

SECURITIES AND EXCHANGE COMMISSION

FORM 10-K

Annual report pursuant to section 13 and 15(d)

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934

For the fiscal year ended December 31, 2001

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: 0-23253

ITC/\DELTACOM, INC.

(Exact name of registrant as specified in its charter)

Delaware	58-2301135
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1791 O.G. Skinner Drive, West Point, Georgia 31833
(Address of principal executive offices)

(706) 385-8000
Registrant's telephone number, including area code

Securities registered pursuant to Section 12(b) of the Act:

Not Applicable

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, par value \$.01 per share

(Title of Class)

Indicate by check mark whether the registrant (1) has filed all reports
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of
1934 during the preceding 12 months (or for such shorter period that the
registrant was required to file such reports) and (2) has been subject to such
filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item
405 of Regulation S-K is not contained herein, and will not be contained, to the
best of registrant's knowledge, in definitive proxy or information statements
incorporated by reference in Part III of this Form 10-K or any amendment to this
Form 10-K.

The aggregate market value of the registrant's voting stock held by
non-affiliates of the registrant at March 22, 2002, based upon the last reported
sale price of the registrant's common stock on the Nasdaq National Market on
that date, was approximately \$20.7 million.

The number of shares of the registrant's common stock outstanding on March
22, 2002 was 62,364,768.

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This report includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. When used in this report, the words "anticipate," "believe," "estimate," "expect," "intend," "plan" and similar words as they relate to ITC/DeltaCom, Inc. or our management are intended to identify some of these forward-looking statements. All statements by ITC/DeltaCom, Inc. regarding our expected future financial position and operating results, our business strategy, our financing plans, forecasted trends relating to the markets in which we operate and similar matters are forward-looking statements. We cannot assure you that our expectations expressed or implied in these forward-looking statements will turn out to be correct. Our actual results could be materially different from our expectations as a result of, among other factors, the factors discussed under "Business-Regulation" and "-Risk Factors."

Some of the information contained in this report concerning the markets and industry in which we operate is derived from publicly available information and from industry sources. Although we believe that this publicly available information and the information provided by these industry sources is reliable, we have not independently verified the accuracy of any of this information.

Unless we indicate otherwise, references in this report to "we," "us," "our" and "ITC/DeltaCom" mean ITC/DeltaCom, Inc. and its subsidiaries and predecessors. Unless we indicate otherwise, we have rounded dollar amounts over \$1 million to one decimal place and dollar amounts less than \$1 million to the nearest thousand.

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PART I

Item 1. Business.

Overview

We provide voice and data telecommunications services to businesses in the southern United States and regional telecommunications transmission services over our network on a wholesale basis to other telecommunications companies. In connection with these businesses, we own, operate or manage an extensive fiber optic network in the southern United States.

We operate our business in three segments: retail services, broadband transport services and e/deltacom. Through our retail services operations, we provide local telephone services, long distance telephone services, data services, Internet services, customer premise equipment sale, installation and maintenance services and related telecommunications services to customers served by 35 branch offices in the southern United States. Through our broadband transport services operations, we sell regional telecommunications transmission capacity on a wholesale basis using our fiber optic network. Through our e/deltacom operations, which we commenced in March 2000, we provide customers with colocation services, managed services and professional services primarily through e/deltacom's data center in Suwanee, Georgia.

In September 2001, we announced changes to our business plan as a result of which:

- . we have increased our focus on sales of our retail service offerings, while planning to maintain our broadband transport services business at current levels;
- . we reduced planned capital expenditures by approximately \$150 million from \$440 million through the end of 2003; and
- . we reduced our workforce by approximately 20%, thereby reducing annualized operating expenses by an estimated \$22 million.

During 2001, our operational achievements included the following:

- . we increased revenues from our local telephone services by 53% and from our enhanced data services by 52%;
- . we increased retail services access lines installed by 46% and wholesale services access lines installed by 6.5%;
- . we increased our total network mileage to approximately 9,980 route miles;
- . we pursued an enhanced data strategy with an introduction of a suite of managed services, including Internet protocol, virtual private network, firewall security, internal data services and a suite of managed service offerings from e/deltacom;
- . we implemented new service level agreements under which e/deltacom undertakes to provide 100% Internet access and power availability; and
- . we inaugurated a suite of e-billing solutions for retail services customers.

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We are incorporated in Delaware. Our principal executive offices are located at 1791 O.G. Skinner Drive, West Point, Georgia 31833, and our telephone number at that address is (706) 385-8000.

Services and Facilities

Services. We currently provide three basic services:

- . integrated voice and data telecommunications services on a retail basis, which we refer to as our "retail services ";
- . regional telecommunications transmission services to other telecommunications companies on a wholesale basis using our fiber optic network and directory assistance services, which we refer to as our "broadband transport services"; and
- . colocation services, managed services and professional services through our e/deltacom division.

Retail Services. Our retail services involve the provision of voice and data telecommunications services to end users and resellers. These retail services include:

- . local telephone services;
- . long distance telephone services;
- . toll-free calling, calling card and operator services;
- . asynchronous transfer mode, frame relay and high-capacity broadband private line services;

- . primary rate interface connectivity and colocation services to Internet service providers;
- . enhanced services, including conference calling and fax broadcasting;
- . consulting, integration, operation and proactive management of data networks;
- . in-depth network performance analysis and implementation and design services for data network deployment;
- . Internet and Web page hosting services; and
- . customer premise equipment sales, installation and maintenance.

We intend to provide additional types of retail services to expand our comprehensive bundle of value-added telecommunications services. Our customer-focused software and network architecture permits us to present our customers with one fully integrated monthly billing statement for the entire package of retail services they purchase from us.

Local Telephone Services. We currently provide local telephone services by using our network and facilities and by reselling the services of the former monopoly local telephone companies, which we refer to as the "incumbent carriers." Since our initial offering of local service in 1997, we have steadily increased the percentage of services we provide over our network and facilities compared to the services we provide by reselling the services of the incumbent carriers. We offer local telephone services in all 35 markets in which we have a branch office.

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In connection with offering local telephone services, we have entered into interconnection agreements with BellSouth Telecommunications, Inc., SBC Communications Inc., Sprint Communications Company, L.P. and Verizon Communications Inc. to resell the local telephone services of these incumbent carriers and interconnect our network with the networks of these incumbent carriers for the purpose of gaining immediate access to their unbundled network elements. These interconnection agreements currently allow us to provide local service on a resale basis or by purchasing the unbundled network elements required to provide local service over our network and facilities. These agreements allow us to enter new markets with reduced capital expenditures and to offer local service to our customer base. The applicable state regulatory authorities have either approved the terms of our interconnection agreements or we expect that such approvals are imminent. Our interconnection agreements will remain subject to review and modification by the applicable state regulatory authorities. We believe, but cannot assure you, that these interconnection agreements provide a foundation for us to provide local service on a reasonable commercial basis. Factors that may adversely affect our ability to provide local service on a reasonable commercial basis include unsettled legal and regulatory issues, legal and regulatory developments and existing operational issues with the incumbent carriers that are not resolved by the interconnection agreements.

BellSouth is the incumbent carrier in a majority of the markets in which we offer local services. Our interconnection agreement with BellSouth, which we entered into in March 1997 and that governed our ability to gain access to BellSouth's unbundled network elements in all states where BellSouth is the incumbent carrier, expired on July 1, 1999. We have entered into new interconnection agreements with BellSouth in all nine BellSouth states. The public utility commissions of Alabama, Florida, Georgia, North Carolina and Tennessee have approved the new interconnection agreements applicable to those states. Although the approval of the interconnection agreements applicable to Kentucky, Louisiana, Mississippi and South Carolina remain pending before the state public utility commissions of those states, we do not expect that approval will be withheld.

Our strategy is to offer facilities-based local service in a majority of our markets by collocating our equipment with that of the incumbent carriers with which we have interconnection agreements. We began collocating our equipment in some of BellSouth's central office locations during the first quarter of 1998. As of December 31, 2001, we had completed physical colocation of 177 access nodes and were offering our "Unity" service in all of the 35 markets in which we have a branch office. The Unity service, which we market primarily to mid-sized and major regional businesses, connects our customer's location to one of our switches using a direct T-1 digital connection and provides the customer with local and long distance calling capacity on any of the T-1's 24 available channels.

In June 2000, we signed an agreement with BellSouth to offer a UNE-P, or unbundled network element-platform, service in all of the BellSouth markets. To

provide the UNE-P service, we purchase all of the required facilities of BellSouth at reduced prices. This allows us to convert existing resale customers to facilities-based customers and to earn higher gross margins on the sale of our services. Because of BellSouth operational delays, we did not begin to offer this service to our customers until the fourth quarter of 2000. Through December 2001, we had installed over 36,500 UNE-P lines and expect to continue to convert resale customers to this service during 2002. We expect that this conversion will have a favorable impact on our gross margins.

Long Distance Telephone Services. We offer a wide range of retail long distance telephone services, including traditional switched and dedicated long distance, toll-free calling, international, calling card and operator services.

Data Services. We provide a variety of data services to our customers, including point-to-point, asynchronous transfer mode, frame relay and Internet protocol-based virtual private networking services. Our network equipment enables customers to use a single network connection to communicate with multiple connection sites throughout our fiber optic network. We will continue to seek, through strategic business relationships with other providers, to interconnect our fiber optic network with the fiber optic networks of those other providers.

In the fourth quarter of 1999, we began offering our Integrated-T service, which allows our customers to use a single digital T-1 transmission line for both voice and data services, including frame relay, Internet access and private line services. The Integrated-T service enables our customers to take advantage of advanced features and lower costs offered by digital access and offers the convenience of one service provider for voice and data services.

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This product enables us to take advantage of our existing voice services and network infrastructure by selling additional services, such as data services, over the same transmission line.

In 2001, we inaugurated three new services intended to enhance our current data offerings to mid-sized businesses and to take advantage of our existing network infrastructure. These products include virtual private networking services based on the Internet protocol, Internet security services, including managed firewall services and our Intrusion Detection Service, and network managed services. Our virtual private network offering provides our customers with a dedicated line or secure dial-up access between multiple sites allowing the same level of security, performance and availability as a private network. The managed firewall service and our Intrusion Detection Service provide our customers security for Internet connections and reduce our customer's capital expenditures and personnel costs necessary to achieve this level of security. Our network management services allow our customers to outsource all of their frame relay network management to us. We intend to provide those customers with complementary services that will range from reactive monitoring to proactive vendor management.

Internet Access and Web Development. We provide dedicated Internet access, electronic mail and Web hosting services. We expect that mid-sized and larger businesses will require faster Internet access and larger bandwidth in the future, and we intend to offer products that will meet that demand.

Local Telecommunications Services for Internet Service Providers. We provide local wholesale telecommunications services to Internet service providers. These services include primary rate interface connectivity between our network and the network of the Internet service provider and equipment colocation services that permit the Internet service provider to colocate its modems, routers or network servers with our switching facilities.

Customer Premise Equipment. We sell, install and perform on-site maintenance of equipment, such as telephones, office switchboard systems and, to a lesser extent, private branch exchanges, for customers in the following markets:

- . Anniston, Birmingham, Dothan, Florence, Huntsville, Mobile and Montgomery, Alabama;
- . Albany, Atlanta, Augusta, Columbus and Macon, Georgia;
- . Pensacola, Florida;
- . Baton Rouge and New Orleans, Louisiana;
- . Biloxi, Greenwood, Gulfport, Hattiesburg, Jackson and Tupelo, Mississippi;
- . Charlotte, North Carolina;

. Charleston, Columbia and Greenville, South Carolina; and

. Nashville, Tennessee.

We intend to offer these customer premise equipment sales, installation and maintenance services in additional markets in the future, with the goals of augmenting and supporting our sale of local and long distance services and enhancing customer retention.

Broadband Transport Services. Our broadband transport services customers include telecommunications carriers and non-facilities based carriers that have switches but do not own transmission facilities, such as fiber optic cables. These customers use our broadband transport services to transport their customers' traffic between local access and transport areas, which are geographic areas composed of contiguous local exchanges. Calls transmitted over a long-haul circuit for a customer are generally routed by the customer through a switch to a receiving terminal

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in our network. We transmit the signals over a long-haul circuit to the terminal where the signals are to exit our network. Our customer then routes the signals through another switch and to the call recipient through a local carrier. We offer our broadband transport services in varying degrees of speed and size. Some of our services are used by our customers for very high capacity inter-city connectivity and specialized high-speed data networking. We connect our network to our customer's facilities either by local carrier or by a direct connection. We typically bill our broadband transport services customers a fixed monthly rate depending on the capacity and length of the circuit, regardless of the amount that the circuit is actually used by the customer. We also offer directory assistance services through our broadband transport services business.

e/\deltacom. We established e/\deltacom in 2000. Our e/\deltacom business provides colocation services, managed services and professional services, primarily through its data center near Atlanta, Georgia.

Colocation Services. Our colocation services allow businesses to have a Web presence without incurring significant capital expenditures, increasing traffic on their corporate network or burdening their information technology staff. We offer Web server hosting, security, software updates, monitoring and hardware solutions. Our colocation services include Internet connectivity with varying speeds of bandwidth, primary and secondary domain name services support, timely reporting of system performance and continuous monitoring by our network operations staff.

Managed Services. The four basic managed services we offer encompass enhanced monitoring, managed security services, storage management services and hardware management services. Our enhanced monitoring services consist of extended monitoring to include not only port level monitoring, but also server monitoring and detailed reporting. Our managed security services involve firewall deployment, virtual private networks, vulnerability assessments, content and virus scanning and authentication systems. e/\deltacom's storage management services include the assessment and implementation of storage solutions, which offer customers multiple technology and hardware choices. Our hardware management services offer the customer e/\deltacom's ability to provide hardware maintenance for servers from numerous vendors.

Professional services. Our professional services provide our customers with a single source for the design and implementation of an e-business solution from the needs assessment phase to the design, implementation and support phases. These professional services include project management and methodology, consulting, system design, implementation and deployment services, and maintenance and support services.

During 2001, our e/\deltacom segment continued to experience an increase in negative EBITDA, as adjusted, in operating losses and in negative cash flows from operations. EBITDA, as adjusted, represents earnings before extraordinary item, preacquisition loss, net interest, other income and other expenses, income taxes and depreciation and amortization. Based on current market conditions, we do not expect that this segment will generate positive EBITDA, as adjusted, or positive cash flows from operations in the near term. As a result of our need for improved liquidity and our strategic focus on our retail services, we continue to evaluate alternatives for this segment, including the elimination of additional operating expenses.

Facilities. As of December 31, 2001, we owned or managed approximately 9,980 route miles of a fiber optic network which covered portions of ten states in the southern United States. As of the same date, our network extended to approximately 175 points of presence, which are the locations along our network

where we are able to deliver telecommunications traffic to, and receive telecommunications traffic from, other carriers for further transmission or ultimate delivery to an end-user. These points of presence are located in most major population centers in the areas covered by our fiber optic network and in a significant number of smaller cities where our only competitor is the incumbent carrier.

As of December 31, 2001, we owned approximately 6,180 route miles of our fiber optic network, which we have built or acquired since 1992, either directly or through infeasible rights of use arrangements. In addition, we have strategic relationships principally with three public utilities, Duke Power Company, Florida Power & Light Company and Entergy Technology Company, pursuant to which we market, sell and manage capacity on approximately 3,800 route miles of network owned and operated by these three utilities. In addition, we are able to purchase network capacity to some cities not covered by our owned and managed network in North Carolina and South Carolina under a buy-sell agreement with CFN FiberNet, LLC, which manages fiber optic facilities in those two states and in one

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additional state. This agreement enables the parties to buy and sell capacity on each other's networks at pre-established prices, which are generally more favorable than the prices for such capacity available in the open market. Under this agreement, neither party is responsible for network maintenance charges relating to the other party's network.

As a result of the changes to our business plan that we announced in September 2001, we do not expect to spend a significant amount on capital expenditures for our broadband transport business. We expect little, if any, expansion of our network route mileage during 2002 and anticipate that any capital expenditures associated with our network will be applied to maintain the existing capabilities of the network.

We have implemented electronic redundancy, which enables traffic to be rerouted to another fiber in the same fiber sheath in the event of a partial fiber cut or electronic failure, over a portion of our network. At December 31, 2001, over 70% of our network traffic was also protected by geographical diverse routing, a network design also called a "self healing ring," which enables traffic to be rerouted in the event of a total cable cut to an entirely different fiber optic cable, assuming capacity is available.

We purchase much of our network equipment, including switches, optical transport products and access nodes, from Nortel Networks Inc. Under the purchase agreement we entered into in November 2000, we have committed to purchase up to \$250 million of products and services from Nortel Networks from November 1999 through December 2002. As of December 31, 2001, we had purchased \$113.1 million of such products and services. For additional information about our agreement with Nortel Networks, see "Management's Discussion and Analysis of Financial Condition and Results of Operations-Liquidity and Capital Resources."

A key component of our network is our switches, which are the primary electronic components that connect customers to our network and transmit voice and data communications over our network. Our primary switching facilities for voice and data communications consist of Nortel DMS-500 switches in the following locations:

- . Anniston, Birmingham and Montgomery, Alabama;
- . Jacksonville, Ocala and West Palm Beach, Florida;
- . Atlanta, Georgia;
- . Gulfport, Mississippi;
- . Greensboro, North Carolina;
- . Columbia, South Carolina;
- . Nashville, Tennessee; and
- . Houston, Texas.

The Nortel DMS-500 switches are capable of handling both local and long distance voice and data traffic.

We expect to continue to evaluate our network and assess the need for additional switching capacity. We also have collocated 177 Nortel access nodes in various markets in the southern United States. These access nodes enable us to perform remote local and long distance switching in additional markets where we do not have switches by using our Nortel DMS-500 switches as hosts to the access

nodes we locate in remote markets. The Nortel access nodes are connected to our Nortel DMS-500 switching platform using our fiber optic network wherever possible. This networking design, together with our interconnection agreements with incumbent carriers such as BellSouth, has

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enabled us to be a facilities-based provider of local and long distance telephone services in all of our markets.

We are a member of the Associated Communications Companies of America, an eight-member trade association that negotiates with carriers for wholesale telecommunications services for its members. The collective buying power of its members enables the association to negotiate as if it were one of the larger long distance providers in the United States.

In November 2000, we opened and commenced operations in an initial portion of e/deltacom's data center in Suwanee, Georgia. We completed the remainder of the facility in 2001. The data center, which serves as e/deltacom's headquarters, is a centralized facility that provides advanced Web server hosting, server colocation and other services. Our e/deltacom management team manages the implementation and integration of e/deltacom's services from this facility. The data center floor space contains open racks, enclosed cabinets, caged areas and suites or fully enclosed vaults. The center is connected through multiple and diverse connections to our fiber optic network. Site access is controlled by security officers, video surveillance and enhanced security procedures, and the center is protected by advanced fire protection devices. Temperature, humidity and dust are carefully maintained to promote uninterrupted server operation. The data center also has redundant power supply systems to provide a constant source of power in the event of a component failure.

Sales and Marketing

Retail Services. We focus our retail sales efforts on small, mid-sized and major regional businesses in the southern United States. We market our retail services through a sales force composed of direct sales personnel, technical consultants and technicians. We believe that high-quality employee training is a prerequisite for superior customer service and, as a result, require each member of our retail sales force to complete our intensive training program. Our marketing strategy is built upon the belief that customers prefer to hold one company accountable for all of their telecommunications services. Each branch office provides technical assistance for its voice, data, Internet and customer premise equipment as required. Our customers are assured that they will have a single point of contact, 24 hours a day, seven days a week, to support all of the services they receive from us.

Our sales personnel make direct calls to prospective and existing business customers, conduct analyses of business customers' usage histories and service needs, and demonstrate how our service package will improve a customer's communications capabilities and costs. Sales personnel locate potential business customers by several methods, including customer referrals, market research, telemarketing, and networking alliances, such as endorsement agreements with trade associations and local chambers of commerce. Our sales personnel work closely with our network engineers and information systems consultants to design new service products and applications. Our branch offices also are primarily responsible for coordinating service and customer premise equipment installation activities. Technicians survey customers' premises to assess power and space requirements, and coordinate delivery, installation and testing of equipment.

Our retail services contracts generally provide for payment in arrears based on minutes of use for long distance services and in advance for local telephone and data services. The agreements also generally provide that the customer may terminate the affected service without a charge for early termination in the event of substantial and prolonged outages arising from causes within our control and for other specified causes. Generally, the agreements provide that the customer must utilize at least a minimum amount, measured by dollars or minutes of use, of switched long distance services per month for the term of the agreement.

We also market our retail services through public relations, advertisements, event sponsorships, trade journals, direct mail and trade forums. Because we seek to distinguish our retail services largely based on the convenience of our integrated bundle of these services and the benefits of our comprehensive and individualized customer support, we continue to believe that advertising and public relations will play a significant role in our retail services marketing strategy.

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Broadband Transport Services. We provide long distance voice and data transmission services through long distance circuit contracts with other long distance carriers, including WorldCom, Inc., Sprint, Qwest Communications International Inc. and Cable & Wireless plc. As of December 31, 2001, we had remaining future long-term contract commitments for broadband transport services totaling approximately \$69.2 million. These contracts expire on various dates through 2008 and are expected to generate approximately \$66.7 million in revenues for us through 2006. We also provide our long-haul transmission services to customers after contract expiration on a month-to-month basis. Our long-haul contracts provide for fixed monthly payments, which are generally made in advance. Although sales volumes from particular customers vary from year to year, we have historically experienced success in retaining customers and renewing long-haul circuit contracts.

e/deltacom. e/deltacom provides colocation services, managed services and professional services from our data center in Suwanee, Georgia to business customers primarily located in the Atlanta, Georgia area. e/deltacom's sales personnel make direct calls to prospective and existing business customers, work closely with our engineering staff to design specific solutions for each customer and seek to market e/deltacom's services along with our bundle of retail service offerings.

e/deltacom markets its brand and services through advertising and public relations campaigns, event sponsorships, trade journals and trade forums.

Competition

The telecommunications industry is highly competitive. We compete primarily on the basis of price, availability, transmission quality, reliability, customer service and variety of product offerings. Our ability to compete effectively depends on our ability to maintain high-quality services at prices generally equal to or below those charged by our competitors. In particular, price competition in the retail services and broadband transport services markets generally has been intense and is expected to increase. Our competitors include, among others, AT&T Corp., Sprint and WorldCom for long distance telephone services and BellSouth for local telephone services. These companies, among others, have substantially greater financial, personnel, technical, marketing and other resources, larger numbers of established customers and more prominent name recognition than ITC/DeltaCom. These companies also operate more extensive transmission networks than we do. In addition, companies such as Broadwing Inc. and Qwest have constructed or are constructing nationwide fiber optic systems, including routes through portions of the southern United States in which we operate our fiber optic network. We also increasingly face competition in the long distance market from local carriers, resellers, cable companies and satellite carriers, and may compete with electric utilities. We also may increasingly face competition from businesses offering long distance data and voice services over the Internet. These businesses could enjoy a significant cost advantage because, at this time, they generally do not pay carrier access charges or universal service fees.

Our principal competitor for local services is the incumbent carrier in the particular market, including BellSouth in a large majority of our market areas. Incumbent carriers enjoy substantial competitive advantages arising from their historical monopoly position in the local telephone market, including pre-existing customer relationships with all or virtually all end-users. Further, we are highly dependent on incumbent carriers for local network facilities and wholesale services required in order for us to assemble our own local retail services. We also face competition from local carriers other than incumbent carriers, which we refer to as "competitive carriers," some of which already have established local operations in some of our current and target markets. In addition, incumbent carriers are expected to compete in each other's markets in some cases. Wireless telecommunications providers may develop into effective substitutes for wireline local telephone service, which would further increase competition.

Local and long distance marketing is converging, as other carriers offer integrated retail services. For example, many competitive carriers also offer long distance service to their customers and large long distance carriers, such as AT&T, Sprint and WorldCom, have begun to offer local services in some markets. We also compete with numerous direct marketers, telemarketers and equipment vendors and installers with respect to portions of our business.

Regional Bell operating companies, such as BellSouth, are allowed to provide outside their home regions "interLATA" long distance services, which are long distance services that originate and terminate in different local access and transport areas, as well as interLATA mobile services within their regions. Under the Telecommunications Act of 1996, the regional Bell operating companies are allowed to provide interLATA long distance services within their regions

after meeting requirements intended to foster opportunities for local telephone competition. These companies already have extensive fiber optic cable, switching and other network facilities in their respective regions that they can use to provide long distance services. BellSouth and other regional Bell operating companies are taking significant steps toward obtaining approval to provide in-region long distance service. As of March 20, 2002, the FCC had approved applications of Verizon Communications to provide in-region long distance service in Connecticut, Massachusetts, New York, Pennsylvania and Rhode Island, and of SBC Communications to provide in-region long distance service in Arkansas, Texas, Kansas, Missouri and Oklahoma. Verizon Communications has an additional application pending in Vermont, and BellSouth has filed for approval to enter the long distance market in Georgia and Louisiana. If the FCC permits BellSouth to provide long distance service in those or other states before meeting our local interconnection needs, BellSouth would be able to duplicate our integrated local and long distance services and could have a significant competitive advantage in marketing those services to its existing local customers.

A continuing trend toward consolidation, mergers, acquisitions and strategic alliances in the telecommunications industry also could increase the level of competition faced by our broadband transport customers or us. SBC Communications acquired Ameritech Corporation in October 1999, GTE Corporation and Bell Atlantic Corporation merged to form Verizon Communications in June 2000, Qwest acquired US WEST, Inc. in June 2000, Time Warner, Inc. merged with America Online, Inc. to form AOL Time Warner Inc. in January 2001, and AT&T entered into an agreement to merge its AT&T Broadband unit with Comcast Corporation in December 2001. In addition, SBC Communications and Williams Communications, a long distance services provider, entered into a strategic alliance in 2000 pursuant to which the two companies have agreed to supply services to each other. The telecommunications market is very dynamic, and we believe additional competitive changes are likely in the future.

Regulation

Overview. Our services are subject to federal, state and local regulation. Through our wholly-owned subsidiaries, we hold numerous federal and state regulatory authorizations. The FCC exercises jurisdiction over telecommunications common carriers to the extent they provide, originate or terminate interstate or international communications. The FCC also establishes rules and has other authority over some issues related to local telephone competition. State regulatory commissions retain jurisdiction over telecommunications carriers to the extent they provide, originate or terminate intrastate communications. Local governments may require us to obtain licenses, permits or franchises in order to use the public rights-of-way necessary to install and operate our networks.

Federal Regulation. We are categorized as a non-dominant carrier by the FCC and, as a result, are subject to relatively limited regulation of our interstate and international services. Some general policies and rules of the FCC apply to us, and we are subject to some FCC reporting requirements, but the FCC does not review our billing rates. We possess the operating authority required by the FCC to conduct our long distance business as it is currently conducted. As a non-dominant carrier, we may install and operate additional facilities for the transmission of domestic interstate communications without prior FCC authorization, except to the extent that radio licenses are required.

The FCC required non-dominant long distance companies, including us, to detariff interstate long distance domestic and international services in 2001. In 2001 the FCC also permitted competitive local carriers, including us, to choose either to detariff the interstate access services that we sell to long distance companies that originate or terminate traffic from or to our local customers, or to maintain tariffs but comply with rate caps. Tariffs set forth the rates, terms and conditions for service and must be updated or amended when rates are adjusted or products are added or removed. Before detariffing, we filed tariffs with the FCC to govern our relationship with most of our long distance customers and with long distance companies that originated or terminated traffic from or to our local customers. The detariffing process required us, among other things, to post these tariffs on our Website instead of to

file them at the FCC. Because detariffing precludes us from filing our tariffs at the FCC, we are no longer subject to the "filed rate doctrine," under which the tariff controls all contractual disputes between a carrier and its customers. The detariffing process effectively required us to enter into individual contracts with each of our customers and notify them of the change. This process increases our costs of doing business. Detariffing may expose us to legal liabilities and costs if we can no longer rely on the filed rate doctrine to settle contract disputes with our customers.

The FCC's role with respect to local telephone competition arises principally from the Telecommunications Act of 1996. The Telecommunications Act preempts state and local laws to the extent that they prevent competitive entry into the provision of any telecommunications service. Subject to this limitation, however, the state and local governments retain telecommunications regulatory authority. The Telecommunications Act imposes a variety of new duties on local carriers, including competitive carriers such as ITC/\DeltaCom, in order to promote competition in local telephone services. These duties include requirements to:

- . complete calls originated by customers of competing carriers on a reciprocal basis;
- . permit the resale of services;
- . permit users to retain their telephone numbers when changing carriers; and
- . provide competing carriers access to poles, ducts, conduits and rights-of-way at regulated prices.

Incumbent carriers also are subject to additional duties. These duties include obligations to:

- . interconnect their networks with networks or facilities of competitors;
- . offer colocation of competitors' equipment at their premises;
- . make available elements of their networks, including network facilities, features and capabilities, on non-discriminatory, cost-based terms; and
- . offer wholesale versions of their retail services for resale at discounted rates.

Collectively, these requirements recognize that local telephone service competition is dependent upon cost-based and non-discriminatory interconnection with and use of incumbent carrier networks and facilities. Failure to achieve such arrangements could have a material adverse impact on our ability to provide competitive local telephone services. Under the Telecommunications Act, incumbent carriers are required to negotiate in good faith with carriers requesting any or all of the foregoing arrangements. In addition, in August 1996, the FCC released the "interconnection decision" implementing the interconnection portions of the Telecommunications Act. The FCC subsequently adopted further specific rules to implement these requirements. The interconnection decision has been the subject of significant legal dispute. In January 1999, the U.S. Supreme Court rejected most of the challenges to the interconnection decision and affirmed the authority of the FCC to establish rules governing interconnection. The Supreme Court required the FCC to revise its method for determining which network elements incumbent carriers must provide to competitive carriers. The FCC's actions in response to the decision of the Supreme Court resulted in changes to the number and type of network elements available to competitive carriers. Additional disputes regarding the interconnection decision and other related FCC actions are pending, and we believe additional disputes are likely. Currently, the FCC is considering changes to the rule on compensation for services provided by one carrier to another and on the provision of unbundled network elements by incumbent carriers. Any changes to these rules could have a significant impact on the industry and on us.

We cannot assure you that FCC rules, together with rules adopted by state public utility commissions, will be implemented in a manner that will permit local telephone competition to develop to a substantial extent and without significant delays. For example, many new carriers, including ITC/\DeltaCom, have experienced problems with

respect to the operations support systems used by new carriers to order and receive network elements and wholesale services from the incumbent carriers. These systems are necessary for new carriers like us to provide local service to customers on a timely and competitive basis. In September 1999, the FCC adopted revised rules defining the circumstances under which incumbent carriers must make network elements available to competitors. In a number of ways, these rules are more favorable to competitors than prior rules, but the FCC's pricing methodology for network elements included in these rules are being challenged in the Supreme Court. In other ways, these rules are less favorable to competitors than the prior rules. The revised rules restrict in some respects the availability of some network elements and limit in some respects the services that competitors can provide over those elements. Additionally, the FCC

currently is considering whether incumbent carriers should have to make available to competitors network elements used to provide broadband services. The FCC also is considering removing certain network elements from the list of network elements incumbent carriers are required to make available to competitors. Legislation has been proposed in Congress and passed in the House of Representatives that would further restrict competitive carriers' access to incumbent local carriers' network elements. Any restriction on, or contraction of, the availability of network elements could have a material adverse effect on us.

Among other interconnection agreements, we entered into an interconnection agreement with BellSouth in 1997 that enabled us to provide local service in all nine BellSouth states on either a resale basis or by purchasing all unbundled network elements required to provide local service on a facilities basis, without using facilities we own. The initial term of the interconnection agreement expired in 1999, but we have replaced the agreement in each of the nine BellSouth states. The public utility commissions of Alabama, Florida, Georgia, North Carolina and Tennessee have approved the new interconnection agreements applicable to those states. Although the approval of the interconnection agreements applicable to Kentucky, Louisiana, Mississippi and South Carolina remain pending before the public utility commissions of those states, we do not expect that approval will be withheld. The expired 1997 interconnection agreement did not resolve, and the new BellSouth interconnection agreements to which we are a party do not resolve, all operational issues, including those relating to the colocation of our equipment with that of BellSouth. We expect, but cannot assure you, that each new BellSouth interconnection agreement to which we are a party will provide a foundation for us to provide local service in the nine BellSouth states on a reasonable commercial basis.

In July 2001, the FCC adopted revised rules affecting its equipment colocation requirements, which initially were adopted by the FCC in 1999 but then sent back to the FCC for reconsideration by a reviewing court. In a number of ways, the FCC's revised rules are favorable to competing carriers such as ITC/DeltaCom. In other ways, however, these rules may prevent competing carriers from colocating their equipment in a manner that best suits their business needs. We expect that the interconnection agreements we enter into with BellSouth and with other carriers will be subject to the FCC's revised colocation rules, but we cannot assure you that these rules will not change or otherwise accrue to the advantage of incumbent carriers.

The Telecommunications Act eliminated previous prohibitions on the provision of interLATA long distance services by the regional Bell operating companies and GTE Corporation, which is now part of Verizon Communications. The regional Bell operating companies are permitted to provide interLATA long distance service outside those states in which they provide local service, or "out-of-region long distance service," upon receipt of any necessary state and federal regulatory approvals that are otherwise applicable to the provision of intrastate and interstate long distance service. Under the Telecommunications Act, the regional Bell operating companies will be allowed to provide long distance service within the regions in which they also provide local service, or "in-region long distance service," on a state-by-state basis upon specific approval of the FCC and satisfaction of other conditions, including a checklist of interconnection requirements intended to open local telephone markets to competition.

In the future, an important element of providing competitive local services may be the ability to offer customers high-speed broadband local connections. As noted above, the FCC currently is considering whether to expand or restrict the unbundled network elements that incumbent carriers must make available to competitors to enable them to provide broadband services to customers using incumbent carrier networks. The FCC also is considering what regulatory treatment, if any, should be accorded to digital subscriber line services provided by telecommunications companies and to cable modem services, which are used by cable companies to deploy high-speed Internet access services. The FCC has sought comment on a number of other regulatory proposals that could affect the speed and manner in which high-speed broadband local services are deployed by our competitors. Congress also is considering legislation that would deregulate some aspects of the incumbent local carriers' broadband services and would reduce the extent to which those carriers must provide access to their networks to competitive local carriers for the provision of broadband services. Several cable companies already are offering broadband Internet access over their network facilities, and incumbent carriers and competitive carriers also offer such service through digital subscriber line technology. If we are unable to meet the future demands of our customers for broadband local access on a timely basis at competitive rates, we may be at a significant competitive disadvantage.

The FCC regulates the interstate access rates charged by incumbent carriers

for the origination and termination of interstate long distance traffic. These access rates make up a significant portion of the cost of providing long distance service. The FCC is in the process of implementing access policy changes that over time are expected to reduce access rates and the cost of providing long distance service, especially to business customers. In 2001, the FCC continued its efforts to lower access charges. Further FCC action in this area is expected. The full impact of the FCC's decisions will not be known until its decisions are implemented over the next several years, at which time they could have an adverse impact on our business.

