be immediately due and payable, whereupon all the Obligations shall be immediately due and payable without further notice of any kind, PROVIDED, HOWEVER, that if an Event of Default described in SECTION 9.01(f) shall exist or occur, all of the Obligations shall automatically, without declaration or notice of any kind, be immediately due and payable and the Commitment shall be automatically terminated.

SECTION 9.03. WAIVERS. Demand, presentment, protest and notices of nonpayment, protest, dishonor and acceptance are hereby waived by each Borrower. Each Borrower also waives the benefit of all valuation, appraisal and exemption

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laws and the posting of any bond required of the Collateral Agent, the Agent or any Lender in connection with any judicial process to realize on the Collateral, to enforce any judgment or other court order entered in favor of the Collateral Agent, the Agent or any Lender or to enforce by specific performance, temporary restraining order, or preliminary or permanent injunction, this Agreement or any other Loan Documents. Each Borrower waives the right, if any, to the benefit of, or to direct the application of, any Collateral. Each Borrower hereby acknowledges that none of the Collateral Agent, the Agent or any Lender has any obligation to resort to any Collateral or make claim against any other Person before seeking payment or performance from any Borrower.

SECTION 9.04. RIGHTS AND REMEDIES GENERALLY. If an Event of Default occurs and is continuing, the Agent and the Collateral Agent shall have, in addition to any other rights and remedies contained in this Agreement or in any of the other Loan Documents, all of the rights and remedies of a secured party under the Code or other applicable laws, all of which rights and remedies shall be cumulative, and none exclusive, to the extent permitted by law. In addition to all such rights and remedies, the sale, lease or other disposition of the Collateral, or any part thereof, by the Collateral Agent or the Agent after the occurrence of an Event of Default may be for cash, credit or any combination thereof, and the Collateral Agent or the Agent may purchase all or any part of

the Collateral at public or, if permitted by law, private sale, and in lieu of actual payment of such purchase price, may set off the amount of such purchase price against the Obligations then owing. Any sales of the Collateral may be adjourned from time to time with or without notice. The Agent or the Collateral Agent, may, in its sole discretion, cause the Collateral to remain on the premises of any Borrower, at the expense of the Borrowers, pending sale or other disposition of the Collateral. The Agent or the Collateral Agent shall have the right to conduct such sales on the premises of any Borrower, at the expense of the Borrowers, or elsewhere, on such occasion or occasions as it may see fit.

SECTION 9.05. ENTRY UPON PREMISES AND ACCESS TO INFORMATION. If an Event of Default occurs and is continuing, the Agent and the Collateral Agent shall have the right to enter upon the premises of any Borrower where any Collateral is located (or is believed to be located) without any obligation to pay rent to such Borrower, or any other place or places where the Collateral is believed to be located and kept, and render the Collateral unusable or remove the Collateral therefrom to the premises of the Agent or the Collateral Agent or any agent of the Agent or the Collateral Agent, for such time as the Agent or the Collateral Agent may desire, in order effectively to collect or liquidate the Collateral, and/or the Agent or the Collateral Agent may require any Borrower to assemble the Collateral and make it available to the Agent or the Collateral Agent at a place or places to be designated by the Agent or the Collateral Agent. If an Event of Default occurs and is continuing, the Agent or the Collateral Agent shall have the right to obtain access to any Borrower's data processing equipment, computer hardware and software relating to the Collateral and to use all of the foregoing and the information contained therein in any manner the Agent or the Collateral Agent deems appropriate.

SECTION 9.06. SALE OR OTHER DISPOSITION OF COLLATERAL BY THE AGENT. Any notice required to be given by the Agent or the Collateral Agent of a sale, lease or other disposition or other intended action by the Agent or the Collateral Agent with respect to any of the Collateral which is deposited in the United States mails, registered or certified, postage prepaid and duly addressed to the Borrowers at the address specified in SECTION 11.01 below, at least ten

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days prior to such proposed action shall constitute fair and reasonable notice to the Borrowers of any such action. The net proceeds realized by the Agent or the Collateral Agent upon any such sale or other disposition, after deduction for the expense of retaking, holding, preparing for sale, selling or the like and the reasonable attorneys' fees and legal expenses incurred by the Agent or the Collateral Agent in connection therewith, shall be applied as provided herein toward satisfaction of the Obligations. The Agent or the Collateral Agent, as applicable, shall account to the Borrowers for any surplus realized upon such sale or other disposition, and the Borrowers shall remain liable for any deficiency. The commencement of any action, legal or equitable, or the rendering of any judgment or decree for any deficiency shall not affect the Collateral Agent's security interest in the Collateral. The Borrowers agree that the Collateral Agent has no obligation to preserve rights to the Collateral against any other parties. The Agent and the Collateral Agent are hereby granted a license or other right to use, without charge, the Borrowers' labels, patents, copyrights, rights of use of any name, trade secrets, trade names, trademarks, service marks and advertising matter, or any property of a similar nature, as it pertains to the Collateral, and the Borrowers' rights under all licenses and all franchise agreements shall inure to the Agent's and the Collateral Agent's benefit until the Obligations are paid in full.

SECTION 9.07. GOVERNMENTAL APPROVALS. In connection with the enforcement by the Agent or the Collateral Agent of any remedies available to it as a result of any Event of Default, each Borrower agrees that it shall join and cooperate fully with, at the request of the Agent or the Collateral Agent, any receiver referred to below and/or the successful bidder or bidders at any foreclosure sale in a filing of an application (and furnishing any additional information that may be required in connection with such application or which the Agent or the Collateral Agent may believe relevant to such application) with the FCC, any PUC and all other applicable Governmental Authorities, requesting their prior approval of (i) the operation or abandonment of all or the portion of any System and/or (ii) the transfer of control of such Borrower or assignment

of all licenses, certificates, Governmental Approvals, approvals and permits, issued to such Borrower by the FCC, any PUC or any such Governmental Authorities with respect to any System and the operation thereof, to the Agent or the Collateral Agent, the receiver or to the successful bidder or bidders. In connection with the foregoing, each Borrower shall take such further actions, and execute all such instruments, as the Agent or the Collateral Agent reasonably deems necessary or desirable. Each Borrower agrees that the Agent or the Collateral Agent may enforce any obligation of such Borrower as set forth in this section by an action for specific performance. In addition, each Borrower hereby irrevocably constitutes and appoints the Agent and the Collateral Agent and any agent or officer thereof (which appointment is coupled with an interest) as its true and lawful attorney-in-fact with full irrevocable power and authority and in the place and stead of such Borrower and in the name of such Borrower or in its own name, from time to time in its discretion after the occurrence and during the continuance of an Event of Default and in connection with the foregoing, for the purpose of executing on behalf and in the name of such Borrower any and all of the above-referenced instruments and to take any and all appropriate action in furtherance of the foregoing. THE EXERCISE OF ANY RIGHTS OR REMEDIES HEREUNDER OR UNDER ANY OTHER LOAN DOCUMENT BY ANY LENDER, THE AGENT OR THE COLLATERAL AGENT THAT MAY REQUIRE FCC, ANY PUC OR ANY OTHER

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GOVERNMENTAL AUTHORITY APPROVAL SHALL BE SUBJECT TO OBTAINING SUCH APPROVAL. PENDING THE RECEIPT OF ANY FCC, ANY PUC OR ANY OTHER GOVERNMENTAL AUTHORITY APPROVAL, NO BORROWER SHALL DO ANYTHING TO DELAY, HINDER, INTERFERE OR OBSTRUCT THE EXERCISE OF THE AGENT'S OR THE COLLATERAL AGENT'S RIGHTS OR REMEDIES HEREUNDER IN OBTAINING SUCH APPROVALS.

SECTION 9.08. APPOINTMENT OF RECEIVER OR TRUSTEE. In connection with the exercise of its remedies under this Agreement, the Agent or the Collateral Agent may, upon the occurrence of an Event of Default, obtain the appointment of a receiver or trustee to assume, upon receipt of all necessary judicial, FCC, any PUC or other Governmental Authority consents or approvals, control of or ownership of any of the Governmental Approvals. Such receiver or trustee shall have all rights and powers provided to it by law or by court order or provided to the Agent or the Collateral Agent under this Agreement. Upon the appointment of such trustee or receiver, the Borrowers agree to cooperate, to the extent necessary or appropriate, in the expeditious preparation, execution and filing of an application to the FCC, any PUC or any other Governmental Authority or for consent to the transfer of control or assignment of any Borrower's Governmental Approvals to the receiver or trustee.

SECTION 9.09. RIGHT OF SETOFF. In addition to any rights now or hereafter granted under applicable law and not by way of limitation of any such rights, upon the occurrence and during the continuance of any Event of Default, each Lender and each holder of any Note is hereby authorized at any time or from time to time, without notice to any Borrower or to any other Person, any such notice being hereby expressly waived, to set off and to appropriate and to apply any and all balances held by it at any of its offices for the account of any Borrower (regardless of whether such balances are then due to such Borrower) and any other properties or assets any time held or owing by that Lender or that holder to or for the credit or for the account of any Borrower against and on account of any of the Obligations which are not paid when due. Any Lender or holder of any Note exercising a right to set off or otherwise receiving any payment on account of the Obligations in excess of its Pro Rata Share thereof shall purchase for cash (and the other Lenders or holders shall sell) such participation in each such other Lender's or holder's Pro Rata Share of the Obligations as would be necessary to cause such Lender to share the amount so set off or otherwise received with each other Lender or holder in accordance with their respective Pro Rata Shares. Each Borrower agrees, to the fullest extent permitted by law, that (a) any Lender or holder may exercise its right to set off with respect to amounts in excess of its Pro Rata Share of the Obligations and may sell participations in such amount so set off to other Lenders and holders and (b) any Lender or holder so purchasing a participation in the Loans made or other Obligations held by other Lenders or holders may exercise all rights of set-off, bankers' lien, counterclaim or similar rights with respect to such participation as fully as if such Lender or holder were a direct holder of the Loans and the other Obligations in the amount of such

participation. Notwithstanding the foregoing, if all or any portion of the set-off amount or payment otherwise received is thereafter recovered from the Lender that has exercised the right of set-off, the purchase of participations by that Lender shall be rescinded and the purchase price restored without interest. Each Borrower hereby agrees that the foregoing provisions are intended to be construed so as to satisfy the requirements of Section 553 of the Federal Bankruptcy Code or amendments thereto (including any requirement of mutuality of obligations therein).

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ARTICLE X
THE AGENT AND THE COLLATERAL AGENT

SECTION 10.01. APPOINTMENT OF AGENT. (a) First Union National Bank is hereby appointed to act as contractual representative on behalf of all Lenders under this Agreement and the other Loan Documents. The Agent agrees to act as such contractual representative upon the express conditions contained in this ARTICLE X. The provisions of this SECTION 10.01 are solely for the benefit of the Agent and the Lenders and no Borrower or any other Person shall have any rights as a third party beneficiary of any of the provisions hereof. In performing its functions and duties under this Agreement and the other Loan Documents, the Agent shall act solely as an agent of the Lenders and does not assume and shall not be deemed to have assumed any obligation toward or relationship of agency or trust with or for any Borrower or any other Person. The Agent shall have no duties or responsibilities except for those expressly set forth in this Agreement and the other Loan Documents. Notwithstanding the use of the defined term "Agent", it is expressly understood and agreed that the Agent shall not have any fiduciary responsibilities to any Lender by reason of this Agreement and that the Agent is merely acting as the representative of the Lenders with only those duties as are expressly set forth in this Agreement and the other Loan Documents. In its capacity as the Lenders' contractual representative, the Agent (i) does not assume any fiduciary duties to any of the Lenders, (ii) is a "representative" of the Lenders within the meaning of Section 9-105 of the UCC and (iii) is acting as an independent contractor, the rights and duties of which are limited to those expressly set forth in this Agreement and the other Loan Documents. Each of the Lenders agrees to assert no claim against the Agent on any agency theory or any other theory of liability for breach of fiduciary duty, all of which claims each Lender waives. Neither the Agent nor any of its Affiliates nor any of their respective officers, directors, employees, agents or representatives shall be liable to any Lender for any action taken or omitted to be taken by it hereunder or under any other Loan Document, or in connection herewith or therewith, except for damages caused by its or their own gross negligence or willful misconduct.

(b) If the Agent shall request instructions from all Lenders, Requisite Lenders, Requisite Revolving Lenders or all affected Lenders with respect to any act or action (including failure to act) in connection with this Agreement or any other Loan Document, then the Agent shall be entitled to refrain from such act or taking such action unless and until the Agent shall have received instructions from all Lenders, Requisite Lenders, Requisite Revolving Lenders or all affected Lenders, as the case may be, and the Agent shall not incur liability to any Person by reason of so refraining. The Agent shall be fully justified in failing or refusing to take any action hereunder or under any other Loan Document (a) if such action would, in the opinion of the Agent, be contrary to law or the terms of this Agreement or any other Loan Document, (b) if such action would, in the opinion of the Agent, expose the Agent to liabilities beyond the limits of this Agreement or (c) if the Agent shall not first be indemnified to its satisfaction against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. Without limiting the foregoing, no Lender shall have any right of action whatsoever against the Agent as a result of the Agent acting or refraining from acting hereunder or under any other Loan Document in accordance with the instructions of all Lenders, Requisite Lenders, Requisite Revolving Lenders or all affected Lenders, as applicable.