In April 2001, the FCC issued a ruling changing the compensation mechanism for traffic exchanged between telecommunications carriers that is destined for Internet service providers. In doing so, the FCC prescribed a new rate structure for this traffic and prescribed gradually reduced caps for its compensation. ITC/\DeltaCom may, in the course of its business, exchange the traffic of Internet service providers with other carriers. The FCC's ruling in connection with such traffic affected a large number of carriers, including ITC/\DeltaCom, and further developments in this area could have a significant impact on the industry and on us.

The FCC has granted incumbent carriers some flexibility in pricing their interstate special and switched access services. Under this pricing scheme, local carriers may establish pricing zones based on access traffic density and charge different prices for access provided in each zone. The FCC recently granted incumbent carriers additional pricing flexibility as local competition develops in their markets. We cannot assure you that this pricing flexibility will not place us at a competitive disadvantage, either as a purchaser of access for our long distance operations or as a vendor of access to other carriers or end-user customers.

In a related proceeding, the FCC has adopted changes to the methodology by which access has been used in part to subsidize universal telephone service and other public policy goals. Telecommunications providers like us now pay a fee calculated as a percentage of revenues to support these goals. Some states are also implementing universal service funds. The effects of these decisions are uncertain and subject to change.

In addition, the FCC continues to consider related questions regarding the applicability of access charges and universal service fees to Internet service providers. Currently, Internet service providers are not subject to these expenses, and a federal court of appeals has upheld the FCC's decision not to impose such fees. However, the incumbent carriers and other parties argue that this exemption unfairly benefits Internet service providers, particularly when they provide data, voice or other services in direct competition with conventional telecommunications services. The FCC recently initiated a proceeding to examine this issue. We are not in a position to determine how these issues regarding access charges and universal service fees will be resolved or whether such resolution will be harmful to our competitive position or our results of operations.

The FCC imposes prior approval requirements on transfers of control and assignments of radio licenses and operating authorizations. The FCC has the authority generally to condition, modify, cancel, terminate or revoke

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licenses and operating authority for failure to comply with federal laws and the rules, regulations and policies of the FCC. Fines or other penalties also may be imposed for such violations. We cannot assure you that the FCC or third parties will not raise issues with regard to our compliance with applicable laws and regulations.

As a general matter, we cannot provide assurance regarding how quickly or how adequately we will be able to take advantage of the opportunities created by the Telecommunications Act. We could be materially adversely affected if a court decision reversing some of the FCC's rules or problems in the related arbitration and negotiation process increase our costs of using incumbent carrier network elements or services, or if such actions otherwise delay or impede the development of local telephone competition.

State Regulation. We are subject to various state laws and regulations. Most state public utility commissions require providers such as ITC/\DeltaCom to obtain authority from the commission before initiating service in that state. In most states, including Alabama, Georgia and Florida, we also are required to file tariffs or price lists setting forth the terms, conditions and prices for services that are classified as intrastate and to update or amend our tariffs when we adjust our rates or add new products. We also are subject to various reporting and record-keeping requirements. In addition, some states are ordering the detariffing of services, which may impede our reliance on the filed rate doctrine and increase our costs of doing business.

Many states also require prior approval for transfers of control of certified carriers, corporate reorganizations, acquisitions of telecommunications operations, assignment of carrier assets, carrier stock offerings and incurrence by carriers of significant debt obligations. Certificates of authority can generally be conditioned, modified, canceled, terminated or revoked by state regulatory authorities for failure to comply with state law or the rules, regulations and policies of state regulatory authorities. Fines or other penalties also may be imposed for such violations. We cannot assure you that public utility commissions or third parties will not raise issues with regard to our compliance with applicable laws or regulations.

We have authority to offer intrastate long distance services in all 50 U.S. states and the District of Columbia. We have obtained authority to provide long distance service in states outside of our current and target markets to enhance our ability to attract business customers with offices, or whose employees travel, outside of our markets.

We provide local services in our region by reselling the retail local services of the incumbent carrier in a given territory and, in some established markets, using incumbent network elements and our own local switching facilities. We possess authority to provide local telephone services in Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee and Texas.

Many issues remain open regarding how new local telephone carriers will be regulated at the state level. For example, although the Telecommunications Act preempts the ability of states to forbid local service competition, the Telecommunications Act preserves the ability of states to impose reasonable terms and conditions of service and other regulatory requirements. These statutes and related issues arising from the Telecommunications Act will be refined through rules and policy decisions made by public utility commissions as they address local service competition issues.

We also will be affected by state public utility commission decisions related to the incumbent carriers despite recent U.S. Supreme Court decisions upholding the FCC's rule-making power under the Telecommunications Act. For example, public utility commissions have responsibility under the Telecommunications Act to oversee relationships between incumbent carriers and their new competitors with respect to such competitors' use of the incumbent carriers' network elements and wholesale local services. Public utility commissions arbitrate interconnection agreements between the incumbent carriers and competitive carriers such as us when necessary. Important issues regarding the scope of the authority of public utility commissions in this area and the extent to which the commissions will adopt policies that promote local telephone service competition remain unresolved. We believe it is too early to evaluate how these matters will be resolved or their impact on our ability to pursue our business plan.

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States also regulate the intrastate carrier access services of the incumbent carriers. We are required to pay access charges to the incumbent carriers when they originate or terminate our intrastate long distance traffic. We could be materially adversely affected by high access charges, particularly to the extent that the incumbent carriers do not incur the same level of costs with respect to their own intrastate long distance services. States also will be developing intrastate universal service charges parallel to the interstate charges created by the FCC. For example, incumbent carriers such as BellSouth advocate the formation of state-level funds that would be supported by potentially large payments by businesses such as ITC/DeltaCom based on their total intrastate revenues. Another issue is the use by some incumbent carriers, with the approval of the relevant public utility commissions, of extended local area calling that converts otherwise competitive intrastate toll service to local service. States also are or will be addressing various intraLATA dialing parity issues that may affect competition. Our business could be materially adversely affected by these or other developments.

We also will be affected by how states regulate the retail prices of the incumbent carriers with which we compete. We believe that, as the degree of intrastate competition increases, the states will offer the incumbent carriers increasing pricing flexibility. This flexibility may present the incumbent carriers with an opportunity to subsidize services that compete with our services with revenues generated from non-competitive services, thereby allowing incumbent carriers to offer competitive services at prices lower than most or all of their competitors. In addition, BellSouth has obtained authority to create affiliates that would operate on a much less regulated basis and, therefore, could provide significant competition even if the traditional BellSouth local business does not receive more pricing flexibility. Kentucky has placed limitations on such affiliates, while Tennessee has refused such affiliate applications of BellSouth. We cannot predict the extent to which these developments may affect our business.

Local Government Authorizations and Related Rights-of-Way. We are required to obtain street use and construction permits and licenses or franchises to install and expand our fiber optic network using municipal rights-of-way. In some municipalities where we have installed network equipment, we are required to pay license or franchise fees based on a percentage of gross revenues or a per linear foot basis. We cannot assure you that, following the expiration of existing franchises, fees will remain at their current levels. In many markets, the incumbent carriers do not pay these franchise fees or they pay fees that are substantially less than those required to be paid by us, although the Telecommunications Act requires that, in the future, such fees be applied in a competitively neutral manner. To the extent that competitors do not pay the same level of fees as we do, we could be at a competitive disadvantage. Termination of the existing franchise or license agreements before their expiration dates, or a failure to renew the franchise or license agreements, and a requirement that we remove the corresponding portion of our facilities or abandon the corresponding portion of our network could have a material adverse effect on us. In addition, we would be adversely affected if we are unable to obtain additional authorizations for any new network construction on reasonable terms. Further, unresolved issues exist regarding the ability of new local service providers to gain access to commercial office buildings to serve tenants.

Employees

As of December 31, 2001, we had more than 1,900 full-time employees, none of whom was represented by a union or covered by a collective bargaining agreement. We believe that our relationship with our employees is good. In connection with the construction and maintenance of our fiber optic network and the conduct of our other business operations, we use third-party contractors, some of whose employees may be represented by unions or covered by collective bargaining agreements.

Risk Factors

Our business is subject to a number of risks, including the following:

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In order to continue as a going concern, we will need to achieve a significant improvement in our liquidity position by August 2002.

Our independent public accountants have stated in their report on our 2002 audited consolidated financial statements included elsewhere in this report that our recurring losses from operations and negative cash flows from operations and limited access to additional capital raise substantial doubt about our ability to continue as a going concern. We must achieve a significant improvement in our liquidity position by August 2002 to conduct our business and to continue to service our indebtedness. For information about our current liquidity position, see "Management's Discussion and Analysis of Financial Condition and Results of Operations-Liquidity."

We have significant indebtedness and may be unable to continue to service that indebtedness.

We had indebtedness of \$723.9 million as of December 31, 2001, and our earnings were insufficient to cover our fixed charges by \$215.6 million for the year ended December 31, 2001. To continue to service our current indebtedness, we will need to raise significant additional funds to supplement our operating cash flows. Our ability to raise additional funds will be subject to prevailing economic conditions and to financial, business and other factors. If we do not obtain additional funds, we will not be able to continue to meet our current debt service obligations. For information about our current liquidity position, see "Management's Discussion and Analysis of Financial Condition and Results of Operations-Liquidity."

Unless our liquidity position improves significantly, we will not be able to make additional capital expenditures to support our growth.

We have historically made significant capital expenditures to expand our network, operations and services according to our business plan. During 2001, we made capital expenditures of approximately \$162 million. Because of our current need for additional funds, we expect to use little, if any, capital to expand our network, operations and services in 2002, but instead expect to apply any capital expenditures associated with our network to maintain the network's existing capabilities. To conserve cash while we seek to complete a potential restructuring to alleviate the significant constraints on our liquidity, we plan to further reduce our capital expenditures. Such a reduction could have a material negative effect on our expected revenue growth. As a result, we do not expect that any growth in revenues or operations we are able to achieve in 2002 will be as significant as the growth we have achieved in previous years.

Agreements governing our current indebtedness contain restrictive covenants that place limits on our business activities.

We are subject to restrictions under the indentures pursuant to which we issued our publicly traded senior notes, under our \$160 million senior secured credit facility and under our \$40 million capital lease facility. These restrictions affect and, in some cases, significantly limit or prohibit, among other things, our ability to incur additional indebtedness, create liens, make investments, issue stock and sell assets. Our senior note indentures restrict our ability to incur indebtedness, other than indebtedness to finance the acquisition of equipment, inventory or network assets and other specified indebtedness. Our senior secured credit facility and our \$40 million capital lease facility also contain restrictions on our ability to incur indebtedness. In order to incur additional indebtedness under the foregoing agreements, we must meet minimum specified leverage and interest coverage ratios based on our operating cash flow. As of February 28, 2002, we had not met, and we do not expect that we will be able to meet in the foreseeable future, the measurement criteria under these ratios that would allow us to incur additional indebtedness. These agreements may also limit our flexibility to plan for, or react to, changes in our business, place us at a competitive disadvantage relative to our competitors who have less debt, make us more vulnerable to a downturn in our business or the economy generally, and require us to use a substantial portion of our cash flow from operations to pay principal and interest on our debt, rather than for working capital and capital expenditures.

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We are dependent upon rights-of-way and other third-party agreements to maintain our fiber optic network.

To maintain our fiber optic network, we have obtained easements, rights-of-way, franchises and licenses from various private parties, including actual and potential competitors, local governments, private landowners and others. We cannot assure you that we will continue to use or have access to all of our existing easements, rights-of-way, franchises and licenses or that we will be able to renew or replace them after they expire. Third parties have challenged some of our licenses to use the rights-of-way of others, including our licenses to use the rights-of-way of Mississippi Power Company, Florida Power Company, Gulf Power Company and Georgia Power Company. If these or similar future challenges are successful, or if we otherwise are unsuccessful in maintaining or renewing our rights to use our network easements, rights-of-way, franchises and licenses, we may be forced to abandon a significant portion of our network and possibly pay monetary damages. For information on legal proceedings related to some of our rights-of-way, see "Legal Proceedings."

Our business is subject to significant competitive pressures.

Our industry is highly competitive, and the level of competition, particularly with respect to pricing, is increasing. For example, the prices we charge for our retail local, long distance and data services and for our broadband transport services have declined significantly in recent years. Some or all of these prices may continue to decline, which will adversely affect our gross margins as a percentage of revenues. If the FCC authorizes BellSouth to provide in-region long distance services in one or more of our markets, we may be required to reduce our prices for the local, long distance or data services we provide in the affected markets.

In addition, many of our existing and potential competitors, such as BellSouth, AT&T and WorldCom, have financial, technical and other resources and customer bases and name recognition far greater than our own. We expect to continue to face significant pricing and product competition from BellSouth and the other large, established telephone companies which currently are the dominant providers of telecommunications services in our markets. We also will face significant competitive product and pricing pressures from other companies like us that attempt to compete in the local services market. As a result of these factors, we cannot assure you that we will be able to achieve operating profitability, adequate market share or continued significant revenue growth in any of our markets.

The local and long distance industries are subject to significant government regulation, and the regulations may change.

We are required to obtain authorizations from the FCC and state public utility commissions to offer some of our telecommunications services. We are also required to file tariffs for many of our services and to comply with local license, franchise or permit requirements relating to installation and operation of our network. Any of the following events related to the manner in which our business is regulated could have a material adverse effect on our business,

results of operations and financial condition:

- . our failure to maintain proper federal and state tariffs;
- . our failure to maintain proper state certifications;
- . our failure to comply with federal, state or local laws and regulations;
- . our failure to obtain and maintain required licenses, franchises and permits;
- . the imposition of burdensome license, franchise or permit requirements to operate in public rights-of-way; and
- . the occurrence of burdensome or adverse regulatory requirements or developments.

Although the local telephone services market was opened to competition through the passage of the Telecommunications Act in 1996, the FCC and the states are still implementing many of the rules and policies necessary for local telephone competition and addressing other related consumer issues. As a result, we believe that we may see increased state regulation of competitive carriers.

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We depend on access service from incumbent carriers to provide long distance services, and we could be adversely affected if we do not benefit from reduced access charges at least as much as our competitors.

We continue to depend on other telecommunications companies to originate and terminate a significant portion of the long distance traffic initiated by our customers. We could be adversely affected if we do not experience access cost reductions proportionally equivalent to those of our competitors. Historically, charges for access service have made up a significant percentage of the overall cost of providing long distance service. In 1998, the FCC implemented changes to its interstate access rules that, among other things, have reduced per-minute access charges and substituted new per-line flat rate monthly charges. The FCC also approved reductions in overall access rates, and established new rules to recover subsidies to support universal service and other public policies. Additional access charge adjustments were implemented in July 2000, and others are expected in the future. The impact of these changes on our competitors or us is not yet clear. New Internet-based competitors generally are exempt from these charges, which could give them a significant cost advantage in this area.

If we are unable to interconnect with BellSouth and other incumbent carriers on acceptable terms, our ability to offer local telephone services will be adversely affected.

Our March 1997 interconnection agreement with BellSouth, which expired on July 1, 1999, was our most significant interconnection agreement and enabled us to provide local telephone services in all nine states in which BellSouth operates. Although we eventually reached new terms with BellSouth for all nine BellSouth states, it took a significant amount of resources and time to reach those terms, and the new terms applicable to four of the nine states remain subject to approval by the public utility commissions in those states. We cannot assure you that these agreements will be approved or that, in the future, we will be able to enter into new interconnection agreements with BellSouth or other carriers on favorable terms, in a timely manner, or at all. If we are unable to enter into or maintain favorable interconnection agreements in our markets, our ability to provide local services on a competitive and profitable basis may be materially adversely affected. Any successful effort by the incumbent carriers to deny or substantially limit our access to their network elements or wholesale services also would have a material adverse effect on our ability to provide local telephone services.

Under the Telecommunications Act, BellSouth and the other regional Bell operating companies are not permitted to provide in-region long distance service to customers in their primary markets until there is adequate competition in the local services industry. This provides some incentive to these carriers to provide access to their facilities to competitive new entrants such as ITC/DeltaCom. We cannot assure you, however, that once BellSouth or other regional Bell operating companies are permitted to offer in-region long distance service, they will continue to be willing to enter into interconnection agreements with us that will enable us to provide local services on competitive and profitable terms.

Our inability to maintain our network infrastructure, portions of which we do not own, could adversely affect our business, results of operations and financial condition.

We have effectively extended our network with minimal capital expenditures by entering into marketing and management agreements with three public utility companies to sell long-haul private line services on the fiber optic networks owned by these companies. Under these agreements, we generally earn a commission based upon a percentage of the gross revenues generated by the sale of capacity on the utility's networks. One of these agreements, under which we continue to operate, expired in January 2002 and the other two agreements will expire in March 2003 and October 2004, respectively. We expect to replace the expired agreement with a new agreement, the term of which we expect will commence effective as of February 2002 and expire in February 2004, although we cannot assure you that the terms of the new agreement will be on the same or substantially similar terms as the expired agreement. We also purchase network capacity from CFN FiberNet, a manager of fiber optic facilities, in North Carolina and South Carolina under a buy-sell agreement expiring in February 2004. Cancellation or non-renewal of any of the foregoing agreements, or any future failure by us to acquire and maintain similar network agreements in these or other markets as necessary, could materially adversely affect our business, results of

operations and financial condition. In addition, two of our three agreements with the public utility companies are nonexclusive, and any reduction in the amount of capacity that is made available to us could adversely affect us.

Our business also could be materially adversely affected by a cable cut or equipment failure along our fiber optic network. A significant portion of our fiber optic network is not protected by electronic redundancy or geographical diverse routing. Our lack of these protections would not enable us to reroute traffic to another fiber in the same fiber sheath in the event of a partial fiber cut or electronics failure or to an entirely different fiber optic route, assuming capacity is available, in the event of a total cable cut.

We depend on a few large customers for a significant percentage of our revenues and cannot assure you that we will be able to retain those customers.

The table below sets forth, for 2001 and 2000, the approximate percentages of our total revenues generated by our five largest retail services customers and our two largest broadband transport services customers:

	Year Ended December 31, 2001	Year Ended December 31, 2000
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Five largest retail services customers..	6.3%	7.5%
Two largest broadband transport services customers.....	10.2%	11.5%

We cannot assure you that we will be able to retain our customers or that we will not be required to lower our prices in an effort to maintain customers. For both retail services and broadband transport services, our customers, including some large customers, generally have concurrent arrangements with more than one service provider. This enables our customers to reduce their use of our services and switch to other providers without incurring significant expense. Our agreements with our retail customers generally provide that the customer may terminate service without incurring a discontinuation charge for termination of the agreement before its expiration in the event of specified types of outages in service and for other defined causes. As of December 31, 2001, our broadband transport services business had remaining future long-term contract commitments totaling approximately \$69.2 million. Some of those contractual commitments provide that, if the customer is offered lower pricing with respect to any circuit by another carrier, the customer's commitment to us will be reduced to the extent we do not match the price for that circuit and the customer purchases that circuit from the other carrier.

We depend on sophisticated billing, customer service and information systems.

We depend on sophisticated information and processing systems to grow, monitor costs, bill customers, provision customer orders and achieve operating efficiencies. As we increase our provision of dial tone and other services, our need for enhanced billing and information systems will also increase. Our inability to identify adequately all of our information and processing needs, to process the information adequately or accurately or to upgrade our systems as necessary could have a material adverse effect on our results of operations and financial condition.

We are subject to risks associated with rapid changes in technology.

The telecommunications industry is subject to rapid and significant changes in technology. We may be required to select one emerging technology over another, but it will be impossible to predict with any certainty, at the time we

are required to make our investment, which technology will prove to be the most economic, efficient or capable of attracting customer usage. Unexpected developments, or our failure to adapt to them, could have a material adverse effect on our business, results of operations and financial condition.

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Our success depends on our ability to attract and retain key personnel.

Our business is currently managed by a small number of key management and operating personnel, including our executive officers. We do not maintain "key man" insurance on these employees. In addition, we have relied on awards of stock options as a significant component of the compensation we offer to our current and potential key employees. Because of the downward trend in the market price of our common stock since 2000, our stock option program may not provide an adequate incentive to current or potential key employees to become or remain employed by us. The loss of the services of our key personnel, or our inability to attract, recruit and retain sufficient or additional qualified personnel, could have a material adverse effect on our business, results of operations and financial condition.

Our operating results could vary significantly from period to period.

Our revenues and operating results could vary significantly from period to period for many reasons, including:

- . significant expenses associated with the operation, maintenance or future expansion of our network or services;
- . competition and regulatory developments;
- . changes in market growth rates for our products and services;
- . availability or announcement of alternative technologies; and
- . general economic conditions.

These factors and any resulting fluctuations in our operating results will make period-to-period comparisons of our financial condition less meaningful and could have a material adverse effect on our business, results of operations and financial condition.

Item 2. Properties.

We own our corporate headquarters in West Point, Georgia and the e/\deltacom data center in Suwanee, Georgia.

We own switch sites in Anniston, Birmingham and Montgomery, Alabama and Nashville, Tennessee and lease space for a network operations center in Arab, Alabama. We also lease space for our switch sites in the following locations:

- . Jacksonville, Ocala and West Palm Beach, Florida;
- . Atlanta, Georgia;
- . Gulfport, Mississippi;
- . Greensboro, North Carolina;
- . Columbia, South Carolina; and
- . Houston, Texas.

The leases for these switch sites expire on various dates from 2002 to 2014.

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We have constructed and own a multi-service facility in Anniston, Alabama, which functions as a centralized switching control center for our network and as an operator services center. In addition, we lease space to operate a customer network operations center in Atlanta, Georgia. The lease for this space is renewable on an annual basis.

We operate branch offices in the following locations:

- . Anniston, Birmingham, Dothan, Florence, Huntsville, Mobile and Montgomery, Alabama;

- . Daytona, Ft. Lauderdale, Jacksonville, Ocala, Orlando, Pensacola, Tallahassee and Tampa, Florida;
- . Albany, Atlanta (two offices), Augusta, Columbus and Macon, Georgia;
- . Baton Rouge and New Orleans, Louisiana;
- . Biloxi, Hattiesburg and Jackson, Mississippi;
- . Charlotte, Greensboro and Raleigh, North Carolina;
- . Charleston, Columbia and Greenville, South Carolina; and
- . Chattanooga, Knoxville and Nashville, Tennessee.

The leases for these branch offices expire on various dates from 2002 through 2006. We also lease office space for various administrative functions, including accounting, legal, sales and human resources, in Huntsville, Alabama, and own an administrative office in Arab, Alabama.

As part of our fiber optic network and switched service system, we own or lease rights-of-way, land, office space and towers throughout the southern United States.

See "Business-Services and Facilities-Facilities" for additional information about our facilities.

Item 3. Legal Proceedings.

General. We are a party to legal proceedings in the ordinary course of our business, including disputes with contractors or vendors, which we believe are not material to our business. We also are a party to regulatory proceedings affecting the segments of the communications industry in which we operate.

Proceedings Affecting Rights-of-Way. Third parties have challenged some of our licenses to use the rights-of-way of others, including our licenses to use the rights-of-way of Mississippi Power Company, Gulf Power Company, Georgia Power Company and others.

A portion of our network runs through fiber optic cables owned by the Mississippi Power Company over its rights-of-way located in Jasper County, Mississippi. A proceeding involving Mississippi Power and several landowners who have granted Mississippi Power rights-of-way in Jasper County resulted in a January 1999 order of the Mississippi Supreme Court holding that Mississippi Power could not permit third parties to use its rights-of-way at issue for any purpose other than in connection with providing electricity to customers of Mississippi Power. We became a party to the proceeding after the January 1999 order. The Circuit Court of the First Judicial District of Jasper County, Mississippi has directed us not to use that portion of our fiber optic network located on Mississippi Power's rights-of-way in Jasper County, except in an emergency, pending the outcome of the trial. We have rerouted all of the circuits on the affected portion of our network so that we may continue to provide services to our customers along the affected route. If the courts ultimately agree with the landowners that the existing easements do not permit our use, we believe our potential liability for damages may be limited to the value of a permanent easement for that

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use. We cannot assure you in this respect, however, since the landowners are seeking damages equal to the profits or gross revenues received by us from our use of Mississippi Power's rights-of-way in Jasper County and punitive damages for our use of the route.

We initiated a civil suit in August 2001 in the U.S. District Court for the Southern District of Mississippi, Southern Division, in which we seek a declaratory judgment confirming our continued use of cables in Mississippi Power Company's rights-of-way on 37 parcels of land or, alternatively, condemnation of the right to use the cables upon payment of just compensation to the landowners. Some of the defendants have filed a counterclaim against Mississippi Power and us seeking a constructive trust upon the revenues earned on those rights-of-way, together with compensatory and punitive damages. Although we have resolved the issue of our use of the rights-of-way with some of the defendants, we cannot assure you that we will be successful in this proceeding. This civil suit has been consolidated with another pending civil suit in the U.S. District Court for the Southern District of Mississippi initiated by landowners claiming to represent a class of landowners and seeking compensatory and punitive damages against Mississippi Power arising from Mississippi Power's allowance of third parties to use its rights-of-way for telecommunications purposes.

We use the rights-of-way of Gulf Power Company in Florida for a portion of

our network. In the fourth quarter of 2000, Gulf Power was sued in the Circuit Court of Gadsden County, Florida, by two landowners that claim to represent a class of all landowners over whose property Gulf Power has facilities that are used by third parties. The landowners have alleged that Gulf Power does not have the authority to permit us or other carriers to transmit telecommunications services over the rights-of-way. We were made a party to this litigation in August 2001. In March 2002, the court dismissed this matter without prejudice on the basis that, among other things, there was no additional burden on the property as a result of third-party use of the rights-of-way for telecommunications purposes and that the easements were broad enough in scope to permit such third-party use. However, the court also is permitting the plaintiffs to amend their complaint to allege additional facts to support their contention that there is an additional burden on the property because of the maintenance requirements of the fiber routes and the placement of buildings and other physical telecommunications equipment on the rights-of-way.

We use rights-of-way of Georgia Power Company in Georgia for a portion of our network. In July 2001, a suit filed in the Superior Court of Decatur County, Georgia, by a group seeking compensatory and punitive damages and claiming to represent a class of landowners alleged that Georgia Power and the other entities do not have the right to grant third parties the use of the rights-of-way for the transmission of telecommunications services of such third parties. We were made a party to the suit in January 2002.

In August 2001, we filed suit in the Superior Court of Troup County, Georgia, against Southern Telecom, Inc., Alabama Power Company, Georgia Power Company, Mississippi Power Company, Gulf Power Company and related entities from which we have obtained use of rights-of-way for our fiber optic telecommunications network. We seek a declaratory judgment that the defendants are legally required to use their best efforts to defend against any claims that we do not have the right to use the rights-of-way granted to these entities and to defend, indemnify and hold us harmless against all such claims. In December 2001, we filed for summary judgment, but the court has not ruled on this action. The defendants have filed a counterclaim requesting, among other items, that we reimburse them for the cost of perfecting the applicable rights-of-way.

Item 4. Submission of Matters to a Vote of Security Holders.

There were no matters submitted to our security holders in the fourth quarter of 2001.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters.

Our common stock is traded on the Nasdaq National Market under the symbol "ITCD." The following table sets forth for the last two years the high and low sales prices per share of the common stock as reported by the Nasdaq National Market:

2000	High	Low
First Quarter.....	\$43.500	\$24.750
Second Quarter.....	35.625	16.312
Third Quarter.....	23.250	8.375
Fourth Quarter.....	12.500	4.375
2001	High	Low
First Quarter.....	\$11.438	\$4.750
Second Quarter.....	6.700	2.910
Third Quarter.....	4.500	1.060
Fourth Quarter.....	1.330	0.510

On March 22, 2002, there were approximately 920 holders of record of our common stock.

We have never declared or paid any cash dividends on our capital stock and do not anticipate paying cash dividends on our common stock in the foreseeable future. It is the current policy of our board of directors to retain earnings, if any, to finance our business. The indentures under which we have issued our publicly traded senior notes, the agreement for our \$160 million senior secured credit facility and the agreement for our \$40 million capital lease facility contain restrictions on our ability to pay cash dividends. We must satisfy debt incurrence and other financial tests to pay cash dividends under these agreements.

Item 6. Selected Financial Data.

The following table sets forth selected financial and operating data for ITC/\DeltaCom. The selected historical statement of operations data for each of the years ended December 31, 2001, 2000, 1999, 1998 and 1997 and the selected historical balance sheet data for the years then ended have been derived from the consolidated financial statements that have been audited by Arthur Andersen LLP, independent public accountants.

<TABLE>

<CAPTION>

	2001	2000	1999	1998	1997 (a) (b)
<S>	<C>	<C>	<C>	<C>	<C>
Income Statement Data:					
Operating revenues	\$ 415,339	\$ 363,648	\$ 244,844	\$ 171,838	\$ 114,590
Expenses:					
Cost of services	186,121	155,000	118,721	82,979	54,550
Inventory write-down	1,663	0	0	0	0
Selling, operations and administration	188,712	151,050	96,854	64,901	38,255
Depreciation and amortization	118,938	86,519	53,810	30,887	18,332
Special charges (c)	74,437	0	0	0	0
Total expenses	569,871	392,569	269,385	178,767	111,137
Operating (loss) income	(154,532)	(28,921)	(24,541)	(6,929)	3,453
Interest expense	(58,833)	(55,482)	(45,293)	(31,930)	(21,367)
Interest and other income (expense), net	1,434	14,337	14,949	6,499	4,251
Loss before income taxes, preacquisition loss and extraordinary item	(211,931)	(70,066)	(54,885)	(32,360)	(13,663)
Income tax expense (benefit)	0	(512)	94	(6,454)	(3,324)
Preacquisition loss	0	0	0	0	74
Extraordinary item (net of tax)	0	(1,321)	0	(8,436)	(508)
Net loss	(211,931)	(70,875)	(54,979)	(34,342)	(10,773)
Preferred stock dividends and accretion	(3,713)	0	0	0	0
Net loss applicable to common stockholders	\$ (215,644)	\$ (70,875)	\$ (54,979)	\$ (34,342)	\$ (10,773)
Basic and diluted net loss per common share:(d)					
Before extraordinary loss	\$ (3.46)	\$ (1.14)	\$ (0.98)	\$ (0.51)	\$ (0.26)
Extraordinary loss	0.00	(0.02)	0.00	(0.16)	(0.01)
Net loss applicable to common stockholders	\$ (3.46)	\$ (1.16)	\$ (0.98)	\$ (0.67)	\$ (0.27)
Basic and diluted weighted average common shares outstanding (d)					
	62,292,085	60,928,387	56,370,269	50,972,361	40,249,816
Balance Sheet Data:					
Working (deficit) capital	\$ (6,741)	\$ 85,094	\$ 244,913	\$ 190,118	\$ 116,446
Total assets	878,332	1,048,526	807,598	587,517	386,104
Long-term debt and capital lease obligations, including current portions	723,874	713,869	516,907	417,934	203,889
Stockholders' (deficit) equity	(21,930)	181,053	218,162	118,200	148,266
Other Financial Data:					
Capital expenditures	161,965	309,831	165,540	147,842	43,874
Cash flows (used in) provided by operating activities	(10,524)	45,931	(5,334)	9,512	6,302
Cash flows used in investing activities	154,798	305,208	149,995	118,166	93,854
Cash flows provided by financing activities	65,225	151,986	219,593	198,447	180,625
EBITDA, as adjusted(e)	(35,594)	57,598	29,269	23,958	21,785
Ratio of earnings to fixed charges(f)	--	--	--	--	--

</TABLE>

(a) On March 27, 1997, ITC/\DeltaCom purchased fiber and fiber-related assets, including a significant customer contract for network services in Georgia, from SCANA Corporation. The results of operations for these assets are included in our consolidated statements of operations beginning March 27, 1997.

(b) On March 27, 1997, ITC/\DeltaCom purchased the remaining 64% partnership interest in Gulf States FiberNet that it did not already own from SCANA Corporation. Gulf States FiberNet's revenues and expenses have been included in the consolidated statement of operations data effective January 1, 1997, with the preacquisition loss attributable to the previous owner deducted to determine the consolidated net loss for the year ended December 31, 1997.

- (c) In 2001, ITC/\DeltaCom recorded nonrecurring special charges consisting of a write-down of impaired property and equipment of \$23.0 million and a write-down of goodwill and other intangible assets of \$51.4 million. See Note 9 to our consolidated financial statements included elsewhere in this report.
- (d) On September 4, 1998, ITC/\DeltaCom effected a two-for-one stock split of its common stock in the form of a stock dividend. All references to number of shares, except shares authorized, and to per share information in the foregoing table have been adjusted to reflect the stock split on a retroactive basis.
- (e) EBITDA, as adjusted, represents earnings before extraordinary item, preacquisition loss, net interest, other income and other expenses, income taxes and depreciation and amortization. EBITDA, as adjusted, is provided because it is a measure commonly used in our industry. EBITDA, as adjusted, is not a measurement of financial performance under accounting principles generally accepted in the United States and should not be considered an alternative to net income as a measure of performance or to cash flow as a measure of liquidity. EBITDA, as adjusted, is not necessarily comparable to similarly titled measures for other companies.
- (f) Earnings consist of income before income taxes, plus fixed charges. Fixed charges consist of interest charges and amortization of debt issuance costs and the portion of rent expense under operating leases representing interest, estimated to be one-third of such expense. Earnings were insufficient to cover fixed charges for the years ended December 31, 2001, 2000, 1999, 1998 and 1997 by \$215.6 million, \$70.1 million, \$54.9 million, \$32.4 million and \$13.7 million, respectively.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

This Management's Discussion and Analysis of Financial Condition and Results of Operations contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. The words "anticipate," "believe," "estimate," "expect," "intend," "plan" and similar words as they relate to ITC/\DeltaCom, Inc. or our management are intended to identify some of these forward-looking statements. All statements by us regarding our expected future financial position and operating results, our business strategy, our financing plans, forecasted trends relating to the markets in which we operate and similar matters are forward-looking statements. We cannot assure you that our expectations expressed or implied in these forward-looking statements will turn out to be correct. Our actual results could be materially different from our expectations as a result of, among other factors, the factors discussed in this report under "Business-Regulation" and "-Risk Factors."

We have included data with respect to EBITDA, as adjusted, in the following analysis because it is a measure commonly used in our industry. EBITDA, as adjusted, represents earnings before extraordinary item, preacquisition loss, net interest, other income and other expenses, income taxes and depreciation and amortization. EBITDA, as adjusted, is not a measure of financial performance under accounting principles generally accepted in the United States and should not be considered an alternative to net income as a measure of performance or to cash flow as a measure of liquidity. EBITDA, as adjusted, is not necessarily comparable to similarly titled measures for other companies.

Overview

We provide voice and data telecommunications services on a retail basis to businesses in the southern United States. Through our broadband transport business, we also provide regional telecommunications transmission services to other telecommunications companies on a wholesale basis using our network. In connection with these businesses, we own, operate or manage an extensive fiber optic network in the southern United States. Through our e/\deltacom business, we provide customers with colocation services, managed services and professional services primarily through e/\deltacom's data center in Suwanee, Georgia.

We provide our retail services individually or in a bundled package tailored to the business customer's specific needs. We derive our retail services revenues from the following four sources:

- . sales of integrated telecommunications services, including local exchange, long distance, enhanced data and Internet services, to

end-user customers;

- . sales of local dial-up services to Internet service providers for use in their provision of services to their customers;
- . sales of nonrecurring equipment and professional services to end-user customers; and
- . sales of wholesale long distance services for resale by other telecommunications carriers.

At December 31, 2001, we provided our retail services to approximately 15,400 customers, which were served by 35 branch offices, and had sold approximately 297,600 access lines, of which approximately 278,650 had been installed. The following table presents, for the periods indicated, selected operating data, in thousands, for our retail services segment.

	Year Ended December 31,		
	2001	2000	1999
Operating revenues	\$305,074	\$269,947	\$171,991
EBITDA, as adjusted	(14,969)	29,354	(8,662)
Operating loss	(75,445)	(15,810)	(33,533)

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	Year Ended December 31,		
	2001	2000	1999
Pro forma EBITDA, as adjusted	\$18,577	\$13,254	\$(8,662)

Pro forma EBITDA, as adjusted, for our retail services excludes \$1.5 million of revenues for 2001 and \$16.1 million of revenues for 2000 related to prior-period interconnection agreement settlements. Pro forma EBITDA, as adjusted, for our retail services for 2001 also excludes a \$1.7 million write-down of inventory, \$4.0 million of restructuring expenses included in selling, operations and administration expenses and \$29.4 million of special charges related to the write-down of impaired assets. See the discussion below for more information about these expenses and charges.

Our broadband transport services include the provision to other telecommunications companies of regional telecommunications transmission services on a wholesale basis using our network, as well as the provision of directory assistance services. In 2001, we extended our fiber network by approximately 340 route miles to approximately 9,980 route miles. We own, through construction, indefeasible rights of use agreements or long-term capital leases, the network fiber and related electronic components for approximately 6,180 of our total network route miles and we manage and market under our own name the network fiber and related switching capacity for the remaining 3,800 route miles under long-term agreements with the owners of those networks. The following table presents, for the periods indicated, selected operating data, in thousands, for our broadband transport services segment.

	Year Ended December 31,		
	2001	2000	1999
Operating revenues	\$95,034	\$83,336	\$72,853
EBITDA, as adjusted	49,797	40,963	37,931
Operating income	706	3,033	9,074
Pro forma EBITDA, as adjusted	\$49,972	\$40,963	\$37,931

Pro forma EBITDA, as adjusted, for our broadband transport services for 2001 excludes \$120,000 of restructuring expenses included in selling, operations and administration expenses and \$55,000 of special charges related to the write-down of impaired assets. See the discussion below for more information about these expenses and charges.

Through our e/deltacom business, we provide secure space for servers and other computer equipment, Internet connections, managed services and professional services integral to operating important business applications over the Internet. e/deltacom began generating revenue in May 2000. The following table presents, for the periods indicated, selected operating data, in thousands, for our e/deltacom services segment.

	Year Ended December 31,		
	2001	2000	1999

Operating revenues	\$ 15,231	\$ 10,365	--
EBITDA, as adjusted	(70,422)	(12,719)	--
Operating loss	(79,711)	(16,062)	--
Pro forma EBITDA, as adjusted	\$ (23,280)	\$ (12,719)	--

Pro forma EBITDA, as adjusted, for our e/deltacom segment for 2001 excludes \$2.1 million of restructuring expenses included in selling, operations and administration expenses and \$45.0 million of special charges related to the write-down of impaired assets. See the discussion below for more information about these expenses and charges.

During 2001, our e/deltacom segment continued to experience an increase in negative EBITDA, as adjusted, in operating losses and in negative cash flows from operations. Based on current market conditions, we do not expect that this segment will generate positive EBITDA, as adjusted, or positive cash flows from operations in the near

term. As a result of our need for improved liquidity and our strategic focus on our retail services, we continue to evaluate alternatives for this segment, including the elimination of additional operating expenses.

In September 2001, we announced changes to our business plan and other actions intended to reduce our operating expenses through a 20% reduction of our workforce by approximately 430 employees and to reduce our non-personnel operating expenses and our planned capital expenditures. As a result of this restructuring, in September and December 2001 we recorded \$4.8 million and \$251,000, respectively, in restructuring costs, which are included as components of selling, operations and administration expenses. The restructuring charges include our estimate of employee severance and related costs for employees terminated as a result of the revised business plan. The restructuring charges also include estimates of office space lease commitments where we closed offices, net of any estimated sublease rentals, and other exit costs. In connection with the restructuring, we closed an administrative office in Arab, Alabama, retail services offices in Atlanta, Georgia and Greenwood and Tupelo, Mississippi, and an e/deltacom office in Nashville, Tennessee. We terminated some employees in each department and did not specifically identify the termination of an entire function or department. We have estimated that, compared to our operating cost rates in the middle of the third quarter of 2001, our operating costs have been reduced by approximately \$21 million on an annualized basis as a result of this restructuring.

In September 2001, we also recorded impairment charges in accordance with Statement of Financial Accounting Standards No. 121 related to the net book value of property and equipment removed from service less expected salvage totaling \$1.8 million, \$21.2 million of impaired assets relating to the e/deltacom data center, and intangible assets consisting of goodwill and customer lists related to the e/deltacom and retail services segments totaling \$51.4 million. The impairment of property and equipment, except for the property and equipment of e/deltacom, relates to assets that we no longer plan to use as a result of our restructuring. Based on market conditions and operating results of e/deltacom, we tested our e/deltacom assets for impairment. We determined that an impairment existed and wrote the related assets down to estimated fair value. In the third quarter of 2001, we expensed goodwill of \$23.9 million related to e/deltacom and \$21.2 million of e/deltacom property and equipment. We determined fair value based on estimates of market values for comparable properties.

Based on the expected operating results of our AvData Systems, Inc. network solutions business, which we acquired in 1999, and the expected operating results from customers acquired in our 1998 acquisition of IT Group Communications, we tested the related assets for impairment. We determined that an impairment existed and, in the third quarter of 2001, expensed \$24.4 million of goodwill and \$1.6 million of customer base assets related to the AvData Systems network solutions business and \$1.6 million of customer base assets related to former IT Group Communications customers.

In September 2001, we also recorded a total of \$2.9 million of other special charges, including a \$1.7 million write-down of our retail services inventory of telephone systems and related equipment as a result of a decline in demand for those systems. These charges are included as a component of cost of services. We also recorded additional bad debt expense of \$1.2 million, which is included in selling, operations and administration expenses. Of this amount, \$809,000 was associated with disputed access charge revenues billed to interexchange carriers by our retail services segment and \$392,000 was associated with a discontinued service in our e/deltacom business. We believe that we may be able to recover at least part of the disputed access charge revenues through our continued negotiations with the interexchange carriers.

As part of our revised business plan and restructured operations, we expect

to focus our operations primarily on offerings to our end-user, retail customers.

During 2001, our operational achievements included the following:

- . we increased revenues from our local telephone services by 53% and from our enhanced data services by 52%;
- . we increased retail services access lines installed by 46% and wholesale services access lines installed by 6.5%;
- . we increased our total network mileage to approximately 9,980 route miles;
- . we reduced planned capital expenditures by approximately \$150.0 million from \$440.0 million through the end of 2003;
- . we pursued an enhanced data strategy with an introduction of a suite of managed services, including Internet protocol, virtual private network, firewall security, internal data services and a suite of managed service offerings from e/\deltacom;
- . we implemented new service level agreements under which e/\deltacom undertakes to provide 100% Internet access and power availability; and
- . we inaugurated a suite of e-billing solutions for our retail services customers.

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Future New Segment Presentation

Beginning in the first quarter of 2002, we will revise our segment reporting to align our financial presentation more closely with our basic retail and wholesale customer businesses and to reflect more accurately the trends in those customer bases. One segment will consist of our integrated retail telecommunications business and the second segment will consist of our broadband transport business. We will report revenues, gross margins, selling, operations and administration expenses, and EBITDA, as adjusted, for these two segments separately. Beginning in the first quarter of 2002, our e/\deltacom business will no longer be reported as a separate segment, but instead will be included in our integrated retail telecommunications business segment.

Critical Accounting Policies, Estimates, Risks and Uncertainties

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States, which require us to make estimates and assumptions. We believe that, of our significant accounting policies described in Note 2 to our consolidated financial statements included elsewhere in this report, the following may involve a higher degree of judgment and complexity.

Revenue Recognition. We generate recurring or multi-year operating revenues, as well as nonrecurring revenues. We recognize revenues in accordance with SEC Staff Accounting Bulletin, or SAB, No. 101, "Revenue Recognition in Financial Statements," as amended by SAB Nos. 101A and 101B. SAB No. 101 requires that the following four basic criteria must be satisfied before revenues can be recognized:

- . there is persuasive evidence that an arrangement exists;
- . delivery has occurred or services rendered;
- . the fee is fixed and determinable; and
- . collectibility is reasonably assured.

We base our determination of the third and fourth criteria above on our judgement regarding the fixed nature of the fee we have charged for the services rendered and products delivered, and the prospects that those fees will be collected. Should changes in conditions cause us to determine that these criteria likely will not be met for certain future transactions, revenue recognized for any reporting period could be materially adversely affected.

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We generate recurring revenues from our offering of local exchange services, long distance services, data and Internet services, which includes Internet access, Web hosting and colocation services, and the sale of

transmission capacity to other telecommunications carriers. Revenues from these sources, which generally consist of recurring monthly charges for such services, are recognized as services are provided. Advance billings or cash payments received in advance of services performed are recorded as deferred revenue.

We generate nonrecurring revenues from the sale of telephone systems, other equipment, software and professional services. Revenues from these sources are recognized upon installation or as services are performed. Nonrecurring revenues such as the sale of telephone systems may be part of multiple element arrangements. We estimate the fair value of the separate elements and recognize revenues for a delivered element only when the undelivered element is delivered.

We recognize some revenues net as an agent versus gross as principal. We applied the guidance provided in EITF 99-19 to classify and record such amounts. During the year ended December 31, 2001, we recorded \$16.3 million of revenues net as an agent. See Note 2 to our consolidated financial statements included elsewhere in this report for additional information regarding revenues we recognize net as an agent.

Allowance for Doubtful Accounts. We use estimates to determine our allowance for bad debts. These estimates are based on our historical collection experience, current trends, credit policy and a percentage of our budgeted sales. In determining these percentages, we look at historical write-offs of our receivables, but our history is limited. We also look at current trends in the credit quality of our customer base as well as changes in the credit policies. The following table identifies the amounts we had reserved as of December 31, 2001, 2000 and 1999.

	As of December 31,		
	2001	2000	1999
Retail services	\$3,819,000	\$2,209,000	\$1,355,000
Broadband transport services	1,632,000	166,000	169,000
e/\deltacom	238,000	628,000	--
Total	\$5,689,000	\$3,003,000	\$1,524,000

We have attempted to reserve for expected losses based on the foregoing factors and believe our reserves are adequate. It is possible, however, that the accuracy of our estimation process could be materially affected as the composition of our receivables changes over time. We continually review and refine the estimation process to take account of these changes, but we cannot guarantee that we will be able to estimate accurately credit losses on our receivables.

Valuation of Long-Lived and Intangible Assets and Goodwill. We assess the impairment of identifiable intangibles, long-lived assets and related goodwill whenever events or changes in circumstances indicate that the carrying value may not be recoverable in accordance with Statement of Financial Accounting Standards, or SFAS, No. 121 and, beginning January 1, 2002 SFAS No. 144. Factors we consider important and that could trigger an impairment review include the following:

- . significant underperformance of our assets relative to expected historical or projected future operating results;
- . significant changes in the manner in which we use our assets or in our overall business strategy;
- . significant negative industry or economic trends;
- . a significant decline in our common stock price for a sustained period; and
- . our market capitalization relative to net book value.

When we determine that the carrying value of intangibles, long-lived assets and goodwill may not be recoverable based upon the existence of one or more of the foregoing indicators of impairment, we measure any impairment based on an estimate of fair value. Estimates may be based on the projected discounted cash flow method using a discount rate we determine to be commensurate with the risk inherent in our current business model, or estimates may be based on other methods. Net intangible assets, long-lived assets and goodwill amounted to \$747.0 million as of December 31, 2001.

During 2001, we wrote down some of our long-lived assets and goodwill because we determined impairment existed. We recognized a loss of \$74.4 million

in connection with the write-down. See Note 9 to our consolidated financial statements included elsewhere in this report for additional information regarding this write-down. We cannot provide assurance that other write-downs will not occur in 2002 or any year thereafter.

During 2001, our e/deltacom segment continued to experience an increase in negative EBITDA, as adjusted, in operating losses and in negative cash flows from operations. Based on current market conditions, we do not expect that this segment will generate positive EBITDA, as adjusted, or positive cash flows from operations in the near term. As a result, we may be required to record an additional impairment loss in 2002 related to this segment, and we cannot assure you that the assets associated with this segment will not be further written down in subsequent periods.

On January 1, 2002, SFAS No. 142, "Goodwill and Other Intangible Assets," became effective and, as a result, we will cease to amortize approximately \$59.7 million of goodwill that is recorded as of December 31, 2001. We had recorded approximately \$2.0 million of amortization on these amounts during 2001 and would have recorded approximately \$2.0 million of amortization in 2002. In lieu of amortization, we are required to perform an initial impairment review of our goodwill in 2002 and an annual impairment review thereafter. We expect to complete our initial review by June 30, 2002. Until we complete the review, we will not be able to determine the amount of impairment loss, if any.

We cannot provide assurance that, at each periodic review date, a material impairment charge will not be recorded.

The foregoing list is not intended to be a comprehensive list of all of our accounting policies. In many cases, the accounting treatment of a particular transaction is specifically dictated by accounting principles generally accepted in the United States, with no need for us to judge their application. There are also areas in which our judgment in selecting any available alternative would not produce a materially different result. See our consolidated financial statements and related notes thereto included elsewhere in this report, which contain accounting policies and other disclosures required by accounting principles generally accepted in the United States.

Operating Revenues

Retail services and broadband transport services currently account for the vast majority of our operating revenues.

Retail Services. We derive our retail services revenues, which are generally recurring monthly charges, principally from the provision of local exchange services, long distance services and data and Internet services. Our retail services revenues also include nonrecurring revenues from the sale and installation of telephone systems and related equipment. Our retail services generated revenues of \$305.1 million in 2001. At December 31, 2001, we offered local telephone services in all of the 35 markets in which we had a branch office.

We derived in 2001, and expect we will derive in 2002, an increasing percentage of our revenue from local services, primarily local services provided under our interconnection agreements with other local telephone companies, and data and Internet services. We expect that gross margin as a percentage of revenues associated with our facilities-based local, data and Internet retail services will be slightly higher than the gross margin as a percentage of revenues associated with our long distance retail services.

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We expect that, as we continue to increase our provision of local services using our own network and facilities rather than reselling the service of other telephone companies, we will realize increased revenues when we originate and terminate calls by customers of other carriers with our local end-user customers.

As we continue to use portions of the networks of other local telephone companies to provide services over our network and facilities instead of reselling services over the networks of the other local telephone companies, we expect our gross margin on local service to improve. We believe that this improvement will result from reduced access charges and from efficiencies realized through increased reliance on our network. Competitive market pressures to reduce prices for our retail services, however, could offset these expected margin improvements.

Rates for long distance services continued to decline in 2001. This had a negative impact on our revenues, since we derive a significant portion of our revenues from long distance services. The effect of the decline in rates was partially offset by an increase in the minutes used by our customers. We expect that the trend of declining rates may begin to slow during 2002. Such a

development could positively affect our long distance revenues and gross margin.

During 2001, we began selling our retail services to smaller business customers, which require fewer telephone lines than our average base of retail customers. We expect that sales to these smaller business customers will provide us additional sources of revenue, although the sales may adversely affect our gross margins, since we provide this service primarily using the networks of other telephone companies. We have hired a dedicated sales force to sell this product.

During 2000, we reached a settlement with BellSouth of our long-standing dispute over BellSouth's payment of reciprocal compensation to us for local calls placed by customers of BellSouth and terminated to our customers, including calls terminated to our Internet service provider customers. The settlement agreement provides for the settlement of all amounts claimed by us to be due for reciprocal compensation before the date of the agreement at rates consistent with or in excess of amounts previously recognized by us as revenue. The agreement also establishes rates for all reciprocal compensation traffic on our network for the portion of 2000 that remained after the date of the settlement agreement, for 2001 and for 2002. The terms of the settlement agreement are not subject to modification by changes in law or subsequent FCC, court or state commission decisions.

The settlement agreement provided for a cash payment of approximately \$53 million, which BellSouth made in October 2000. This payment represented payment for reciprocal compensation amounts billed to BellSouth before the date of the settlement agreement and for estimated reciprocal compensation billings after the date of the settlement agreement through December 31, 2001. The portion of the payment related to 2001 is subject to reconciliation procedures. Under the initial reconciliation procedure that occurred in July 2001, we repaid \$5.5 million to BellSouth, which represented the difference between the forecasted amount of reciprocal compensation upon which the prepayment was based and the actual amount of reciprocal compensation generated by BellSouth during the first six months of 2001 and a revised forecasted amount for the last six months of 2001. The repayment had no effect on our recorded revenues for 2001, since we recognize reciprocal compensation revenue as it is earned. We recorded the repayment as a reduction to deferred revenue. The portion of the prepayment related to 2001 reciprocal compensation is subject to additional reconciliation procedures covering the last six months of 2001. We do not expect that we will be required to pay additional amounts to BellSouth related to the remainder of 2001 under the reconciliation procedure.

The settlement agreement also required BellSouth to prepay an additional amount to us in December 2001 related to expected reciprocal compensation traffic levels in 2002. In December 2001, we received a prepayment from BellSouth of \$17.6 million under this provision. This amount will be subject to quarterly reconciliation procedures based upon the actual amount of reciprocal compensation traffic during 2002. These procedures may require us to repay a portion of the 2002 reciprocal compensation prepayment. Our consolidated balance sheets included elsewhere in this report include \$17.6 million in unearned revenue related to the prepayment for 2002. In the settlement agreement, we have agreed to limit our reciprocal compensation to be received from BellSouth to \$29.5 million in 2002.

Effective May 2000, we entered into an agency agreement with an equipment and hardware provider to market and sell equipment and hardware to our customers. We recognize commission revenues resulting from this agreement equal to any gross margin we retain after payment to the supplier. These nonrecurring revenues are combined for financial reporting purposes with revenues from sales of customer premise equipment, other equipment and software. We derived revenues from this agreement of \$3.2 million in 2001 and \$5.6 million in 2000, but discontinued equipment sales under this agreement in December 2001. Although we expect that the termination of this agreement will have little, if any, effect on our absolute gross margins, we may experience a slight increase in our gross margins as a percentage of revenues since these commissions have little associated costs. See Note 2 to our consolidated financial statements included elsewhere in this report for additional information regarding this agency agreement.

We expect that a significant portion of our revenue growth will come from our retail services business. Although we have experienced moderate success in obtaining market share in the markets where we provide local services, including in one market where we have achieved a market share of over 25% and in eight other markets where we have achieved a market share of over 7%, we generally do not expect that our retail services will command a significant share of the market for telecommunications services in the southern United States. The customer contracts for our retail services generally provide for payment in arrears based on minutes of use for switched services and payment in advance for local exchange, data and Internet services. The contracts generally provide that

the customer may terminate the affected services without penalty in the event of specified outages in service and for other defined causes. The contracts also typically provide that the customer must use at least a minimum dollar amount of switched long distance services per month for the term of the contract. During the past several years, market prices for many telecommunications services have been declining. To maintain and develop our customer base in response to these and other competitive pressures, we have modified some of our retail contracts to extend lower rates over longer terms to selected customers. We may decide in the future to modify other retail customer contracts in a similar manner to emphasize lower pricing and longer commitment periods.

Broadband Transport Services. We derive our broadband transport services revenues, which are generally recurring monthly charges, from the provision to other telecommunications companies of telecommunications transmission capacity on our network, as well as from the provision of directory assistance services. Our broadband transport services generated revenues of \$95.0 million in 2001.

We provide transmission capacity to other telecommunications companies on a "take or pay" long-term basis, on an individual circuit basis, or on a month-to-month basis after the initial term of the "take or pay" or individual circuit contract has expired. As of December 31, 2001, we had remaining future long-term contract commitments totaling approximately \$69.2 million. These contracts expire on various dates through 2008 and are expected to generate approximately \$66.7 million in revenues for us through 2006.

Broadband transport services also include commission revenues from the marketing, sale and management of capacity on the portions of our network that are owned by utilities but managed and marketed by us. Negligible incremental costs are associated with these commissions, because we use the same marketing and sales force in servicing the utility-owned portions of the network that we use for the portions we own. Our commission revenues from these arrangements amounted to approximately \$11.3 million for 2001, \$10.2 million for 2000 and \$8.4 million for 1999. See Note 2 to our consolidated financial statements included elsewhere in this report for additional information regarding these commissions.

We have not recorded revenues in our consolidated statements of operations related to fiber swap or other asset swap agreements. In addition, we have not recorded revenue in our consolidated statements of operations related to sales of our fiber optic cables or related equipment.

The rates we charge to other telecommunication companies for our broadband transport services continued to decline in 2001. The negative impact on our revenues of the decline in rates was partially offset by an increase in the services used by our customers. We expect that we will continue to experience a slight reduction in rates in 2002,

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but will be able partially to mitigate the effects of the reduction by increasing the amount of broadband services we sell.

Operating Expenses

Our principal operating expenses consist of cost of services, selling, operations and administration expenses, and depreciation and amortization.

Cost of Services. We currently provide our retail services by using our network and facilities and by reselling the services of other telephone companies. Cost of services related to our retail services consists primarily of the access charges and local facility charges we are required to pay to other telephone companies when we use a portion of their network or facilities in providing services to our customers, as well as charges we are required to pay to other telephone companies when they originate, terminate or transport messages sent by our customers.

We expect that our cost of providing local service as a percentage of revenue will not increase significantly, if at all, over our 2001 results. Since our initial offering of local service in 1997, we have steadily increased the percentage of local services we provide over our own network and facilities compared to the services we provide by reselling the services of other telephone companies. At December 31, 2001, approximately 81% of the access lines we had in service were provided over our own network and facilities compared to approximately 78% at December 31, 2000 and 57% at December 31, 1999. Providing local services over our network generally reduces the amounts we are required to pay to other telephone companies for the use of their networks and facilities. As a result, our cost of providing local services as a percentage of revenue has decreased since 1997. During 2002, as we initiate sales of local services to smaller businesses primarily through the use of the networks and facilities of other telephone companies, we expect that the percentage of access lines we provide over our network will increase only slightly, if at all. We expect that

our sales to the smaller business customers generally will generate higher gross margins than the off-network services we have historically provided because of favorable wholesale pricing we have obtained from other telephone companies. We expect that the term and volume discounts we negotiated in early 2002 regarding the purchase from the local telephone companies of network elements that we do not own, but use to provide local services, will also contribute to decreases in our cost of providing these services.

Our cost of services also includes charges for labor and inventory sold related to our sale, installation and repair of telephone systems and related equipment.

Cost of services related to our broadband transport services includes substantially all fixed costs attributable to the following:

- . the leasing of unused fiber under long-term operating leases;
- . the leasing of capacity outside our owned or managed network, which we refer to as "off-net capacity," to meet customer requirements for network capacity; and
- . network costs associated with the provision of signaling system 7 services, which allow us to monitor the status of lines and circuits on the network, alert us to events occurring on the network, and transmit routing and destination signals over the network.

Cost of services for e/\deltacom currently consists of third-party contract personnel, direct labor costs and manufacturers' service contracts.

Selling, Operations and Administration Expenses. Selling, operations and administration expenses consist of expenses of selling and marketing, field personnel engaged in direct network maintenance and monitoring, customer service and corporate administration.

Depreciation and Amortization. Depreciation and amortization include depreciation of our telecommunications network and equipment and amortization of goodwill and other intangible assets related to acquisitions, primarily the acquisition of DeltaCom, Inc. in 1996, our acquisition of AvData Systems, Inc. in 1999 and our acquisition of Bay Data Consultants, Inc. in 2000. In September 2001, we wrote off all of the goodwill recorded as a result of the AvData Systems and Bay Data Consultants transactions. For more information about our amortization expense, see Notes 4 and 9 to our consolidated financial statements included elsewhere in this report.

As we expand our revenue base and purchase new equipment and facilities, we expect cost of services, selling, operations and administration expenses and depreciation and amortization to increase. Accordingly, we expect to continue to incur operating losses at least through the end of 2003. Although we anticipate that we will generate positive cash flows from operations by the first quarter of 2003, we expect that cash flows from operations will be more than offset by capital expenditures at least through part, if not all, of 2003 as we continue to implement our business plan.

Other Information About Our Business

The following table presents, as of the dates indicated, additional information about our operations and business. The data presented, except branch office, colocation and switch data, are rounded to the nearest whole number.

<TABLE>
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	December 31, 2001	September 30, 2001	June 30, 2001	March 31, 2001	December 31, 2000
<S>	<C>	<C>	<C>	<C>	<C>
Branch offices	35	35	37	37	37
Business customers served-retail services (1)	15,400	14,720	14,420	14,100	13,700
Route miles	9,980	9,980	9,840	9,730	9,640
Colocations	177	177	177	177	176
Voice switches	12	12	13	13	13
ATM switches	10	10	10	10	10
Frame relay switches	17	17	17	17	17
Unisphere SMX-2100 switches	42	41	39	37	37
Passport switches	53	53	53	42	36
Number of employees	2,030	1,960	2,360	2,300	2,445
Lines sold cumulative (2)	297,600	287,300	260,500	309,500	303,700
Lines installed cumulative	278,650	275,600	242,400	282,900	226,650
Lines installed/lines sold percentage	94%	96%	93%	91%	75%

</TABLE>

 (1) Reflects the combination of multiple accounts of some customers into a single customer account.

(2) Net of lines disconnected or canceled.

We generally provide our services to the following two types of customers: (1) ultimate end-users that purchase our services on a retail basis; and (2) other communications companies that purchase our services on a wholesale basis in connection with their provision of services to their customers. The following tables present information about our revenues generated by our retail customers and wholesale customers and about telephone access lines installed for and sold to each type of customer. The following tables do not present results of our retail services, broadband transport services or e/deltacom business segments, which are included below under "-Results of Operations." The dollar amounts are shown in thousands.

	Year Ended December 31,		
	2001	2000	1999
Revenues generated by retail customers:(1)			
Local(2)	\$ 83,931	\$ 54,764	\$ 29,185
Long distance(2)	64,268	70,189	72,523
Enhanced data(2)(3)	44,800	29,383	22,534

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	Year Ended December 31,		
	2001	2000	1999
Total integrated telecom	192,999	154,336	124,242
Equipment and other(2)(3)	49,911	52,278	21,460
Total retail revenues	\$242,910	\$206,614	\$145,702

	Year Ended December 31,		
	2001	2000	1999
Revenues generated by wholesale customers:(1)			
Broadband transport(4)	\$ 95,034	\$ 83,336	\$ 72,853
Local/interconnection(2)	55,101	36,363	6,578
Long distance and data(2)	16,855	17,401	14,977
Other(2)	3,939	3,834	4,734
Total wholesale revenues	\$170,929	\$140,934	\$ 99,142

<TABLE>
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	As of December 31,		
	2001	2000	1999
<S>	<C>	<C>	<C>
Lines sold to retail customers(5)	143,724	102,228	67,884
Lines sold to wholesale customers(5)	153,887	201,457	60,306
Total lines sold(5)	297,611	303,685	128,190
Lines installed for retail customers	136,761	93,484	60,780
Lines installed for wholesale customers.....	141,904	133,193	40,756
Total lines installed	278,665	226,677	101,536
Lines installed/sold percentage:			
Retail customers	95%	91%	90%
Wholesale customers	92%	66%	68%

</TABLE>

 (1) Excludes payments for prior-period interconnection agreement settlements.

(2) Reported as revenues of our retail services segment.

(3) Reported as revenues of our e/deltacom segment.

(4) Reported as revenues of our broadband transport services segment.

(5) Reported net of disconnects and cancellations.

Results of Operations

The following tables present, for the periods indicated, selected statements of operations data in dollars and as a percentage of revenues for our retail services, broadband transport services and e/deltacom segments. The dollar amounts are shown in thousands.

<TABLE>

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	Retail Services Year Ended December 31,					
	2001	%	2000	%	1999	%
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Operating revenues	\$305,074	100%	\$269,947	100%	\$171,991	100%
Cost of services	163,729	53	138,850	51	107,950	63
Inventory write-down	1,663	1	--	--	--	--
Gross margin	139,682	46	131,097	49	64,041	37
Selling, operations and administration ..	125,293	41	101,743	38	72,703	42
Depreciation and amortization	60,476	20	45,164	17	24,871	14

</TABLE>

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<TABLE>

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	Retail Services Year Ended December 31,					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Special charges	29,358	10	--	--	--	--
Total operating expenses	215,127	71	146,907	55	97,574	56
Operating loss	\$(75,445)	(25)	\$(15,810)	(6)	\$(33,533)	(19)
EBITDA, as adjusted	\$(14,969)	(5)	\$ 29,354	11	\$ (8,662)	(5)

</TABLE>

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	Broadband Transport Services Year Ended December 31,					
	2001	%	2000	%	1999	%
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Operating revenues.....	\$95,034	100%	\$83,336	100%	\$72,853	100%
Cost of services.....	11,203	12	9,387	11	10,771	15
Gross margin.....	83,831	88	73,949	89	62,082	85
Selling, operations and administration...	33,979	36	32,986	40	24,151	33
Depreciation and amortization.....	49,091	51	37,930	45	28,857	40
Special charges.....	55	--	--	--	--	--
Total operating expenses.....	83,125	87	70,916	85	53,008	73
Operating income.....	\$ 706	1	\$ 3,033	4	\$ 9,074	12
EBITDA, as adjusted.....	\$49,797	52	\$40,963	49	\$37,931	52

</TABLE>

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	e/deltacom Year Ended December 31,					
	2001	%	2000	%	1999	%
<S>	<C>	<C>	<C>	<C>	<C>	<C>

Operating revenues	\$ 15,231	100%	\$ 10,365	100%	--	--
Cost of services	11,189	73	6,763	65	--	--
	-----		-----			
Gross margin	4,042	27	3,602	35	--	--
	-----		-----			
Selling, operations and administration ..	29,440	193	16,321	158	--	--
Depreciation and amortization	9,289	61	3,343	32	--	--
Special charges	45,024	296	--	--	--	--
	-----		-----			
Total operating expenses	83,753	550	19,664	190	--	--
	-----		-----			
Operating loss	\$(79,711)	(523)	\$(16,062)	(155)	--	--
	=====		=====			
EBITDA, as adjusted	\$(70,422)	(462)	\$(12,719)	(123)	--	--
	=====		=====			

</TABLE>

Year Ended December 31, 2001 Compared with Year Ended December 31, 2000

Operating Revenues. Total operating revenues increased \$51.7 million, or 14.2%, from \$363.6 million for 2000 to \$415.3 million for 2001.

Revenues from our retail services increased \$35.1 million, or 13.0%, from \$269.9 million for 2000 to \$305.1 million for 2001. The change in these revenues was primarily attributable to the following factors:

- . an increase of \$37.6 million in revenues generated by our local telephone services and local dial-up services provided to Internet service providers, which were affected by an increase in the average number of installed lines;
- . an increase of \$10.3 million in revenues generated by our sales of enhanced data and Internet access services, which resulted primarily from an increase of 27.1% in our revenues from sales of private line services and an increase of 168.2% in our revenues from sales of Internet access services;
- . an increase of \$11.4 million in access-related revenues, which resulted from an increase in the minutes used;

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- . a decrease of \$6.3 million in our long distance revenues, which was attributable to a 19.3% decrease in the average rate we charge per minute and was partially offset by an 13.0% increase in average actual minutes used;
- . a decrease of \$15.4 million in our reciprocal compensation revenues, which reflected a decrease of \$14.6 million in one-time net benefits for interconnection agreement settlements recognized in 2000 compared to 2001 and a 75.6% decrease in the average rate per minute charged for such service, the effect of which decreases was partially offset by an increase of 85.1% in average actual minutes used; and
- . a decrease of \$1.5 million in the nonrecurring sales of equipment and software as a result of reduced demand.

We expect continued growth in 2002 in our retail services revenues as we continue to sell additional local, data and Internet services, especially through our T-1-based products, and as our long distance revenues stabilize. We do not expect significant, if any, growth in our nonrecurring sales of telephone systems, software and related equipment.

Revenues from our broadband transport services increased \$11.7 million, or 14.0%, from \$83.3 million for 2000 to \$95.0 million for 2001. The change in these revenues was primarily attributable to the following factors:

- . an increase of \$8.5 million in revenues generated using our owned and operated network, which resulted primarily from a 66.9% increase in the average capacity of our fiber optic transmission facilities and was partially offset by a 28.7% decrease in the average rate we charge;
- . an increase of \$1.1 million in commissions we generate from the management and marketing of transmission services provided by other communications services; and
- . an increase of \$2.1 million in revenues we generate from providing directory and operator assistance, which was primarily attributable to an increase in the number of calls served.

We expect that revenues from our broadband transport services will not experience any growth, and may decline slightly, during 2002. We will reduce the amount of capital we invest in this segment and expect that the broadband transport business generally will experience less favorable market conditions.

Our e/deltacom segment began generating revenue in May 2000. Revenues from our e/deltacom segment were \$15.2 million in 2001 and \$10.4 million in 2000. We derived these revenues primarily from professional services, including the sale of maintenance and related services and, to a lesser extent, from our provision of secure space for servers and other computer equipment and Internet connections.

No single customer of our retail services, broadband transport services or e/deltacom services segments represented over 10% of our total operating revenues for 2001.

Cost of Services. Total cost of services increased \$31.1 million from \$155.0 million for 2000 to \$186.1 million for 2001.

Cost of services for our retail services increased \$24.9 million from \$138.8 million for 2000 to \$163.7 million for 2001. Cost of services as a percentage of revenues from our retail services increased to 53% for 2001 from 51% for 2000. The increase in our cost of services as a percentage of revenues for 2001 was primarily attributable to our recognition during 2000 of an additional \$14.6 million in one-time revenues from prior-period interconnection agreement settlements, which had little, if any, associated costs. The increase in cost of services also reflected an increase of \$45.4 million, or 62.9%, in costs associated with the sale of facilities-based services, which became a significantly greater component of our retail services in 2001 as a result of our increased use of our network, including an increase of 76.9% in our facilities-based local exchange costs and an increase of 47.6% in our facilities-based long distance costs. This increase was partially offset by the following:

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- . a decrease of \$3.3 million, or 8.3%, in our costs to use the networks of other carriers to provide long distance services, which resulted primarily from rate decreases;
- . a decrease of \$15.1 million, or 56.3%, in our costs to provide local services as a result of the decrease in the amount of resale services we purchased; and
- . a decrease of \$1.9 million, or 23.8%, in our costs to provide satellite services, which resulted primarily from decreased demand.