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SECTION 10.02. AGENT'S RELIANCE, ETC. Neither the Agent nor any of its Affiliates nor any of their respective directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them under or in connection with this Agreement or the other Loan Documents, except for damages caused by its or their own gross negligence or willful misconduct. Without limitation of the generality of the foregoing, the Agent: (a) may treat the payee of any Note as the holder thereof until the Agent receives written notice of the assignment or transfer thereof signed by such payee and in form satisfactory to the Agent; (b) may consult with legal counsel, independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (c) makes no warranty or representation to any Lender and shall not be responsible to any Lender for any statements, warranties or representations made in or in connection with this Agreement or the other Loan Documents; (d) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of this Agreement or the other Loan Documents on the part of any Borrower or to inspect the Collateral (including the books and records); (e) shall not be responsible to any Lender for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or the other Loan Documents or any other instrument or document furnished pursuant hereto or thereto; and (f) shall incur no liability under or in respect of this Agreement or the other Loan Documents by acting upon any notice, consent, certificate or other instrument or writing (which may be by telecopy, telegram, cable or telex) believed by it to be genuine and signed or sent by the proper party or parties.

SECTION 10.03. FUNB AND AFFILIATES. With respect to its Commitments hereunder, FUNB shall have the same rights and powers under this Agreement and the other Loan Documents as any other Lender and may exercise the same as though it were not the Agent; and the term "Lender" or "Lenders" shall, unless otherwise expressly indicated, include FUNB in its individual capacity. FUNB and its Affiliates may lend money to, invest in, and generally engage in any kind of business with, any Borrower, any of its Affiliates and any Person who may do business with or own securities of any Borrower or any such Affiliate, all as if FUNB were not the Agent and without any duty to account therefor to Lenders. FUNB and its Affiliates may accept fees and other consideration from any Borrower for services in connection with this Agreement or otherwise without having to account for the same to Lenders. FUNB may also purchase or hold Equity Interests or warrants in KMC Holdings or any Borrower and make subordinated loans to any Borrower. Each Lender acknowledges the potential conflict of interest between FUNB as a Lender holding disproportionate interests in the Loans, FUNB as a member or subordinated debt holder, of the Borrower and FUNB as Agent.

SECTION 10.04. LENDER CREDIT DECISION. Each Lender acknowledges that it has, independently and without reliance upon the Agent or any other Lender and based on the financial information given it by the Borrowers and such other documents and information as it has deemed appropriate, made its own credit and financial analysis of the Borrowers and its own decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement. Each Lender acknowledges the potential conflict of interest of each other Lender as a

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result of Lenders holding disproportionate interests in the Loans, and expressly consents to, and waives any claim based upon, such conflict of interest.

SECTION 10.05. INDEMNIFICATION. Each of the Lenders agrees to indemnify the Agent (to the extent not reimbursed by the Borrowers and without limiting the obligations of Borrowers hereunder), ratably according to their respective Pro Rata Shares, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against the Agent in any way relating to or arising

out of this Agreement or any other Loan Document or any action taken or omitted by the Agent in connection therewith; PROVIDED, HOWEVER, that no Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the Agent's gross negligence or willful misconduct. Without limiting the foregoing, each Lender agrees to reimburse the Agent promptly upon demand for its ratable share of any out-of-pocket expenses (including counsel fees) incurred by the Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement and each other Loan Document, to the extent that the Agent is not reimbursed for such expenses by the Borrowers.

SECTION 10.06. SUCCESSOR AGENT. The Agent may resign at any time by giving not less than thirty (30) days' prior written notice thereof to Lenders and the Borrowers. Upon any such resignation, the Requisite Lenders shall have the right to appoint a successor Agent. If no successor Agent shall have been so appointed by the Requisite Lenders and shall have accepted such appointment within 30 days after the resigning Agent's giving notice of resignation, then the resigning Agent may, on behalf of Lenders, appoint a successor Agent, which shall be a Lender, if a Lender is willing to accept such appointment, or otherwise shall be a commercial bank or financial institution or a subsidiary of a commercial bank or financial institution if such commercial bank or financial institution is organized under the laws of the United States of America or of any State thereof and has a combined capital and surplus of at least \$300,000,000. If no successor Agent has been appointed pursuant to the foregoing, by the 30th day after the date such notice of resignation was given by the resigning Agent, such resignation shall become effective and the Requisite Lenders shall thereafter perform all the duties of Agent hereunder until such time, if any, as the Requisite Lenders appoint a successor Agent as provided above. Any successor Agent appointed by the Requisite Lenders hereunder shall be subject to the approval of Borrowers, such approval not to be unreasonably withheld or delayed; PROVIDED that such approval shall not be required if a Default or an Event of Default shall have occurred and be continuing. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall succeed to and become vested with all the rights, powers, privileges and duties of the resigning Agent. Upon the earlier of the acceptance of any appointment as Agent hereunder by a successor Agent or the effective date of the resigning Agent's resignation, the resigning Agent shall be discharged from its duties and obligations under this Agreement and the other Loan Documents, except that any indemnity rights or other rights in favor of such resigning Agent shall continue. After any resigning Agent's resignation hereunder, the provisions of this SECTION 10.06 shall inure to its

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benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement and the other Loan Documents.

SECTION 10.07. PAYMENTS; NON-FUNDING LENDERS; INFORMATION; ACTIONS IN CONCERT.

(a) LOANS; PAYMENTS. Whenever the Agent receives a payment of principal, interest, fee or premium (if any) or other payment, or whenever the Agent makes an application of funds, in connection with the Loans or the Notes (including, without limitation, any payment or application from any Collateral), the Agent will on the date such payment is received or applied, if on or prior to 11:00 a.m. (Eastern time) on such date, or otherwise on the next Business Day, pay over to each Lender as instructed by such Lender in writing, an amount equal to such Lender's Pro Rata Share of such payment provided that such Lender has funded all Loans required to be made by it and has purchased all participation required to be purchased by it under this Agreement and the other Loan Documents as of such date. To the extent that any Lender (a "NON-FUNDING LENDER") has failed to fund all such payments and Loans or failed to fund the purchase of all such participation, the Agent shall be entitled to set off the funding short-fall against that Non-Funding Lender's Pro Rata Share of all payments received from the Borrowers. All payments by Agent shall be made by wire transfer to such Lender's account (as specified by such Lender) not later

than 2:00 p.m. (Eastern time) on the applicable Business Day.

(b) RETURN OF PAYMENTS. (i) If Agent pays an amount to a Lender under this Agreement in the belief or expectation that a related payment has been or will be received by the Agent from the Borrowers and such related payment is not received by Agent, then the Agent will be entitled to recover such amount from such Lender on demand without set-off, counterclaim or deduction of any kind.

(ii) If the Agent determines at any time that any amount received by the Agent under this Agreement must be returned to any Borrower or paid to any other Person pursuant to any insolvency law or otherwise, then, notwithstanding any other term or condition of this Agreement or any other Loan Document, the Agent will not be required to distribute any portion thereof to any Lender. In addition, each Lender will repay to Agent on demand any portion of such amount that the Agent has distributed to such Lender, together with interest at such rate, if any, as the Agent is required to pay to any Borrower or such other Person, without set-off, counterclaim or deduction of any kind.

(c) NON-FUNDING LENDERS. The failure of any Non-Funding Lender to make any portion of its Loans or any payment required by it hereunder on the date specified therefor shall not relieve any other Lender (each such other Lender, an "OTHER LENDER") of its obligations to make any such Loan on such date, but neither any Other Lender nor the Agent nor the Collateral Agent shall be responsible for the failure of any Non-Funding Lender to make any Loan. Notwithstanding anything set forth herein to the contrary, a Non-Funding Lender shall not have any voting or consent rights under or with respect to any Loan Document or constitute a "Lender" (or be included in the calculation of "Requisite Lenders" or "Requisite Revolving Lenders" hereunder) for any voting or consent rights under or with respect to any Loan Document.

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(d) DISSEMINATION OF INFORMATION. The Agent will use reasonable efforts to provide Lenders with any notice of Default or Event of Default received by the Agent from, or delivered by the Agent to, the Borrowers, with notice of any Event of Default of which the Agent has actually become aware and with notice of any action taken by the Agent following any Event of Default; PROVIDED, however, that the Agent shall not be liable to any Lender for any failure to do so, except to the extent that such failure is attributable to the Agent's gross negligence or willful misconduct. Lenders acknowledge that the Borrowers are required to provide financial statements and other documents to Lenders pursuant to this Agreement and agree that the Agent shall have no duty to provide the same to Lenders.

(e) ACTIONS IN CONCERT. Anything in this Agreement to the contrary notwithstanding, each Lender hereby agrees with each other Lender that no Lender shall take any action to protect or enforce its rights arising out of this Agreement or the Notes (including exercising any rights of set-off) without first obtaining the prior written consent of the Agent, the Collateral Agent and Requisite Lenders, it being the intent of Lenders that any such action to protect or enforce rights under this Agreement and the Notes shall be taken in concert and at the direction or with the consent of Agent and the Collateral Agent.

SECTION 10.08. COLLATERAL MATTERS.

(a) The Lenders hereby irrevocably authorize the Collateral Agent, at its option and in its reasonable business judgment, to release any Lien upon any Collateral (i) upon the termination of the Commitments and payment and satisfaction of all Loans and all other Obligations and which the Collateral Agent has been notified in writing are then due and payable; (ii) constituting property being sold or disposed of if the applicable Borrower certifies to the Collateral Agent that the sale or disposition is made in compliance with SECTION 6.03 (and the Collateral Agent may rely conclusively on any such certificate, without further inquiry); or (iii) constituting property leased to the applicable Borrower under a lease which has expired or been terminated in a transaction permitted under this Agreement or which will expire imminently and which has not been, and is not intended by such Borrower to be, renewed or extended and with respect to which such Borrower has not exercised any purchase

option. Except as provided above, the Collateral Agent will not release any of the Liens without the prior written authorization of the Requisite Lenders; PROVIDED that the Collateral Agent may not release the Liens on Collateral valued in the aggregate in excess of \$500,000 without the prior written authorization of the Requisite Lenders and may not release all or substantially all of the Collateral without the consent of the Lenders. Upon request by the Collateral Agent or the Borrowers at any time, the Lenders will confirm in writing the Collateral Agent's authority to release any Liens upon particular types or items of Collateral pursuant to this SECTION 10.08(a).

(b) Upon receipt by the Collateral Agent of any authorization required pursuant to SECTION 10.08(a) from the Requisite Lenders or Lenders, as applicable, of the Collateral Agent's authority to release any Liens upon particular types or items of Collateral, and upon at least five (5) Business Days' prior written request by the applicable Borrower, and provided that no Event of Default has occurred and is then continuing, the Collateral Agent shall (and is hereby irrevocably authorized by the Lenders to) execute such documents as may be necessary to evidence the release of the Liens upon such Collateral; PROVIDED, HOWEVER, that (i) the Collateral Agent shall not be required to

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execute any such document on terms which, in the Collateral Agent's opinion, would expose the Collateral Agent to liability or create any obligation or entail any consequence other than the release of such Liens without recourse or warranty, and (ii) such release shall not in any manner discharge, affect or impair the Obligations or any Liens (other than those expressly being released) upon (or obligations of the applicable Borrower in respect of) all interests retained by the applicable Borrower, including (without limitation) the proceeds of any sale, all of which shall continue to constitute part of the Collateral.

(c) The Collateral Agent shall have no obligation whatsoever to any of the Lenders to assure that the Collateral exists or is owned by any Borrower or is cared for, protected or insured or has been encumbered, or, other than a duty to act without recklessness, willful misconduct or gross (but not mere) negligence, that the Liens have been properly or sufficiently or lawfully created, perfected, protected or enforced or are entitled to any particular priority, or to exercise at all or in any particular manner or under any duty of care, disclosure or fidelity, or to continue exercising, any of the rights, authorities and powers granted or available to the pursuant to this SECTION 10.08 or pursuant to any of the Loan Documents, it being understood and agreed that in respect of the Collateral, or any act, omission or event related thereto, the Collateral Agent may act in any manner it may deem appropriate, in its reasonable business judgment, given the Collateral Agent's own interest in the Collateral in its capacity as one of the Lenders and that the Collateral Agent shall have no other duty or liability whatsoever to any Lender as to any of the foregoing.

SECTION 10.09. AGENCY FOR PERFECTION. Each Lender hereby appoints each other Lender as agent for the purpose of perfecting the Lenders' security interest in assets which, in accordance with Article 9 of the UCC can be perfected only by possession. Should any Lender (other than the Collateral Agent) obtain possession of any such Collateral, such Lender shall notify the Collateral Agent thereof, and, promptly upon the Collateral Agent's request therefor shall deliver such Collateral to the Collateral Agent.

SECTION 10.10. CONCERNING THE COLLATERAL AND THE RELATED LOAN DOCUMENTS AND THE COLLATERAL AGENT. (a) Each Lender authorizes and directs the Collateral Agent to enter into this Agreement and the other Loan Documents relating to the Collateral, for the ratable benefit of the Lenders. Each Lender agrees that any action taken by the Collateral Agent or Requisite Lenders in accordance with the terms of this Agreement or the other Loan Documents relating to the Collateral, and the exercise by the Collateral Agent or the Requisite Lenders of their respective powers set forth therein or herein, together with such other powers that are reasonably incidental thereto, shall be binding upon all of the Lenders.

(b) The Collateral Agent with respect to the administration of the Collateral shall have the same rights, obligations and status as the Agent as

are set forth in SECTION 10.01, 10.02, 10.03, 10.04, 10.05, and 10.06 above.

ARTICLE XI
MISCELLANEOUS

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SECTION 11.01. NOTICES; ACTION ON NOTICES, ETC. (a) Notices and other communications provided for herein shall be in writing and shall be delivered by a courier service of recognized standing (specifying one (1) day delivery), or by registered or certified mail, postage prepaid, return receipt requested (or, if by telecopy communications equipment of the sending party, delivered by such equipment) addressed, if to the Borrowers, at KMC Telecom Inc., 1545 Route 206, Suite 300, Bedminster, NJ 07921; Attention: President; (telecopy no. (908) 719-8775, confirmation no. (908) 470-2200) with a copy to Alan M. Epstein Esq., Kelley Drye & Warren LLP, 101 Park Avenue, New York, NY 10178; (telecopy no. (212) 808-7897, confirmation no. (212) 808-7800), if to the Agent, at First Union National Bank, Communications/Media Finance-PA4829, 1339 Chestnut Street, Philadelphia, PA 19107, Attention: Elizabeth Elmore (telecopy no. (215) 786-7721, confirmation no. (215) 786-4321), and if to the Collateral Agent, at Newcourt Commercial Finance Corporation, c/o The CIT Group, Inc. - Structured Finance Group, Two Gatehall Drive, First Floor, Parsippany, NJ 07054, Attention: Media and Communications, Vice President-Credit (telecopy no. (973) 355-7643, confirmation no. (973) 355-7630), with copies to Newcourt Commercial Finance Corporation, c/o The CIT Group, Inc. - Structured Finance Group, Two Gatehall Drive, First Floor, Parsippany, NJ 07054, Attention: Vice President - Credit (telecopy no. (973) 355-7641, confirmation no. (973) 355-7630) and Attention: Vice President - Legal (telecopy no. (973) 355-7645, confirmation no. (973) 355-7609). All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given (a) five Business Days after mailing when sent by registered or certified mail, postage prepaid, return receipt requested, or (b) upon receipt, if by courier service or any telecopy communications equipment of the sender, in each case addressed to such party as provided in this Section or in accordance with the latest unrevoked direction from such party.

(b) Each Borrower agrees that the Agent or the Collateral Agent may act upon any notice, consent, certificate, cable, telex or other instrument or writing believed by the Agent or the Collateral Agent to be genuine, that the Agent or the Collateral Agent may consult with legal counsel, selected by the Agent or the Collateral Agent and shall not be liable to any Borrower for any action taken or omitted to be taken in good faith by Lender in accordance with the advice of such counsel.

SECTION 11.02. NO WAIVERS; AMENDMENTS. (a) No failure or delay of the Agent, the Collateral Agent or any Lender to exercise any right hereunder or under any other Loan Document shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, preclude any other or further exercise thereof or the exercise of any other right. No waiver of any provision of this Agreement or any other Loan Document nor consent to any departure by any Borrower therefrom shall in any event be effective unless the same shall be in writing and signed by the Agent and the Requisite Lenders (or, if applicable, all Lenders), and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice or demand on any Borrower in any case shall entitle any Borrower to any other or further notice or demand in similar or other circumstances.

(b) Subject to the provisions of this SECTION 11.02(b), the Requisite Lenders (or the Agent with the consent in writing of the Requisite Lenders) and the Borrowers may enter into agreements supplemental hereto for the purpose of

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adding or modifying any provisions to the Loan Documents or changing in any manner the rights of the Lenders or the Borrowers hereunder or waiving any Event of Default or Default hereunder; PROVIDED, any Interest Rate Agreement which

constitutes a Loan Document may be amended or modified solely with the consent of the parties thereto; PROVIDED, FURTHER, HOWEVER, that no such supplemental agreement shall, without the consent of each Lender affected thereby:

- (i) Postpone or extend the Revolving Credit Commitment Termination Date, the maturity date for the Loans or any other date fixed for any payment of principal of, or interest on, the Loans or any fees or other amounts payable to such Lender except with respect to (A) any modifications of the provisions relating to prepayments of Loans and other Obligations and (B) a waiver of the application of the default rate of interest pursuant to SECTION 2.05(b) hereof.
- (ii) Reduce the principal amount of any Loans, or reduce the rate or extend the time of payment of interest or fees thereon.
- (iii) Reduce the percentage specified in the definition of Requisite Lenders or Requisite Revolving Lenders or any other percentage of Lenders specified to be the applicable percentage in this Agreement to act on specified matters or amend the definition of "Pro Rata Share".
- (iv) Increase the amount of any Commitment of any Lender hereunder or increase or decrease any Lender's Pro Rata Share.
- (v) Permit any Borrower to assign its rights under this Agreement.
- (vi) Release all or substantially all of the Collateral.
- (vii) Amend this SECTION 11.02(b).

No amendment of any provision of this Agreement relating to the Agent or the Collateral Agent shall be effective without the written consent of the Agent or the Collateral Agent, as applicable.

SECTION 11.03. GOVERNING LAW AND JURISDICTION. THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF NEW YORK WITHOUT GIVING EFFECT TO ANY CONFLICTS OF LAWS PRINCIPLES. THE BORROWERS, THE AGENT, THE COLLATERAL AGENT AND THE LENDERS CONSENT TO THE JURISDICTION OF ANY LOCAL, STATE OR FEDERAL COURT LOCATED IN THE CITY AND STATE OF NEW YORK AND WAIVE ANY OBJECTION RELATING TO IMPROPER VENUE OR FORUM NON CONVENIENS TO THE CONDUCT OF ANY PROCEEDING BY SUCH COURT.

SECTION 11.04. EXPENSES. The Borrowers will pay, and have joint and several liability for, all documented out-of-pocket third-party expenses (including in each case all reasonable attorneys' and paralegals' fees and related expenses and costs), (i) incurred by the Agent, the Collateral Agent and the Documentation Agent in connection with the negotiation, preparation and

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execution of the Loan Documents (whether or not the transactions contemplated hereby shall be consummated), subject, however, to the limitations set in those certain letters dated September 25, 1998 between KMC Holdings and the Agent, and KMC Holdings and the Documentation Agent, with respect to the fees and expenses of counsel for the Agent and the Documentation Agent, (ii) incurred by the Agents, in connection with the administration of the Loan Documents, and the creation, perfection, priority and protection of the Liens in the Collateral, and (iii) incurred by any Agent or any Lender in connection with the enforcement of the rights of any Agent or any Lender in connection with this Agreement, any other Loan Documents or the Collateral, or any restructuring or workout of this Agreement or the other Loan Documents.

SECTION 11.05. EQUITABLE RELIEF. Each Borrower recognizes that, in the event such Borrower fails to perform, observe or discharge any of its obligations or liabilities under this Agreement, or any other Loan Document, any remedy at law may prove to be inadequate relief to the Agent, the Collateral Agent and the Lenders; therefore, such Borrower agrees that the Agent or the Collateral Agent, if it so requests, shall be entitled to temporary and permanent injunctive relief in any such case without the necessity of proving actual damages.

SECTION 11.06. INDEMNIFICATION; LIMITATION OF LIABILITY; LUCENT RELATIONSHIPS. (a) The Borrowers jointly and severally agree to protect, indemnify and hold harmless the Agent, the Collateral Agent each Lender and each of their respective officers, affiliates, directors, employees, attorneys, accountants, consultants, representatives and agents (collectively called the "INDEMNITEES") from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, claims, costs, expenses and disbursements (including, without limitation, payment by the Agent, the Collateral Agent or any Lender of any obligations due or past due under any contract or agreement to which any Borrower is or becomes a party) of any kind or nature whatsoever (including, without limitation, the fees and disbursements of counsel for and consultants of such Indemnitees in connection with any investigative, administrative or judicial proceeding, whether or not such Indemnitees shall be designated a party thereto), which may be imposed on, incurred by, or asserted against such Indemnitees (whether direct, indirect, or consequential and whether based on any federal or state laws or other statutory regulations, including, without limitation, securities, environmental and commercial laws and regulations, under common law or at equitable cause or in contract or otherwise) in any manner relating to or arising out of this Agreement or any of the other Loan Documents, or any act, event or transaction related or attendant thereto, the agreements of the Agent, the Collateral Agent or the Lenders contained herein, the making of Loans, the management of such Loans or the Collateral (including any liability under Environmental Laws) or the use or intended use of the proceeds of such Loans hereunder (collectively, the "INDEMNIFIED MATTERS"); PROVIDED that the Borrowers shall not have any obligation to any Indemnitee hereunder with respect to Indemnified Matters caused by or resulting from the willful misconduct or gross negligence of such Indemnitee; PROVIDED, FURTHER that no Borrower shall have any obligation to any Indemnitee hereunder with respect to taxes that are imposed on the net income of any Indemnitee or any franchise or doing business taxes imposed on any Indemnitee. To the extent that the undertaking to indemnify, pay and hold harmless set forth in the preceding sentence may be unenforceable because it is violative of any law or public policy, the Borrowers shall contribute the maximum portion which they are permitted to pay and satisfy under applicable

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law, to the payment and satisfaction of all Indemnified Matters incurred by the Indemnitees.

(b) To the extent permitted by applicable law, no claim may be made by the Borrowers or any other Person against the Agent, the Collateral Agent, any Lender or any of their respective affiliates, directors, officers, employees, agents, attorneys, accountants, representatives or consultants for any special, indirect, consequential or punitive damages in respect of any claim for breach of contract or any other theory of liability arising out of or related to the transactions contemplated by any of the Loan Documents or any act, omission or event occurring in connection therewith; and the Borrowers hereby waive, release and agree not to sue upon any claim for any such damages, whether or not accrued and whether or not known or suspected to exist in its favor.

(c) The Borrowers agree not to, and hereby irrevocably waive any right to, (i) assert in any action or proceeding relating to any of the Loan Documents or the transactions contemplated thereby, any claim, counterclaim, cross claim or defense arising from any act or omission of Lucent other than in Lucent's capacity as a Lender under the Loan Documents, and (ii) assert any right of setoff in lieu of making payment under the Loan Documents arising from any act or omission of Lucent other than in Lucent's capacity as a Lender under the Loan Documents.

SECTION 11.07. SURVIVAL OF REPRESENTATIONS AND WARRANTIES, ETC. All warranties and representations made by any Borrower in any Loan Document shall survive the execution and delivery of this Agreement and the other Loan Documents and the making and repayment of the Obligations. The confidentiality obligations of each Borrower in SECTION 11.16, the indemnification obligations of each Borrower in SECTION 11.06, and to the extent the second sentence of SECTION 11.13 is applicable, all covenants of each Borrower, survive the repayment of the Obligations.

SECTION 11.08. SUCCESSORS AND ASSIGNS; ASSIGNMENTS; PARTICIPATIONS.

(a) GENERAL. The terms and provisions of the Loan Documents shall be binding upon and inure to the benefit of the Borrowers, the Agent, the Collateral Agent and the Lenders and their respective successors and assigns, except that (i) no Borrower shall have any right to assign its rights or obligations under the Loan Documents and (ii) any assignment by any Lender must be made in compliance with SUBSECTION (c) below. With respect to any Borrower, successors and assigns shall include, without limitation, any receiver, trustee or debtor-in-possession of or for such Borrower. Notwithstanding the foregoing, any Lender may at any time, without the consent of the Borrowers or the Agent, assign all or any portion of its rights under this Agreement and its Notes to a Federal Reserve Bank or to an affiliate of such Lender or as collateral security for any loan or financing or in connection with any securitization or other similar transaction; PROVIDED, HOWEVER, that no such assignment shall release the transferor Lender from its obligations hereunder. The Agent shall be entitled to utilize its Register to determine the payee of any Note for all purposes hereof. Any request, authority or consent of any Person, who at the time of making such request or giving such authority or consent is the holder of

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any Note, shall be conclusive and binding on any subsequent holder, transferee or assignee of such Note or of any Note or Notes issued in exchange therefor.

(b) Participations.