Inventory Write-Down. During 2001, we incurred a charge for the write-down of approximately \$1.7 million of inventory of telephone systems and related equipment used to provide retail services as the result of a decline in demand for this equipment. See Note 9 to our consolidated financial statements included elsewhere in this report for additional information about this inventory write-down.

Selling, Operations and Administration Expenses. Total selling, operations and administration expenses increased \$37.4 million from \$151.1 million, or 42% of revenue, for 2000 to \$188.7 million, or 45% of revenue, for 2001.

Selling, operations and administration expenses attributable to our retail services increased \$23.6 million from \$101.7 million, or 38% of revenue, for 2000 to \$125.3 million, or 41% of revenue, for 2001. These increases were primarily attributable to the following factors:

- . an increase of \$17.6 million in sales, other personnel and related expenses related to an increase in average number of employees;
- . an increase of \$4.8 million in maintenance and related costs, which resulted primarily from an increase in the number of switch sites;
- . an increase of \$2.9 million in taxes and insurance, and in consulting and associated expenses, which was related primarily to an increase in our property, plant and equipment; and
- . \$4.8 million in employee severance and occupancy costs we incurred in connection with our restructuring in September 2001.

The increases were partially offset by a decrease of \$1.2 million in occupancy-related expenses as a result of office closures and a decrease of \$4.9 million in costs of information systems and research and development activity.

Selling, operations and administration expenses attributable to our

broadband transport services increased \$1.0 million from \$33.0 million, or 40% of revenue, for 2000 to \$34.0 million, or 36% of revenue, for 2001. This increase resulted primarily from increases in bad debt expense, taxes and licenses, and maintenance expenses.

Selling, operations and administration expenses attributable to our e/deltacom segment increased \$13.1 million from \$16.3 million, or 158% of revenue, for 2000 to \$29.4 million, or 193% of revenue, for 2001. These increases primarily related to the realization of a full year of expenses for 2001 compared to a partial year of expenses for 2000.

Depreciation and Amortization. Total depreciation and amortization increased \$32.4 million from \$86.5 million for 2000 to \$118.9 million for 2001. Of the increase, our retail services accounted for \$15.3 million, our broadband transport services accounted for \$11.2 million and our e/deltacom business accounted for \$5.9 million. The increase attributable to retail services was primarily related to a full year of depreciation on new central office and telecommunications equipment added to our network during 2000 and to depreciation of telecommunications

equipment added to our network during 2001. The increase attributable to broadband transport services primarily reflected a full year of depreciation on fiber and telecommunications equipment installed in 2000 and to depreciation on fiber and telecommunications equipment installed in 2001. The increase attributable to e/deltacom primarily related to a full year of depreciation on the data center we placed in service in 2000 and to depreciation on our data center and other equipment we installed in 2001. We expect depreciation and amortization to increase in 2002 as we add equipment to our network and realize a full year of depreciation on equipment installed in 2001.

Special Charges. Total special charges were \$74.4 million in 2001. We did not incur similar special charges in 2000. The special charges we incurred in 2001 were as follows (in thousands):

<TABLE>
<CAPTION>

	Broadband Transport Services	Retail Services	e/deltacom
<S>	<C>	<C>	<C>
Impaired property and equipment	\$55	\$ 1,793	\$21,174
Impaired goodwill and other intangible assets	--	27,565	23,850
Total	\$55	\$29,358	\$45,024
	===	=====	=====

</TABLE>

The special charges were incurred in connection with our restructuring in September 2001, which included the evaluation and subsequent write-down of some assets to their respective values. See Note 9 to our consolidated financial statements included elsewhere in this report for additional information on these special charges.

Interest Expense. Total interest expense increased \$3.3 million from \$55.5 million for 2000 to \$58.8 million for 2001. The increase was primarily attributable to an increase in our average outstanding debt balances as a result of our drawdown in April 2000 of \$160 million in borrowings under our senior secured credit facility and our closing in December 2000 on \$28.5 million of capital lease financing.

Interest Income. Total interest income from the temporary investment of available cash balances decreased \$12.7 million from \$14.8 million for 2000 to \$2.1 million for 2001.

Other Income (Expense). In connection with the mark-to-market of an interest rate swap, we recognized expense of approximately \$632,000 for 2001 and \$426,000 for 2000.

EBITDA, as adjusted. Total EBITDA, as adjusted, decreased \$93.2 million from \$57.6 million for 2000 to \$(35.6) million for 2001. EBITDA, as adjusted, net of restructuring charges, inventory write-down, special charges and prior-period amounts for interconnection agreement settlements, was \$45.3 million for 2001 and \$41.5 million for 2000.

EBITDA, as adjusted, attributable to our retail services for 2001 was \$(15.0) million, which represented a decrease of \$44.4 million from EDITDA, as adjusted, of \$29.4 million for 2000. Net of restructuring charges, inventory

write-down, special charges and prior-period amounts for interconnection agreement settlements, EBITDA, as adjusted, attributable to our retail services was \$18.6 million for 2001. The decrease in EBITDA, as adjusted, for our retail services was primarily attributable to the following factors:

- . a \$1.7 million write-down of telephone systems and related equipment inventory;
- . a \$14.6 decrease in prior-period amounts for interconnection agreement settlements, which had resulted primarily from settlements of reciprocal compensation issues; and
- . a \$29.4 million write-down of impaired property and equipment and goodwill and other intangible assets.

EBITDA, as adjusted, attributable to our broadband transport services increased \$8.8 million to \$49.8 million for 2001 from \$41.0 million for 2000. This increase was primarily attributable to a 66.9%

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increase in the average efficiency of our fiber optic facilities providing transmission services, which allowed us to provide more capacity over existing lines. The effects of the increase were partially offset by a 28.7% decrease in the average rates we charge for our broadband transport services.

EBITDA, as adjusted, attributable to our e/\deltacom segment decreased \$57.7 million to \$(70.4) million for 2001 from \$(12.7) million for 2000. The effects of this decrease were primarily attributable to the following factors:

- . a \$45.0 million decrease resulting from the write-down of impaired property and equipment and goodwill and other intangible assets;
- . a \$1.3 million decrease resulting from the sale of lower-margin products;
- . a \$3.1 million decrease resulting from an increase in the cost of equipment and services incurred to support increased sales; and
- . a \$5.4 decrease resulting from increased selling, operations and administration expenses attributable to increased operating costs for the e/\deltacom data center and \$2.1 million relating to the restructuring in September 2001.

Year Ended December 31, 2000 Compared with Year Ended December 31, 1999

Operating Revenues. Total operating revenues increased \$118.8 million, or 48.5%, from \$244.8 million for 1999 to \$363.6 million for 2000.

Revenues from our retail services increased \$97.9 million, or 56.9%, from \$172.0 million for 1999 to \$269.9 million for 2000. The increase was primarily attributable to the following factors:

- . an increase of \$67.8 million in revenues, excluding the effects of one-time net benefits from prior-period amounts of interconnection agreements, generated by our local, data and Internet products, which accounted for 42% of total operating revenues compared to 26% of total operating revenues in 1999;
- . receipt of a one-time net benefit of approximately \$14.3 million for 2000 related to the prior-period amounts of interconnection agreement settlements with BellSouth and \$1.8 million related to an interconnection agreement settlement with Sprint;
- . an increase of \$14.4 million in nonrecurring revenues from our sales and service of telephone systems and related equipment and sales of computer and related equipment and services, which resulted primarily from an increased demand for such products and services and increased sales resulting from an agency agreement we entered into in May 2000; and
- . continued stability in the rate of revenue loss from former customers from period to period.

The growth of our retail services revenues in 2000 was adversely affected by a continued decrease in the rates per minute of use we charge for the services we price per minute of use, including the rates we charge some of our large customers. The effect of the rate decrease per minute of use we charge our customers was partially offset by an increase in the minutes used by our customers and decreases in our cost of services.

Revenues from our broadband transport services increased \$10.4 million, or 14.3%, from \$72.9 million for 1999 to \$83.3 million for 2000. The increase in these revenues was primarily attributable to an increased demand for bandwidth.

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Revenues from our e/\deltacom segment for 2000 totaled \$10.4 million and were primarily related to \$9.9 million in revenues generated by the sale of professional services, including the sale of maintenance contracts and services.

No single customer of our retail services, broadband transport services or e/\deltacom services segments represented over 10% of our total operating revenues for 2000.

Cost of Services. Total cost of services increased \$36.3 million from \$118.7 million for 1999 to \$155.0 million for 2000.

Cost of services for our retail services increased \$30.9 million from \$107.9 million for 1999 to \$138.8 million for 2000. Cost of services as a percentage of retail services revenues decreased to 51% for 2000 from 63% for 1999. The decrease in our cost of services as a percentage of revenues for 2000 was primarily attributable to the following factors:

- . a continued increase in sales of facilities-based services as a percentage of our total sales;
- . a continued increase in the sales of higher gross margin services, particularly sales of our data services;
- . the continued migration of resale services to the portion of our network and facilities we own and operate; and
- . continued reductions in access costs, primarily access costs we incur for the services we price per minute of use.

Cost of services for our broadband transport services decreased \$1.4 million from \$10.8 million for 1999 to \$9.4 million for 2000. Cost of services as a percentage of revenues from our broadband transport services decreased to 11% for 2000 from 15% for 1999. These decreases were primarily attributable to the continued migration of traffic to the portion of our network and facilities we own and operate and to a reduction in rates we were charged for off-network usage.

Cost of services attributable to our e/\deltacom segment was \$6.8 million, or 65% of revenues, for 2000.

Selling, Operations and Administration Expenses. Total selling, operations and administration expenses increased \$54.2 million from \$96.9 million, or 40% of revenue, for 1999 to \$151.1 million, or 42% of revenue, for 2000.

Selling, operations and administration expenses attributable to our retail services increased \$29.0 million from \$72.7 million, or 42% of revenue, for 1999 to \$101.7 million, or 38% of revenue, for 2000. These increases were primarily attributable to increased costs of \$25.5 million associated with an increase in the number of our employees and \$5.6 million associated with our continued geographic expansion and the further expansion of our service offerings.

Selling, operations and administration expenses attributable to our broadband transport services increased \$8.8 million from \$24.2 million, or 33% of revenue, for 1999 to \$33.0 million, or 40% of revenue, for 2000. This increase resulted primarily from an increase of \$4.0 million in expenses for additional personnel to support the geographic expansion of our network and the development of the infrastructure required to support our Internet protocol-based network backbone, an increase of \$2.7 million related to additional information systems and to increased research and development activity, and an increase of \$962,000 in taxes and licenses relating to additional property and equipment.

Selling, operations and administration expenses attributable to our e/\deltacom segment was \$16.3 million, or 158% of revenue, for 2000.

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Depreciation and Amortization. Total depreciation and amortization increased \$32.7 million from \$53.8 million for 1999 to \$86.5 million for 2000. Of the increase, our retail services accounted for \$20.3 million, our broadband transport services accounted for \$9.1 million and our e/\deltacom business accounted for \$3.3 million. The increase attributable to our retail services was primarily related to a full year of depreciation on new central office equipment

and telecommunications equipment added to our network during 1999 and to depreciation on new central office equipment and other telecommunications equipment added to our network during 2000. The increase attributable to our broadband transport services primarily reflected a full year of depreciation on fiber and telecommunications equipment installed in 1999 and to depreciation on fiber and telecommunications equipment installed in 2000.

Interest Expense. Total interest expense increased \$10.2 million from \$45.3 million for 1999 to \$55.5 million for 2000. The increase in interest expense in 2000 was primarily attributable to an increase in our average outstanding debt balances as a result of our issuance in May 1999 of \$100 million principal amount of convertible subordinated notes and our drawdown in April 2000 of \$160 million of borrowings under our senior secured credit facility.

Interest Income. Total interest income from the temporary investment of available cash balances increased \$600,000 from \$14.2 million for 1999 to \$14.8 million for 2000.

Other Income (Expense). In connection with the mark-to-market of an interest rate swap, we recognized expense of approximately \$426,000 for 2000 and income of approximately \$754,000 for 1999.

Extraordinary Item. We incurred an extraordinary loss of \$1.3 million during 2000 as a result of the write-off of debt-issuance costs related to the early termination of our \$50 million revolving credit facility. We did not borrow any amounts under this credit facility.

EBITDA, as adjusted. Total EBITDA, as adjusted, increased \$28.3 million from \$29.3 million for 1999 to \$57.6 million for 2000. EBITDA, as adjusted, net of prior-period amounts for our interconnection agreement settlements, was \$41.5 million for 2000.

EBITDA, as adjusted, attributable to our retail services for 2000 was \$29.4 million, which represented an increase of \$38.1 million from EBITDA, as adjusted, of \$(8.7) million for 1999. Net of prior-period amounts for our interconnection agreement settlements, EBITDA, as adjusted, attributable to retail services was \$13.3 million for 2000. The increase in EBITDA, as adjusted, for our retail services was primarily attributable to the following factors:

- . an increase of \$20.5 million related to continued growth in sales of higher gross margin services, especially our data services, and increased cost efficiencies resulting from the continued migration of customers from our resale services to services we provide over the portion of our network we own and operate;
- . maturation of older markets; and
- . the recognition of \$16.1 million in nonrecurring revenue from prior-period interconnection agreement settlements.

EBITDA, as adjusted, attributable to our broadband transport services increased \$3.1 million to \$41.0 million for 2000 from \$37.9 million for 1999. The effects of this increase, which was primarily attributable to the increasing demand for bandwidth, were partially offset by the competitive pricing of our broadband transport services.

EBITDA, as adjusted, attributable to our e/\deltacom segment was \$(12.7) million for 2000.

Liquidity and Capital Resources

Our current liquidity is insufficient to cover our operating expenses and capital needs and jeopardizes our ability to continue as a going concern. As of February 28, 2002, we had \$31.1 million of cash and cash equivalents. If we are unable to obtain additional funds under our outstanding equity financing commitment or from other sources, or if we are unable to complete one of the potential restructuring alternatives described below, we estimate that our cash flows from operations and our other available sources of funds will be sufficient to enable us to conduct our business and to service our indebtedness only through August 2002.

We are actively considering various alternatives to alleviate the significant constraints on our liquidity. We have engaged a financial adviser to assist us in our evaluation of potential alternatives. These alternatives include seeking to raise additional equity capital and/or pursuing an exchange offer whereby we would make an offer to holders of our outstanding public notes to exchange the notes for new debt or equity securities or for a combination of cash and securities. There can be no assurance that we will successfully raise additional capital or that an exchange offer on terms acceptable to us can be

implemented and accepted by our existing noteholders. To conserve cash while we seek to complete one of these alternatives, we plan to further reduce our capital expenditures and operating expenses. Our ability to continue as a going concern is contingent upon our success in achieving a significant improvement in our liquidity position by August 2002 through one or more of these alternatives.

We depend on BellSouth for the provision of wholesale telecommunications services under our interconnection agreements with BellSouth and pursuant to various access tariffs which BellSouth has filed with federal and state regulatory agencies. By letter dated March 8, 2002, BellSouth had requested that we provide a \$10 million security deposit by March 29, 2002 in connection with BellSouth's provision of services to us. We are contesting both the requirement for, and the amount of, the requested deposit. If we are unsuccessful in either eliminating or substantially reducing the amount of the requested security deposit, our cash reserves may be insufficient to fund the deposit, which could have a material adverse affect on our ability to provide services to our customers.

Some of our customers, especially government entities, require that we obtain surety bonds as a condition to our provision of service to them. In February 2002, because of our financial condition, our surety cancelled all outstanding surety bonds that contained cancellation clauses. At the time the surety bonds were cancelled, our surety bond portfolio had a face value of approximately \$1.9 million in outstanding obligations, of which approximately \$1.2 million were cancelled. As of March 29, 2002, these bonds had not been replaced. The surety plans to cancel all remaining bonds that may be cancelled upon renewal as they renew. These bonds renew at various dates in 2002 and have a face value of \$405,000. The remaining bonds, valued at \$282,000, are noncancellable, unless we no longer need them or we do not perform our obligations under the bonds. The surety also refuses to underwrite any new surety bonds unless we provide 100% collateral for such bonds. We are actively working with the existing obligees of the bonds to provide the security they require, and another surety has offered to underwrite new bonds or replace cancelled bonds for us if we provide 100% collateral for each bond. Our inability to provide surety bonds to replace the cancelled surety bonds or issue new surety bonds will have an adverse impact on our ability to provide service to some customers, especially government entities or other entities that generally require surety bonds. In addition, the necessity to provide 100% collateral for any bond issued may have an adverse impact on the funds available for capital expenditures or other uses if we choose to purchase the surety bond and provide the collateral. To maintain our existing surety obligations would require approximately \$1.6 million of available funds and, depending on the perception of our financial condition, could increase the demand on us for additional surety bonds and therefore further restrict our available funds.

We are subject to restrictions under the indentures pursuant to which we issued our publicly traded senior notes, under our \$160 million senior secured credit facility and under our \$40 million capital lease facility. These restrictions affect and, in some cases, significantly limit or prohibit, among other things, our ability to incur additional indebtedness. In order to incur additional indebtedness under the foregoing agreements, we must meet minimum specified leverage and interest coverage ratios based on our operating cash flow. As of February 28, 2002, we had not met, and we do not expect that we will be able to meet in the foreseeable future, the measurement criteria under these ratios that would allow us to incur additional indebtedness.

We are currently assessing the conditions to funding under the outstanding \$150 million equity financing commitment made by ITC Holding Company, Inc., SCANA Corporation and HBK Master Fund L.P. to determine whether we would be able to obtain additional funds from this source. Through the date of this report, we have obtained gross proceeds of \$70 million from sales to these investors of the Series B preferred stock and common stock purchase warrants described below. The purchase commitments of these investors pursuant to our investment agreement will expire on June 20, 2002. Our ability to acquire additional funds in the equity financing is subject to our compliance with conditions that include a requirement that, immediately after each closing, no purchaser of our Series B preferred stock (with specified exceptions), together with all other members, if any, of the same group for federal securities law purposes, beneficially own more than 30% of the total voting power of our voting securities, as calculated under change of control provisions in our debt agreements. As a result of this requirement, among others, we cannot provide any assurance that we will be able to obtain additional funds under the investment agreement in an amount that would provide us with significant liquidity.

During 2001, we funded our operating and capital requirements and other cash needs principally through cash from operations, cash on hand, proceeds from our sale of Series B preferred stock, and capital lease financing. In the latter half of 2001, in large part to address our liquidity constraints, we restructured some of our business operations, reduced our workforce, reduced our

planned capital expenditures and implemented other cost-cutting measures.

We (used) generated net cash from operating activities of \$(10.5) million in 2001, \$45.9 million in 2000 and \$(5.3) million in 1999. Changes in working capital were \$2.8 million in 2001, \$27.3 million in 2000 and \$(6.4) million in 1999.

- . The change in 2001 was primarily attributable to a decrease in accounts receivable and other current assets, and an increase in accrued compensation and other accrued liabilities, the effect of which was partially offset by a decrease in accounts payable, accrued interest and unearned revenue. The decrease in unearned revenue primarily resulted from a decrease from \$24 million for 2001 to \$17.6 million for 2002 in the amount prepaid by BellSouth for reciprocal compensation.
- . The change in 2000 was primarily attributable to an increase in accounts payable, accrued interest, unearned revenue, accrued compensation and other accrued liabilities, the effect of which was partially offset by an increase in accounts receivable. The increase in unearned revenue was primarily related to a \$24 million prepayment by BellSouth for forecasted reciprocal compensation during 2001.
- . The change in 1999 was primarily attributable to an increase in accounts receivable and other current assets, the effect of which was partially offset by an increase in accounts payable, unearned revenue, accrued compensation and other accrued liabilities.

Cash used for investing activities was \$154.8 million in 2001, \$305.2 million in 2000 and \$150.0 million in 1999. The cash used in these years was primarily applied to fund capital expenditures.

We made capital expenditures of \$162.0 million in 2001, \$309.8 million in 2000 and \$165.5 million in 1999.

- . Of the \$162.0 million of capital expenditures in 2001, \$61.2 million related to our retail services segment, \$44.3 million related to our broadband transport services segment and \$56.5 million related to our e/deltacom segment.
- . Of the \$309.8 million of capital expenditures in 2000, \$131.1 million related to our retail services segment, \$121.6 million related to our broadband transport services segment and \$57.1 million related to our e/deltacom segment.
- . Of the \$165.5 million of capital expenditures in 1999, \$98.7 million related to our retail services segment and \$66.8 million related to our broadband transport services segment.

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Cash provided by financing activities was \$65.2 million in 2001, \$152.0 million in 2000 and \$219.6 million in 1999.

- . Net cash provided by financing activities in 2001 consisted primarily of net proceeds of \$67.2 million from the issuance of our Series B-1 preferred stock and Series B-2 preferred stock and of \$1.1 million from the exercise of options to purchase common stock, reduced by a net repayment of other long-term debt and capital lease obligations of \$2.4 million.
- . Net cash provided by financing activities in 2000 consisted primarily of net proceeds of \$157.4 million from our \$160 million senior secured credit facility, of which \$7.0 million was restricted for capital expenditures at December 31, 2000, and \$3.1 million from the exercise of options to purchase common stock, reduced by \$1.5 million from the net repayment of other long-term debt and capital lease obligations.
- . Net cash provided by financing activities in 1999 consisted primarily of net proceeds of \$97.0 million from the sale of our 4 1/2% convertible subordinated notes, \$120.9 million from the sale of common stock in a public offering and \$2.7 million from the exercise of options to purchase common stock, reduced by \$1.1 million from the net repayment of other long-term debt and capital lease obligations.

We have various contractual obligations and commercial commitments. These obligations and commitments are more fully described in Notes 5 and 10 to our consolidated financial statements included elsewhere in this report. The following table sets forth, in thousands, the annual payments, exclusive of interest payments, we are required to make under contractual cash obligations and other commercial commitments at December 31, 2001 (in thousands):

<TABLE>
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	Payments Due by Period				
	Total	2002	2003-2004	2005-2006	After 2006
<S>	<C>	<C>	<C>	<C>	<C>
Long-term debt - Notes	\$515,000	\$ --	\$ --	\$100,000	\$415,000
Long-term debt - Credit facility	157,200	1,600	3,200	40,200	112,200
Capital lease obligations	71,278	9,709	29,675	18,129	13,765
Operating leases	67,357	13,281	22,770	14,927	16,379
Unconditional purchase obligations ..	8,771	8,771	--	--	--
Totals	\$819,606	\$33,361	\$55,645	\$173,256	\$557,344

</TABLE>

We do not have off-balance sheet financing arrangements other than our operating leases. See Note 5 to our consolidated financial statements included elsewhere in this report for additional information regarding our financing arrangements.

In November 2000, we entered a purchase agreement with Nortel Networks, Inc. for the purchase of telecommunications equipment and services. The agreement provides that we will receive specified volume discounts if we purchase at least \$250 million of equipment and services from Nortel Networks between November 1, 1999 and December 31, 2002. If we do not purchase at least \$250 million of equipment and services, we will be required to pay Nortel Networks an amount equal to 3% of the difference between \$250 million and the amount of equipment we purchase. If we purchase equipment in excess of the original \$250 million commitment amount, we may be able to obtain additional volume discounts based on additional purchase thresholds. As of December 31, 2001, we had purchased \$113.1 million of equipment under the Nortel Networks purchase agreement.

On June 20, 2001, we issued 30,000 shares of Series B-1 cumulative convertible preferred stock with a redemption value of \$30 million, yielding proceeds, net of issuance costs, of approximately \$27.4 million. The Series B-1 preferred stock is convertible into common stock at any time and from time to time at an initial conversion price of \$5.70 per share of common stock. As part of the issuance of the Series B-1 preferred stock, we issued warrants to purchase an aggregate of 1,578,948 shares of common stock at an initial exercise price of \$5.70 per share of common stock. The initial conversion price of the Series B-1 preferred stock and the initial exercise price of the warrants are subject to adjustment in specified circumstances. The warrants are exercisable at any time

and from time to time for a period of ten years from the date of issuance. The Series B-1 preferred stock will be subject to mandatory redemption by us on June 20, 2011.

On September 5, 2001, we issued 40,000 shares of Series B-2 cumulative convertible preferred stock with a redemption value of \$40 million, yielding proceeds, net of issuance costs, of approximately \$39.8 million. The Series B-2 preferred stock is convertible into common stock at any time and from time to time at an initial conversion price of \$2.56 per share of common stock. As part of the issuance of the Series B-2 preferred stock, we issued warrants to purchase an aggregate of 4,687,500 shares of common stock at an initial exercise price of \$2.56 per share of common stock. The initial conversion price of the Series B-2 preferred stock and the initial exercise price of the warrants are subject to adjustment in specified circumstances. The warrants are exercisable at any time and from time to time for a period of ten years from the date of issuance. The Series B-2 preferred stock will be subject to mandatory redemption by us on September 5, 2011.

At December 31, 2001, we had entered into agreements with vendors to purchase approximately \$8.8 million of property, plant and equipment and services in 2002 related primarily to the improvement and installation of telecommunications facilities and information technology equipment and services. In 2001, we made net capital expenditures of approximately \$162.0 million. We currently estimate that our aggregate capital requirements for 2002 will total approximately \$50.0 million to \$65.0 million, including the \$8.8 million in commitments as of December 31, 2001.

We currently plan that capital expenditures in 2002 will be primarily for the following:

- . continued addition of telecommunications equipment in connection with

our local and data telecommunications services; and

infrastructure enhancements, principally for information systems.

The actual amount and timing of our capital requirements may differ materially from the foregoing estimate as a result of regulatory, technological, economic and competitive developments, including market developments and new opportunities, or in the event we decide to make acquisitions or enter into joint ventures or strategic alliances, in our industry. To conserve cash while we seek to complete a potential restructuring to alleviate the significant constraints on our liquidity, we plan to further restrict our capital expenditures. Such a reduction could have a material negative effect on our expected revenue growth.

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Effects of New Accounting Standards

Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and for Hedging Activities," establishes accounting and reporting standards that require every derivative instrument, including certain derivative instruments embedded in other contracts, to be recorded in the balance sheet as either an asset or a liability equal to the fair value of the derivative instrument. SFAS No. 133 requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the income statement and requires that a company formally document, designate and assess the effectiveness of transactions that receive hedge accounting. SFAS No. 133 was originally effective for fiscal years beginning after June 15, 1999. SFAS No. 133 may not be applied retroactively. SFAS No. 133 must be applied to derivative instruments and certain derivative instruments embedded in hybrid contracts that were issued, acquired or substantively modified after December 31, 1997. In June 1999, the Financial Accounting Standards Board issued SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities-Deferral of the Effective Date of FASB Statement No. 133," and in June 2000, the FASB issued SFAS No. 138, "Accounting for Certain Derivatives and Certain Hedging Activities-an Amendment to SFAS No. 133." SFAS No. 137 amends SFAS No. 133 to be effective for all fiscal years beginning after June 15, 2000 or, for companies having a fiscal year which is a calendar year, on January 1, 2001. We adopted SFAS Nos. 133, 137 and 138 for the fiscal year beginning January 1, 2001, with no material effect on our consolidated financial statements.

SFAS No. 142, "Goodwill and Other Intangible Assets," establishes accounting and reporting standards for goodwill and other intangible assets. SFAS No. 142 requires that amortization of goodwill cease on January 1, 2002 and that goodwill be assessed for impairment at least annually by applying a fair value-based test. If the fair value of the goodwill is less than the amount of goodwill recorded in the financial statements, then the goodwill is to be reduced in the financial statements to the fair value. In addition, SFAS No. 142 requires that intangible assets be separately recognized in the financial statements if the benefit of the intangible asset is obtained through contractual or other legal rights, or if the intangible asset can be sold, transferred, licensed, rented or exchanged, regardless of the acquirer's intent to do so. We recorded amortization expense related to goodwill for the year ended December 31, 2001 of \$5.1 million. We adopted SFAS No. 142 on January 1, 2002, upon which we ceased amortization of goodwill. We expect to complete our initial review by June 30, 2002. Until we complete the review, we will not be able to determine the amount of impairment loss, if any.

SFAS No. 143, "Accounting for Asset Retirement Obligations," was issued in June 2001. SFAS No. 143 applies to legal obligations associated with the retirement of certain tangible long-lived assets. This statement is effective for fiscal years beginning after June 15, 2002. Accordingly, we will adopt this statement on January 1, 2003. We believe the adoption of SFAS No. 143 will not have a material impact on our consolidated financial statements.

SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," was issued in August 2001. It supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," and the accounting and reporting provisions of Accounting Principles Board Opinion No. 30, "Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions," for the disposal of a segment of a business. SFAS No. 144 also amended Accounting Research Bulletin No. 51, "Consolidated Financial Statements," to eliminate the exception to consolidation for a subsidiary for which control is likely to be temporary. SFAS No. 144 is effective for fiscal years beginning after December 15, 2001, and interim periods within those fiscal years. We adopted SFAS No. 144 on January 1, 2002, and are currently evaluating the impact of its adoption on our consolidated financial statements.

Inflation

Inflation did not have a significant impact on our consolidated operations in any of the three years ended December 31, 2001.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk.

We are exposed to minimal market risks. We manage the sensitivity of our results of operations to these risks by maintaining an investment portfolio consisting primarily of short-term, interest-bearing securities and by entering into long-term debt obligations with appropriate pricing and terms. We do not hold or issue derivative, derivative commodity or other financial instruments for trading purposes. We do not have any material foreign currency exposure.

Our major market risk exposure is to changing interest rates on borrowings we use to fund our business, including \$157.2 million of borrowings outstanding under our senior secured credit facility as of December 31, 2001. Interest is payable on our senior secured credit facility at our option at either 1.875% plus a base rate, which was 6.0% at December 31, 2001, or 2.875% plus the Eurodollar rate, which was 2.6% at December 31, 2001. The interest rates that we are able to obtain on our debt financing depend on current market conditions. We are also exposed to fair value risk related to our fixed-rate, long-term debt. As of December 31, 2001, the principal amount of our fixed-rate, long-term debt and capital lease obligations totaled \$566.7 million. The fair value of our fixed-rate, long-term debt totaled \$183.8 million at December 31, 2001.

Our policy is to manage interest rates through a combination of fixed-rate and variable-rate debt and through the use of interest rate swap contracts to manage our exposure to fluctuations in interest rates on our variable-rate debt. At December 31, 2001, \$157.2 million of our long-term debt consisted of variable-rate instruments that accrue interest at floating rates. A change of one percentage point in the interest rate applicable to our \$157.2 million of variable-rate debt at December 31, 2001 would result in a fluctuation of approximately \$1.6 million in our annual interest expense.

Item 8. Financial Statements and Supplementary Data.

Our consolidated financial statements listed in Item 14 are filed as part of this report and appear on pages F-2 through F-31.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

PART III

Item 10. Directors and Executive Officers of the Registrant.

Non-Employee Directors

The following presents information about our directors who are not executive officers:

James H. Black, Jr. has served on our board of directors since 1999. Mr. Black has worked independently as an entrepreneur and consultant since July 2000. Mr. Black was Senior Vice President of ITC/DeltaCom from July 1999 through July 2000. He was Chairman and Chief Executive Officer of AvData Systems, Inc., a provider of wide area data networks, from 1990 until that company was acquired by ITC/DeltaCom in July 1999. Mr. Black serves as a director of several privately held corporations including Learn.net, Inc., Air Quality Sciences, Inc., an indoor environmental testing and product certification business, and Norelli & Company, a strategic consulting firm.

Donald W. Burton has served on our board of directors since 1997. Mr. Burton has served as the Managing General Partner of South Atlantic Venture Funds since 1983 and as the General Partner of The Burton Partnership, Limited Partnership since 1979. Since 1981, he has served as President of South Atlantic Capital Corporation. Mr. Burton serves as a director of ITC Holding Company, an investor in and operator of service businesses in the southeastern United States, KNOLOGY Broadband, Inc., a broadband telecommunications services company formerly known as KNOLOGY Holdings, Inc., the Heritage Group of Mutual Funds and several privately held companies.

Robert A. Dolson has served on our board of directors since 1997. Mr. Dolson has served as President and Chief Executive Officer of United States Sugar Corporation, an integrated family of agribusiness companies, since July 2000. He served as Vice President of the Charles Stewart Mott Foundation, a private philanthropy, from October 1999 to July 2000. Mr. Dolson served as President and Chairman of Continental Water Company, a holding company for regulated water utilities, from 1982 and 1989, respectively, until 1999. He served as President and Chairman of National Enterprises, Inc., the parent company of Continental Water Company, from 1984 and 1989, respectively, until 1999. Mr. Dolson has served as a director of ITC Holding Company, or its predecessor company, since December 1993.

Campbell B. Lanier, III has served on our board of directors since 1997 and as Vice Chairman since July 2001. Mr. Lanier also served as our Chairman from March 1997 through July 2001. Mr. Lanier has served as Chairman of the Board and Chief Executive Officer of ITC Holding Company, or its predecessor company, since its inception in 1985. Mr. Lanier is an officer and director of several ITC Holding Company subsidiaries and a director of KNOLOGY Broadband, Inc. Mr. Lanier also has served as a Managing Director of South Atlantic Private Equity Fund IV, Limited Partnership since 1997.

James V. Martin has served on our board of directors since 2000. Mr. Martin has served as Chief Operating Officer of Sayers Group, LLC, a value-added technology provider and integrator, since 1993. Before joining Sayers Group, LLC, Mr. Martin served as President of RTO Enterprises, a household consumer product rental enterprise with more than 150 locations. Mr. Martin previously worked in Business Development at GE Capital Corporation and as an accountant with the accounting firm of Coopers & Lybrand.

R. Gerald McCarley has served on our board of directors since January 2002. Mr. McCarley is a retired partner of the accounting firm of Deloitte & Touche LLP. He retired from that firm in June 1999 after having served as a accounting and audit partner since 1980. Mr. McCarley joined a predecessor of Deloitte & Touche in 1967 and served in various positions before he was appointed a partner in 1980.

William T. Parr has served on our board of directors since 1997. Mr. Parr has served as Vice Chairman of J. Smith Lanier & Co., an insurance placement company, since 1980. He has served as a director of ITC Holding Company, or its predecessor company, since 1989. Mr. Parr serves as a director of J. Smith Lanier & Co. and Industrial Distribution Group, Inc., a supplier of maintenance, repair, operating and production products.

William H. Scott, III has served on our board of directors since 1997. Mr. Scott has served as President of ITC Holding Company, or its predecessor company, since December 1991 and as a director of ITC Holding Company, or its predecessor company, since May 1989. He is also an officer and director of several ITC Holding Company subsidiaries. Mr. Scott is a director of KNOLOGY Broadband, Inc. and Innotrak Corporation, a provider of marketing support services.

William B. Timmerman has served on our board of directors since 1997. Mr. Timmerman has served since 1978 in a variety of management positions at SCANA Corporation, a diversified utility company, including Chief Executive Officer and President. Mr. Timmerman is also a director of SCANA Corporation and Liberty Corporation, a broadcasting company, and has served as a director of ITC Holding Company, or its predecessor company, since 1996.