(i) Subject to the terms set forth in this Section 11.08(b), any Lender may, in the ordinary course of its business and in accordance with applicable law, at any time sell to one or more banks or other entities ("Participants") participating interests in any Loan owing to such Lender, any Note held by such Lender, any Commitment of such Lender or any other interest of such Lender under the Loan Documents on a pro rata or non-pro rata basis in an aggregate principal amount of at least \$5,000,000. Notice of such participation to the Agent shall be required prior to any participation becoming effective with respect to a Participant which is not a Lender or an Affiliate thereof. In the event of any such sale by a Lender of participating interests to a Participant, such Lender's obligations under the Loan Documents shall remain unchanged, such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, such Lender shall remain the holder of any such Note for all purposes under the Loan Documents, such Lender shall be solely responsible for any withholding taxes or any filing or reporting requirements in connection therewith relating to such Participant, all amounts payable by the Borrowers under this Agreement shall be determined as if such Lender had not sold such participating interests, and the Borrowers and the Agent shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under the Loan Documents except that, for purposes of Section 2.13 hereof, the Participants shall be entitled to the same rights as if they were Lenders, provided that no Participant shall be entitled to receive any greater amount pursuant to Section 2.13 than such Lender would have been entitled to receive in respect of the amount of the participation transferred to such Participant had no transfer occurred.

(ii) Each Lender shall retain the sole right to approve, without the consent of any Participant, any amendment, modification or waiver of any provision of the Loan Documents other than any amendment, modification or waiver with respect to any Loan or Commitment in which such Participant has an interest which forgives principal, interest or fees or reduces the interest rate or fees payable pursuant to the terms of this Agreement with respect to any such Loan or Commitment, postpones any date fixed for any regularly-scheduled payment of principal of, or interest or fees on, any such Loan or Commitment, or releases all or substantially all of the Collateral, if any, securing any such Loan.

(iii) The Borrowers agree that each Participant shall be deemed to have the right of setoff provided in SECTION 9.09 hereof in respect of its

participating interest in amounts owing under the Loan Documents to the same extent as if the amount of its participating interest were owing directly to it as a Lender under the Loan Documents, PROVIDED that each Lender shall retain the right of setoff provided in SECTION 9.09 hereof with respect to the amount of participating interests sold to each Participant except to the extent such Participant exercises its right of setoff. The Lenders agree to share with each Participant, and each Participant, by exercising the right of setoff provided in SECTION 9.09

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hereof, agrees to share with each Lender, any amount received pursuant to the exercise of its right of setoff, such amounts to be shared in accordance with SECTION 9.09 as if each Participant were a Lender.

(c) Assignments.

(i) Any Lender may, in the ordinary course of its business and in accordance with applicable law, at any time assign to one or more banks or other entities ("PURCHASERS") all or a portion of its rights and obligations under this Agreement (including, without limitation, its Commitment and the Loans owing to it hereunder) in accordance with the provisions of this SECTION 11.08(c). Each assignment shall be of a constant, and not a varying, ratable percentage of all of the assigning Lender's rights and obligations under this Agreement. Such assignment shall be evidenced by an Assignment Agreement substantially in the form of EXHIBIT O attached hereto and shall not be permitted hereunder unless such assignment is either for all of such Lender's rights and obligations under the Loan Documents or, for Loans and Commitments in an aggregate principal amount equal to the lesser of \$5,000,000 (which minimum amount may be waived by the Requisite Lenders after the occurrence of a Default) and such Lender's Commitment Amount.

(ii) Upon (i) delivery to the Agent of a notice of assignment (a "NOTICE OF ASSIGNMENT"), together with any consent required hereunder, and (ii) payment of a \$3,500 processing fee to the Agent for processing such assignment if such assignment is to a Person which is not an affiliate of the assigning Lender, such assignment shall become effective on the effective date specified in such Notice of Assignment. The assigning Lender shall be obligated to reimburse the Agent for all other costs and expenses associated with the preparation and execution of such assignment (including reasonable attorneys' fees arising out of such preparation and execution of such assignment). The Notice of Assignment shall contain a representation by the Purchaser to the effect that none of the consideration used to make the purchase of the Commitment and Loans under the applicable assignment agreement are "plan assets" as defined under ERISA and that the rights and interests of the Purchaser in and under the Loan Documents will not be "plan assets" under ERISA. On and after the effective date of such assignment, such Purchaser, if not already a Lender, shall for all purposes be a Lender party to this Agreement and any other Loan Documents executed by the Lenders and shall have all the rights and obligations of a Lender under the Loan Documents, to the same extent as if it were an original party hereto, and no further consent or action by the Borrowers, the Lenders or the Agent shall be required to release the transferor Lender with respect to the percentage of the aggregate Commitment and Loans assigned to such Purchaser. Upon the consummation of any assignment to a Purchaser pursuant to this SECTION 11.08(C)(ii), the transferor Lender, the Agent and the Borrowers shall make appropriate arrangements so that replacement Notes are issued to such transferor Lender and new Notes or, as appropriate, replacement Notes, are issued to such Purchaser, in each case in principal amounts reflecting their Commitment and their Loans, as adjusted pursuant to such assignment.

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(iii) The Agent shall maintain at its address referred to in SECTION 11.01 a copy of each assignment delivered to and accepted by it pursuant to this SECTION 11.08 and a register (the "REGISTER") for the recordation of

the names and addresses of the Lenders and the Commitment of and principal amount of the Loans owing to, each Lender from time to time and whether such Lender is an original Lender or the assignee of another Lender pursuant to an assignment under this SECTION 11.08. The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and the Borrowers, the Agent and the Lenders may treat each Person whose name is recorded in the Register as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Borrowers or any Lender at any reasonable time and from time to time upon reasonable prior notice.

SECTION 11.09. SEVERABILITY. In case any one or more of the provisions contained in this Agreement or any other Loan Document shall be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and therein shall not in any way be affected or impaired thereby.

SECTION 11.10. COVER PAGE, TABLE OF CONTENTS AND SECTION HEADINGS. The cover page, Table of Contents and section headings used herein are for convenience of reference only, are not part of this Agreement and are not to affect the construction of or be taken into consideration in interpreting this Agreement.

SECTION 11.11. COUNTERPARTS. This Agreement may be signed in counterparts with the same effect as if the signatures thereof and hereto were upon the same instrument.

SECTION 11.12. APPLICATION OF PAYMENTS. Notwithstanding any contrary provision contained in this Agreement or in any of the other Loan Documents, upon the occurrence and during the continuance of any Event of Default, each Borrower irrevocably waives the right to direct the application of any and all payments at any time or times hereafter received by the Agent or any Lender from such Borrower or with respect to any of the Collateral, and such Borrower does hereby irrevocably agree that the Agent or any Lender shall have the continuing exclusive right to apply and reapply any and all payments received at any time or times hereafter, whether with respect to the Collateral or otherwise, against the Obligations in such manner as the Agent or any Lender may deem advisable, notwithstanding any entry by the Agent or any Lender upon any of its books and records, subject, however, to the provisions of SECTION 2.08(c).

SECTION 11.13. MARSHALLING; PAYMENTS SET ASIDE. Neither the Agent nor the Collateral Agent shall be under any obligation to marshal any assets in favor of any Borrower or any other party or against or in payment of any or all of the Obligations. To the extent that any Borrower makes a payment or payments to any Agent or any Lender or the Agent, the Collateral Agent or any Lender enforces its security interests or exercises its rights of setoff, and such payment or payments or the proceeds of such enforcement or setoff or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside and/or required to be repaid to a trustee, receiver or any other party under any bankruptcy law, state or federal law, common law or equitable cause, then to the extent of such recovery, the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect

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as if such payment had not been made or such enforcement or setoff had not occurred.

SECTION 11.14. SERVICE OF PROCESS. EACH BORROWER WAIVES PERSONAL SERVICE OF ANY PROCESS UPON IT AND, CONSENTS THAT ALL SERVICE OF PROCESS SHALL BE MADE BY REGISTERED MAIL, RETURN RECEIPT REQUESTED, DIRECTED TO SUCH BORROWER AT THE ADDRESS INDICATED IN SECTION 11.01 AND SERVICE SO MADE SHALL BE DEEMED TO BE COMPLETED FIVE (5) BUSINESS DAYS AFTER SAME SHALL HAVE BEEN POSTED AS AFORESAID.

SECTION 11.15. WAIVER OF JURY TRIAL, ETC. EACH OF THE BORROWERS, THE AGENT, THE COLLATERAL AGENT AND THE LENDERS WAIVES ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT, OR OTHERWISE, BETWEEN THE AGENT, THE COLLATERAL AGENT OR ANY LENDER AND ANY

BORROWER ARISING OUT OF, CONNECTED WITH, RELATED TO OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED BETWEEN THEM IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION THEREWITH OR THE TRANSACTIONS RELATED THERETO. EACH OF THE BORROWERS, THE AGENT, THE COLLATERAL AGENT AND THE LENDERS HEREBY AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY AND THAT ANY OF THEM MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS AGREEMENT WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE PARTIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

SECTION 11.16. CONFIDENTIALITY. No Borrower shall at any time before or after payment in full and satisfaction of all of the Obligations, reveal, divulge or make known, or knowingly permit to be so revealed, divulged or made known, to any Person (including Persons within its own organization who do not have a definite need to know for the purpose of performance of this Agreement), the terms or conditions of the Fee Letters; PROVIDED that the foregoing shall not apply to information required to be disclosed by order of a court of competent jurisdiction or in connection with any governmental investigation (in each case to the extent disclosure is required, but no further) so long as such Borrower notifies the Agent in writing of any circumstances of which such Borrower is aware that may lead to such a requirement or order, so as to allow the Agent to take steps to contest such order or investigation; PROVIDED, FURTHER, that the foregoing shall not apply to information which is required to be disclosed by such Borrower or information which in the reasonable determination of such Borrower is desirable for such Borrower to disclose, pursuant to federal or state securities laws, pursuant to the rules or regulations of the FCC, any PUC or other applicable Governmental Authority, or to Persons who are consultants, advisors (including but not limited to attorneys and auditors), officers, directors or employees of such Borrower, provided that each such Person is required by such Borrower to keep such information confidential.

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SECTION 11.17. ENTIRE AGREEMENT, ETC. This Agreement (including all schedules and exhibits referred to herein), the Notes, the Fee Letters and all other Loan Documents constitute the entire contract among the parties hereto with respect to the subject matter hereof and thereof and shall supersede and take the place of any other instrument purporting to be an agreement of the parties hereto relating to such subject matter.

SECTION 11.18. NO STRICT CONSTRUCTION. The parties hereto have participated, jointly in the negotiation and drafting of this Agreement. In the event of any ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties hereto and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of authorship of any provisions of this Agreement.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their duly authorized officers as of the day and year first above written.

KMC TELECOM INC., as a Borrower

By: /s/

Name: James D. Grenfell
Title: Chief Financial Officer

KMC TELECOM II, INC., as a Borrower

By: /s/

Name: James D. Grenfell
Title: Chief Financial Officer

KMC TELECOM III, INC., as a Borrower

By: /s/

Name: James D. Grenfell
Title: Chief Financial Officer

KMC TELECOM OF VIRGINIA, INC., as a Borrower

By: /s/

Name: James D. Grenfell
Title: Chief Financial Officer

KMC TELECOM LEASING I LLC, as a Borrower
BY: KMC TELECOM INC., as Sole Member

By: /s/

Name: James D. Grenfell
Title: Chief Financial Officer

KMC TELECOM LEASING II LLC, as a Borrower
BY: KMC TELECOM II, INC., as Sole Member

By: /s/

Name: James D. Grenfell
Title: Chief Financial Officer

KMC TELECOM LEASING III LLC, as a Borrower
BY: KMC TELECOM III, INC., as Sole Member

By: /s/

Name: James D. Grenfell
Title: Chief Financial Officer

KMC TELECOM.COM, INC., as a Borrower

By: /s/

Name: James D. Grenfell

Title: Chief Financial Officer

KMC III SERVICES LLC, as a Borrower
BY: KMC Telecom III, Inc., as Sole Member

By: /s/

Name: James D. Grenfell
Title: Chief Financial Officer

NEWCOURT COMMERCIAL FINANCE CORPORATION, an
affiliate of The CIT Group, Inc., as a Lender and
as Collateral Agent

By: /s/

Name: Michael V. Monahan
Title: Vice President

FIRST UNION NATIONAL BANK, as a Lender and as
Administrative Agent

By: /s/

Name: Elizabeth Elmore
Title: Senior Vice President

GENERAL ELECTRIC CAPITAL CORPORATION, as a
Lender

By: /s/

Name: Mark F. Mylon
Title: Manager-Operations

CANADIAN IMPERIAL BANK OF COMMERCE, as
a Lender

By: /s/

Name: Ellen Marshall
Title: Managing Director
CIBC World Markets Corp., as Agent

LUCENT TECHNOLOGIES INC., as a Lender

By: /s/

Name: Dina Fede
Title: Director-Customer Finance

BANKBOSTON, N.A., as a Lender

By: /s/

Name: Michael A. Ashton
Title: Vice President

CREDIT SUISSE FIRST BOSTON, as a Lender

By: /s/

Name: Jeffrey B. Ulmer
Title: Vice President

By: /s/

Name: Douglas E. Maher
Title: Vice President

DRESDNER BANK AG NEW YORK AND
GRAND CAYMAN BRANCHES, as a Lender

By: /s/

Name: John P. Flesler
Title: Senior Vice President

By: /s/

Name: Constance Loosemore
Title: Assistant Vice President

MORGAN STANLEY SENIOR FUNDING, INC.,
as a Lender

By: /s/

Name: T. Morgan Edwards II
Title: Vice President

By: /s/

Name:
Title:

MORGAN STANLEY DEAN WITTER
PRIME INCOME TRUST, as a Lender

By: /s/

Name: Shelia Finnely
Title: Senior Vice President

UNION BANK OF CALIFORNIA, as a Lender

By: /s/

Name: Keith M. Wilson
Title: Vice President

KEYPORT LIFE INSURANCE COMPANY, as a Lender

By: /s/

Name: Brian W. Good
Title: Vice President & Portfolio Manager

STEIN ROE FLOATING RATE LIMITED
LIABILITY COMPANY, as a Lender

By: /s/

Name: Brian W. Good
Title: Vice President,
Stein Roe & Farnham Incorporated
as Advisor to the Stein Roe Floating
Rate Limited Liability Company

ANNEX A

COMMITMENT AMOUNTS

REVOLVING LOANS

Lender	Revolving Loan Commitment Amount
Newcourt Commercial Finance Corporation	\$ 22,500,000
Canadian Imperial Bank of Commerce	\$ 22,500,000
First Union National Bank	\$ 37,500,000
General Electric Capital Corporation	\$ 22,500,000
BankBoston, N.A.	\$ 14,000,000
Credit Suisse First Boston	\$ 17,500,000
Dresdner Bank AG New York & Grand Cayman Branches	\$ 14,000,000
Morgan Stanley Senior Funding, Inc.	\$ 17,500,000
Union Bank of California, N.A.	\$ 7,000,000

TOTAL \$175,000,000

TERM A LOANS

Lender	Term A Loan Commitment Amount
Newcourt Commercial Finance Corporation	\$ 3,250,000
Canadian Imperial Bank of Commerce	\$ 3,250,000
First Union National Bank	\$ 3,250,000
General Electric Capital Corporation	\$ 3,250,000
BankBoston, N.A.	\$ 6,000,000
Credit Suisse First Boston	\$ 7,500,000
Dresdner Bank AG New York & Grand Cayman Branches	\$ 6,000,000
Keyport Life Insurance Company	\$ 5,000,000
Morgan Stanley Dean Witter Prime Income Trust	\$25,000,000
Morgan Stanley Senior Funding, Inc.	\$ 7,500,000
Stein Roe Floating Rate Limited Liability Compan	\$ 2,000,000
Union Bank of California, N.A.	\$ 3,000,000
TOTAL	\$75,000,000

TERM B LOANS

Lender	Term B Loan Commitment Amount
Lucent Technologies Inc.	\$450,000,000
TOTAL COMMITMENTS	\$700,000,000

ANNEX B

FINANCIAL COVENANT INFORMATION

ITEM 2 FISCAL QUARTER ENDING	MINIMUM REVENUES
March 31, 2000	\$ 24,935,000
June 30, 2000	\$ 33,833,000
September 30, 2000	\$ 43,122,000
December 31, 2000	\$ 52,827,000
March 31, 2001	\$ 65,937,000
June 30, 2001	\$ 80,205,000
September 30, 2001	\$ 92,926,000
December 31, 2001	\$103,370,000

ITEM 2

FISCAL QUARTER ENDING	115% OF EBITDA LOSSES	EBITDA LOSSES LESS \$7,500,000
March 31, 2000	(\$72,368,000)	(\$70,429,000)
June 30, 2000	(\$78,372,000)	(\$75,649,000)
September 30, 2000	(\$64,507,000)	(\$63,593,000)
December 31, 2000	(\$49,948,000)	(\$50,933,000)
March 31, 2001	(\$25,563,000)	(\$29,729,000)
June 30, 2001	\$.1,082,000(1)	(\$ 6,227,000)

ITEM 3

FISCAL QUARTER ENDING	85% OF EBITDA	EBITDA LESS \$7,500,000
September 30, 2001	\$20,668,000	\$16,815,000
December 31, 2001	\$37,435,000	\$36,541,000

(1) This is a positive number.

ITEM 4

CUMULATIVE CAPITAL EXPENDITURES
PLUS \$25,000,000

FISCAL QUARTER ENDING

March 31, 2000	742,645,000
June 30, 2000	825,986,000
September 30, 2000	895,254,000
December 31, 2000	935,558,000
March 31, 2001	963,623,000
June 30, 2001	992,069,000
September 30, 2001	1,031,824,000
December 31, 2001	1,060,558,000

ITEM 5

75% OF MINIMUM ACCESS LINES

FISCAL QUARTER ENDING

March 31, 2000	106,672
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June 30, 2000	137,394
September 30, 2000	168,485
December 31, 2000	203,380
March 31, 2001	246,606
June 30, 2001	296,940
September 30, 2001	349,859
December 31, 2001	403,132

ANNEX C

REVOLVING LOAN COMMITMENT REDUCTIONS

PAYMENT DATE	COMMITMENT REDUCTION
April 1, 2003	5.00%
July 1, 2003	3.75%
October 1, 2003	3.75%
January 1, 2004	3.75%
April 1, 2004	3.75%
July 1, 2004	6.25%
October 1, 2004	6.25%
January 1, 2005	6.25%
April 1, 2005	6.25%
July 1, 2005	6.25%
October 1, 2005	6.25%
January 1, 2006	6.25%
April 1, 2006	6.25%
July 1, 2006	7.50%
October 1, 2006	7.50%
January 1, 2007	7.50%
April 1, 2007	7.50%

TERM A LOAN REDUCTIONS

PAYMENT DATE	Percentage of Outstanding Principal Balance of Term A Loans TO BE REPAID
April 1, 2002	0.25%
July 1, 2002	0.25%
October 1, 2002	0.25%
January 1, 2003	0.25%
April 1, 2003	0.25%
July 1, 2003	0.25%
October 1, 2003	0.25%
January 1, 2004	0.25%
April 1, 2004	0.25%

July 1, 2004	0.25%
October 1, 2004	0.25%
January 1, 2005	0.25%
April 1, 2005	0.25%
July 1, 2005	0.25%
October 1, 2005	0.25%
January 1, 2006	0.25%
April 1, 2006	0.25%
July 1, 2006	0.25%
October 1, 2006	0.25%
January 1, 2007	0.25%
April 1, 2007	47.50%
July 1, 2007	47.50%

TERM B LOAN REDUCTIONS

PAYMENT DATE	Percentage of Outstanding Principal Balance of Term B Loans TO BE REPAYED
July 1, 2003	5.00%
October 1, 2003	3.75%
January 1, 2004	3.75%
April 1, 2004	3.75%
July 1, 2004	3.75%
October 1, 2004	6.25%
January 1, 2005	6.25%
April 1, 2005	6.25%
July 1, 2005	6.25%
October 1, 2005	6.25%
January 1, 2006	6.25%
April 1, 2006	6.25%
July 1, 2006	6.25%
October 1, 2006	7.50%
January 1, 2007	7.50%
April 1, 2007	7.50%
July 1, 2007	7.50%

SCHEDULE 1.01(A)
APPLICABLE MARGIN FOR REVOLVING LOANS

	Applicable Margin for Base Rate Loans	Applicable Margin for LIBOR Loans
Total Leverage Ratio > 12.0x or EBITDA negative	3.00%	4.00%
The Total Leverage Ratio > = 10.0x and < 12.0x	2.75%	3.75%
The Total Leverage Ratio > = 8.0x and < 10.0x	2.50%	3.50%
The Total Leverage Ratio > = 6.0x and < 8.0x	2.25%	3.25%
The Total Leverage Ratio < 6.0x	2.00%	3.00%

APPLICABLE MARGIN FOR TERM A LOANS

	Applicable Margin for Base Rate Loans	Applicable Margin for LIBOR Loans
The Total Leverage Ratio > = 12.0x or EBITDA negative	3.25%	4.25%
The Total Leverage Ratio > = 10.0x and < 12.0x	3.00%	4.00%
The Total Leverage Ratio > = 8.0x and < 10.0x	2.75%	3.75%
The Total Leverage Ratio > = 6.0x and < 8.0x	2.50%	3.50%
The Total Leverage Ratio < 6.0x	2.25%	3.25%

APPLICABLE MARGIN FOR TERM B LOANS

	Applicable Base Rate Margin	Applicable LIBOR Margin
The Consolidated Leverage Ratio > 12.0x or EBITDA negative	3.25%	4.25%
The Consolidated Leverage Ratio > 10.0x and < 12.0x	3.00%	4.00%
The Consolidated Leverage Ratio > 8.0x and < 10.0x	2.75%	3.75%
The Consolidated Leverage Ratio > 6.0x and < 8.0x	2.50%	3.50%
The Consolidated Leverage Ratio < 6.0x	2.25%	3.25%

EX-10.8

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AMENDMENT NO. 2

AMENDMENT NUMBER TWO
TO THE GENERAL AGREEMENT AMONG
KMC TELECOM INC., KMC TELECOM II, INC.,
KMC TELECOM LEASING I LLC, KMC TELECOM LEASING II LLC
AND LUCENT TECHNOLOGIES INC.

This Amendment Number Two (hereinafter this "Amendment Two") is made effective as of December 22, 1998, by and among KMC Telecom Inc., a Delaware corporation, KMC Telecom II, Inc., a Delaware corporation, KMC Telecom Leasing I LLC, a Delaware limited liability company and KMC Telecom Leasing II LLC, a Delaware limited liability company, each with offices located at 1545 Route 206, Suite 300, Bedminster, New Jersey 07921 (hereinafter collectively referred to as "Customer"), and Lucent Technologies Inc., a Delaware corporation, acting through its Global Service Providers Group, with offices located at 600 Mountain Avenue, Murray Hill, New Jersey 07074 (hereinafter "Seller").

WHEREAS, Customer and Seller previously entered into that certain General Agreement (Contract Number LNM970313MP), effective March 6, 1997, as modified and amended by Amendment Number 1 (Contract Number LNM 970922MP), effective as of October 15, 1997 (as so amended, the "General Agreement"), setting forth the terms and conditions pursuant to which Seller agreed to supply and Customer agreed to procure certain of Seller's Products, Licensed Materials and Services (as such terms are defined therein);

WHEREAS, Customer and Seller desire to amend and modify the General Agreement as set forth herein; and

WHEREAS, all terms used herein but not defined herein shall have the meanings ascribed to them in the General Agreement.

NOW THEREFORE, in consideration of the mutual promises hereinafter set forth and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. SCOPE OF GENERAL AGREEMENT

The definition of "Customer" contained in the General Agreement is hereby amended to additionally include KMC Telecom of Virginia, Inc., a Virginia public service company ("KMC-Virginia"), KMC Telecom III, Inc., a Delaware corporation ("KMC III") and KMC Telecom Leasing III LLC, a Delaware limited liability company ("KMC Leasing III"); it being the intent and understanding among the parties that KMC-Virginia, KMC III, and KMC Leasing III shall be authorized to procure Products, Licensed Materials and Services from Seller under and pursuant to the terms and conditions of the General Agreement.

2. TERM OF GENERAL AGREEMENT

Section 1.2 of the General Agreement is hereby amended to provide that the Term shall expire on March 5, 2003.

3. PURCHASE COMMITMENT AND FINANCIAL CONSIDERATIONS

In consideration for the discounts, allowances and incentives set forth in Appendix A of the General Agreement (as modified hereby), KMC III and KMC Leasing III agree to procure directly and exclusively from Seller, consistent with the purchase requirements set forth in the financing documents between the parties, Seller's Products, and related Licensed Materials and Services which are available and may become available during the Term, in each case meeting Customer's requirements for up to 27 Tier III cities and up to 100 Tier IV cities, so long as at all times the purchase price therefor (taking into account all of the terms and conditions of the competitive offer) is competitive with the purchase price generally offered by any other third-party vendor of the particular Product, Licensed Material or Service in question in the United States. Either party's obligation to perform under this Amendment is contingent on Seller providing financing for all Seller's Products, and related Licensed Materials and Services to be sold to Customer hereunder in accordance with that certain Loan and Security Agreement, dated as of February __, 1999, among KMC III, KMC Leasing III, the financial institutions signatory thereto, Seller as agent and _____ as collateral agent.

4. DEFINITIONS

The following definitions are hereby added to Section A-1.2, "Definitions" of Appendix A:

- o "Data Networking Products" means Seller's intelligent switching, access and applications and network services Products, including but not limited to the PacketStar(TM) Access Concentrator(TM), PathStar(TM) Access Server, PortMaster(R) Integrated Access Concentrator and PacketStarTM IP GateWay 1000. The table of Data Networking Products in Section 6 may be expanded or amended from time to time by mutual agreement of the parties.

5. MODIFICATIONS TO APPENDIX A

The provision of Appendix A of the General Agreement shall be revised in the following respects:

(A) The first sentence of Section A-1.5 "Network Standardization" shall be replaced with the following: "Subject to the provisions of Section 3 of Amendment Two, Customer agrees to standardize its network exclusively on Seller's 5ESS(R)-2000 Switch Systems Products, Transmission Systems Products, fiber optic cable and associated apparatus, access systems, voice messaging systems, Power Systems and Data Networking Products during the Term, such that in the event Customer requires any equipment and/or software which is functionally comparable to Sellers Products and related Licensed Materials available for purchase under this Agreement, then Customer agrees to purchase all of its requirements for such equipment and software from Seller.

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(B) The parties acknowledge that, effective June 30, 1998, the Transmission Systems discounts available to Customer were amended and that effective as of June 30, 1998, the table entitled "Transmission Systems Products Discount Schedule" in Section A-1.15 of Appendix A is replaced with the following:

TRANSMISSION SYSTEMS PRODUCTS*	DISCOUNT
DDM PLUS	27%
DDM-2000 FiberReach OC-1	25%
DDM-2000 OC-3 hardware & Software	45%

DDM-2000 OC-12 Shelf	85%
DDM-2000 OC-12 Commons	43%
DDM-2000 OC-12 Optics	50%
DDM-2000 OC-12 Software	43%
Dual 2Fiber OC-48 A/D Ring Term	70%**
Two Systems (ED8C902-30 G-3 e/w the following):	
TG3 (DS1) Cp LAA18	
System Controller LAA23B	
System Memory 4 Mbyte LAA25	
Line Controller (4 Mg) A/D & ring LAA28	
Overhead Controller LAA21	
Adapter Plate	
Filler Plate	
FT-2000 OC-48 Lightwave System Commons (spares)	50%
FT-2000 OC-48 Low Speed Cards (DS3, IS3, OC-3, OC-12)	40%
FT-2000 OC-48 Lightwave System Optics	65%
FT-2000 OC-48 Lightwave System Software	65%
SLC(R)-2000 Multi Services Distant Terminals (MSDT)	35%
SLC(R)-2000 Access System - Common Units	40%
SLC(R)-2000 Access System - POTS/SPOTS Units	35%
SLC(R)-2000 Access System - Special Service Units	40%
SLC(R)-2000 Access System - Software	00%
SLC(R)-SERIES 5 Carrier System - Common Units	35%
SLC(R)-SERIES 5 Carrier System - POTS/SPOTS Units	35%
SLC(R)-SERIES 5 Carrier System - Special Service Units	35%
DACS IV 2000 Systems	see 1.15.1 below

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TRANSMISSION SYSTEMS PRODUCTS*	DISCOUNT
DACS II Systems (hardware & Software)	27%

* The above Products do not include cabling or power equipment. Unless otherwise specified, the discounts shown above apply to Transmission Systems Products (hardware) only. The discount for the cables used in the systems set forth above shall be twenty percent (20%) off the List Price.

** This 70% discount only applies to Lucent order code ED8C902-30 G-3 which is equipped with a dual bay, two complete OC-48 systems and commons for one shelf. For commons ordered singularly, the 50% discount shall apply.

6. ADDITIONS TO APPENDIX A

The following sections are hereby added to Appendix A of the General Agreement.

6.1 PRICING PLAN

A new Section A-1.22 is hereby added to Appendix A of the General Agreement:

"A-1.22 PRICING PLAN FOR DATA NETWORKING PRODUCTS

In consideration for the Customer purchase commitment set forth in Section 3 of this Amendment No. 2, Seller will provide the discounts set forth below for all purchases of the Data Networking Products described therein which are made by Customer during the Term:

DATA NETWORKING PRODUCTS	DISCOUNT
PacketStar(TM) Access Concentrator 10	30%
PacketStar(TM) Access Concentrator 60	40%
PacketStar(TM) Access Concentrator 120	40%
PathStar(TM) Access Server (PSAS)	40%
PortMaster(R) 4 Integrated Access Concentrator (PM4)	30%
PacketStar(TM) IP GateWay 1000	25%"

6.2 SUPPORT SERVICES FOR DATA NETWORKING PRODUCTS

A new Section A-1.23 is hereby added to Appendix A:

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"1.23 SUPPORT SERVICES

In addition to its obligations under the "Warranty" clause of the General Agreement, Seller will make available maintenance and other technical support services to Customer for Seller's Data Networking Products under mutually agreed-upon, separate support agreement(s)."

6.3 TRAINING INCENTIVE FOR DATA NETWORKING PRODUCTS

A new Section A-1.24 is hereby added to Appendix A:

"1.24 TRAINING INCENTIVE

In consideration for Customer's purchase commitment set forth in Section 3 of this Amendment, (a) for each one million two hundred fifty thousand dollars (\$1,250,000) in Customer's purchases of Seller's PathStar(TM) Access Server Products, Seller will provide Customer with two (2) tuition-free seats at a five (5) day course related to Data Networking Products; and (b) for each one million two hundred fifty thousand dollars (\$1,250,000) in Customer's purchases of Seller's PortMaster(R) 4 Integrated Access Concentrator, PacketStar(TM) IP GateWay 1000, PacketStar(TM) Access Concentrator 10, PacketStar(TM) Access Concentrator 60, or PacketStar(TM) Access Concentrator 120 Products, Seller will provide Customer with two (2) tuition-free seats at a five (5) day course related to Data Networking Products. Seller, at its option, may offer training regionally.

Customer shall use the foregoing training days earned by it within twelve (12) months after the shipment of the relevant Data Networking Products. Customer shall be responsible for all associated travel and living expenses for Customer personnel in connection with attendance at the foregoing courses. In the event that Seller sends its personnel to a Customer site for on-site training, Customer shall be responsible for all reasonable travel and living

expenses for the instructor and for providing equipment needed for hands-on training. It is understood and agreed that any such equipment used in a training setting must not be part of Customer's network product environment."

7. ENTIRE AGREEMENT

Except as specifically modified, amended or supplemented herein, all terms and conditions of the General Agreement shall remain in full force and effect. The terms and conditions contained in this Amendment Two and those nonconflicting terms and conditions of the General Agreement supersede all prior oral and written understandings among the parties and shall constitute the entire agreement among the parties with respect to the subject matter herein. This Amendment Two shall not be modified or amended except by a writing signed by an authorized representative of each of the parties.

5

IN WITNESS WHEREOF, the parties have caused this Amendment Two to be executed by their duly authorized representatives on the date(s) indicated.

KMC TELECOM INC.

KMC TELECOM LEASING I LLC

By: KMC Telecom I, Inc., as Sole

Member

By: /s/

By: /s/

Typed Name: Michael A. Sternberg

Typed Name: Michael A. Sternberg

Title: President

Title: President

Date:

Date:

KMC TELECOM II, INC.

KMC TELECOM LEASING II LLC

By: KMC Telecom II, Inc., as Sole
Member

By: /s/

By: /s/

Typed Name: Michael A. Sternberg

Typed Name: Michael A. Sternberg

Title: President

Title: President

Date:

Date:

KMC TELECOM III, INC.

KMC TELECOM LEASING III LLC

By: KMC Telecom III, Inc., as Sole
Member

By: /s/

By: /s/

Typed Name: Michael A. Sternberg

Typed Name: Michael A. Sternberg

Title: President

Title: President

Date:

Date:

KMC TELECOM OF VIRGINIA, INC.

LUCENT TECHNOLOGIES INC.

By: /s/

By: /s/

Typed Name: Michael A. Sternberg

Typed Name: Mark Wilson

 Title: President .

 Title: Vice President - Sales

Date: _____

Date: _____

6

EX-10.9

6

AMENDMENT NO. 3

AMENDMENT NUMBER THREE
 TO THE GENERAL AGREEMENT AMONG
 KMC TELECOM INC., KMC TELECOM II, INC.,
 KMC TELECOM III, INC., KMC TELECOM OF VIRGINIA, INC.,
 KMC TELECOM LEASING I LLC, KMC TELECOM LEASING II LLC,
 KMC LEASING III LLC AND LUCENT TECHNOLOGIES INC.

This Amendment Number Three (hereinafter this "Amendment Three") is made effective as of November 15, 1999, by and among KMC Telecom Inc., a Delaware corporation, KMC Telecom II, Inc., a Delaware corporation, KMC Telecom III, Inc., a Delaware corporation, KMC Telecom of Virginia, Inc., a Virginia public service company, KMC Telecom Leasing I LLC, a Delaware limited liability company, KMC Telecom Leasing II LLC, a Delaware limited liability company, and KMC Telecom Leasing III LLC, a Delaware limited liability company, each with offices located at 1545 Route 206, Suite 300, Bedminster, New Jersey 07921 (hereinafter collectively referred to as "Customer"), and Lucent Technologies Inc., a Delaware corporation, acting through its Global Service Providers Group, with offices located at 600 Mountain Avenue, Murray Hill, New Jersey 07074 (hereinafter "Seller").

WHEREAS, Customer and Seller previously entered into that certain General Agreement (Contract Number LNM970313MP), effective March 6, 1997, as modified and amended by Amendment Number One (Contract Number LNM970922MP), effective as of October 15, 1997 and Amendment Number Two, effective December 22, 1998 (as so amended, the "General Agreement"), setting forth the terms and conditions pursuant to which Seller agreed to supply and Customer agreed to procure certain of Seller's Products, Licensed Materials and Services (as such terms are defined therein); and

1

WHEREAS, Customer and Seller desire to amend and modify the General Agreement as set forth herein;

NOW THEREFORE, in consideration of the mutual promises hereinafter set forth and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. SCOPE OF GENERAL AGREEMENT

The definition of "Customer" contained in the General Agreement is hereby amended to additionally include KMC Telecom IV, Inc., a Delaware corporation ("KMC IV") and KMC Telecom Leasing IV LLC, a Delaware limited liability company ("KMC Leasing IV"); it being the intent and understanding among the parties that KMC IV and KMC Leasing IV shall be authorized to procure Products Licensed Materials and Services from Seller under and pursuant to the terms and conditions of the General Agreement.

FINANCING

Customer's obligations under this Amendment are contingent on Seller providing financing subject to terms and conditions to be mutually agreed.

PURCHASE COMMITMENT AND FINANCIAL CONSIDERATIONS

In consideration for the discounts, allowances and incentives set forth in Appendix A of the General Agreement (as modified hereby), Customer agrees to procure directly and exclusively from Seller, consistent with the provisions of Section 2 above, Seller's Products and related Licensed Materials and Services which are available and may become available during the Term, in each case meeting the Customer's technical requirements for conversion of Customer's existing Tier I, II, III and IV cities to packet technology and/or growth to the existing TOM technology, and for KMC IV's and KMC Leasing IV's nine (9) additional Tier III cities and ninety-eight (98)

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additional Tier IV cities, so long as at all times the purchase price therefor (taking into account all of the terms and conditions of the competitive offer) is competitive with the purchase price generally offered by any other third-party vendor of the particular Product, Licensed Material or Service in question in the United States.

MODIFICATIONS TO APPENDIX A

The provisions of Appendix A of the General Agreement shall be revised in the following respects:

The table entitled "Discount Schedule for 5ESS(R)-2000 Switch Products" in Section A-1.7 of Appendix A and the paragraph below the table are replaced with the following:

PRODUCT TYPE	INITIAL SWITCH DISCOUNT	LARGE GROWTH DISCOUNT	PERIPHERAL GROWTH DISCOUNT
5ESS Switch	83%	77%	25%
5ESS CDX Switch	83%	77%	25%
5ESS VCDX Switch	83%	77%	25%

The parties acknowledge that the above discounts were effective October 1, 1999. Large Growth is defined as the addition of seven (7) or more STSX-1 cards. Any other growth shall be considered Peripheral Growth. Dedicated hardware and Software for PRIs only shall receive a seventy-seven percent (77%) discount.

The following products shall be added to the table in Section A-1.22, "Pricing Plan for Data Networking Products" (this Section was added in Amendment Two). Unless otherwise specified in writing by Lucent, the Warranty Periods for Data Networking Products are twelve (12) months for the hardware and ninety (90) days for the Software.

DATA NETWORKING PRODUCTS	DISCOUNT
MAX TNT(TM) WAN Access Switch	30%
PacketStar(TM) PSAX 2300 Access Concentrator	45%
GX 550(TM) Smart Core ATM Switch	35%
Stinger(TM) DSL Access Concentrator	35%
Copper Mountain CopperEdge(TM) 200*	32%
Copper Mountain CopperEdge(TM) 150*	32%
PacketStar(TM) PSAX 50 Broadband Service Unit	35%

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DATA NETWORKING PRODUCTS	DISCOUNT
PacketStar(TM) PSAX 100 Broadband Service Unit	35%
PacketStar(TM) PSAX 600 Broadband Service Concentrator	35%
Cajun(TM) 330R Stackable Switching System	35%
Cajun(TM) 550R Stackable Switching System	35%
ConnectStar(TM) Interworking Call Router (formerly Broadband Interworking Connection Router (BICR))	35%

* The Warranty Period for these Products is twelve (12) months.

The following Access Products shall be added to the table entitled "Transmission Systems Products Discount Schedule" in Section A-1.15 (this table was replaced in Amendment Two).