Executive Officers

The following presents information about our executive officers:

<TABLE>
<CAPTION>

Name	Age	Positions with Company
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<S>	<C>	<C>
Larry F. Williams.....	59	Chairman, Chief Executive Officer and Director
Andrew M. Walker.....	60	President, Chief Operating Officer and Director
Douglas A. Shumate.....	36	Senior Vice President-Chief Financial Officer
Steven D. Moses.....	52	Senior Vice President-Network Services
J. Thomas Mullis.....	58	Senior Vice President-Legal and Regulatory, General Counsel and Secretary
Roger F. Woodward.....	49	Senior Vice President-Sales and Account Services
Thomas P. Schroeder.....	54	Senior Vice President-Large Account Sales
Sara L. Plunkett.....	52	Vice President-Finance

</TABLE>

Larry F. Williams has served as our Chairman and Chief Executive Officer since July 2001 and was appointed to our board of directors in February 2001. From September 2000 to January 2002, Mr. Williams acted as a consultant to telecommunications companies. From December 1994 to September 2000, Mr. Williams served as Chief Executive Officer of AAPT Ltd., a publicly traded telecommunications carrier in Australia. From January 1992 to December 1994, he served as Chief Financial Officer and Chief Operating Officer of AAPT Ltd. Mr. Williams was Executive Vice President, Vice President and Chief Financial Officer of Telecom*USA (SouthernNet) from October 1987 to August 1990, when that company was acquired by MCI Communications Corporation. From August 1990 to January 1992, Mr. Williams served as Vice President of Finance and Administration of MCI Communications Southern division. From November 1980 to October 1987, Mr. Williams served as Vice President, Treasurer and Chief Financial Officer of John H. Harland Co. Mr. Williams currently serves as a director of Learn.net, Inc., a hosted e-learning service provider.

Andrew M. Walker has served as our Chief Operating Officer since July 2001, our President since April 2000 and our Vice Chairman from April 1998 through July 2001. From March 1997 to July 2001, Mr. Walker served as our Chief Executive Officer. He served as President and Chief Executive Officer of the managing partner of each of Interstate FiberNet and Gulf States FiberNet, predecessors to Interstate FiberNet, Inc., a wholly-owned subsidiary of ITC/DeltaCom, from November 1994 until March 1997, and as Chief Executive Officer and President of KNOWLOGY Broadband, Inc. from July 1996 to February 1997.

Douglas A. Shumate has served as our Senior Vice President-Chief Financial Officer since March 1997. He served as Chief Financial Officer of the Managing Partners of each of Interstate FiberNet and Gulf States FiberNet from January 1995 until March 1997. From May 1991 to January 1995, he served as Vice President-Finance and Chief Financial Officer of Interstate Telephone Company, a local telephone service provider and wholly-owned subsidiary of ITC Holding Company. From December 1986 through April 1991, Mr. Shumate was employed as a C.P.A. at the accounting firm of Arthur Andersen LLP.

Steven D. Moses has served as our Senior Vice President-Network Services since March 1997. He served as Vice President of Interstate FiberNet from January 1992 until April 1995 and Chief Operating Officer of Interstate FiberNet from April 1995 until March 1997. From May 1991 to January 1992, Mr. Moses was Director-Special Projects of Interstate Telephone and Valley Telephone Company, a local telephone service provider and a wholly owned-subsiidiary of ITC Holding Company.

J. Thomas Mullis has served as our Senior Vice President-Legal and Regulatory, General Counsel and Secretary since March 1997. Mr. Mullis served as General Counsel and Secretary of DeltaCom, Inc., the predecessor of ITC/DeltaCom Communications, Inc. that was a provider of long distance telecommunications services, from May 1985 to March 1997 and as Executive Vice President of DeltaCom from January 1994 to November 1996. From November 1996 to March 1997, he also served as Senior Vice President of DeltaCom. From January 1990 to

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December 1993, Mr. Mullis was President, General Counsel and Secretary of Southern Interexchange Services, Inc., a switched services carrier, and Southern Interexchange Facilities, Inc., a private line carriers' carrier.

Roger F. Woodward has served as our Senior Vice President-Sales and Account Services since July 2000. He also served as our Senior Vice President-Sales, Marketing and Customer Support from March 1997 to July 2000. Mr. Woodward was Senior Vice President-Sales of DeltaCom, Inc. from October 1996 until March 1997. From March 1990 until July 1996, Mr. Woodward served in a variety of positions, including Regional Sales Director and Vice President-Sales, with Allnet Communications, Inc., which was acquired by Frontier Communications Corporation in August 1995.

Thomas P. Schroeder has served as our Senior Vice President-Large Account Sales since April 2000. He served as Senior Vice President-Carrier Sales of ITC/DeltaCom from April 1999 until April 2000 and as Vice President-Carrier Sales of ITC/DeltaCom from March 1997 until April 1999. From June 1995 until March 1997, Mr. Schroeder served as Vice President-Sales and Marketing of Interstate FiberNet and, from April 1994 to June 1995, as the Director of Sales and Marketing of Interstate FiberNet.

Sara L. Plunkett has served as our Vice President-Finance since March 1997. She also served as our Treasurer from March 1997 through March 2000. Ms. Plunkett was Vice President-Finance of DeltaCom, Inc. from October 1996 until March 1997. From May 1989 through October 1996, she served as Chief Financial

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires our directors and executive officers and persons who own more than 10% of a registered class of our equity securities to file with the SEC initial reports of ownership and reports of changes in ownership of our common stock and other equity securities. The reporting persons are required by rules of the SEC to furnish us with copies of all Section 16(a) reports they file. Donald W. Burton did not file one report with respect to one transaction on a timely basis. Based solely upon a review of Section 16(a) reports furnished to us for fiscal 2001 or written representations that no other reports were required, we believe that our Section 16(a) reporting persons otherwise complied with all filing requirements for fiscal 2001.

Item 11. Executive Compensation.

Director Compensation

Fees. Directors who are not employees of ITC/\DeltaCom receive \$750 for each board meeting attended in person, \$200 for each board meeting attended by conference telephone and \$200 for each committee meeting attended, whether in person or by conference telephone. Directors who are also employees receive no directors' fees. All directors are entitled to reimbursement for their reasonable out-of-pocket travel expenditures.

Stock Option Grants. The ITC/\DeltaCom, Inc. Director Stock Option Plan generally provides that each non-employee director will receive options to purchase 32,100 shares of common stock upon the director's initial election or appointment to the board of directors. The option exercise price for options granted under the Director Stock Option Plan will be 100% of the fair market value of the shares of common stock at the close of business on the date of grant of the option. Options granted will generally become exercisable with respect to 50% of the shares subject to the options on the second anniversary of the date of grant and with respect to 25% of the shares subject to the options on each of the third and fourth anniversaries of the date of grant. The options will expire ten years and 30 days after the date of grant. The board of directors may amend or terminate the Director Stock Option Plan with respect to shares of common stock as to which options have not been granted.

In July 2001, the Company made an annual option award to each non-employee director to purchase 7,500 shares of common stock under the ITC/\DeltaCom, Inc. 1997 Stock Option Plan. The terms of the options granted to non-employee directors under this plan generally have substantially the same terms as options granted under the

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Director Stock Option Plan.

Executive Compensation

The following table sets forth the compensation paid to our Chief Executive Officer and to each of our four other most highly compensated executive officers for fiscal 2001, who are referred to collectively as the "named executive officers":

<TABLE>
<CAPTION>

Name and Principal Position	Year	Annual Compensation		Long Term Compensation	All Other Compensation (\$)(5)
		Salary (\$)	Bonus (\$)	Securities Underlying Options (#)(4)	
<S>	<C>	<C>	<C>	<C>	<C>
Larry F. Williams(1)..... Chairman and Chief Executive Officer	2001 2000 1999	100,000 -- --	110,274 -- --	1,000,000 -- --	7,543 -- --
Andrew M. Walker(2)..... President and Chief Operating Officer	2001 2000 1999	230,000 212,601 163,255	94,010 136,510 85,334	148,472 6,652 14,073	21,451 20,245 15,200
Douglas A. Shumate..... Senior Vice President-Chief Financial Officer	2001 2000 1999	184,923 152,688 129,383	53,862 59,422 63,468	64,236 3,562 6,462	18,929 19,310 22,861
Steven D. Moses.....	2001	163,157	36,401	64,236	9,053

Senior Vice President-Network Services	2000	149,574	51,392	3,252	13,589
	1999	119,720	57,943	6,863	8,981
J. Stephen Johnson(3)	2001	250,000	69,125	216,223	22,024
Senior Vice President	2000	158,654	83,333	200,000	10,015
	1999	--	--	--	--

</TABLE>

-
- (1) Mr. Williams was appointed Chairman and Chief Executive Officer on July 24, 2001.
 - (2) Mr. Walker served as President and Chief Executive Officer until July 24, 2001. Upon Mr. Walker's resignation as Chief Executive Officer, he was appointed to the additional position of Chief Operating Officer.
 - (3) Mr. Johnson became an employee on May 1, 2000 in connection with our acquisition of Bay Data Consultants, Inc.
 - (4) The options were granted under the ITC/\DeltaCom, Inc. 1997 Stock Option Plan, which permits non-qualified options to be transferred to members of an optionee's immediate family and related trusts and similar entities, provided that the plan's administrator must approve any non-donative transfers.
 - (5) The amounts shown in the "All Other Compensation" column consist of the following: (a) for Mr. Williams \$982 in fiscal 2001 in life insurance premiums; a travel allowance of \$4,641 in fiscal 2001; and an automobile allowance of \$1,920 in fiscal 2001; (b) for Mr. Walker, \$4,404 in fiscal 2001, \$2,529 in fiscal 2000 and \$1,951 in fiscal 1999 in life insurance premiums; \$7,000 in fiscal 2001, \$6,800 in fiscal 2000 and \$6,400 in fiscal 1999 in matching contributions to our 401(k) retirement savings plan, referred to below as the "401(k) Plan"; a travel allowance of \$247 in fiscal 2001, \$6,116 in fiscal 2000 and \$2,049 in fiscal 1999; an automobile allowance of \$4,800 in fiscal 2001, \$4,800 in

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fiscal 2000 and \$4,800 in fiscal 1999; and an executive benefit for estate planning assistance of \$5,000 in fiscal 2001; (c) for Mr. Shumate, \$432 in fiscal 2001, \$348 in fiscal 2000 and \$213 in fiscal 1999 in life insurance premiums; \$7,000 in fiscal 2001, \$6,800 in fiscal 2000 and \$6,400 in fiscal 1999 in matching contributions to the 401(k) Plan; a travel allowance of \$5,507 in fiscal 2001, \$3,552 in fiscal 2000 and \$11,448 in fiscal 1999; an automobile allowance of \$4,800 in fiscal 2001, \$4,800 in fiscal 2000 and \$4,800 in fiscal 1999; and an executive benefit for estate planning assistance of \$1,190 in fiscal 2001 and \$3,810 in fiscal 2000; (d) for Mr. Moses, \$1,038 in fiscal 2001, \$905 in fiscal 2000 and \$498 in fiscal 1999 in life insurance premiums; \$5,250 in fiscal 2001, \$5,250 in fiscal 2000 and \$5,000 in fiscal 1999 in matching contributions to the 401(k) Plan; a travel allowance of \$2,497 in fiscal 2001, \$2,291 in fiscal 2000 and \$3,356 in fiscal 1999; the value of the personal use of a Company vehicle, as calculated under Internal Revenue Service Regulations of \$268 in fiscal 2001, \$143 in fiscal 2000 and \$127 in fiscal 1999; and a \$5,000 executive benefit for estate planning assistance in 2000; (e) for Mr. Johnson, \$667 in fiscal 2001 and \$353 in fiscal 2000 for life insurance premiums; \$5,250 in fiscal 2001 and \$577 in fiscal 2000 in matching contributions to the 401(k) Plan; a travel allowance of \$4,441 in fiscal 2001; an automobile allowance of \$11,666 in fiscal 2001 and \$7,420 in fiscal 2000; and a \$1,665 executive benefit for estate planning assistance in fiscal 2000.

Stock Option Grants in Fiscal 2001

The following table sets forth information concerning all stock options granted during fiscal 2001 to the named executive officers:

Option Grants in Last Fiscal Year

<TABLE>
<CAPTION>

Name	Number of Shares Underlying Options Granted(1)	Percent of Total Options Granted to Employees in Fiscal Year	Exercise Price (\$/Share)	Expiration Date (2)	Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term (3)	
					5%(\$)	10%(\$)
Individual Grants						

<S>	<C>	<C>	<C>	<C>	<C>	<C>
Larry F. Williams ...	1,000,000	17.5	3.45	7/24/11	2,169,670	5,498,403
Andrew M. Walker	48,472	.8	9.00	1/30/11	274,352	695,266
	100,000	1.8	3.45	7/24/11	216,967	549,840
Douglas A. Shumate ..	24,236	.4	9.00	1/30/11	137,176	347,633
	40,000	.7	3.45	7/24/11	86,787	219,936
Steven D. Moses	24,236	.4	9.00	1/30/11	137,176	347,633
	40,000	.7	3.45	7/24/11	86,787	219,936
J. Stephen Johnson ..	16,223	.3	9.00	1/30/11	91,822	232,697
	200,000	3.5	3.45	7/24/11	433,934	1,099,681

</TABLE>

- (1) All options granted to the named executive officers were granted under the ITC/\DeltaCom, Inc. 1997 Stock Option Plan and are exercisable for shares of common stock. These options will generally become exercisable with respect to 50% of the shares subject to such options on the second anniversary of the date of grant and with respect to 25% of the shares subject to such options on each of the third and fourth anniversaries of the date of grant. The 1997 Stock Option Plan permits non-qualified options to be transferred to members of an optionee's immediate family and related trusts and similar entities, provided that the plan's administrator must approve any non-donative transfers.
- (2) The term of each option generally may not exceed ten years.
- (3) The potential realizable value is calculated based on the fair market value on the date of grant, which is equal to the exercise price of the option, assuming that the shares appreciate in value from the option grant date compounded annually until the end of the option term at the rate specified, 5% or 10%, and that the option is exercised and sold on the last day of the option term for the appreciated share price. The assumed rates of appreciation are specified in the rules and regulations of the SEC and do not represent our estimate or projection of future prices of the shares. There is no assurance provided to any named executive officer or any other holder of common stock that the actual stock price appreciation over the term of the applicable options will be at the assumed 5% and 10% levels or at any other defined level.

Stock Option Exercises in Fiscal 2001

The following table sets forth information concerning all stock options exercised during fiscal 2001 and unexercised stock options held at the end of that fiscal year by the named executive officers:

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Aggregate Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values

<TABLE>

<CAPTION>

Name	Shares Acquired on Exercise (#)	Value Realized (\$)	Number of Securities Underlying Unexercised Options at Fiscal Year-End (#)		Value of Unexercised In-the-Money Options at Fiscal Year-End (\$) (1)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Larry F. Williams	--	--	--	1,032,100	--	--
Andrew M. Walker	--	--	500,444	171,029	--	--
Douglas A. Shumate	--	--	245,577	74,937	--	--
Steven D. Moses	12,000	80,810	184,281	75,674	--	--
J. Stephen Johnson	--	--	--	416,223	--	--

</TABLE>

- (1) Represents the difference between the exercise price and the closing price of the common stock on the Nasdaq National Market on December 31, 2001, the last trading day in fiscal 2001.

Report of the Compensation Committee of the Board of Directors on Executive Compensation

The compensation committee of the board of directors has prepared the following report on our policies with respect to the compensation of executive officers for the fiscal year ended December 31, 2001. The compensation committee is charged with making decisions with respect to the compensation of the our executive officers and administering our stock option plans. No member of the

compensation committee is an employee of ITC/\DeltaCom or its subsidiaries. During 2001, the Compensation Committee consisted of James H. Black, Jr., O. Gene Gabbard, William T. Parr and William H. Scott, III. Mr. Gabbard resigned from the compensation committee in January 2002.

Compensation Policies for Executive Officers

The compensation policies of the Company are designed to attract, motivate and retain experienced and qualified executives, increase the overall performance of the Company, increase stockholder value and improve the performance of individual executives.

The compensation committee seeks to provide competitive salaries based upon individual performance together with annual cash bonuses based on the Company's overall performance relative to corporate objectives, taking into account individual contributions, teamwork and performance levels. In addition, it is the Company's policy to grant stock options to executives upon their commencement of employment with the Company and annually thereafter in order to strengthen the alliance of interest between the executives and the Company's stockholders and to give executives the opportunity to reach top compensation levels of the competitive market based on the Company's performance, as reflected in the market price of the common stock.

The following describes the elements of compensation generally available to executives under the compensation committee's compensation policies, with specific reference to compensation reported for 2001.

Base Salaries. Base salaries of executives are initially determined by evaluating the responsibilities of the executive's position, the experience and knowledge of the individual, and the competitive marketplace for executive talent. This evaluation includes a comparison of the Company's executive base salaries to base salaries for comparable positions at peer public companies in the Company's geographic region. Base salaries for executive officers are reviewed annually by the compensation committee based upon, among other things, individual performance and responsibilities.

Annual salary adjustments are recommended by the chief executive officer after evaluating the previous year's performance of each executive officer and considering the new responsibilities of such officers. The compensation committee performs the same review of the performance of the chief executive officer. Individual performance ratings take into account such factors as the achievement of specific goals that are defined by reference to the Company's strategic plan and the attainment of specific individual objectives. The factors affecting base salary levels are not assigned specific weights, but are subject to adjustment by the compensation committee.

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Bonuses. The Company's annual bonuses to its executive officers are based on both corporate and individual performance, as measured by reference to factors that reflect objective performance criteria over which management generally has the ability to exert some degree of control. These corporate performance factors include revenue and earnings targets established in the Company's annual budget as well as various operational objectives of the Company. Bonuses for 2001, which were paid in 2002, were based upon the achievement of such financial and operating factors.

Stock Options. A third component of an executive officer's compensation consists of awards under the ITC/\DeltaCom, Inc. 1997 Stock Option Plan, pursuant to which the Company grants executive officers and other key employees options to purchase shares of common stock.

The compensation committee grants stock options to the Company's executives in order to align their interests with the interests of the stockholders. Stock options are considered by the compensation committee to be an effective long-term incentive because an executive's gains are linked to increases in the value of the common stock, which in turn provides stockholder gains. The compensation committee generally grants options to new executive officers and other key employees upon their commencement of employment with the Company and on an annual basis thereafter. The options generally are granted at an exercise price equal to the closing market price of the common stock at the date of the grant. Options granted to executive officers typically vest over a period of two to four years following the date of grant. The maximum option term is ten years. The full benefit of the options is realized upon appreciation of the stock price in future periods, thus providing an incentive to create value for the Company's stockholders through appreciation of stock price. The Company's management believes that stock options have been helpful in attracting and retaining skilled executive personnel.

Stock option grants made to executive officers in 2001 reflect significant individual contributions relating to the Company's operations and implementation

of the Company's objectives. Certain newly hired executive officers, including the chief executive officer, also received stock option grants at the time of their employment with the Company. During 2001, the Company granted stock options to purchase an aggregate of 1,493,167 shares of common stock to the Company's five most highly compensated executive officers. The per share option exercise prices of options granted to these executive officers during 2001 ranged from \$3.45 to \$9.00, which equaled the fair market value of a share of common stock on the dates of grant.

Other. The Company has adopted a contributory 401(k) retirement plan for all of its employees, including executive officers who are age 21 and over and have at least six months and 500 hours of service with the Company. The 401(k) plan provides that each participant may contribute up to 15% of the participant's salary, but not to exceed the annual statutory limit. The Company generally makes matching contributions to each participant's account equal to 100% of the first 2% and 50% of the next 4% of such participant's annual contribution by salary and/or bonus deferral to the 401(k) plan.

Chief Executive Officer Compensation

The executive compensation policy described above was applied in setting the compensation of Mr. Walker, who served as chief executive officer until July 24, 2001, and the compensation of Mr. Williams, who has served as chief executive officer beginning on July 24, 2001. The chief executive officer generally participates in the same executive compensation plans and arrangements available to the other senior executives. Accordingly, the compensation of the chief executive officer also consists of annual base salary, annual bonus and long-term equity-linked compensation. The compensation committee's general approach in establishing the chief executive officer's compensation is to be competitive with peer companies, but to have a large percentage of his target compensation based upon the long-term performance of the Company, as reflected in part in the market price of the common stock.

A base salary of \$230,000 was established for Mr. Walker's service as chief executive officer for the year ended December 31, 2001. Mr. Walker also received a cash bonus of \$94,010 relating to his service as an executive officer during fiscal 2001, including the portion of fiscal 2001 during which he

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served as chief executive officer. These amounts were based on, among other factors, the Company's 2000 performance and the 2000 compensation of chief executive officers of comparable companies, although Mr. Walker's compensation was not linked to any particular group of these companies. Mr. Walker was also granted options to purchase 148,472 shares of common stock in 2001 under the ITC/DeltaCom, Inc. 1997 Stock Option Plan.

Mr. Williams's compensation for the portion of the year ended December 31, 2001 during which he served as chief executive officer included \$100,000 in base salary and a \$110,274 cash bonus. Mr. Williams's salary and bonus payments for 2001 were based on, among other factors, the 2000 compensation of chief executive officers of comparable companies, although his compensation was not linked to any particular group of these companies. Mr. Williams was also granted options to purchase 1,000,000 shares of common stock in 2001 under the ITC/DeltaCom, Inc. 1997 Stock Option Plan upon his appointment as chief executive officer. The compensation committee believed that the size of this grant was justified in light of Mr. Williams's expertise and qualifications and the current circumstances affecting the Company and its industry.

Compensation Deductibility Policy

Under Section 162(m) of the Internal Revenue Code and applicable Treasury regulations, no tax deduction is allowed for annual compensation in excess of \$1 million paid to any of the Company's five most highly compensated executive officers. However, performance-based compensation that has been approved by stockholders is excluded from the \$1 million limit if, among other requirements, the compensation is payable only upon attainment of pre-established, objective performance goals. The compensation committee intends to maximize the extent of tax deductibility of executive compensation under the provisions of Section 162(m) so long as doing so is compatible with its determinations as to the most appropriate methods and approaches for the design and delivery of compensation to the Company's executive officers.

Respectfully submitted,

Compensation Committee

James H. Black, Jr.
William T. Parr
William H. Scott, III

James H. Black, Jr., William T. Parr, William H. Scott, III and O. Gene Gabbard served as members of the compensation committee during fiscal 2001. Mr. Gabbard resigned as a member of the board of directors and the compensation committee in January 2002. Before his appointment to the board of directors in July 2000, Mr. Black served as a Senior Vice President of ITC/\DeltaCom from July 1999 through July 2000. For a description of transactions between our company and entities with which members of the compensation committee in fiscal 2001 are affiliated or associated, see "Certain Relationships and Related Transactions."

Stockholder Return Performance Graph

The following graph and table show the cumulative total stockholder return on our common stock compared to the Standard & Poor's 500 Stock Index and the Nasdaq Telecommunications Index, which is composed of stocks of publicly traded companies which are principally in the telecommunications business, for the periods between October 24, 1997, the date the common stock began trading on the Nasdaq National Market, and December 31, 2001, the last trading day in fiscal 2001. The graph assumes \$100 was invested (1) on October 24, 1997 in our common stock, (2) on September 30, 1997 in the Standard & Poor's 500 Stock Index and (3) on September 30, 1997 in the Nasdaq Telecommunications Index. Total stockholder return is measured by dividing total dividends, assuming dividend reinvestment, plus share price change for a period, by the share price at the beginning of the measurement period.

Total Stockholder Returns

[CHART APPEARS HERE]

Indexed Returns

<TABLE>
<CAPTION>

Company/Index	Base Period October 24, 1997*	Years Ended December 31,				
		1997	1998	1999	2000	2001
<S>	<C>	<C>	<C>	<C>	<C>	<C>
ITC/\DeltaCom, Inc.	100	83.02	153.46	277.99	54.25	8.75
S&P 500 Stock Index	100	102.87	132.27	160.10	145.52	128.23
Nasdaq Telecom Index	100	108.47	179.52	320.28	136.41	91.33

</TABLE>

* The Base Period with respect to the S&P 500 Index and the Nasdaq Telecom Index is September 30, 1997.

Item 12. Security Ownership of Certain Beneficial Owners and Management.

The information presented below regarding beneficial ownership of our capital stock has been presented in accordance with the rules of the SEC and is not necessarily indicative of beneficial ownership for any other purpose. Under these rules, beneficial ownership of shares of capital stock includes any shares as to which a person, directly or indirectly, has or shares voting power or investment power and also any shares as to which a person has the right to acquire such voting or investment power within 60 days through the exercise of any stock option or other right. Beneficial ownership also includes any additional shares of capital stock which a person has the right to acquire during such 60-day period as a result of the accrual of dividends payable in shares of capital stock.

The percentage of beneficial ownership as to any person as of a particular date is calculated by dividing the number of shares beneficially owned by such person (which includes the number of shares as to which such person has the right to acquire voting or investment power within 60 days) by the sum of the number of shares outstanding as of such date and the number of shares as to which such person has the right to acquire voting or investment power within 60 days. As used in this report, "voting power" is the power to vote or direct the voting of shares and "investment power" is the power to dispose or direct the

disposition of shares. Unless otherwise indicated below, each of the stockholders listed has sole voting and dispositive power with respect to the shares shown as beneficially owned.

Principal Stockholders

Beneficial Ownership of Common Stock. As of January 31, 2002, there were 62,364,768 shares of common stock outstanding. The following table presents, as of January 31, 2002, information based upon our records and filings with the SEC regarding each person, other than a director or executive officer of ITC/DeltaCom, known to us to be the beneficial owner of more than 5% of the common stock:

Name and Address of Beneficial Owner -----	Amount of Beneficial Ownership -----	Percent of Class (%) -----
ITC Holding Company, Inc..... 3300 20th Avenue Valley, Alabama 36854	19,114,827	23.5
SCANA Corporation..... 1426 Main Street Columbia, South Carolina 29201	12,776,085	18.2
HBK Investments L.P..... 300 Crescent Court, Suite 700 Dallas, Texas 75201	5,598,955	8.3
American Water Works Company, Inc..... 1025 Laurel Oak Road Vorhees, New Jersey 08043	4,017,264	6.4
J. Smith Lanier, II..... J. Smith Lanier & Co. P.O. Box 70 300 West Tenth Street West Point, Georgia 31833	3,200,492	5.1

The information concerning ITC Holding Company, Inc. above is based upon our records and a Schedule 13D/A filed with the SEC on September 6, 2001. ITC Holding Company shares voting power and dispositive power with respect to 18,808,844 of the shares shown with its indirect wholly-owned subsidiary, ITC Telecom Ventures, Inc., and with respect to 305,983 of the shares shown with its direct wholly owned subsidiary, ITC Service Company, Inc. The shares shown are composed of the following: 305,983 shares of common stock outstanding as of January 31, 2002; 3,732,906 shares of common stock issuable as of, and within 60 days after, January 31, 2002 upon conversion of 20,859,802 shares of Series B-1 preferred stock beneficially owned as of January 31, 2002;

10,898,306 shares of common stock issuable as of, and within 60 days after, January 31, 2002 upon conversion of 27,353,343 shares of Series B-2 preferred stock beneficially owned as of January 31, 2002; and 4,177,632 shares of common stock issuable as of January 31, 2002 upon exercise of outstanding common stock purchase warrants. The outstanding shares of common stock are held of record by ITC Service Company. The Series B-1 preferred stock, Series B-2 preferred stock and common stock purchase warrants are held of record by ITC Telecom Ventures.

The information concerning SCANA Corporation above is based upon our records and a Schedule 13G/A filed with the SEC on April 10, 2001. SCANA Corporation has sole voting and dispositive power with respect to 4,702,416 of the shares shown and shares voting power and dispositive power with respect to 8,073,669 of the shares shown with its subsidiaries, SCANA Communications, Inc. and SCANA Communications Holdings, Inc. The shares shown are composed of the following: 5,112,127 shares of common stock outstanding as of January 31, 2002; 2,961,542 shares of common stock issuable as of, and within 60 days after, January 31, 2002 upon conversion of 1,480,771 outstanding shares of Series A convertible preferred stock beneficially owned as of January 31, 2002; 933,227 shares of common stock issuable as of, and within 60 days after, January 31, 2002 upon conversion of 5,214.95 shares of Series B-1 preferred stock beneficially owned as of January 31, 2002; 2,724,781 shares of common stock issuable as of, and within 60 days after, January 31, 2002 upon conversion of 6,838,849 shares of Series B-2 preferred stock beneficially owned as of January 31, 2002; and 1,044,408 shares of outstanding common stock issuable as of January 31, 2002 upon exercise of common stock purchase warrants. The outstanding shares of common stock and the shares of Series A preferred stock are held of record by SCANA Communications Holdings, Inc. The Series B-1 preferred stock, Series B-2 preferred stock and common stock purchase warrants are held of record by SCANA Corporation.

The information concerning HBK Investments L.P. above is based upon our records and a Schedule 13G filed with the SEC on February 14, 2002. HBK Investments has sole voting power and dispositive power with respect to all of

the shares shown pursuant to an investment management agreement with HBK Master Fund L.P. The shares shown are composed of the following: 810,000 shares of common stock outstanding as of January 31, 2002; 933,227 shares of common stock issuable as of, and within 60 days after, January 31, 2002 upon conversion of 5,214.95 shares of Series B-1 preferred stock beneficially owned as of January 31, 2002; 2,724,781 shares of common stock issuable as of, within 60 days after, January 31, 2002 upon conversion of 6,838.849 shares of Series B-2 preferred stock shares beneficially owned as of January 31, 2002; 1,044,408 shares of common stock issuable as of January 31, 2002 upon exercise of common stock purchase warrants; and 86,539 shares of common stock issuable as of January 31, 2002 upon conversion of \$2,308,000 aggregate principal amount of our 4 1/2% convertible subordinated notes due 2006. All of these securities are held of record by HBK Master Fund L.P.

The information concerning J. Smith Lanier, II is based upon a Schedule 13G/A filed with the SEC on February 11, 2002, in which Mr. Lanier reported that he has sole voting power and sole dispositive power with respect to 1,951,694 of the shares shown and that he shares voting power and dispositive power with respect to 1,248,798 of the shares shown. Shares for which Mr. Lanier has sole voting and dispositive power include 45,904 shares that Mr. Lanier has the right to purchase within 60 days after January 31, 2002 and 27,542 shares held in Mr. Lanier's Individual Retirement Account. Shares for which Mr. Lanier shares voting and dispositive power include 648,798 shares held of record by Mr. Lanier's wife and 600,000 shares held of record by the J. Smith Lanier Charitable Remainder Trust.

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Beneficial Ownership of Series B Preferred Stock. As of January 31, 2002, there were 31,289.702 shares of Series B-1 preferred stock and 41,031.041 shares of Series B-2 preferred stock outstanding. The following table presents, as of January 31, 2002, information based upon our records and filings with the SEC regarding each person known to us to be the beneficial owner of more than 5% of the Series B-1 preferred stock or Series B-2 preferred stock:

<TABLE>
<CAPTION>

Name and Address of Beneficial Owner	Series B-1 Preferred Stock		Series B-2 Preferred Stock	
	Amount of Beneficial Ownership	Percent of Class (%)	Amount of Beneficial Ownership	Percent of Class (%)
ITC Holding Company, Inc 3300 20th Avenue Valley, Alabama 36854	20,859.802	66.7	27,353.343	66.7
SCANA Corporation 1426 Main Street Columbia, South Carolina 29201	5,214.95	16.7	6,838.849	16.7
HBK Investments L.P. 300 Crescent Court, Suite 700 Dallas, Texas 75201	5,214.95	16.7	6,838.849	16.7

</TABLE>

The information concerning beneficial ownership of the Series B-1 preferred stock and Series B-2 preferred stock does not include an aggregate of 615.395 shares of Series B-1 preferred stock and 806.303 shares of Series B-2 preferred stock which will become payable on April 15, 2002 as dividends accrued on the Series B preferred stock during the period from January 1, 2002 through March 31, 2002.

The information concerning ITC Holding Company, Inc. above is based upon our records and a Schedule 13D/A filed with the SEC on September 6, 2001. ITC Holding Company shares voting power and dispositive power with respect to all of the shares shown with its indirect wholly owned subsidiary, ITC Telecom Ventures, Inc. All of the shares shown are held of record by ITC Telecom Ventures.

The information concerning SCANA Corporation above is based upon our records and a Schedule 13G/A filed with the SEC on April 10, 2001. SCANA Corporation has sole voting and dispositive power with respect to all of the shares shown. All of the shares shown are held of record by SCANA Corporation.

The information concerning HBK Investments L.P. above is based on our records and a Schedule 13G filed with the SEC on February 14, 2002. HBK Investments has sole voting power and dispositive power with respect to all of the shares shown pursuant to an investment management agreement with HBK Master Fund L.P. All of the shares shown are held of record by HBK Master Fund L.P.

Security Ownership of Directors and Executive Officers

The following table presents, as of January 31, 2002, information regarding the beneficial ownership of the common stock by the following persons:

- . each director;
- . our chief executive officer and the other executive officer named in the summary compensation table under "Executive Compensation" above; and
- . all of our directors and executive officers as a group.

<TABLE>
<CAPTION>

Name of Beneficial Owner -----	Amount and Nature of Beneficial Ownership (1) -----	Percent of Class (%) -----
<S>	<C>	<C>
James H. Black, Jr.	194,646	*
Donald W. Burton	667,768	1.1
Robert A. Dolson.....	80,004	*
J. Stephen Johnson	-	-
Campbell B. Lanier, III	6,640,593	10.5
James V. Martin	5,000	*
R. Gerald McCarley.....	-	-
Steven D. Moses.....	280,742	*
William T. Parr	336,920	*
William H. Scott, III	822,879	1.3
Douglas A. Shumate	339,115	*
William B. Timmerman	12,856,089	18.3
Andrew M. Walker	722,057	1.1
Larry F. Williams	50,037	*
All executive officers and directors as a group (18 persons)...	23,869,837	32.5

</TABLE>

* Less than one percent.

Unless otherwise indicated below, the address of each person included in the foregoing table is c/o ITC/\DeltaCom, Inc., 1791 O.G. Skinner Drive, West Point, Georgia 31833.

Shares beneficially owned by Mr. Black include 50,000 shares that Mr. Black has the right to purchase within 60 days of January 31, 2002 pursuant to the exercise of options. Shares beneficially owned by Mr. Black for which he shares voting and dispositive power include 55,175 shares owned jointly with Mr. Black's wife, 355 shares held of record by Mr. Black's minor daughter and 355 shares held of record by Mr. Black's son.

Shares beneficially owned by Mr. Burton include 77,872 shares that Mr. Burton has the right to purchase within 60 days of January 31, 2002 pursuant to the exercise of options, 364,174 shares held of record by Snake River Partners, 167,878 shares and 55,960 shares held of record by two different limited partnerships, 804 shares held of record by South Atlantic Capital Corporation, of which Mr. Burton is a director and sole shareholder, and 80 shares held of record by Mr. Burton's son. Mr. Burton either is or controls the general partner of each of the partnerships identified in the preceding sentence.

Shares beneficially owned by Mr. Dolson include 78,004 shares that Mr. Dolson has the right to purchase within 60 days of January 31, 2002 pursuant to the exercise of options.

The information concerning Mr. Lanier above is based upon our records and a Schedule 13D/A filed with the SEC on October 17, 2000. Shares beneficially owned by Mr. Lanier include 810,818 shares that Mr. Lanier has the right to purchase within 60 days of January 31, 2002 pursuant to the exercise of options. Shares beneficially owned by Mr. Lanier for which he shares voting and dispositive power include 2,412 shares held of record by Mr. Lanier's wife, 114,760 shares held of record by the Campbell Lanier, Jr. Irrevocable Life Insurance Trust, of which Mr. Lanier is co-trustee, and 9,911 shares held of record by the C. B. Lanier, Jr., Marital Trust, of which Mr. Lanier is co-trustee. Mr. Lanier's

address is c/o ITC/\DeltaCom, Inc., 1791 O.G. Skinner Drive, West Point, Georgia 31833.

Shares beneficially owned by Mr. Moses include 192,014 shares that Mr. Moses has the right to purchase within 60 days after January 31, 2002 pursuant to the exercise of options. Shares beneficially owned by Mr. Moses for which he shares voting and dispositive power include 275 shares held of record by Mr. Moses's wife and 3,203 shares held of record by Mr. Moses's minor son. Shares beneficially owned by Mr. Moses for which he holds dispositive power include 1,853 shares credited to his participant account in our 401(k) retirement savings plan, which are voted by the plan's trustees.

Shares beneficially owned by Mr. Parr include 78,004 shares that Mr. Parr has the right to purchase within 60 days of January 31, 2002 pursuant to the exercise of options. Shares beneficially owned by Mr. Parr for which he shares voting and dispositive power include 2,000 shares held of record by Mr. Parr's wife.

Shares beneficially owned by Mr. Scott include 497,472 shares that Mr. Scott has the right to purchase within 60 days of January 31, 2002 pursuant to the exercise of options. Shares beneficially owned by Mr. Scott for which he shares voting and dispositive power include 2,524 shares held of record by Mr. Scott's wife, 458 shares held of record by Mr. Scott's minor daughter, and 47,162 shares held in a trust for Mr. Scott's minor daughter, of which Mr. Scott's wife is co-trustee.

Shares beneficially owned by Mr. Shumate include 252,531 shares that Mr. Shumate has the right to purchase within 60 days of January 31, 2002 pursuant to the exercise of options. Shares beneficially owned by Mr. Shumate for which he shares voting and dispositive power include 2,422 shares held of record by Mr. Shumate's wife, 10 shares held of record by Mr. Shumate's minor daughter and 54 shares held of record by Mr. Shumate's minor son. Shares beneficially owned by Mr. Shumate for which he holds dispositive power include 1,756 shares credited to his participant account in our 401(k) retirement savings plan, which are voted by the plan's trustees.

Shares beneficially owned by Mr. Timmerman include 78,004 shares that Mr. Timmerman has the right to purchase within 60 days of January 31, 2002 pursuant to the exercise of options. Shares beneficially owned by Mr. Timmerman for which he shares voting power include the shares of common stock shown as beneficially owned by SCANA Corporation under "Principal Stockholders." Mr. Timmerman is the Chief Executive Officer of SCANA Corporation. Mr. Timmerman disclaims beneficial ownership of all such shares. Mr. Timmerman's address is c/o SCANA Corporation, 1426 Main Street, Columbia, South Carolina 29201.

Shares beneficially owned by Mr. Walker include 515,406 shares that Mr. Walker has the right to purchase within 60 days of January 31, 2002 pursuant to the exercise of options. Shares beneficially owned by Mr. Walker for which he shares voting and dispositive power include 228 shares held of record by Mr. Walker's wife. Shares beneficially owned by Mr. Walker for which he holds dispositive power include 11,945 shares credited to his participant account in our 401(k) retirement savings plan, which are voted by the plan's trustees.

The shares beneficially owned by all directors and executive officers as a group include 3,410,887 shares which all directors and executive officers as a group have the right to purchase within 60 days of January 31, 2002 pursuant to the exercise of options.

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Item 13. Certain Relationships and Related Transactions.

We have adopted a policy requiring that any material transactions between ITC/\DeltaCom and persons or entities affiliated with our officers, directors or principal stockholders be on terms no less favorable to us than reasonably could have been obtained in arm's-length transactions with independent third parties.

The following is a summary of certain transactions from January 1, 2001 through February 28, 2002 among ITC/\DeltaCom and our directors, executive officers, beneficial owners of more than 5% of the common stock or either series of the Series B preferred stock, and certain entities with which the foregoing persons are affiliated or associated.

Transactions with ITC Holding Company and Affiliates

We entered into the transactions with ITC Holding Company, its subsidiaries and its affiliates described below. Except as described below, the following seven of our 11 directors were also directors of ITC Holding Company from January 1, 2001 through February 28, 2002: Campbell B. Lanier, III, Donald W. Burton, Robert A. Dolson, O. Gene Gabbard, William T. Parr, William H. Scott, III and William B. Timmerman. Mr. Gabbard resigned from our board of directors

in January 2002. Two of our directors are also executive officers of ITC Holding Company. One of our directors, Campbell B. Lanier, III, has served as Chairman and Chief Executive Officer of ITC Holding Company, or its predecessor company, since 1985. The second director, William H. Scott, III, has served as President of ITC Holding Company, or its predecessor company, since 1991. As a result of its purchase of the Series B-1 preferred stock and Series B-2 preferred stock in fiscal 2001, ITC Holding Company became the beneficial owner of more than 5% of the common stock and of each series of the Series B preferred stock. See "Principal Stockholders" for information about ITC Holding Company's beneficial ownership of these securities.

Series B Preferred Stock Investment. Under an investment agreement, dated as of February 27, 2001, as amended, among ITC/DeltaCom, ITC Holding Company, SCANA Corporation and HBK Master Fund L.P., ITC Holding Company committed to purchase up to \$150 million in Series B preferred stock and related common stock purchase warrants in multiple closings. On May 29, 2001, ITC Holding Company reduced its purchase commitment to \$100 million by assigning \$25 million of its \$150 million purchase commitment to SCANA Corporation and \$25 million of its purchase commitment to HBK Master Fund L.P.

At an initial closing under the investment agreement held on June 20, 2001, ITC Holding Company purchased, for a total purchase price of \$20 million, 20,000 shares of Series B-1 preferred stock and warrants having a total exercise price of \$6 million. The initial conversion price of the Series B-1 preferred stock and the initial exercise price of the warrants issued on that date was \$5.70 per share. At a second closing under the investment agreement held on September 5, 2001, ITC Holding Company purchased, for a total purchase price of \$26.7 million, 26,666 shares of Series B-2 preferred stock and warrants having a total exercise price of \$8 million. The initial conversion price of the Series B-2 preferred stock and the initial exercise price of the warrants issued on that date was \$2.56 per share. On October 15, 2001, we issued to ITC Holding Company 448,960 shares of Series B-1 preferred stock as payment-in-kind dividends on the Series B-1 preferred stock for the dividend period from June 20, 2001 through September 30, 2001. On January 15, 2002, we issued to ITC Holding Company 410,842 shares of Series B-1 preferred stock as payment-in-kind dividends on the Series B-1 preferred stock for the quarterly dividend period ended on December 31, 2001 and 687,343 shares of Series B-2 preferred stock as payment-in-kind dividends on the Series B-2 preferred stock for the dividend period from September 5, 2001 through December 31, 2001. See "Management's Discussion and Analysis of Financial Condition and Results of Operations-Liquidity" and Note 7 to our consolidated financial statements included elsewhere in this report for information about the terms of the outstanding Series B preferred stock and warrants.

Under the investment agreement, we have agreed to pay ITC Holding Company's reasonable fees and expenses, including up to \$75,000 of the fees and expenses of ITC Holding Company's financial adviser, which ITC Holding Company incurs in connection with the negotiation, preparation, execution, delivery and performance of the investment agreement and to pay up to a total of \$150,000 of the reasonable fees and expenses incurred by other investors in

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connection with any assignment by ITC Holding Company to such investors of any portion of its purchase commitment under the investment agreement. In fiscal 2001, we made total payments of \$120,000 on behalf of ITC Holding Company under this provision.

Under the investment agreement, we have agreed to pay the legal fees and other expenses that may be incurred by ITC Holding Company or its officers, directors or controlling persons as a result of any lawsuit or other legal proceeding in connection with the investment agreement. In fiscal 2001, we made total payments of \$141,000 on behalf of ITC Holding Company under this provision in connection with a lawsuit that was filed in April 2001 and settled in August 2001.

Telecommunications Services Transactions. We sell or have sold capacity on our fiber optic network to several entities which are or, during 2001, were subsidiaries or affiliates of ITC Holding Company, including Powertel, Inc., Powertel PCS, Inc., KNOLOGY Broadband, Inc. and Earthlink, Inc. Together, these entities paid us approximately \$2.9 million for such capacity for fiscal 2001 and approximately \$63,000 for such capacity for the period from January 1, 2002 through February 28, 2002.

We provide long distance and carrier switched long distance service to several subsidiaries and affiliates of ITC Holding Company, including KNOLOGY, InterCall, Inc., Interstate Telephone Company, Valley Telephone Company, InView and Powertel. Together, these entities paid us approximately \$4.8 million for fiscal 2001. We also earn commissions by serving as agent for certain interexchange carriers doing business with InterCall. Under these agreements, we contract with the interexchange carrier and rebill the appropriate access

charges plus a margin to InterCall. InterCall paid us commissions totaling approximately \$1.8 million for fiscal 2001 and \$249,000 for the period from January 1, 2002 through February 28, 2002.

We provide directory assistance and operator service to Powertel, Interstate Telephone, Valley Telephone, Globe Telecommunications, Inc. and KNOLOGY. Revenues recorded by us for these services were approximately \$1.6 million for fiscal 2001 and \$62,000 for the period from January 1, 2002 through February 28, 2002.

We purchased feature group access and other services from Interstate Telephone, Valley Telephone, Globe Telecommunications and KNOLOGY totaling approximately \$809,000 for fiscal 2001 and \$116,000 for the period from January 1, 2002 through February 28, 2002.

InterCall provides conference calling services to us. We paid approximately \$285,000 for such services for fiscal 2001 and \$20,000 for such services for the period from January 1, 2002 through February 28, 2002.

ITC Service Company, a subsidiary of ITC Holding Company, provides us and our subsidiaries with air travel services. We paid \$390,000 to ITC Service Company for air travel services during fiscal 2001 and \$18,000 for the period from January 1, 2002 through February 28, 2002.

Transactions with SCANA and Affiliates

We entered into the transactions with SCANA Corporation and its subsidiaries described below. Mr. Timmerman, a director and stockholder of ITC/DeltaCom, is also Chairman, President and Chief Executive Officer of SCANA. SCANA is the beneficial owner of more than 5% of the common stock and of each series of the Series B preferred stock. See "Principal Stockholders" for information about SCANA's beneficial ownership of these securities.

Series B Preferred Stock Investment. On May 29, 2001, ITC Holding Company assigned \$25 million of its \$150 million purchase commitment under the Series B preferred stock investment agreement to SCANA Corporation. At the initial closing under the investment agreement held on June 20, 2001, SCANA purchased, for a total purchase price of \$5 million, 5,000 shares of Series B-1 preferred stock and warrants having a total exercise

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price of \$1.5 million. The initial conversion price of the Series B-1 preferred stock and the initial exercise price of the warrants issued on that date was \$5.70 per share. At a second closing under the investment agreement held on September 5, 2001, SCANA purchased, for a total purchase price of \$6.7 million, 6,667 shares of Series B-2 preferred stock and warrants having a total exercise price of \$2 million. The initial conversion price of the Series B-2 preferred stock and the initial exercise price of the warrants issued on that date was \$2.56 per share. On October 15, 2001, we issued to SCANA 112,240 shares of Series B-1 preferred stock as payment-in-kind dividends on the Series B-1 preferred for the dividend period from June 20, 2001 through September 30, 2001. On January 15, 2002, we issued to SCANA 102,710 shares of Series B-1 preferred stock as payment-in-kind dividends on the Series B-1 preferred stock for the quarterly dividend period ended on December 31, 2001 and 171,849 shares of Series B-2 preferred stock as payment-in-kind dividends on the Series B-2 preferred stock for the dividend period from September 5, 2001 through December 31, 2001.

Under the investment agreement, we have agreed to pay up to a total of \$150,000 of the reasonable fees and expenses of investors other than ITC Holding Company in connection with any assignment by ITC Holding Company to such investors of any portion of its purchase commitment under the investment agreement.

Retail Services. We provide retail services, including local and long distance telephone services, data services and Internet access, to SCANA and some of SCANA's subsidiaries. We billed those entities a total of approximately \$1.5 million for such services in fiscal 2001 and approximately \$256,000 for such services from January 1, 2002 through February 28, 2002.

Leases. We lease office space and space for telecommunications switching equipment at various locations in Columbia, South Carolina from a subsidiary of SCANA. Under the lease agreements, we paid approximately \$157,000 in fiscal 2001 and approximately \$118,000 for such services from January 1, 2002 through February 28, 2002.

Transaction with Affiliates of HBK Investments

We entered into the Series B preferred stock investment transaction with HBK Master Fund L.P., an affiliate of HBK Investments L.P. In connection with

the transaction, HBK Investments became the beneficial owner of more than 5% of the common stock and of each series of the Series B preferred stock. See "Principal Stockholders" for information about the beneficial ownership of these securities by HBK Investments.

On May 29, 2001, ITC Holding Company assigned \$25 million of its \$150 million purchase commitment under the Series B preferred stock investment agreement to HBK Master Fund L.P. At the initial closing under the investment agreement held on June 20, 2001, HBK Master Fund purchased, for a total purchase price of \$5 million, 5,000 shares of Series B-1 preferred stock and warrants having a total exercise price of \$1.5 million. The initial conversion price of the Series B-1 preferred stock and the initial exercise price of the warrants issued on that date was \$5.70 per share. At a second closing under the investment agreement held on September 5, 2001, HBK Master Fund purchased, for a total purchase price of \$6.7 million, 6,667 shares of Series B-2 preferred stock and warrants having a total exercise price of \$2 million. The initial conversion price of the Series B-2 preferred stock and the initial exercise price of the warrants issued on that date was \$2.56 per share. On October 15, 2001, we issued to HBK Master Fund 112,240 shares of Series B-1 preferred stock as payment-in-kind dividends on the Series B-1 preferred for the dividend period from June 20, 2001 through September 30, 2001. On January 15, 2002, we issued to HBK Master Fund 102,710 shares of Series B-1 preferred stock as payment-in-kind dividends on the Series B-1 preferred stock for the quarterly dividend period ended on December 31, 2001 and 171,849 shares of Series B-2 preferred stock as payment-in-kind dividends on the Series B-2 preferred stock for the dividend period from September 5, 2001 through December 31, 2001.

Under the investment agreement, we have agreed to pay up to a total of \$150,000 of the reasonable fees and expenses of investors other than ITC Holding

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Company in connection with any assignment by ITC Holding Company to such investors of any portion of its purchase commitment under the investment agreement.

Transactions with Affiliates of J. Smith Lanier and William T. Parr

J. Smith Lanier & Co., an insurance placement company, has provided us with insurance brokerage services, including the negotiation and acquisition on our behalf of various insurance policies with third-party insurers. J. Smith Lanier & Co. also has performed risk management services for us. We paid \$767,000 to J. Smith Lanier & Co. for these services during fiscal 2001 and \$917,000 for these services from January 1, 2002 through February 28, 2002. J. Smith Lanier, II is the beneficial owner of more than 5% of our common stock. Mr. Lanier also is the Chairman and a significant stockholder of J. Smith Lanier & Co. William T. Parr, a director of ITC/\DeltaCom, serves as Vice Chairman of J. Smith Lanier & Co.

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PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K.

(a) (1) The following consolidated financial statements of ITC/\DeltaCom appear on pages F-2 through F-31 of this report and are incorporated by reference in Part II, Item 8:

Report of Independent Public Accountants.

Consolidated Balance Sheets--December 31, 2001 and 2000.

Consolidated Statements of Operations for the Years Ended December 31, 2001, 2000 and 1999.

Consolidated Statements of Stockholders' (Deficit) Equity for the Years Ended December 31, 2001, 2000 and 1999.

Consolidated Statements of Cash Flows for the Years Ended December 31, 2001, 2000 and 1999.

Notes to Consolidated Financial Statements.

(a) (2) The following financial statement schedule is filed as part of this report and is attached hereto as pages S-1 and S-2:

Report of Independent Public Accountants as to Schedule.

Schedule II--Valuation and Qualification Accounts.

All other schedules for which provision is made in the applicable accounting regulations of the SEC either have been included in the consolidated financial statements of ITC/\DeltaCom or the notes thereto, are not required under the related instructions or are inapplicable, and therefore have been omitted.

(a) (3) The following exhibits are either filed with this Form 10-K or are incorporated herein by reference. Our Securities Exchange Act file number is 0-23253.

Exhibit Number	Exhibit Description
3.1	Restated Certificate of Incorporation of ITC/\DeltaCom, Inc. (including the Certificate of Designations of the Powers, Preferences and Relative, Participating or Other Rights, and the Qualifications, Limitations or Restrictions Thereof, of Series A Convertible Preferred Stock, the Certificate of Designation of the Powers, Preferences and Relative, Participating, Optional and Other Special Rights of Series B-1 Cumulative Convertible Preferred Stock and Qualifications, Limitations and Restrictions Thereof and the Certificate of Designation of the Powers, Preferences and Relative, Participating, Optional and Other Special Rights of Series B-2 Cumulative Convertible Preferred Stock and Qualifications, Limitations and Restrictions Thereof). Filed as Exhibit 3.1 to Quarterly Report on Form 10-Q for the quarter ended September 30, 2001 and incorporated herein by reference.

3.2 Amended and Restated Bylaws of ITC/\DeltaCom, Inc. Filed herewith.

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Exhibit Number	Exhibit Description
4.1	Specimen representing the Common Stock of ITC/\DeltaCom, Inc. Filed as Exhibit 4.1 to Registration Statement on Form S-1, as amended (File No. 333-36683) ("Form S-1 "), and incorporated herein by reference.
4.2	Specimen representing the Series B-1 Cumulative Convertible Preferred Stock, par value \$0.01 per share, of ITC/\DeltaCom, Inc. Filed as Exhibit 4.1 to Quarterly Report on Form 10-Q for the quarter ended June 30, 2001 and incorporated herein by reference.
4.3	Specimen representing the Series B-2 Cumulative Convertible Preferred Stock, par value \$0.01 per share, of ITC/\DeltaCom, Inc. Filed as Exhibit 4.1 to Quarterly Report on Form 10-Q for the quarter ended September 30, 2001 and incorporated herein by reference.
10.1	Capacity Agreement dated as of February 1, 1997 between Interstate FiberNet, Inc. and Entergy Technology Company. Filed as Exhibit 10.1 to Registration Statement on Form S-4, as amended (File No. 333-31361) (the "1997 Form S-4 "), and incorporated herein by reference.
10.2	License Agreement dated February 1, 1997 between Interstate FiberNet, Inc. and Metropolitan Atlanta Rapid Transit Authority. Filed as Exhibit 10.2 to 1997 Form S-4 and incorporated herein by reference.
10.3.1	Master Capacity Lease dated July 22, 1996 between Interstate FiberNet, Inc. and InterCel PCS Services, Inc. Filed as Exhibit 10.8 to 1997 Form S-4 and incorporated herein by reference.
10.3.2	First Amendment to Master Capacity Lease dated as of August 22, 1996 between Interstate FiberNet, Inc. and InterCel PCS Services, Inc. Filed as Exhibit 10.9 to 1997 Form S-4 and incorporated herein by reference.
10.4	Term Agreement dated as of August 11, 1994 between Gulf States FiberNet and Illinois Central Railroad Company. Filed as Exhibit 10.14 to 1997 Form S-4 and incorporated herein by reference.
10.5.1	Revised and Restated Fiber Optic Facilities and Services Agreement dated as of June 9, 1995 among Southern Development and Investment Group, Inc., on behalf of itself and as agent for Alabama Power Company, Georgia Power Company, Gulf Power Company, Mississippi Power Company, Savannah Electric and Power Company, Southern Electric Generating Company and Southern Company Services, Inc. and MPX

Systems, Inc., which was assigned in part by MPX Systems, Inc. to Gulf States FiberNet pursuant to an Assignment dated as of July 25, 1995. Filed as Exhibit 10.15 to 1997 Form S-4 and incorporated herein by reference.

10.5.2 Release, Waiver, and Assumption Agreement, dated as of December 31, 1997, between Southern Development Investment Group, Inc., on behalf of itself and as agent for Alabama Power Company, Georgia Power Company, Gulf Power Company, Mississippi Power Company, Savannah Electric and Power Company, Southern Electric Generating Company and Southern Company Services, Inc. and Interstate FiberNet, Inc. and Gulf States Transmission Systems, Inc. Filed as Exhibit 10.15.1 to 1997 Form 10-K and incorporated herein by reference.

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Exhibit Number	Exhibit Description
10.5.3	Amendment to the Revised and Restated Fiber Optic Facilities and Services Agreement, dated as of January 1, 1998, by and among Southern Company Energy Solutions, Inc. (f/k/a Southern Development Group, Inc.), on behalf of itself and as agent for Alabama Power Company, Georgia Power Company, Gulf Power Company, Mississippi Power Company, Savannah Electric and Power Company, Southern Electric Generating Company and Southern Company Services, Inc. and Interstate FiberNet, Inc. Filed as Exhibit 10.15.2 to Quarterly Report on Form 10-Q for the quarter ended September 30, 1998 (the "September 1998 Form 10-Q ") and incorporated herein by reference.
10.5.4	First Amendment to Revised and Restated Fiber Optic Facilities and Services Agreement dated as of July 24, 1995 between Southern Development and Investment Group, Inc. on behalf of itself and as agent for others and MPX Systems, Inc. Filed as Exhibit 10.16 to 1997 Form S-4 and incorporated herein by reference.
10.5.5	Partial Assignment and Assumption of Revised and Restated Fiber Optic Facilities and Services Agreement dated July 25, 1995 between MPX Systems, Inc. and Gulf States FiberNet. Filed as Exhibit 10.17 to 1997 Form S-4 and incorporated herein by reference.
+10.5.6	Amendment to Revised and Restated Fiber Optic Facilities and Services Agreement, dated July 15, 1997, by and among Southern Development and Investment Group, Inc., on behalf of itself and its agent for Alabama Power Company, Georgia Power Company, Gulf Power Company, Mississippi Power Company, Savannah Electric and Power Company, Southern Electric Generating Company and Southern Company Services, Inc. (collectively "SES"), ITC Transmission Systems, Inc. (as managing partner of Interstate FiberNet) and Gulf States Transmission Systems, Inc. Filed as Exhibit 10.17.1 to 1997 Form S-4 and incorporated herein by reference.
10.5.7	Consent for Assignment of Interest dated February 20, 1997 among SCANA Communications, Inc., Gulf States FiberNet, Gulf States Transmission Systems, Inc. and Southern Development and Investment Groups, Inc. Filed as Exhibit 10.18 to 1997 Form S-4 and incorporated herein by reference.
10.5.8	Second Partial Assignment and Assumption of Revised and Restated Fiber Optic Facilities and Services Agreement dated March 27, 1997 between SCANA Communications, Inc. and ITC Holding Company, Inc. Filed as Exhibit 10.19 to 1997 Form S-4 and incorporated herein by reference.
+10.5.9	Amendment, effective as of August 1, 2000, between Southern Telecom, Inc., on behalf of itself and as agent for the other parties specified therein, and Interstate FiberNet, Inc. to the Revised and Restated Fiber Optics Facilities and Services Agreement made as of June 9, 1995. Filed as Exhibit 10.1 to Quarterly Report on Form 10-Q for the quarter ended September 30, 2000 and incorporated herein by reference.
10.6.1	Fiber System Lease Agreement dated January 30, 1996 between CSW Communications, Inc. and Gulf States FiberNet. Filed as Exhibit 10.20 to 1997 Form S-4 and incorporated herein by reference.
10.6.2	Consent for Acquisition and Assignment dated January 13, 1997 between CSW Communications, Inc. and Gulf States FiberNet. Filed as Exhibit 10.21 to 1997 Form S-4 and incorporated herein by reference.

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Exhibit Number	Exhibit Description
10.7	Network Operating Agreement dated March 25, 1996 among Gulf States FiberNet, TriNet, Inc., Hart Communications, Inc. and SCANA Communications, Inc. (f/k/a MPX Systems, Inc.). Filed as Exhibit 10.25 to 1997 Form S-4 and incorporated herein by reference.
10.8.1	Agreement for the Provision of Fiber Optic Facilities and Services dated March 29, 1990 between Alabama Power Company and Southern Interexchange Facilities, Inc. Filed as Exhibit 10.26 to 1997 Form S-4 and incorporated herein by reference.
10.8.2	Amendment to the Agreement for Provision of Fiber Optic Facilities and Services dated March 29, 1990 between Alabama Power Company and Southern Interexchange Facilities, Inc. Filed as Exhibit 10.27 to 1997 Form S-4 and incorporated herein by reference.
10.8.3	First Amendment to the Agreement for the Provision of Fiber Optic Facilities and Services dated March 22, 1991 between Alabama Power Company and Southern Interexchange Facilities, Inc. Filed as Exhibit 10.28 to 1997 Form S-4 and incorporated herein by reference.
10.8.4	Second Amendment to the Agreement for the Provision of Fiber Optic Facilities and Services dated December 1, 1991 between Alabama Power Company and Southern Interexchange Facilities, Inc. Filed as Exhibit 10.29 to 1997 Form S-4 and incorporated herein by reference.
10.8.5	Third Amendment to the Agreement for the Provision of Fiber Optic Facilities and Services dated September 23, 1992 between Alabama Power Company and Southern Interexchange Facilities, Inc. Filed as Exhibit 10.30 to 1997 Form S-4 and incorporated herein by reference.
10.8.6	Fourth Amendment to the Agreement for the Provision of Fiber Optic Facilities and Services dated January 1, 1994 between Alabama Power Company and Southern Interexchange Facilities, Inc. Filed as Exhibit 10.31 to 1997 Form S-4 and incorporated herein by reference.
10.9.1	Agreement dated March 6, 1990 between Tennessee Valley Authority and Consolidated Communications Corporation (predecessor to DeltaCom, Inc.). Filed as Exhibit 10.32 to 1997 Form S-4 and incorporated herein by reference.
10.9.2	Supplement Agreement; Leased Fiber Pathways, dated as of September 26, 1997, by and between Tennessee Valley Authority and DeltaCom, Inc. Filed as Exhibit 10.32.1 to 1997 Form 10-K and incorporated herein by reference.
10.10	Master Equipment Lease Agreement dated October 30, 1995 between AT&T Systems Leasing Co. and DeltaCom, Inc. Filed as Exhibit 10.36 to 1997 Form S-4 and incorporated herein by reference.
10.11	Agreement dated January 14, 1997 between DeltaCom, Inc. and SCANA Communications, Inc., for switch location in Columbia, South Carolina. Filed as Exhibit 10.41 to 1997 Form S-4 and incorporated herein by reference.
+10.12.1	Network Products Purchase Agreement No. ITC 2000NPPA between Nortel Networks Inc. and Interstate FiberNet, Inc. and its subsidiary ITC/DeltaCom Communications, Inc., effective as of November 8, 2000 (the "Nortel Purchase Agreement"). Filed as Exhibit 10.18 to Annual Report on Form 10-K for the year ended December 31, 2000 and incorporated herein by reference.

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Exhibit Number	Exhibit Description
+10.12.2	Schedule D: Data and Internet Products: Ethernet Port Commitment and Services Payment Program to the Nortel Purchase Agreement. Filed herewith.
+10.12.3	Professional Services Attachment, Exhibit P, to the Nortel Purchase Agreement. Filed as Exhibit 10.8.2 to Quarterly Report on Form 10-Q for the quarter ended June 30, 2001 and incorporated herein by reference.

- +10.12.4 Product Attachment, Exhibit Q, eBusiness Solutions Products, to the Nortel Purchase Agreement. Filed as Exhibit 10.8.3 to Quarterly Report on Form 10-Q for the quarter ended June 30, 2001 and incorporated herein by reference.
- +10.13 Fiber Optic Facilities Agreement, dated November 15, 1996, by and between Interstate FiberNet and Florida Power Corporation. Filed as Exhibit 10.45 to 1997 Form S-4 and incorporated herein by reference.
- +10.14.1 Fiber Optic Capacity Marketing and Operating Agreement, dated March 21, 1996, by and between Interstate FiberNet and Florida Power & Light Company. Filed as Exhibit 10.46 to 1997 Form S-4 and incorporated herein by reference.
- +10.14.2 Addendum to Fiber Optic Capacity Marketing and Operating Agreement, dated July 10, 1997, by and between Interstate FiberNet and Florida Power & Light Company. Filed as Exhibit 10.47 to 1997 Form S-4 and incorporated herein by reference.
- +10.15 Master Service Agreement, dated May 6, 1996, by and between Interstate FiberNet and MCI Telecommunications Corporation. Filed as Exhibit 10.48 to 1997 Form S-4 and incorporated herein by reference.
- +10.16 Telecommunications System Maintenance Agreement, dated as of January 26, 1995, by and between Interstate FiberNet and Sprint Communications Company L.P. Filed as Exhibit 10.49 to 1997 Form S-4 and incorporated herein by reference.
- +10.17 Sprint Communications Company Facilities and Services Agreement, dated January 26, 1995, by and between Interstate FiberNet and Sprint Communications Company L.P. Filed as Exhibit 10.50 to 1997 Form S-4 and incorporated herein by reference.
- +10.18 Fiber Optic Facility Lease Agreement, dated as of January 31, 1997, by and between Interstate FiberNet, Inc. and Southern Telecom 1, Inc. Filed as Exhibit 10.51 to 1997 Form S-4 and incorporated herein by reference.
- 10.19 First Assignment and Assumption of Fiber Optic Facility Lease Agreement, dated February 1, 1997, by and between Interstate FiberNet, Inc. and Gulf States FiberNet. Filed as Exhibit 10.52 to 1997 Form S-4 and incorporated herein by reference.
- +10.20.1 Telecommunications System Agreement, dated January 26, 1995, by and between Interstate FiberNet, Inc. and Sprint Communications Company L.P. Filed as Exhibit 10.53 to 1997 Form S-4 and incorporated herein by reference.
- 10.20.2 Amendment to Telecommunications System Agreement, dated July 25, 1995, by and between Gulf States FiberNet and Sprint Communications Company L.P. Filed as Exhibit 10.54 to 1997 Form S-4 and incorporated herein by reference.

Exhibit Number	Exhibit Description
-----	-----
+10.20.3	Amendment No. 2 to Telecommunications System Agreement, dated August 8, 1996, by and between Gulf States FiberNet and Sprint Communications Company L.P. Filed as Exhibit 10.55 to 1997 Form S-4 and incorporated herein by reference.
+10.20.4	Assignment of the Telecommunications System Agreement, dated July 25, 1995, between Interstate FiberNet, Inc., Gulf States FiberNet and Sprint Communications Company L.P. Filed as Exhibit 10.56 to 1997 Form S-4 and incorporated herein by reference.
+10.20.5	Assignment of the Telecommunications System Agreement, dated February 27, 1997, between Sprint Communications Company L.P., Gulf States FiberNet and Gulf States Transmission Systems, Inc. Filed as Exhibit 10.57 to 1997 Form S-4 and incorporated herein by reference.
10.21	Fixed Fee Agreement for Exchange of Use and Maintenance of Six (6) Fiber Optic Fibers with an Option of Two (2) Additional Fiber Optic Fibers, dated July 25, 1997, by and between Interstate FiberNet, Inc., Gulf States Transmission Systems, Inc. and ALLTEL Telephone Services Corporation. Filed as Exhibit 10.58 to 1997 Form S-4 and incorporated herein by reference.

- +10.22 Marketing and Operating Agreement, dated as of October 6, 1994, by and between Interstate FiberNet, Inc. and DukeNet Communications, Inc. Filed as Exhibit 10.74 to 1997 Form S-4 and incorporated herein by reference.
- 10.23.1 Credit Agreement (the "Credit Agreement "), dated as of April 5, 2000, among ITC/\DeltaCom, Inc., Interstate FiberNet, Inc., the subsidiary guarantors listed on the signature pages thereto, the banks, financial institutions and other institutional lenders listed on the signature pages thereto as the Initial Lenders, Morgan Stanley Senior Funding, Inc. ("Morgan Stanley "), as administrative agent for the Lender Parties (as defined therein), Morgan Stanley & Co. Incorporated, as collateral agent, Bank of America Securities LLC and Morgan Stanley, as joint lead arrangers and joint book runners, and Bank of America, N.A., as syndication agent. Filed as Exhibit 10.1 to Quarterly Report on Form 10-Q for the quarter ended March 31, 2000 and incorporated herein by reference.
- 10.23.2 Amendment No. 1, dated as of June 1, 2001, to the Credit Agreement. Filed as Exhibit 10.7 to Quarterly Report on Form 10-Q for the quarter ended June 30, 2001 and incorporated herein by reference.
- 10.23.3 Amendment No. 2, dated as of June 1, 2001, to the Credit Agreement. Filed herewith.
- 10.23.4 Security Agreement, dated April 5, 2000, made by Interstate FiberNet, Inc., ITC/\DeltaCom, Inc., and the other Persons listed on the signature pages thereof and the Additional Grantors (as defined in Section 23(b) thereof) to Morgan Stanley & Co. Incorporated, as collateral agent for the Secured Parties (as defined in the Credit Agreement). Filed as Exhibit 10.2 to Quarterly Report on Form 10-Q for the quarter ended March 31, 2000 and incorporated herein by reference.
- 10.24.1 Indenture, dated as of June 3, 1997, between ITC/\DeltaCom, Inc. and United States Trust Company of New York, as Trustee, relating to the 11% Senior Notes due 2007 of ITC/\DeltaCom, Inc. Filed as Exhibit 4.1 to 1997 Form S-4 and incorporated herein by reference.
- 10.24.2 Supplemental Indenture, dated as of October 17, 1997, between ITC/\DeltaCom, Inc. and United States Trust Company of New York, as Trustee. Filed as Exhibit 82.2 to Form S-1 and incorporated herein by reference.