ACCESS PRODUCTS	DISCOUNT
CopperCom Gateway(TM) *	19%
CopperCom MXR(TM) *	19%
VINA ConnectReach *	50%
VINA ConnectReach Plus *	40%
7 R/E(TM) Connection Gateway (previously PacketStar(TM) Connection Gateway (PCG))**	50%

* The Warranty Period for these Products is twelve (12) months.

** The Warranty Periods for the 7 R/E Connection Gateway are twelve (12) months for the hardware and eighteen (18) months for the Software.

The following new Section A-1.25 is hereby added to Appendix A:

A-1.25 PRICING PLAN FOR OPTICAL NETWORKING PRODUCTS

In consideration for the Customer purchase commitment set forth in Section 3 of this Amendment Three, Seller will provide the discounts set forth below for all purchases of the Optical Networking Product(s) described therein which are made by Customer during the Term. This table of Optical Networking Products may be expanded or amended from time to time by mutual agreement of the parties.

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OPTICAL NETWORKING PRODUCTS	DISCOUNT
WaveStar(TM) TDM 2.5G	50%

The following new Section A-1.26 is hereby added to Appendix A:

A-1.26 PRICING PLAN FOR 7R/E(TM) PACKET SOLUTIONS

Seller will provide firm price quotations to Customer for its 7R/E(TM) Packet Solutions purchases. To constitute a 7R/E Packet Solution it must contain at least a minimum of one unit each of a Call Feature Server, One-Link Manager, and Packet Gateway purchased and installed at one time (it also may contain more than one unit of each of these components) in addition to other 7R/E hardware and Software elements (hereinafter referred to as "7R/E Packet Solution"). A 7R/E Packet Solution does not include the 5ESS(R) Switch or circuit switching network elements that may interface with the 7R/E Packet Solution products. List Prices are not yet finalized for 7R/E components. Seller commits to a minimum twenty percent (20%) price savings for a 7R/E configuration utilizing pure packet access when compared to a comparable 5ESS TDM configuration. Access vehicles (e.g., RLAGs, IADs, etc.) are not included in the 7R/E pricing. The Warranty Period for 7R/E hardware (whether or not the hardware is part of a 7R/E Packet Solution) is twelve (12) months. The Warranty Period for Software licensed with a new 7R/E Packet Solution installation (all three elements set forth above required to constitute a Packet Solution must be installed at the same time for this twelve (12) month Software warranty to apply) is twelve (12) months. The Warranty Period for any other 7R/E Software including, but not limited to, upgrades or updates to the initial Software or new releases of Software is three (3) months.

ADDITIONAL CONSIDERATIONS

At Customer's request, Seller is providing Customer with a copy of its schedule of anticipated release dates for certain of its Products. This Schedule is attached hereto as Exhibit B. If there is a slip in the availability date that impacts Customer's deployment schedule, Seller will, at Seller's expense, either

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(a) provide Customer with an acceptable substitute and change it out to the required Product when available, or (b) purchase on Customer's behalf an acceptable non-Lucent substitute and change it out to the required Product when available. In the event Seller purchases non-Lucent Products in accordance with Subparagraph (b), said purchases will be treated as a Lucent Product for the purposes of the purchase commitment and will be subject to the terms and conditions of the financing agreement. Additionally, Seller will provide to Customer, concurrently with the signing of this Amendment, a list of the Products currently being purchased by Customer from Seller. This list will include a description of the product, comcode, current list price and the current discounted price. Lastly, at Customer's request, attached hereto as Exhibit C is a summary that compares the older city pricing and the planned city pricing, showing the expected savings by location.

ENTIRE AGREEMENT

Except as specifically modified, amended or supplemented herein, all terms and conditions of the General Agreement shall remain in full force and effect. The terms and conditions contained in this Amendment Three and those nonconflicting terms and conditions of the General Agreement supersede all prior oral and written understandings among the parties and shall constitute the entire agreement among the parties with respect to the subject matter herein. This Amendment Three shall not be modified or amended except by a writing signed by an authorized representative of each of the parties.

6

IN WITNESS WHEREOF, the parties have caused this Amendment Three to be executed by their duly authorized representatives on the date(s) indicated.

KMC TELECOM INC.

KMC TELECOM LEASING I LLC

By KMC Telecom Inc., as Sole Member

By: /s/

Typed Name: Michael A. Stenberg

Title: President

Date: _____

KMC TELECOM II, INC.

By: /s/

Typed Name: Michael A. Stenberg

Title: President

Date: _____

KMC TELECOM LEASING II LLC
By: KMC Telecom II, Inc., as Sole
Member

By: /s/

Typed Name: Michael A. Stenberg

Title: President

Date: _____

KMC TELECOM III, INC.

By: /s/

Typed Name: Michael A. Stenberg

Title: President

Date: _____

KMC TELECOM LEASING III LLC
By KMC Telecom III, Inc., as Sole
Member

By: /s/

Typed Name: Michael A. Stenberg

Title: President

Date: _____

By: /s/

Typed Name: Michael A. Stenberg

Title: President

Date: _____

7

KMC TELECOM IV, INC.

KMC TELECOM LEASING IV LLC
By KMC Telecom IV, Inc., as Sole
Member

By: /s/

Typed Name: Michael A. Stenberg

Title: President

Date: _____

By: /s/

Typed Name: Michael A. Stenberg

Title: President

Date: _____

By:

By:

KMC TELECOM OF VIRGINIA, INC.

LUCENT TECHNOLOGIES INC.

By: /s/

Typed Name: Michael A. Stenberg

Title: President

Date: _____

By: /s/

Typed Name: Bill Plunkett

Title: _____

Date: _____

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EXHIBIT A

Financing Term Sheet

A copy of the Financing Term Sheet
shall be placed behind this page

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EXHIBIT B

PRODUCT RELEASE SCHEDULE

	CI OR FSA	GA
WAVESTAR TDM 2.5G		
R. 1.0		4/99
R. 2.0	6/99	9/99
R. 3.0 w/UPSR Ring Termination	12/99	3/00
R. 4.0	6/00	9/00
R. 5.0		3/01
WAVESTAR TDM 10G 2-FIBER		
R. 1.0	12/99	3/00
R. 2.0		9/00
R. 3.0		3/01
WAVESTAR TDM 10G (OC-192 4F)		
R. 1.0		6/00
WAVESTAR OLS 40G/80G		
R. 3.3		10/99
R. 6.0		9/15/00
R. 7.0		3/15/01

WAVESTAR OLS 400G

R. 2.0		9/30/99
R. 3.0		3/31/00
R. 4.0		12/15/00
R. 5.0		9/15/01

WAVESTAR ISTN

R. 1.0	12/99	6/00
R. 2.0	6/00	12/00
R. 3.0		3/01
R. 4.0		9/01

WAVESTAR BANDWIDTH MANAGER

R. 1.0 - 1.1		Now
R. 1.2		Now
R. 1.3	10/99	12/99
R. 2.0 (w/TL1 cut through for DDM & FT)	1/00	3/31/00
R. 3		6/30/00
R. 4.0		3/01
R. 5.0		9/01

PRODUCT RELEASE SCHEDULE

	CI OR FSA	GA
WAVESTAR ALL METRO OLS		
R. 1.0		3/31/00
R. 2.0		12/15/00
R. 3.0		6/15/01

WAVESTAR OPTICAIR OLS

R. 1.0		3/00
R. 2.0		3/01

FT-2000 OC-48

R. 9.1		1/00
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 ANYMEDIA ACCESS SYSTEM

R. 1.0		9/98
R. 1.2	4/99	6/99
R. 1.5	6/99	8/99
R. 1.7 - HDT		8/99
R. 1.2.4 - as a PAS Server	1/00	3/00

 DDM-2000 - OC3/12

R. 15.0	10/99	12/99
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 DDM-2000 BAM

R. 1.0		06/01
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 FIBERREACH

R. 4.0 (TARP)		09/00
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 VINA TECH

ConnectReach Plus		Now
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ConnectReach		Now
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R. 1.0		7/99
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VFDE		12/99
------	--	-------

R. 2.0		8/99
--------	--	------

R. 3.0		11/99
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R. 3.0.6		11/99
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 COPPER MOUNTAIN

CPE for Voice and Data w/PAS interop	10/99	11/99
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CPE for Voice and Data w/o PAS, standalone		10/99
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CE200		Now
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CE150 (for MTU use)		Now
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 PRODUCT RELEASE SCHEDULE

	CI OR FSA	GA
HDSL 2 - Data		12/99
HDSL 2 - Derived Voice w/ PAS		11/99

SDSL - Data		Now
SDSL - Derived Voice w/ PAS	7/99	11/99
IDSL - Data		Now
IDSL - Derived Voice w/ PAS		11/99
Rel. 2.4		01/00
Rel. 2.9		03/00
Rel. 3.0		07/00
DACs II		
Rel. 8.2 (Digital Signal Processing Platform)		Now
Rel. 8.3 (Low Density SONET and SDH Unit)		Now
Rel. 9.0 (Integrated Communications Interface Pack)		4Q99
Rel. 9.1 (ATM Processing Shelf)		4Q99
Rel. 10.0 (High Speed Unit - SONET)		1Q00
Rel. 10.1 (High Speed Unit - SDH)		3Q00
Rel. 11.0 (High Density Unit)		3Q00
Rel. 12.0 (NextGen DACs)		2001
DACs 4/4/1		
R. 2.0		05/00
FT-2000 OC-48		
R. 9.0 TARP		01/00
R. 9.1		01/00
5ESS ANYMEDIA SWITCH		
5E14 Software Release	4Q99	1q00
7 R/E PACKET SOLUTIONS		
7 R/E Packet Local Solution R1 (IP)	12/99	06/00
7 R/E Packet Local Solution R2 (IP)	06/00	12/00
7 R/E Packet Local Solution R3 (ATM)	12/00	06/01
7 R/E Packet Tandem/Toll Solution R1.0	10/99	04/00
7 R/E Packet Tandem/Toll Solution R1.1	11/99	05/00

7 R/E Packet Tandem/Toll Solution R1.2	03/00	09/00
7 R/E Packet Tandem/Toll Solution R2.0	06/00	12/00
7 R/E Packet Tandem/Toll Solution R3.0	12/00	06/01

7 R/E PACKET DRIVER

Release 1.3 - Modem pooling w/TNT	12/99	06/00
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PRODUCT RELEASE SCHEDULE

	CI OR FSA	GA
Release 1.4 - Internet Telephony, OneLink	03/00	09/00
Release 2.0 - Data Offload on TNT	06/00	12/00
Release 2.1 - IP and VPN feature enhancements	09/00	03/01
Release 3.0 (Phase 2) - Integrated VtoA Offer - IWG	12/00	06/01
Phase 3 - Packet SM and 7R/E Elements	2H01	1H02
Phase 4 - Renaissance existing SMS	2002	2002

PATHSTAR ACCESS SERVER

Rel. 1.0	4/99	5/99
Rel. 2.0	6/99	7/99
Rel. 3.0	2/00	3/00
Rel. 4.0	1Q00	1Q00

PACKETSTAR CONNECTION GATEWAY

Rel. 1	4/99	7/99
Rel. 2	9/99	12/99

AC120

UPSR	1Q00	1Q00
APS (2 node configs only)	7/99	9/99

PSAX2300

Rel. 6.1		Now
Rel. 6.1.1		12/99
Rel. 6.2		03/00
Rel. 7.0		4Q00

COPPERCOM GATEWAY

Redundancy

GSC (1:1)	1Q00
ATM (1:1)	1Q00
T1 (1:N)	1Q00
Power (1:1)	Now

Voice

Loop/Ground Start	Now
PCM	Now
ADPCM 32	Now
ADPCM 16	1Q00
Echo Cancellation	Now
Fax Auto Detect	1Q00
Silence Suppression	2Q00

PRODUCT RELEASE SCHEDULE

	CI OR ESA	GA
GR-203		
Multiple I/F Groups		Now
EOC/Alarms/PPS		Now
Lucent Certification		11/15/99
Flow Through Provisioning		1Q00

T1 Line Card

T1-4 port	Now
T1-8 port	2Q00
STS-1	2Q00
Hot Remove	1Q00

ATM Line Card

ATM - DS3 - Dual Port	Now
ATM - OC3 - Dual Port	2Q00
ATM - DS3 - Quad Port	2Q00

Data Pass Through	1Q00
Daisy Chaining	1Q00
Hot Remove	1Q00

Management

Craft Interface	Now
Element Management System Rel 1	4Q99
Element Management System Rel 2	1Q00
Lucent Integration	Under Review
Alarm Contacts	1Q00

Voice of Frame Relay

Interworking Function FRF.8	Now
PCM	Now
Configurable ATM/Frame	Now
ADPCM 32	1Q00
ADPCM 16	1Q00

Packet Trunk Interface

PTI Logic Card	2Q00
MGCP	2Q00
10/100/1000 Mbps I/F	2Q00

xDSL Modems

SDSL	Now
ADSL	Now

PRODUCT RELEASE SCHEDULE

	CI OR FSA	GA
Voice		
16 Ports		Now
Loop Start		Now
Ground Start		1Q00
PCM		Now
ADPCM 32		Now