Exhibit Number	Exhibit Description
-----	-----
10.24.3	Pledge and Security Agreement dated as of June 3, 1997 from ITC/\DeltaCom, Inc. as Pledgor to United States Trust Company of New York as Trustee. Filed as Exhibit 4.3 to 1997 Form S-4 and incorporated herein by reference.
10.24.4	Form of Exchange Note (contained in Indenture filed as Exhibit 10.34.1).
10.25	Assignment and Contribution Agreement Pursuant to Pledge and Security Agreement dated as of July 25, 1997, by and among ITC/\DeltaCom, Inc., Interstate FiberNet, Inc. and United States Trust Company of New York, as Trustee filed herewith. Filed as Exhibit 4.5 to 1997 Form S-4 and incorporated herein by reference.
+10.26.1	MCI Carrier Agreement, effective September 1, 1997, by and between MCI Telecommunications Corporation and Associated Communications Companies of America (ACCA). Filed as Exhibit 10.87 to Form S-1 and incorporated herein by reference.
+10.26.2	First Amendment to the MCI Carrier Agreement, dated as of November 21, 1997, by and between MCI Telecommunications Corporation and Associated Communication Companies of America (ACCA). Filed as Exhibit 10.87.1 to 1997 Form 10-K and incorporated herein by reference.
10.27.1	Amended and Restated ITC/\DeltaCom, Inc. 1997 Stock Option Plan. Filed herewith.
10.27.2	Form of Stock Option Agreement under the Amended and Restated ITC/\DeltaCom, Inc. 1997 Stock Option Plan. Filed as Exhibit 10.37.2 to Annual Report on Form 10-K for the year ended December 31, 2000 and incorporated herein by reference.

- 10.28.1 ITC/\DeltaCom, Inc. Director Stock Option Plan. Filed as Exhibit 10.89 to Form S-1 and incorporated herein by reference.
- 10.28.2 Form of Non-Qualified Stock Option Agreement under the ITC/\DeltaCom, Inc. Director Stock Option Plan. Filed as Exhibit 10.38.2 to Annual Report on Form 10-K for the year ended December 31, 2000 and incorporated herein by reference.
- 10.29.1 ITC Holding Company, Inc. Amended and Restated Stock Option Plan. Filed as Exhibit 10.90 to Form S-1 and incorporated herein by reference.
- 10.29.2 Amendment No. 1 to ITC Holding Company, Inc. Amended and Restated Stock Option Plan. Filed as Exhibit 10.2 to Quarterly Report on Form 10-Q for the quarter ended June 30, 2000 and incorporated herein by reference.
- 10.30.1 ITC Holding Company, Inc. Nonemployee Director Stock Option Plan. Filed as Exhibit 10.91 to Form S-1 and incorporated herein by reference.
- 10.30.2 Amendment No. 1 to ITC Holding Company, Inc. Nonemployee Director Stock Option Plan. Filed as Exhibit 10.3 to Quarterly Report on Form 10-Q for the quarter ended June 30, 2000 and incorporated herein by reference.
- 10.31 Description of ITC/\DeltaCom, Inc. Bonus Plan. Filed as Exhibit 10.92 to Form S-1 and incorporated herein by reference.

Exhibit Number -----	Exhibit Description -----
10.32	Form of Indemnity Agreement between ITC/\DeltaCom, Inc. and certain of its Directors and Officers. Filed as Exhibit 10.93 to Form S-1 and incorporated herein by reference.
10.33.1	Sale and Purchase Agreement, dated as of March 11, 1997, by and between SCANA Corporation and ITC Holding Company, Inc. Filed as Exhibit 10.94 to Form S-1 and incorporated herein by reference.
10.33.2	First Amendment to Sale and Purchase Agreement. Among SCANA Corporation, SCANA Communications, Inc., and ITC Holding Company, Inc., dated as of October 16, 1997, among SCANA Corporation, SCANA Communications, Inc., ITC Holding Company, Inc. and ITC/\DeltaCom, Inc. Filed as Exhibit 10.95 to Form S-1 and incorporated herein by reference.
10.34.1	Indenture dated March 3, 1998 between ITC/\DeltaCom, Inc. and United States Trust Company of New York, as Trustee, relating to the 8 7/8% Senior Notes due 2008 of ITC/\DeltaCom, Inc. Filed as Exhibit 4.2 to Inc.1997 Form 10-K and incorporated herein by reference.
10.34.2	Form of Global 8 7/8% Note due 2008 (contained in Indenture filed as Exhibit 10.44.1).
10.35.1	Indenture dated as of November 5, 1998 between ITC/\DeltaCom, Inc. and United States Trust Company of New York, as Trustee, relating to the 9 3/4% Senior Notes due 2008 of ITC/\DeltaCom, Inc. Filed as Exhibit 4.2 to Registration Statement on Form S-4, as amended (File No. 333-71735) (the "February 1999 Form S-4"), and incorporated herein by reference.
10.35.2	Form of Global 9 3/4% Note due 2008 (contained in Indenture filed as Exhibit 10.45.1).
10.36.1	Registration Rights Agreement, dated as of May 12, 1999, by and among ITC/\DeltaCom, Inc. and Morgan Stanley & Co. Incorporated, Credit Suisse First Boston Corporation, First Union Capital Markets Corp. and NationsBanc Montgomery Securities LLC. Filed as Exhibit 4.1 to the May 1999 Form 10-Q and incorporated herein by reference.
10.36.2	Indenture dated as of May 12, 1999, between ITC/\DeltaCom, Inc. ITC/\DeltaCom, Inc. and U.S. Trust, Company of Texas, N.A., a national banking corporation, as trustee. Filed as Exhibit 4.1 to the May 1999 Form 10-Q and incorporated herein by reference.
10.36.3	Form of Global Note relating to the 4 1/2% Convertible Subordinated Notes due 2006 (contained in Indenture filed as Exhibit 10.46.2).

- 10.36.4 Form of Registered 4 1/2% Convertible Subordinated Note due 2006. Filed as Exhibit 4.5 to Registration Statement on Form S-3, as amended (File No. 333-84661), and incorporated herein by reference.
- 10.37.1 Master Lease Agreement, dated as of December 29, 2000, between NTFC Capital Corporation, as Lessor, and ITC/\DeltaCom Communications, Inc. and Interstate FiberNet, Inc., as Lessees (the "Master Lease Agreement"). Filed as Exhibit 10.47.1 to Annual Report on Form 10-K for the year ended December 31, 2000 and incorporated herein by reference.
- 10.37.2 Form of Equipment Schedule to the Master Lease Agreement. Filed as Exhibit 10.47.2 to Annual Report on Form 10-K for the year ended December 31, 2000 and incorporated herein by reference.

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- | Exhibit Number | Exhibit Description |
|----------------|--|
| 10.37.3 | Guaranty, dated as of December 29, 2000, between Interstate FiberNet, Inc. and NTFC Capital Corporation. Filed as Exhibit 10.47.3 to Annual Report on Form 10-K for the year ended December 31, 2000 and incorporated herein by reference. |
| 10.37.4 | Amendment No. 1, dated as of June 18, 2001, to the Financial Covenants and Reporting Requirements Annex to the Master Lease Agreement. Filed as Exhibit 10.6 to Quarterly Report on Form 10-Q for the quarter ended June 30, 2001 and incorporated herein by reference. |
| 10.37.5 | Amendment No. 2, dated as of June 18, 2001, to the Financial Covenants and Reporting Requirements Annex to the Master Lease Agreement. Filed herewith. |
| 10.38 | Interconnection Agreement, dated February 9, 2001, by and between BellSouth Telecommunications, Inc. and ITC/\DeltaCom Communications, Inc. d/b/a/ ITC/\DeltaCom. Filed as Exhibit 10.48 to Annual Report on Form 10-K for the year ended December 31, 2000 and incorporated herein by reference. |
| 10.39.1 | Interconnection Agreement, dated as of June 5, 2000, by and between BellSouth Telecommunications, Inc. and ITC/\DeltaCom Communications, Inc. d/b/a/ ITC/\DeltaCom. Filed as Exhibit 10.49.1 to Annual Report on Form 10-K for the year ended December 31, 2000 and incorporated herein by reference. |
| 10.39.2 | First Amendment to the Interconnection Agreement by and between BellSouth Telecommunications, Inc. and ITC/\DeltaCom Communications, Inc., dated as of August 21, 2000, between ITC/\DeltaCom Communications, Inc. and BellSouth Telecommunications, Inc. Filed as Exhibit 10.49.2 to Annual Report on Form 10-K for the year ended December 31, 2000 and incorporated herein by reference. |
| 10.39.3 | Amendment to the Interconnection Agreement by and between BellSouth Telecommunications, Inc. and ITC/\DeltaCom Communications, Inc., dated as of February 14, 2001, by and between ITC/\DeltaCom Communications, Inc. and BellSouth Telecommunications, Inc. Filed as Exhibit 10.49.3 to Annual Report on Form 10-K for the year ended December 31, 2000 and incorporated herein by reference. |
| 10.40 | Interconnection Agreement, effective as of July 1, 1999, by and between ITC/\DeltaCom Communications, Inc. and BellSouth Telecommunications, Inc. Filed as Exhibit 10.50 to Annual Report on Form 10-K for the year ended December 31, 2000 and incorporated herein by reference. |
| 10.41.1 | Investment Agreement, dated as of February 27, 2001, between ITC/\DeltaCom, Inc. and ITC Holding Company, Inc. Filed as Exhibit 10.1 to Report on Form 10-Q for the period ended March 31, 2001, and incorporated herein by reference. |
| 10.41.2 | Amendment No. 1 to Investment Agreement, dated as of May 29, 2001, by and among ITC/\DeltaCom, Inc., ITC Holding Company, Inc., SCANA Corporation and HBK Master Fund L.P. Filed as Exhibit 10.1 to Quarterly Report on Form 10-Q for the quarter ended June 30, 2001 and incorporated herein by reference. |
| 10.41.3 | Registration Rights Agreement, dated as of June 20, 2001, among ITC/\DeltaCom, Inc., ITC Holding Company, Inc., SCANA Corporation, HBK Master Fund L.P. and the other Holders from time to time thereunder. Filed as Exhibit 10.2 to Quarterly Report on Form 10-Q for the quarter |

Exhibit Number	Exhibit Description
10.41.4	ITC/\DeltaCom, Inc. Common Stock Purchase Warrant, dated June 20, 2001, issued to ITC Telecom Ventures, Inc. Filed as Exhibit 10.3 to Quarterly Report on Form 10-Q for the quarter ended June 30, 2001 and incorporated herein by reference.
10.41.5	ITC/\DeltaCom, Inc. Common Stock Purchase Warrant, dated June 20, 2001, issued to SCANA Corporation. Filed as Exhibit 10.4 to Quarterly Report on Form 10-Q for the quarter ended June 30, 2001 and incorporated herein by reference.
10.41.6	ITC/\DeltaCom, Inc. Common Stock Purchase Warrant, dated June 20, 2001, issued to HBK Master Fund L.P. Filed as Exhibit 10.5 to Quarterly Report on Form 10-Q for the quarter ended June 30, 2001 and incorporated herein by reference.
10.41.7	ITC/\DeltaCom, Inc. Common Stock Purchase Warrant, dated September 5, 2001, issued to ITC Telecom Ventures, Inc. Filed as Exhibit 10.1 to Quarterly Report on Form 10-Q for the quarter ended September 30, 2001 and incorporated herein by reference.
10.41.8	ITC/\DeltaCom, Inc. Common Stock Purchase Warrant, dated September 5, 2001, issued to SCANA Corporation. Filed as Exhibit 10.2 to Quarterly Report on Form 10-Q for the quarter ended September 30, 2001 and incorporated herein by reference.
10.41.9	ITC/\DeltaCom, Inc. Common Stock Purchase Warrant, dated September 5, 2001, issued to HBK Master Fund L.P. Filed as Exhibit 10.3 to Quarterly Report on Form 10-Q for the quarter ended September 30, 2001 and incorporated herein by reference.
10.42.1	Master Lease Agreement, dated as of December 31, 2001, between General Electric Capital Corporation, as Lessor, and ITC/\DeltaCom Communications, Inc., as Lessee (the "GECC Master Lease Agreement"). Filed herewith.
10.42.2	Form of Equipment Schedule to the GECC Master Lease Agreement. Filed herewith.
12.1	Statement regarding Computation of Ratios. Filed herewith.
21.1	Subsidiaries of ITC/\DeltaCom, Inc. Filed herewith.
23.1	Consent of Arthur Andersen LLP. Filed herewith.
99.1	Representation letter concerning Arthur Andersen LLP. Filed herewith.

+ Confidential treatment has been granted for this exhibit. The copy filed as an exhibit omits the information subject to the confidential treatment request.

++ Certain confidential portions of this exhibit were omitted by means of redacting a portion of the text. This exhibit has been filed separately with the Secretary of the SEC without such text pursuant to our Application Requesting Confidential Treatment under Rule 24b-2 under the Securities Exchange Act.

(b) Reports on Form 8-K.

We did not file any Current Reports of Form 8-K during the fourth quarter of 2001.

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To ITC/\DeltaCom, Inc.:

We have audited the accompanying consolidated balance sheets of ITC/\DELTACOM, INC. (a Delaware corporation) AND SUBSIDIARIES as of December 31, 2001 and 2000, and the related consolidated statements of operations, stockholders' (deficit) equity, and cash flows for each of the three years in the period ended December 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements (pages F-3 - F-31) referred to above present fairly, in all material respects, the financial position of ITC/\DeltaCom, Inc. and subsidiaries as of December 31, 2001 and 2000 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has suffered recurring losses and negative cash flows from operations and has limited access to additional capital, which raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts, or the amount and classification of liabilities that might result should the Company be unable to continue as a going concern.

/S/ Arthur Andersen LLP

Atlanta, Georgia
February 15, 2002

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ITC/\DELTACOM, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

<TABLE>
<CAPTION>

	December 31,	
	2001	2000
	-----	-----
<S>	<C>	<C>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 41,043	\$ 141,140
Restricted assets	0	6,982
Accounts receivable:		
Customer, net of allowance for uncollectible accounts of		

\$5,689 and \$3,003 in 2001 and 2000, respectively	62,099	71,428
Affiliates (Note 12)	4,889	6,638
Inventory	6,301	9,249
Prepaid expenses	4,193	5,359
	-----	-----
Total current assets	118,525	240,796
	-----	-----
PROPERTY, PLANT AND EQUIPMENT, net (Note 3)	691,037	680,021
	-----	-----
OTHER LONG-TERM ASSETS:		
Intangible assets, net (Note 4)	55,946	113,338
Other long-term assets	12,824	14,371
	-----	-----
Total other long-term assets	68,770	127,709
	-----	-----
Total assets	\$878,332	\$1,048,526
	=====	=====

</TABLE>

The accompanying notes are an integral part of these consolidated balance sheets.

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ITC/\DELTACOM, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

<TABLE>
<CAPTION>

	December 31,	
	2001	2000
	-----	-----
<S>	<C>	<C>
LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY		
CURRENT LIABILITIES:		
Accounts payable:		
Trade	\$ 38,779	\$ 40,813
Construction	8,613	35,808
Accrued interest	8,844	12,620
Accrued compensation	6,554	7,026
Unearned revenue (Note 10)	35,851	44,339
Other accrued liabilities	19,914	12,998
Current portion of long-term debt and capital lease obligations (Note 5)	6,711	2,098
	-----	-----
Total current liabilities	125,266	155,702
	-----	-----
LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS (Note 5)	717,163	711,771
	-----	-----
CONVERTIBLE REDEEMABLE PREFERRED STOCK (Note 7):		
Par value \$.01; 67,000 shares designated Series B-1 in 2001 and 0 shares designated Series B-1 in 2000; 30,673 and 0 shares issued and outstanding in 2001 and 2000, respectively; entitled to liquidation preference and redemption value of \$1,000 per share, plus accrued and unpaid dividends	24,121	0
Par value \$.01; 90,000 shares designated Series B-2 in 2001 and 0 shares designated Series B-2 in 2000; 40,000 and 0 shares issued and outstanding in 2001 and 2000, respectively; entitled to liquidation preference and redemption value of \$1,000 per share, plus accrued and unpaid dividends	33,712	0
	-----	-----
Total convertible redeemable preferred stock	57,833	0
	-----	-----
COMMITMENTS AND CONTINGENCIES (Notes 1, 5 and 10)		
STOCKHOLDERS' (DEFICIT) EQUITY:		
Preferred stock, \$.01 par value; 5,000,000 shares authorized Series A Preferred Stock, \$7.40 liquidation preference per share; 1,480,771 shares issued and outstanding in 2001 and 2000	15	15
Common stock, \$.01 par value; 200,000,000 shares authorized; 62,364,768 and 61,639,672 shares issued and outstanding in 2001 and 2000, respectively ...	624	616

Additional paid-in capital	356,839	355,627
Warrants outstanding	11,441	0
Accumulated deficit	(390,849)	(175,205)
	-----	-----
Total stockholders' (deficit) equity	(21,930)	181,053
	-----	-----
Total liabilities and stockholders' (deficit) equity	\$ 878,332	\$1,048,526
	=====	=====

</TABLE>

The accompanying notes are an integral part of these consolidated balance sheets.

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ITC/\DELTACOM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except share data)

<TABLE>
<CAPTION>

	Years ended December 31,		
	2001	2000	1999
	-----	-----	-----
<S>	<C>	<C>	<C>
OPERATING REVENUES	\$ 415,339	\$ 363,648	\$ 244,844
COST OF SERVICES (exclusive of items shown separately below) ..	186,121	155,000	118,721
INVENTORY WRITE-DOWN	1,663	0	0
	-----	-----	-----
GROSS MARGIN	227,555	208,648	126,123
	-----	-----	-----
OPERATING EXPENSES:			
Selling, operations, and administration	188,712	151,050	96,854
Depreciation and amortization	118,938	86,519	53,810
Special charges	74,437	0	0
	-----	-----	-----
Total operating expenses	382,087	237,569	150,664
	-----	-----	-----
OPERATING LOSS	(154,532)	(28,921)	(24,541)
	-----	-----	-----
OTHER INCOME (EXPENSE):			
Interest expense	(58,833)	(55,482)	(45,293)
Interest income	2,066	14,763	14,195
Other (expense) income	(632)	(426)	754
	-----	-----	-----
Total other expense, net	(57,399)	(41,145)	(30,344)
	-----	-----	-----
LOSS BEFORE INCOME TAXES AND EXTRAORDINARY ITEM	(211,931)	(70,066)	(54,885)
INCOME TAX EXPENSE (BENEFIT)	0	(512)	94
	-----	-----	-----
LOSS BEFORE EXTRAORDINARY ITEM	(211,931)	(69,554)	(54,979)
EXTRAORDINARY ITEM--LOSS ON EARLY TERMINATION OF CREDIT FACILITY	0	(1,321)	0
	-----	-----	-----
NET LOSS	(211,931)	(70,875)	(54,979)
PREFERRED STOCK DIVIDENDS AND ACCRETION	(3,713)	0	0
	-----	-----	-----
NET LOSS APPLICABLE TO COMMON STOCKHOLDERS	\$ (215,644)	\$ (70,875)	\$ (54,979)
	=====	=====	=====
BASIC AND DILUTED NET LOSS PER COMMON SHARE:			
Before extraordinary loss	\$ (3.46)	\$ (1.14)	\$ (0.98)
Extraordinary loss	0.00	(0.02)	0.00
	-----	-----	-----
Net loss applicable to common stockholders	\$ (3.46)	\$ (1.16)	\$ (0.98)
	=====	=====	=====
BASIC AND DILUTED WEIGHTED AVERAGE COMMON SHARES OUTSTANDING ..	62,292,085	60,928,387	56,370,269
	=====	=====	=====

</TABLE>

The accompanying notes are an integral part of these consolidated statements.

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CONSOLIDATED STATEMENTS OF STOCKHOLDERS' (DEFICIT) EQUITY
(In thousands, except share data)

<TABLE>
<CAPTION>

	Preferred Stock		Common Stock		Additional Paid-in Capital
	Shares	Amount	Shares	Amount	
<S>	<C>	<C>	<C>	<C>	<C>
BALANCE, December 31, 1998	1,480,771	\$15	51,339,838	\$513	\$167,023
Sale of common stock, net of offering expenses of \$5.9 million	0	0	6,037,500	60	120,869
Issuance of common stock for AvData acquisition	0	0	983,511	10	29,180
Issuance of common stock for SciTel acquisition	0	0	83,117	1	1,999
Retirement of common shares	0	0	(3,473)	0	(55)
Deferred compensation	0	0	0	0	145
Exercise of common stock options	0	0	1,116,282	11	2,721
Net loss	0	0	0	0	0
BALANCE, December 31, 1999	1,480,771	15	59,556,775	595	321,882
Issuance of common stock under AvData earn-out provisions (Note 13)	0	0	123,757	1	4,282
Issuance of common stock for Bay Data Acquisition	0	0	837,942	8	26,209
Deferred compensation	0	0	0	0	145
Exercise of common stock options	0	0	1,121,198	12	3,109
Net loss	0	0	0	0	0
BALANCE, December 31, 2000	1,480,771	15	61,639,672	616	355,627
Issuance of common stock under AvData earn-out provisions (Note 13)	0	0	121	0	0
Retirement of common shares	0	0	(22,629)	0	(175)
Deferred compensation	0	0	0	0	120
Exercise of common stock options	0	0	747,604	8	1,267
Issuance of warrants for common stock (Note 7)	0	0	0	0	0
Accretion of differences between carrying value and redemption value of Series B preferred stock	0	0	0	0	0
Stock dividends declared and accrued on Series B preferred stock	0	0	0	0	0
Net loss	0	0	0	0	0
BALANCE, December 31, 2001	1,480,771	\$15	62,364,768	\$624	\$356,839

<CAPTION>

	Warrants Outstanding	Accumulated Deficit	Total Stockholders'
			(Deficit) Equity
<S>	<C>	<C>	<C>
BALANCE, December 31, 1998	\$ 0	\$ (49,351)	\$ 118,200
Sale of common stock, net of offering expenses of \$5.9 million	0	0	120,929
Issuance of common stock for AvData acquisition	0	0	29,190
Issuance of common stock for SciTel acquisition	0	0	2,000
Retirement of common shares	0	0	(55)
Deferred compensation	0	0	145
Exercise of common stock options	0	0	2,732
Net loss	0	(54,979)	(54,979)
BALANCE, December 31, 1999	0	(104,330)	218,162
Issuance of common stock under AvData earn-out provisions (Note 13)	0	0	4,283
Issuance of common stock for Bay Data Acquisition	0	0	26,217
Deferred compensation	0	0	145
Exercise of common stock options	0	0	3,121
Net loss	0	(70,875)	(70,875)
BALANCE, December 31, 2000	0	(175,205)	181,053
Issuance of common stock under AvData earn-out provisions			

(Note 13)	0	0	0
Retirement of common shares	0	0	(175)
Deferred compensation	0	0	120
Exercise of common stock options	0	0	1,275
Issuance of warrants for common stock (Note 7)	11,441	0	11,441
Accretion of differences between carrying value and redemption value of Series B preferred stock	0	(1,392)	(1,392)
Stock dividends declared and accrued on Series B preferred stock	0	(2,321)	(2,321)
Net loss	0	(211,931)	(211,931)
BALANCE, December 31, 2001	\$11,441	\$(390,849)	\$(21,930)

</TABLE>

The accompanying notes are an integral part of these consolidated statements.

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ITC/\DELTACOM, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

<TABLE>

<CAPTION>

	Years ended December 31,		
	2001	2000	1999
<S>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	\$(211,931)	\$(70,875)	\$(54,979)
Adjustments to reconcile net loss to net cash provided by operating activities (excluding the effects of acquisitions):			
Depreciation and amortization	118,938	86,519	53,810
Amortization of bond issuance costs	2,341	2,221	2,112
Special charges and other	77,301	0	0
Deferred income taxes	0	(512)	94
Extraordinary item--loss on early termination of credit facility	0	1,321	0
Changes in current operating assets and liabilities:			
Accounts receivable, net	9,351	(26,127)	(12,725)
Other current assets	2,452	(3,321)	(3,322)
Accounts payable	(2,332)	18,270	6,968
Accrued interest	(3,776)	4,339	232
Unearned revenue	(7,659)	29,287	985
Accrued compensation and other accrued liabilities	4,791	4,809	1,491
Total adjustments	201,407	116,806	49,645
Net cash (used in) provided by operating activities	(10,524)	45,931	(5,334)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	(134,770)	(337,123)	(166,823)
Change in accounts payable--construction	(27,195)	27,292	1,283
Change in restricted assets, net	6,982	6,741	13,294
Payment for acquisitions, net of cash received (Note 13)	0	(2,218)	2,881
Other	185	100	(630)
Net cash used in investing activities	(154,798)	(305,208)	(149,995)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from \$160 million senior secured credit facility, net of issuance costs	0	157,434	0
Cash from \$160 million senior secured credit facility, restricted for capital expenditures	0	(6,982)	0
Proceeds from issuance of 4-1/2% Notes, net of issuance costs	0	0	96,954
Repayment of other long-term debt and capital lease obligations	(2,368)	(1,535)	(1,102)
Proceeds from issuance of common stock, net of offering expenses	0	0	120,929
Proceeds from issuance of Series B preferred stock and common stock warrants, net of issuance costs	67,208	0	0
Proceeds from exercise of common stock options	1,275	3,121	2,732
Retirement of common shares	(175)	0	(55)

Other	(715)	(52)	135
Net cash provided by financing activities	65,225	151,986	219,593
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(100,097)	(107,291)	64,264
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	141,140	248,431	184,167
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 41,043	\$ 141,140	\$ 248,431
SUPPLEMENTAL CASH FLOW DISCLOSURES:			
Cash paid for interest (net of amount capitalized)	\$ 65,063	\$ 53,264	\$ 43,973
Cash paid (refunds received) for income taxes, net	\$ 3	\$ (143)	\$ (3,949)
NONCASH TRANSACTIONS:			
Network equipment and property rights acquired under capital lease obligations	\$ 12,751	\$ 38,496	\$ 0
Preferred stock dividends and accretion	\$ 3,713	\$ 0	\$ 0
Acquisitions:			
Note payable and capital lease obligation assumed	\$ 0	\$ 0	\$ 63
Issuance of common stock	\$ 0	\$ 30,500	\$ 31,190

</TABLE>

The accompanying notes are an integral part of these consolidated statements.

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ITC\DELTA COM, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of Business and Basis of Presentation

Nature of Business

ITC\DeltaCom, Inc. (together with its wholly-owned subsidiaries, "ITC\DeltaCom" or the "Company") provides voice and data telecommunications services on a retail basis to businesses in the southern United States (referred to as "retail services") and regional telecommunications transmission services over its network on a wholesale basis to other telecommunications companies (referred to as "broadband transport services"). Retail services include local exchange services, long distance services, calling card and operator services, asynchronous transfer mode, frame relay, and high capacity broadband private line services, as well as Internet and Web page hosting services and customer premise equipment sales, installation and repair. In connection with these services, the Company owns, operates or manages an extensive fiber optic network, which extends throughout ten southern states.

The Company also provides colocation and Web server hosting services integral to operating important business applications over the Internet through its e\deltaacom business. In addition, e\deltaacom provides a wide range of optional configurations and services, including cabinet, caged and suite space, metered power, network management, firewall management, disaster recovery and circuits from customer premises to the Company's network. As a result of its September 2001 restructuring (Note 9), beginning in 2002, the Company will no longer manage this segment separately and will begin reporting financial information for this segment with its retail services segment.

The Company has experienced operating losses as a result of efforts to build its network infrastructure, hire personnel, develop its systems and expand into new markets. Assuming it obtains sufficient financing, the Company expects to continue to focus on increasing its customer base and expanding its network operations, although at a slower rate than in previous years. Accordingly, the Company expects that its cost of services will continue to increase and that its capital expenditures, although expected to decrease, will be significant. In addition, the Company may reduce some of its prices to respond to a changing competitive environment. These factors will have a negative impact on the Company's short-term operating results. Interstate FiberNet, Inc., a wholly-owned subsidiary of the Company, has a \$160 million senior secured credit facility with Morgan Stanley Senior Funding, Inc., Bank of America, N.A. and other lenders (Note 5), and the Company has also raised funds from sales of senior notes, subordinated convertible notes, redeemable convertible preferred stock and common stock and is subject to operating and capital lease commitments (Notes 5, 7 and 8).

In the opinion of management, the Company's existing sources of funds will not be sufficient to meet the operating and capital needs of the Company. If the

Company is unable to obtain additional funds under its outstanding equity financing commitment (Note 7) or from other sources, or if it is unable to complete one of the potential restructuring alternatives described below, the Company estimates that its cash flows from operations and its other available sources of funds will be sufficient to enable it to conduct its business and to service its indebtedness only through August 2002.

The Company is actively considering various alternatives to alleviate the significant constraints on its liquidity. The Company has engaged a financial adviser to assist it in its evaluation of potential alternatives. These alternatives include seeking to raise additional equity capital and/or pursuing an exchange offer whereby the Company would make an offer to holders of its outstanding public notes to exchange the notes for new debt or equity securities or a combination of cash and securities. There can be no assurance that the Company will successfully

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raise additional capital or that an exchange offer on terms acceptable to the Company can be implemented and accepted by its existing noteholders. To conserve cash while the Company seeks to complete one of these alternatives, the Company plans to further reduce its capital expenditures and operating expenses. These matters raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts, or the amount and classification of liabilities that might result should the Company be unable to continue as a going concern.

Basis of Presentation

The accompanying consolidated financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States. All material intercompany accounts and transactions have been eliminated in consolidation.

2. Summary of Significant Accounting Policies

Sources of Supplies

The Company primarily uses two vendors for transmission equipment used in its network. However, if these vendors were unable to meet the Company's needs, management believes that the Company could obtain this equipment from other vendors on comparable terms and that its operating results would not be materially adversely affected.

Credit Risk and Significant Customers

The Company's accounts receivable subject the Company to credit risk, as collateral is generally not required. The Company limits its risk of loss by billing some customers in advance for services and by terminating access on delinquent accounts. The large number of customers mitigates the concentration of credit risk. In 2001, 2000 and 1999, no customer represented more than 10% of the Company's consolidated operating revenues.

Regulation

The Company is subject to certain regulations and requirements of the Federal Communications Commission and various state public service commissions.

Reclassifications

Reclassifications have been made to amounts previously reported to conform to the current year presentation.

Accounting Estimates

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

Cash and Cash Equivalents

The Company considers all short-term highly liquid investments with an original maturity date of three months or less to be cash equivalents.

Inventory

Inventory consists primarily of customer premise equipment held for resale and is valued at the lower of cost or market, using the first-in, first-out method.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost, except for assets determined to be impaired under the provisions of Statement of Financial Accounting Standards ("SFAS") No. 121. Depreciation begins when property, plant and equipment is placed in service. The cost of maintenance, repairs and replacement of minor items of property, plant and equipment is charged to selling, operations and administration expenses. Depreciation of property, plant and equipment is provided using the composite or straight-line method over the following estimated useful lives:

	Years -----
Buildings and towers	40
Furniture, fixtures and office equipment	3 to 10
Vehicles	5
Fiber optic network	15 to 20
Transmission equipment and electronics	5 to 10

Applicable interest charges incurred during the construction of new facilities are capitalized as elements of cost and are depreciated over the assets' estimated useful lives. Interest capitalized during the years ended December 31, 2001, 2000 and 1999 was \$4.8 million, \$4.1 million and \$1.1 million, respectively.

Intangible Assets

Intangible assets include the excess of the purchase price of acquisitions over the fair value of identifiable net assets acquired as well as various other acquired intangibles. Intangible assets are amortized over the following estimated useful lives:

	Years -----
Goodwill	10 to 40
Trademark	40
Customer base	5 to 12
Noncompete agreements	2 to 3

See the discussion below under "Recent Accounting Pronouncements" regarding the adoption of SFAS No. 141, "Business Combinations," and No. 142, "Goodwill and Other Intangible Assets."

Restricted Assets

At December 31, 2000, restricted assets include cash designated for capital expenditures. This cash represents the portion of the proceeds from the \$160 million senior secured credit facility obtained in April 2000 (Note 5) required by the lenders to be used for capital expenditures.

Other Long-Term Assets

Other long-term assets primarily consist of debt issuance costs that are amortized using the effective interest rate method over the lives of the related debt.

Long-Lived Assets

The Company reviews its long-lived assets, such as property, plant and equipment and intangible assets, for impairment at each balance sheet date and whenever events or changes in circumstances indicate that the carrying

amount of an asset should be assessed. Management evaluates the intangible assets related to each acquisition individually to determine whether an impairment has occurred. To determine if an impairment exists, the Company estimates the future undiscounted cash flows expected to result from the use of the asset being reviewed for impairment. If the sum of these expected future cash flows is less than the carrying amount of the asset, the Company recognizes an impairment loss in accordance with SFAS No. 121. The amount of the impairment recognized is determined by estimating the fair value of the assets and

recording a loss for the excess of the carrying value over the fair value. Management believes its long-lived assets, after the impairment charges recorded in September 2001 (Note 9), in the accompanying balance sheets are appropriately valued. However, asset values in the industry segments in which the Company operates are subject to rapid change. There can be no assurance that future impairment charges will not be necessary due to changes in industry conditions, deterioration in the Company's operating results or alterations to the Company's business plan.

Unearned Revenue

Unearned revenue includes the liability for advance billings to customers for use of the Company's fiber-optic network, recurring monthly charges for local and data services and estimated reciprocal compensation billings to BellSouth for 2002 (Note 10).

Unbilled Revenue

ITC/\DeltaCom Communications, Inc., a wholly-owned subsidiary of the Company, records revenue for long-distance services provided, but not yet billed, to customers. Approximately \$6.8 million, \$8.0 million and \$7.3 million in unbilled revenue is included in accounts receivable in the accompanying consolidated balance sheets at December 31, 2001, 2000 and 1999, respectively.

Income Taxes

The Company utilizes the liability method of accounting for income taxes. Under the liability method, deferred taxes are determined based on the difference between the financial and tax bases of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse.

Revenue Recognition

Revenues from telecommunications and related services are recognized as services are provided and consist primarily of recurring charges for local, long distance, data and Internet services and for use of the Company's fiber-optic network. Revenues from sales of customer premise equipment, other equipment and software are recognized upon installation. These nonrecurring revenues as a percentage of total revenue were approximately 6% in 2001, 7% in 2000 and 5% in 1999.

The Company generates recurring revenues from its offering of local exchange services, long distance services, data and Internet services, which includes Internet access, Web hosting and colocation services, and the sale of transmission capacity to other telecommunications carriers. Revenues from these sources, which generally consist of recurring monthly charges for such services, are recognized as services are provided. Advance billings or cash received in advance of services performed are recorded as deferred revenue.

The Company generates nonrecurring revenues from the sale of telephone systems, other equipment, software and professional services. Revenues from these sources are recognized upon installation or as services are performed. Nonrecurring revenues, such as the sale of telephone systems, may be part of multiple element arrangements. The Company estimates the fair value of the separate elements and recognizes revenues for a delivered element only when the undelivered element is delivered.

In accordance with the guidance provided in EITF 99-19, "Reporting Revenue Gross as Principal Versus Net as an Agent," the Company recognizes some revenue net as an agent and other revenue gross as a principal. For each

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revenue source, the Company has analyzed the features of the applicable arrangements and the presence or absence of indicators of net versus gross reporting in those arrangements.

Under an agency agreement, the Company receives an equipment order from its customer and arranges for the delivery of the equipment to the customer and earns a margin. Revenue equal to the net margin is recognized when the equipment is delivered. Under this agreement, the Company recorded revenues of \$3.2 million, \$5.6 million and \$0 for the years ended December 31, 2001, 2000 and 1999, respectively.