ADPCM 16	1Q00
Echo Cancellation	Now
Silence Suppression	2Q00
Data	
RIP 1 & 2	Now
RFC 1483	Now
PPP	Now
Classical IP	Now
NAT	Now
DHCP	Now
Firewall	Now
10Base T	Now
Management	
Console Port	Now
Telnet over Ethernet	Now
Proxy Through Gateway	1Q00
COPPERCOM MXR	
xDSL Modems	
SDSL	Now
ADSL	Now
Voice	
16 Ports	Now
Loop Start	Now
Ground Start	1Q00
PCM	Now
ADPCM 32	Now
ADPCM 16	1Q00
Echo Cancellation	Now
Silence Suppression	2Q00
Data	

RIP 1 & 2	Now
PRODUCT RELEASE SCHEDULE	
	CI OR FSA GA
RFC 1483	Now
PPP	Now
Classical IP	Now
NAT	Now
DHCP	Now
Firewall	Now
10Base T	Now
Management	
Console Port	Now
Telnet over Ethernet	Now
Proxy Through Gateway	1000
CAJUN 330R	
OC 12 ATM Uplink	03/00
OC 3 ATM Uplink	05/00
CAJUN 550R	
OC 12 ATM Uplink	03/00
OC 3 ATM Uplink	05/00
GX 550	
Jade	
OC3/STM-1, OC12/STM-4	Now
Full Redundancy (excluding GR253 APS)	Now
CBX 500 Rel. 3.0 SW functionality	Now
Jade.1	
Rapid upgrade	Now
IP Navigator	Now
Amethyst & Jade NMS merge	Now

Priority reroute	Now
OC-48/STM-16 software support	Now

Jade M2	
GR 253 Direct Trunk APS for OC12/STM-4	Now
GR 253 Direct Trunk APS for OC48/STM-16	Now

Eurpoa (Rel. 8.0)	
BIO 2	06/00
GR 253 OC-3/STM-1, OC-12//STM-4, OC-48/STM-16 Direct Trunk / UNI APS	06/00
Frame BIO	06/00

PRODUCT RELEASE SCHEDULE	
	CI OR FSA
	GA
4 port OC-3/STM-1 FOS/POS	06/00
1 port OC-12/STM-4 FOS/POS	06/00
IP Navigator & Frame Relay	06/00
4 port DS3 ATM via GX 250	06/00

MAX TNT	
Re. 8.0	01/00
96 Modem Cards	02/00

STINGER	
TAOS 7.11.1	Now
TAOS 8.0.x	2Q00
24-port ADS1 and HDSL2 Line Interface Modules	2Q00

EXHIBIT C

OLD PRICE / NEW PRICE

CITY COMPARISON

	OLD TDM	NEW QUOTES	REDUCTION
KMC Central Office	\$2,816,827	\$2,567,658	-8.85%
ILEC Tandem	\$483,473	\$422,106	-12.69%
LSO Cob	\$966,946	\$844,212	-12.69%

AT&T Cob	\$123,476	\$122,350	-0.91%
MCI Cob	\$200,410	\$146,926	-26.69%
IXC Cob	\$200,410	\$146,926	-26.69%
Fees/Make Ready	\$500,000	\$500,000	0.00%
Shipping (5%)	\$264,577	\$212,509	-19.68%
Subtotal	\$5,556,119	\$4,962,687	-10.68%
Switching Machine	\$2,551,741	\$1,950,000*	-23.58%
Grand Total	\$8,107,860	\$6,912,687	-14.74%

* List price not yet firm. This price is budgetary and exemplifies a model with pure packet access. Seller commits to a minimum twenty percent (20%) price savings when compared to a 5ESS TDM Switch configuration. Access vehicles (e.g., RLAGs, IADs, etc.) are not included in the pricing.

EX-10.10

7

AMENDMENT NO. 4

AMENDMENT NUMBER FOUR

TO THE GENERAL AGREEMENT AMONG

KMC TELECOM INC., KMC TELECOM II, INC., KMC TELECOM III, INC.,

KMC TELECOM IV, INC., KMC TELECOM OF VIRGINIA, INC.,

KMC TELECOM LEASING I LLC, KMC TELECOM LEASING II LLC,

KMC TELECOM LEASING III LLC, KMC TELECOM LEASING IV LLC

AND LUCENT TECHNOLOGIES INC.

This Amendment Number Four (hereinafter this "AMENDMENT FOUR") is made effective as of February 15, 2000, by and among KMC Telecom Inc., a Delaware corporation, KMC Telecom II, Inc., a Delaware corporation, KMC Telecom III, Inc., a Delaware corporation, KMC Telecom IV, Inc., a Delaware corporation, KMC Telecom of Virginia, Inc., a Virginia public service company, KMC Telecom Leasing I LLC, a Delaware limited liability company, KMC Telecom Leasing II LLC, a Delaware limited liability company, KMC Telecom Leasing III LLC, a Delaware limited liability company, KMC Telecom Leasing IV LLC, a Delaware limited liability company, each with offices located at 1545 Route 206, Suite 300, Bedminster, New Jersey 07921 (hereinafter collectively referred to as "CUSTOMER"), and Lucent Technologies Inc., a Delaware corporation acting through its Global Service Providers Group, with offices located at 600 Mountain Avenue, Murray Hill, New Jersey 07074 (hereinafter "SELLER").

WHEREAS, Customer and Seller previously entered into that certain General Agreement (Contract Number LNM970313MP), effective March 6, 1997, as modified and amended by Amendment Number One (Contract Number LNM970922MP), effective as of October 15, 1997, as further modified and amended by Amendment Number Two, effective as of December 22, 1998, as further modified and amended by Amendment Number Three, effective as of November 15, 1999 (as so amended, the "GENERAL AGREEMENT"), setting forth the terms and conditions pursuant to which Seller agreed to supply and Customer agreed to procure certain of Seller's Products, Licensed Materials and Services (as such terms are defined therein); and

WHEREAS, Customer and Seller desire to amend and modify the General Agreement as set forth herein; and

WHEREAS, all terms used herein but not defined herein shall have the meanings ascribed to them in the General Agreement.

NOW THEREFORE, in consideration of the mutual promises hereinafter set forth and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. SCOPE OF GENERAL AGREEMENT

The definition of "Customer" contained in the General Agreement is hereby amended to additionally include KMC III Services LLC, a Delaware limited liability company ("KMC SERVICES"), it being the intent and understanding among the parties that KMC Services shall be authorized to procure Products, Licensed Materials and Services from Seller under and pursuant to the terms and conditions of the General Agreement.

2. ENTIRE AGREEMENT

Except as specifically modified, amended or supplemented herein, all terms and conditions of the General Agreement shall remain in full force and effect. The terms and conditions contained in this Amendment Four and those nonconflicting terms and conditions of the General Agreement supersede all prior oral and written understandings among the parties and shall constitute the entire agreement among the parties with respect to the subject matter herein. This Amendment Number Four shall not be modified or amended except by a writing signed by an authorized representative of each of the parties.

3. COUNTERPARTS

This Amendment Number Four may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same instrument.

4. GOVERNING LAW

This Amendment Number Four shall be governed by the laws of the State of New York.

IN WITNESS WHEREOF, the parties have caused this Amendment Number Four to be executed by their duly authorized representatives as of the day and year first above written.

KMC TELECOM INC.

By: /s/

Name: James D. Grenfell
Title: Chief Financial Officer

KMC TELECOM LEASING I LLC
By: KMC Telecom Inc., as Sole Member

By: /s/

Name: James D. Grenfell
Title: Chief Financial Officer

KMC TELECOM II, INC.

Member
By: /s/

Name: James D. Grenfell
Title: Chief Financial Officer

KMC TELECOM LEASING II LLC
By: KMC Telecom II, Inc., as Sole

By: /s/

Name: James D. Grenfell
Title: Chief Financial Officer

KMC TELECOM III, INC.

By: /s/

KMC TELECOM LEASING III LLC
By: KMC Telecom III, Inc., as Sole
Member

By: /s/

 Name: James D. Grenfell
 Title: Chief Financial Officer
 KMC TELECOM IV, INC.

 Name: James D. Grenfell
 Title: Chief Financial Officer
 KMC TELECOM LEASING IV LLC
 By: KMC Telecom IV, Inc., as Sole
 Member

By: /s/

 Name: James D. Grenfell
 Title: Chief Financial Officer

By: /s/

 Name: James D. Grenfell
 Title: Chief Financial Officer

KMC TELECOM OF VIRGINIA, INC.

KMC III SERVICES LLC
 By: KMC Telecom III, Inc., as Sole
 Member

By: /s/

 Name: James D. Grenfell
 Title: Chief Financial Officer

By: /s/

 Name: James D. Grenfell
 Title: Chief Financial Officer

LUCENT TECHNOLOGIES INC.

By: /s/

 Name: William H. Pittman
 Title: Area Vice President

EX-21.1
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SUBSIDIARIES OF KMC TELECOM HOLDINGS, INC.

SUBSIDIARIES OF KMC TELECOM HOLDINGS, INC.

COMPANY	STATE OF INCORPORATION/ORGANIZATION
KMC Telecom Inc.	Delaware
KMC Telecom II, Inc.	Delaware
KMC Telecom III, Inc.	Delaware
KMC Telecom IV, Inc.	Delaware
KMC Telecom V, Inc.	Delaware
KMC Telecom of Virginia, Inc. (subsidiary of KMC Telecom Inc.)	Virginia
KMC Telecom of Virginia IV, Inc. (subsidiary of KMC Telecom of Virginia, Inc.)	Virginia

KMC Telecom Leasing I LLC (subsidiary of KMC Telecom Inc.)	Delaware
KMC Telecom Leasing II LLC (subsidiary of KMC Telecom II, Inc.)	Delaware
KMC Telecom Leasing III LLC (subsidiary of KMC Telecom III, Inc.)	Delaware
KMC Telecom Leasing IV LLC (subsidiary of KMC Telecom IV, Inc.)	Delaware
KMC Telecom.com, Inc.	Delaware
KMC III Services LLC (formerly KMC III LLC) (subsidiary of KMC Telecom III, Inc.)	Delaware
KMC Telecom Financing, Inc.	Delaware
KMC Financial Services LLC (formerly KMC Services LLC)	Delaware
KMC Network Technologies LLC	Delaware

EX-27.1

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FDS --

WARNING: THE EDGAR SYSTEM ENCOUNTERED ERROR(S) WHILE PROCESSING THIS SCHEDULE.

EXHIBIT 27.1

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE BALANCE SHEET OF KMC TELECOM HOLDINGS, INC. AS OF DECEMBER 31, 1999 AND THE RELATED STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 1999, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1

12-MOS
Dec-31-1999
Jan-1-1999
Dec-1-1999
85,966,000
0
32,924,000
(5,551,000)
0
151,839,000
676,291,000
(36,967,000)
886,040,000
208,846,000
576,137,000
250,470,000
0
6,000

(384,419,000)
886,040,000
0
64,313,000
0
110,309,000
114,713,000
0
69,411,000
(225,716,000)
0
(225,716,000)
0
0
0
(225,716,000)
(360.88)
(360.88)

EXHIBIT G

FINANCIAL GUARANTY

STATEMENT OF FINANCIAL GUARANTEE

Jeannette Barretta, Affiant, being duly sworn according to law, deposes and says that:

He is the Assistant Secretary of KMC Telecom Holdings, Inc.

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

That KMC Telecom Holdings, Inc., guarantees financial support of Applicant KMC Telecom V, Inc., in its endeavor to obtain certification and provide telecommunications services in the State of Missouri as described in this Application.

Handwritten signature of Jeannette Barretta

Jeannette Barretta
Assistant Secretary
KMC Telecom Holdings, Inc.

[Commonwealth/State] of New Jersey :

: ss.

County of Somerset :

Sworn and subscribed before me this 2nd day of May, 2002.

Handwritten signature of Arlene Sapperstein
Signature of official administering oath

ARLENE SAPPERSTEIN
NOTARY PUBLIC OF NEW JERSEY
MY COMMISSION EXPIRES SEPT. 27, 2004

My commission expires _____

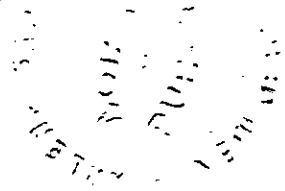


EXHIBIT H

**VERIFIED STATEMENT REGARDING ANNUAL REPORT/
ASSESSMENT FEES**

VERIFICATION

Jeanette Baretta, Affiant, being duly sworn according to law, deposes and says that:

she is the Assistant Secretary of KMC Telecom V, Inc.

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

That, to the best of her knowledge, information, and belief, no annual report or assessment fees are overdue to any state regulatory commission, and that she expects said corporation to be able to prove the same at any hearing hereof.



Jeanette Barretta,
Assistant Secretary
KMC Telecom V, Inc.

State of New Jersey)
County of Somerset)

ss.

Sworn and subscribed before me this 24th day of May, 2000.



ARLENE SAPPERSTEIN
NOTARY PUBLIC OF NEW JERSEY
MY COMMISSION EXPIRES SEPT. 27, 2004