The Company procures certain telecommunications services for other telecommunications carriers from, and administers contracts on their behalf with, major interexchange carriers. Revenue equal to the net margin earned under this arrangement is recognized as services are provided by the third-party carriers. For these services, the Company recorded revenues of \$1.8 million, \$847,000 and \$1.2 million for the years ended December 31, 2001, 2000 and 1999,

respectively.

The Company sells customers broadband transport capacity on facilities owned by utilities under marketing and management agreements with the utilities. As compensation for these services, the Company receives a percentage of the gross revenue generated by the traffic of these customers on the facilities of the utilities. Revenue equal to this margin is recognized as services are provided. For these services, the Company recorded revenues of \$11.3 million, \$10.2 million and \$8.4 million for the years ended December 31, 2001, 2000 and 1999, respectively.

Fair Value of Financial Instruments

The carrying values of the Company's financial instruments, including cash and cash equivalents, accounts receivable and investments held-to-maturity, approximate their fair values as of December 31, 2001 and 2000, except for the outstanding notes (Note 5). Based on their quoted market prices, such notes have fair values at December 31, 2001 and 2000 as follows (in thousands):

<TABLE>
<CAPTION>

	2001 Fair Value	2001 Carrying Value	2000 Fair Value	2000 Carrying Value
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Instrument				

11% Senior Notes due 2007.....	\$ 54,600	\$130,000	\$101,400	\$130,000
8-7/8% Senior Notes due 2008.....	59,200	159,901	115,200	159,885
9-3/4% Senior Notes due 2008.....	46,250	125,000	93,750	125,000
4-1/2% Convertible Subordinated Notes due 2006....	23,750	100,000	44,125	100,000
	-----	-----	-----	-----
Totals.....	\$183,800	\$514,901	\$354,475	\$514,885
	=====	=====	=====	=====

</TABLE>

Advertising Costs

The Company expenses all advertising costs as incurred.

Recent Accounting Pronouncements

SFAS No. 133, "Accounting for Derivative Instruments and for Hedging Activities," establishes accounting and reporting standards that require every derivative instrument, including certain derivative instruments embedded in other contracts, to be recorded in the balance sheet as either an asset or a liability equal to the fair value of the derivative instrument. SFAS No. 133 requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. The Company adopted SFAS No. 133, as amended, on January 1, 2001, with no material effect on its consolidated financial statements.

In June 2001, the Financial Accounting Standards Board issued SFAS No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 prospectively prohibits the pooling of interests method of accounting for business combinations initiated after June 30, 2001. SFAS No. 142 requires

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companies to cease amortizing goodwill that existed at June 30, 2001. The amortization of existing goodwill will cease on December 31, 2001. Included in the accompanying consolidated statement of operations is amortization expense related to goodwill of approximately \$5.1 million, \$5.2 million and \$2.5 million for the years ended December 31, 2001, 2000 and 1999, respectively. SFAS No. 142 also establishes a new method of testing goodwill for impairment on an annual basis or on an interim basis if an event occurs or circumstances change that would reduce the fair value of a reporting unit below its carrying value. In accordance with SFAS No. 142, the Company has six months after adoption of the statement to complete the first step of the transitional goodwill impairment test. Pursuant to the adoption of SFAS No. 142, the Company has established its reporting units based on its reporting structure in a reasonable and supportable manner. The Company expects to complete the transitional test within the six-month period and to report the results of that testing subsequent to its completion. Pursuant to the adoption of SFAS No. 142, the Company will annually test goodwill for impairment on the anniversary of the transitional goodwill impairment test.

SFAS No. 143, "Accounting for Asset Retirement Obligations," was issued in June 2001. SFAS No. 143 applies to legal obligations associated with the retirement of certain tangible long-lived assets. This statement is effective

for fiscal years beginning after June 15, 2002. Accordingly, the Company will adopt this statement on January 1, 2003. The Company believes the adoption of SFAS No. 143 will not have a material impact on its consolidated financial statements.

SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," was issued in August 2001. It supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," and the accounting and reporting provisions of Accounting Principles Board Opinion No. 30, "Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions," for the disposal of a segment of a business. SFAS No. 144 also amended Accounting Research Bulletin No. 51, "Consolidated Financial Statements," to eliminate the exception to consolidation for a subsidiary for which control is likely to be temporary. SFAS No. 144 is effective for fiscal years beginning after December 15, 2001, and interim periods within those fiscal years. The Company adopted SFAS No. 144 on January 1, 2002, and the Company is currently evaluating the impact of this statement's adoption on its consolidated financial statements. The Company believes that its adoption of SFAS No. 144 will not have a material impact on its consolidated financial statements.

3. Property, Plant and Equipment

Balances of major classes of property, plant and equipment and the related accumulated depreciation as of December 31, 2001 and 2000 are as follows (in thousands):

	2001	2000
Land	\$ 6,744	\$ 5,375
Buildings and towers	127,412	84,525
Furniture, fixtures and office equipment	63,460	49,298
Vehicles	6,166	6,194
Fiber optic network	190,778	129,684
Transmission equipment and electronics	568,716	470,909
	-----	-----
	963,276	745,985
Less accumulated depreciation	(295,746)	(183,443)
	-----	-----
Net property, plant and equipment in service	667,530	562,542
Assets under construction	23,507	117,479
	-----	-----
Property, plant and equipment, net	\$ 691,037	\$ 680,021
	=====	=====

See Note 9 for a discussion related to the write-down of certain property, plant and equipment during the year ended December 31, 2001. Depreciation expense was \$112.9 million, \$80.2 million and \$50.3 million for the years ended December 31, 2001, 2000 and 1999, respectively.

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4. Intangible Assets

Intangible assets and the related accumulated amortization as of December 31, 2001 and 2000 are as follows (in thousands):

	2001	2000
Goodwill	\$ 59,700	\$115,188
Customer base	9,644	12,839
Noncompete agreements	727	727
Trademark	40	40
Other	431	432
	-----	-----
	70,542	129,226
Less accumulated amortization	(14,596)	(15,888)
	-----	-----
Intangible assets, net	\$ 55,946	\$113,338
	=====	=====

See Note 13 for a discussion of intangible assets recorded in 2000 related to the acquisition of Bay Data Consultants, Inc. ("Bay Data") and for a discussion of intangible assets recorded in 1999 related to the acquisition of AvData Systems, Inc. ("AvData") and Scientific Telecommunications, Inc. ("SciTel"). See Note 9 for a discussion related to the write-down of certain intangible assets during the year ended December 31, 2001.

5. Financing Obligations

Long-Term Debt

Long-term debt at December 31, 2001 and 2000 consists of the following (in thousands):

<TABLE>
<CAPTION>

	2001	2000
	-----	-----
<S>	<C>	<C>
11% Senior Notes due 2007.....	\$130,000	\$130,000
8-7/8% Senior Notes due 2008, net of unamortized discount of \$99 and \$115 in 2001 and 2000, respectively	159,901	159,885
9-3/4% Senior Notes due 2008	125,000	125,000
4-1/2% Convertible Subordinated Notes due 2006.....	100,000	100,000
Senior Secured Credit Facility.....	157,200	159,200
	-----	-----
	672,101	674,085
Less current maturities.....	(1,600)	(1,600)
	-----	-----
Long-term debt, net of current portion.....	\$670,501	\$672,485
	=====	=====

Maturities of long-term debt at December 31, 2001 are as follows:

2002	1,600
2003	1,600
2004	1,600
2005	1,600
2006	138,600
Thereafter	527,101

	\$672,101
	=====

</TABLE>

Lease Obligations

The Company has entered into various operating and capital leases for facilities and equipment used in its operations. Aggregate future minimum rental commitments under noncancelable operating leases with original or remaining periods in excess of one year and maturities of capital lease obligations as of December 31, 2001 are as follows (in thousands):

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<TABLE>
<CAPTION>

	Operating Leases	Capital Leases
	-----	-----
<S>	<C>	<C>
2002	13,281	9,709
2003	12,547	14,884
2004	10,223	14,791
2005	8,075	14,728
2006	6,852	3,401
Thereafter.....	16,379	13,765
	-----	-----
	\$67,357	71,278
	=====	-----
Less amounts representing interest.....		(19,505)

Present value of net minimum lease payments.....		51,773

Less current portion.....		(5,111)

Obligations under capital leases, net of current portion.....		\$46,662
		=====

</TABLE>

Rental expense charged to operations for the years ended December 31, 2001, 2000 and 1999 was \$15.7 million, \$13.0 million and \$10.0 million, respectively.

The Company's assets under capital lease had a gross book value of \$54.4 million and \$42.0 million as of December 31, 2001 and 2000, respectively.

Notes Offerings

On June 3, 1997, the Company completed the issuance of \$200 million principal amount of 11% Senior Notes due 2007 (the "1997 Notes"). Interest on

the 1997 Notes is payable semiannually on June 1 and December 1. On March 3, 1998, the Company completed the issuance of \$160 million principal amount of 8-7/8% Senior Notes due 2008 at a price of 99.9% (the "March 1998 Notes") for an effective yield of 8.88%. Interest on the March 1998 Notes is payable semiannually on March 1 and September 1. On November 5, 1998, the Company completed the issuance of \$125 million principal amount of 9-3/4% Senior Notes due 2008 (the "November 1998 Notes"). Interest on the November 1998 Notes is payable semiannually on May 15 and November 15. On May 12, 1999, the Company completed the issuance of \$100 million principal amount of 4-1/2% Convertible Subordinated Notes due 2006 (the "1999 Notes"). Interest on the 1999 Notes is payable semiannually on May 15 and November 15.

A portion of the proceeds from the 1997 Notes was held by a trustee as security for, and to fund, the first six interest payments on these notes. The sixth payment was made during 2000.

On April 2, 1998, the Company used proceeds from its initial public offering of common stock to redeem \$70 million principal amount of its 1997 Notes at a redemption price of 111% of the principal amount thereof, plus accrued and unpaid interest. In conjunction with this redemption, the Company recorded a pre-tax extraordinary loss of \$10.6 million (approximately \$8.4 million after tax), consisting of a \$7.7 million redemption premium and a \$2.9 million write-off of unamortized debt issuance costs.

The 1997 Notes, the March 1998 Notes and the November 1998 Notes (collectively, the "Senior Notes") are general, unsubordinated and unsecured senior obligations of the Company. The Company's subsidiaries have no obligation to pay amounts due on the Senior Notes and do not guarantee the Senior Notes; therefore, the Senior Notes are effectively subordinated to all liabilities of the Company's subsidiaries, including trade payables. Any rights of the Company and its creditors, including holders of the Senior Notes, to participate in the assets of any subsidiary of the Company upon any liquidation or reorganization of any such subsidiary will be subject to the prior claims of that subsidiary's creditors. The Senior Notes are subject to negative covenants that, among other things, restrict the ability of the Company and its subsidiaries to incur additional indebtedness, pay dividends or make distributions.

The 1999 Notes are unsecured general obligations of the Company and are convertible into common stock any time after August 10, 1999 at a conversion price of \$26.67 per share, subject to adjustment in specified events. The

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Company may redeem the 1999 Notes or make the 1999 Notes nonconvertible under specified circumstances before May 17, 2002.

Senior Secured Credit Facility

In April 2000, the Company entered into two senior secured credit facilities, which are referred to collectively as the "senior secured credit facility," totaling \$160 million with Morgan Stanley Senior Funding, Inc., Bank of America, N.A. and other lenders. The senior secured credit facility includes a \$100 million Tranche 1 Term Loan B facility, or "Tranche 1," to be used to finance working capital, capital expenditures and other general corporate purposes, and a \$60 million Tranche 2 Term Loan B facility, or "Tranche 2," to be used to finance the purchase of equipment. All amounts available under Tranche 1 and Tranche 2 were drawn by the Company at the closing of the senior secured credit facility. Tranche 1 is secured by substantially all of the Company's assets, except for the equipment purchased with proceeds from Tranche 2. The senior secured credit facility is senior to the \$415 million principal amount of the Company's outstanding Senior Notes and \$100 million principal amount of the Company's outstanding 1999 Notes. Interest per annum, as defined in the credit agreement, is payable on the senior secured credit facility at the option of the Company at 1.875% plus the Base Rate or 2.875% plus the Eurodollar Rate. The Base Rate at December 31, 2001 was 6.0% and the Eurodollar Rate at December 31, 2001 was 2.6%. The combined terms of repayment for the Tranche 1 and Tranche 2 advances are \$400,000 quarterly from June 2000 through September 2006, \$37.4 million in December 2006, \$37.4 million in March 2007, \$37.4 million in June 2007 and \$37.4 million on the termination date as defined by the credit agreement. The termination date may be accelerated and any remaining balance on the advances will become immediately due in the event (i) the Company's 1999 Notes are not converted or refinanced in full on terms and conditions reasonably satisfactory to the lenders on or prior to April 15, 2006, in which event all outstanding balances will be due on April 15, 2006, or (ii) the Company's 1997 Notes are not refinanced in full on terms and conditions reasonably satisfactory to the lenders on or prior to April 15, 2007, in which event all outstanding balances will be due on April 15, 2007.

The senior secured credit facility is subject to affirmative and negative covenants customarily found in similar secured financings, including restrictions on the Company's ability to incur additional indebtedness, pay

dividends and make distributions.

In connection with the completion of the senior secured credit facility, the Company terminated its \$50 million credit facility with Bank of America, N.A. as administrative lender, and certain other lenders. In connection with the termination of the \$50 million credit facility, the Company expensed \$1.3 million of unamortized debt issuance costs, which is reflected in the accompanying consolidated statements of operations as an extraordinary loss on early termination of credit facility. No amounts were borrowed under the \$50 million credit facility.

Interest Rate Swap Agreement

Prior to 1997, the Company held a 36% ownership interest in, and was the managing partner of, Gulf States FiberNet ("Gulf States"), a Georgia general partnership. In connection with the acquisition of the remaining 64% interest in Gulf States in March 1997, the Company refinanced Gulf States' outstanding indebtedness of approximately \$41.6 million with a bridge facility (the "Bridge Facility"). The Bridge Facility, which bore interest at LIBOR plus 2.25%, matured on July 25, 1997, the date the proceeds from the Company's offering of the 1997 Notes were released. The Company did not retire a forward-starting interest rate swap agreement (the "Swap"), which swapped the variable interest rate with a fixed rate of 8.25%, held by Gulf States in connection with this refinancing. At December 31, 2001, the Swap had a notional amount of approximately \$14.8 million. At December 31, 2001, the Company would have been required to pay approximately \$785,000 to terminate the Swap. The Company made payments totaling approximately \$622,000, \$404,000 and \$851,000 during 2001, 2000 and 1999, respectively, in connection with the Swap, which are included in other (expense) income in the accompanying consolidated statements of operations. The Swap expires in December 2002.

Upon receipt of the proceeds from the March 1998 Notes, the Company ceased accounting for the Swap as a hedge of an anticipated transaction and began accounting for the Swap as a trading security. The Swap is marked to

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market at each balance sheet date and the related (loss) gain is included in other (expense) income. For the years ended December 31, 2001, 2000 and 1999, the Company recorded other (expense) income in the accompanying consolidated statements of income of approximately \$(632,000), \$(426,000) and \$754,000, respectively, related to the Swap. Because the Company has recorded this derivative on the balance sheet at fair value and recorded the changes in fair value as earnings, adoption of SFAS No. 133 had no effect on the Company's accounting for the Swap.

Leases

In August 2000, the Company amended an agreement with a significant provider of rights-of-way to replace future variable payments with specified future fixed payments annually through 2020 and to modify certain rights under the agreement. The present value of the future payments (consisting of annual payments of \$750,000 through 2015 and annual payments of \$500,000 through 2020) is included in the accompanying consolidated balance sheets as a capital lease obligation in the amount of approximately \$10.0 million. In the event of a change in control of the Company, as defined in the amended agreement, the future annual payment obligations of the Company will terminate and the Company will be required to pay any remaining present value of the \$750,000 annual payment obligation and a one-time payment ranging from \$12 million in 2002 to \$20 million in 2005 and thereafter during the term of the agreement. Upon expiration in 2020, this agreement is renewable for up to two ten-year terms.

In December 2000, the Company obtained a \$40 million capital lease facility with NTFC Capital Corporation. The facility will be used to finance equipment for expansion of the Company's network. The initial funding of this facility, which occurred in December 2000, was for approximately \$28.5 million. Each funding under the facility has a five-year term. The Company funded an additional \$10.5 million of equipment in 2001 under this facility.

The Company is subject to restrictions under the indentures pursuant to which the Company issued the Senior Notes, under the senior secured credit facility and under the \$40 million capital lease facility. These restrictions affect and, in some cases, significantly limit or prohibit, among other things, the Company's ability to incur additional indebtedness. In order to incur additional indebtedness under the foregoing agreements, the Company must meet minimum specified leverage and interest coverage ratios based on its operating cash flow. As of February 28, 2002, the Company had not met, and the Company does not expect that it will be able to meet in the foreseeable future, the measurement criteria under these ratios that would allow the Company to incur additional indebtedness.

6. Income Taxes

Details of the income tax (benefit) expense for the years ended December 31, 2001, 2000 and 1999 are as follows (in thousands):

	2001	2000	1999
Current:			
Federal	\$ 0	\$ 0	\$ 0
State	0	0	0
Total current	0	0	0
Deferred:			
Federal	(51,428)	(24,335)	(20,125)
State	(6,050)	(2,352)	(2,273)
Increase in valuation allowance	57,478	26,175	22,492
Total deferred	0	(512)	94
Total (benefit) expense	\$ 0	\$ (512)	\$ 94

The tax effects of temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and their respective tax bases, which give rise to deferred tax assets and liabilities, as of December 31, 2001 and 2000 are as follows (in thousands):

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	2001	2000
Deferred tax assets:		
Net operating loss carryforwards	\$ 150,484	\$ 91,346
Alternative minimum tax credit carryforward	350	350
Interest rate swap	855	710
Other	2,216	2,100
	153,905	94,506
Deferred tax liabilities:		
Property	(38,690)	(36,782)
Other	(375)	(362)
	(39,065)	(37,144)
Net deferred tax assets	114,840	57,362
Valuation allowance	(114,840)	(57,362)
Net deferred tax liabilities	\$ 0	\$ 0

At December 31, 2001, the Company had federal and state net operating loss carryforwards of approximately \$388.0 million and \$432.9 million, respectively. The carryforwards expire primarily in the years 2018 through 2021. Because the Company is unable to conclude that it is more likely than not that it will be able to realize the benefit of its deferred tax assets, it has provided a 100% valuation allowance against the net amount of such assets at December 31, 2001. The Company realized the benefit of non-qualified stock compensation expense for tax purposes in excess of stock compensation expense for book purposes of approximately \$2.3 million, \$9.0 million and \$2.7 million for the years ended December 31, 2001, 2000 and 1999, respectively. These amounts have been credited directly against additional paid-in capital, net of a full valuation allowance.

Section 382 of the Internal Revenue Code of 1986, as amended, limits the utilization of net operating loss carryforwards when there are changes in ownership greater than 50%, as defined under the Internal Revenue Code. If such a change occurs, the timing of the Company's utilization of its U.S. net operating loss carryforwards could be affected.

A reconciliation of the federal statutory income tax rate to the effective income tax rate for the periods presented is as follows:

	2001	2000	1999
Federal statutory rate	(34)%	(34)%	(34)%
State income taxes, net of federal benefit	(4)	(3)	(4)
Permanent differences	11	(1)	(3)
Increase in valuation allowance	27	37	41
Effective income tax rate	0%	(1)%	0%

7. Convertible Redeemable Preferred Stock

In 2001, the Company secured a commitment for \$150 million in equity financing in an investment agreement with ITC Holding Company, Inc. ("ITC Holding Company"). ITC Holding Company subsequently assigned an aggregate of \$50 million of the purchase commitment to two other investors. The purchase commitments expire on June 20, 2002. The investment agreement provides for the issuance and sale by the Company of up to \$150 million of multiple series of its Series B cumulative convertible preferred stock (the "Series B preferred stock") and related common stock purchase warrants. The Company completed the sale of \$30 million of the first series of the Series B preferred stock in June 2001 and the sale of \$40 million of the second series of Series B preferred stock in September 2001. The investment agreement provides for funding at the Company's option at future multiple closings in increments of a minimum of \$10 million and a maximum of \$30 million. The Company's right to sell securities under the investment agreement is subject to specified closing conditions, including the condition that, immediately after each closing, no purchaser of the Series B preferred stock (with specified exceptions), together with all other members, if any, of the same group for federal securities law purposes, will beneficially own more than 30% of the total voting power of the

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Company's voting securities, as calculated under change of control provisions in the Company's debt agreements. The Company is assessing the conditions to funding under the investment agreement to determine whether it would be able to obtain additional funds from this source. As a result of those conditions, the Company cannot provide any assurance that it will be able to obtain additional funds under the investment agreement in an amount that would provide it with significant liquidity.

Each issue of the Series B preferred stock will have a stated purchase price of \$1,000 per share and accrue an 8% annual dividend payable quarterly, when and if declared by the Company's Board of Directors, in shares of Series B preferred stock or cash, at the Company's option. The Series B preferred stock will be redeemable at the Company's option beginning five years after the issue date and will be subject to mandatory redemption ten years after the issue date. The Series B preferred stock will have a liquidation preference equal to the greater of \$1,000 per share plus accumulated and unpaid dividends or the amount that would have been received with respect to the shares of common stock issuable upon conversion of the shares of Series B preferred stock if such shares had been converted immediately before the event of dissolution, liquidation or winding-up. Holders of the Series B preferred stock will have special voting rights and powers, which will include the right to vote the Series B preferred stock on an as-converted basis subject to certain limitations and the exclusive right to elect two members to the Company's board of directors under specified circumstances. The Series B preferred stock will be convertible into common stock at any time at a conversion price initially equal to an average price per share of common stock over a specified pricing period, plus a 15% premium, but not to exceed \$5.70. The conversion price will be subject to antidilution adjustments and other adjustments in specified circumstances. The Company also will be obligated to issue common stock purchase warrants at the closing of each funding for no additional consideration. Each issue of warrants will have an aggregate exercise price that is equal to 30% of the aggregate purchase price of the Series B preferred stock issued at such closing. The initial warrant exercise price per share of common stock will be the same as the initial conversion price of the Series B preferred stock with which such warrants are issued and will be subject to substantially similar adjustment provisions.

On June 20, 2001, the Company issued 30,000 shares of Series B-1 Cumulative Convertible Preferred Stock (the "Series B-1 preferred stock") with a redemption value of \$30 million, yielding proceeds, net of issuance costs, to the Company of approximately \$27.4 million. The Series B-1 preferred stock is convertible into common stock at any time at an initial conversion price of \$5.70 per share of common stock. The difference between the redemption value and recorded value of the Series B-1 preferred stock recorded in the financial statements is being accreted over a five-year period from the date of issuance. In connection with the issuance of the Series B-1 preferred stock, the Company issued warrants to purchase an aggregate of 1,578,948 shares of common stock at an initial exercise price of \$5.70 per share. The warrants have an aggregate exercise price of \$9 million. The warrants will be exercisable for common stock at any time for a period of ten years from the date of issuance. The Company estimated the fair value of the Series B-1 preferred stock and the warrants in accordance with EITF 00-27. The total fair value of the warrants issued was computed as approximately \$4.9 million, which was allocated from the original purchase price of the Series B-1 preferred stock as warrants outstanding. The Company computed the value of the warrants using the Black-Scholes option pricing model.

The Series B-1 preferred stock earned \$1.3 million of dividends during 2001, of which the Company paid the \$673,000 which became due and payable in October 2001 through the issuance of 673 additional shares of Series B-1 preferred stock.

On September 5, 2001, the Company issued 40,000 shares of Series B-2 Cumulative Convertible Preferred Stock (the "Series B-2 preferred stock") with a redemption value of \$40 million, yielding proceeds, net of issuance costs, to the Company of approximately \$39.8 million. The Series B-2 preferred stock is convertible into common stock at any time at an initial conversion price of \$2.56 per share of common stock. The difference between the redemption value and recorded value of the Series B-2 preferred stock recorded in the financial statements is being accreted over a five-year period from the date of issuance. In connection with the issuance of the Series B-2 preferred stock, the Company issued warrants to purchase an aggregate of 4,687,500 shares of common stock at an initial exercise price of \$2.56 per share. The warrants have an aggregate exercise price of \$12 million. The warrants will be exercisable for common stock at any time for a period of ten years from the date of issuance. The Company

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estimated the fair value of the Series B-2 preferred stock and the warrants in accordance with EITF 00-27. The total fair value of the warrants issued was computed as approximately \$6.5 million, which was allocated from the original purchase price of the Series B-2 preferred stock as warrants outstanding. The Company computed the value of the warrants using the Black-Scholes option pricing model.

The Series B-2 preferred stock accrued \$1.0 million of dividends during 2001, none of which became due and payable in 2001.

8. Other Equity Interests

Series A Preferred Stock

The Company has 1,480,771 shares of Series A Convertible Preferred Stock (the "Series A preferred stock") outstanding. Holders of the Series A preferred stock are entitled to receive dividends, when and if declared by the Company's Board of Directors, in an amount equal to the dividends payable on the number of shares of common stock into which the Series A preferred stock is convertible. Each share of the Series A preferred stock is convertible at the option of the holders thereof into two shares of common stock on any date after March 14, 2002. The Series A preferred stock is not subject to mandatory or optional redemption. Holders of the Series A preferred stock have no voting rights other than the right to approve an increase in the authorized or issued amount of the Series A preferred stock, the issuance of any class of stock ranking senior to the Series A preferred stock as to dividends or rights on liquidation, or changes to the Company's certificate of incorporation adversely affecting the Series A preferred stock. The Series A preferred stock ranks senior to the Company's common stock and equally with the Series B preferred stock as to rights on liquidation. The Series A preferred stock has a liquidation preference equal to \$7.40 per share plus declared and unpaid dividends.

Employee Stock Option Plan

All employees of the Company are eligible to receive stock options under the ITC/DeltaCom, Inc. 1997 Stock Option Plan, as amended (the "Stock Option Plan"), which was adopted by the Company on March 24, 1997. In June 2001, the Company's stockholders approved an increase in the number of shares of common stock authorized for issuance under the Stock Option Plan from 9,815,000 to 13,815,000 (subject to antidilution adjustments in the event of a stock split, recapitalization or similar transaction). The Stock Option Plan provides for the grant of options that are intended to qualify as "incentive stock options" under Section 422 of the Internal Revenue Code to employees of the Company, as well as the grant of non-qualifying options to any other individual whose participation in the Stock Option Plan is determined to be in the best interests of the Company. The exercise price per share of common stock of incentive stock options granted under the Stock Option Plan may not be less than 100% of the fair market value of the common stock on the date of grant of the option (or 110% in the case of an incentive stock option granted to an optionee beneficially owning more than 10% of the outstanding common stock). The option exercise price for non-incentive stock options granted under the Stock Option Plan may not be less than the par value of the common stock on the date of grant of the option. The maximum option term is 10 years (or five years in the case of an incentive stock option granted to an optionee beneficially owning more than 10% of the outstanding common stock). Options granted under the Stock Option Plan generally become exercisable with respect to 50% of the shares subject to the options on the second anniversary of the date of grant and with respect to 25% of the shares subject to the options on each of the third and fourth anniversaries of the date of grant.

On December 12, 2000, the Company offered to exchange for new options those options outstanding under the Stock Option Plan that had an exercise price of \$18.00 or more and were held by option holders who had not received options after September 30, 2000. The offer expired on January 12, 2001 and the Company accepted for exchange options to purchase 2,084,983 shares of the common stock. On January 12, 2001, the Company cancelled all of the options that it had accepted for exchange. On July 13, 2001, the Company issued new options to purchase 1,900,071 shares of common stock to employees who had tendered options in the exchange. The options issued on July 13, 2001 were issued with an exercise price of \$3.60 per share. The Company is accounting for the options granted in July 2001 as a fixed plan stock option grant to employees under APB No. 25 and FIN 44. No compensation expense was recorded, as the exercise price of the new options was equal to the fair market value of the Company's common stock at the date of grant.

Director Stock Option Plan

On March 24, 1997, the Company adopted and its stockholders approved the ITC/DeltaCom, Inc. Director Stock Option Plan (the "Director Plan"). The Director Plan provides for the "formula" grant of options that are not intended to qualify as "incentive stock options" under Section 422 of the Internal Revenue Code to directors of the Company who are not officers or employees of the Company (each an "Eligible Director"). The Director Plan authorizes the issuance of up to 481,500 shares of common stock pursuant to options granted under the Director Plan (subject to antidilution adjustments in the event of a stock split, recapitalization or similar transaction). The option exercise price for options granted under the Director Plan will be at least 100% of the fair market value of the shares of common stock on the date of grant of the option. Each Eligible Director will be granted an option to purchase 32,100 shares of common stock upon such person's initial election or appointment to serve as a director. Options granted will become exercisable with respect to 50% of the shares subject to the options on the second anniversary of the date of grant and with respect to 25% of the shares subject to the options on each of the third and fourth anniversaries of the date of grant. The options will expire ten years and 30 days after the date of grant.

Assumed ITC Holding Company Plans

The Company assumed the ITC Holding Company, Inc. Amended and Restated Stock Option Plan and the ITC Holding Company, Inc. NonEmployee Director Stock Option Plan (the "Assumed Plans") in connection with the merger of ITC Holding Company and the Company in October 1997 for purposes of administering options under the Assumed Plans which were outstanding as of the merger date. Options to purchase shares of ITC Holding common stock that were outstanding under the Assumed Plans prior to the merger were converted in the merger into options to purchase shares of the Company's common stock and the common stock of another entity, subject in each case to adjustment of the exercise prices and the number of shares based on the exchange ratio for the merger. At December 31, 2001, options to purchase 2,945,522 shares of the Company's common stock were outstanding under the Assumed Plans.

Statement of Financial Accounting Standards (SFAS) No. 123

The Company accounts for its stock based compensation plans under APB No. 25, under which no compensation cost is recognized for options granted with a per share exercise price equal to the fair market value of the Company's common stock at the grant date. The Company has computed, for pro forma disclosure purposes, the value of all options to purchase shares of common stock granted to employees of the Company using the Black-Scholes option pricing model and the following weighted average assumptions:

	2001	2000	1999
	-----	-----	-----
Risk-free interest rate.....	4.38%	6.20%	5.79%
Expected dividend yield.....	0%	0%	0%
Expected lives.....	Five years	Seven years	Seven years
Expected volatility.....	97.72%	190.90%	79.17%

The weighted average fair value of options granted under the Stock Option Plan and the Director Plan in 2001, 2000 and 1999 was \$2.96, \$23.16 and \$19.19 per share, respectively. The total fair value of options for common stock granted to employees of the Company during 2001, 2000 and 1999 was computed as approximately \$5.2 million, \$81.9 million and \$35.4 million, respectively, which would be amortized on a pro forma basis over the four-year vesting period of the options. If the Company had accounted for these plans in accordance with SFAS

No. 123, "Accounting for Stock Based Compensation," the Company's net loss for the years ended December 31, 2001, 2000 and 1999 would have increased as follows:

Net loss (in thousands)	2001	2000	1999
As reported.....	\$ (215,644)	\$ (70,875)	\$ (54,979)
Pro forma.....	\$ (219,032)	\$ (100,871)	\$ (69,301)
Basic and diluted net loss per share			
As reported.....	\$ (3.46)	\$ (1.16)	\$ (0.98)
Pro forma.....	\$ (3.52)	\$ (1.66)	\$ (1.23)

A summary of the status of options under the Stock Option Plan, the Director Plan and the Assumed Plans as of December 31, 2001, 2000 and 1999 and for the years then ended is as follows:

	Shares	Weighted Average Exercise Price Per Option
Outstanding at December 31, 1998.....	9,541,654	4.28
Granted.....	2,014,750	25.42
Exercised.....	(1,116,282)	2.45
Forfeited.....	(565,109)	13.33
Outstanding at December 31, 1999.....	9,875,013	8.28
Granted.....	3,884,516	23.79
Exercised.....	(1,121,190)	2.78
Forfeited.....	(1,028,021)	20.13
Outstanding at December 31, 2000.....	11,610,318	12.81
Granted.....	5,750,022	4.28
Exercised.....	(747,971)	1.70
Forfeited.....	(3,577,725)	22.56
Outstanding at December 31, 2001.....	13,034,644	7.02

The following table sets forth the exercise price range, number of shares, weighted average exercise price and remaining contractual lives by groups of similar price and grant date:

<TABLE>
<CAPTION>

Range of Exercise Prices	Outstanding as of Dec. 31, 2001	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Exercisable as of Dec. 31, 2001	Weighted Average Exercise Price
<S>	<C>	<C>	<C>	<C>	<C>
\$ 0.16 - \$ 0.93	2,704	1.5	\$ 0.82	2,704	\$ 0.82
\$ 0.97 - \$ 1.93	1,172,746	4.0	1.34	841,586	1.45
\$ 2.16 - \$ 3.03	3,027,088	4.8	2.38	3,027,088	2.38
\$ 3.31 - \$ 4.44	5,089,617	8.2	3.61	1,043,708	3.87
\$ 5.45 - \$ 6.38	215,286	8.1	5.68	51,600	6.35
\$ 6.75 - \$ 9.00	1,271,801	7.8	8.41	143,461	8.65
\$ 9.78 - \$14.75	386,773	6.3	13.32	271,923	13.26
\$16.12 - \$22.88	737,572	7.3	18.73	309,016	19.06
\$23.90 - \$28.25	351,067	7.8	26.21	95,199	24.29
\$29.12 - \$32.94	779,990	7.7	31.08	192,436	29.50

</TABLE>

At December 31, 2001, options to purchase 5,978,721 shares of the Company's common stock with a weighted average exercise price of \$5.27 per share were exercisable by employees of the Company. At December

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31, 2000, options to purchase 4,793,243 shares of the Company's common stock with a weighted average exercise price of \$3.57 per share were exercisable by employees of the Company. At December 31, 1999, options to purchase 4,133,109 shares of the Company's common stock with a weighted average exercise price of \$2.25 per share were exercisable by employees of the Company.

9. Restructuring and Special Charges

In September 2001, the Company announced changes to its business plan and other actions intended to reduce its operating expenses through a 20% reduction in its workforce and to reduce non-personnel operating expenses and planned

capital expenditures. As a result of this restructuring, the Company in September 2001 recorded \$4.8 million in restructuring costs, which are included as components of selling, operations and administration expenses. Restructuring charges include the Company's estimate of employee severance and related costs for employees terminated as a result of the revised business plan. The restructuring charges also include estimates of office space lease commitments where the Company closed offices, net of any sublease rentals, and other exit costs. In connection with the restructuring, the Company closed an administrative office, retail services offices and an e\delatocom office. Restructuring costs were accrued in accordance with EITF 94-3. The Company terminated some employees in each department and did not specifically identify the termination of an entire function or department.

The Company recorded impairment charges of \$74.4 million in accordance with SFAS No. 121 related to net book value of property and equipment removed from service less expected salvage totaling \$1.8 million, \$21.2 million of impaired assets relating to the e\delatocom data center, and \$51.4 million of intangible assets consisting of goodwill and customer lists related to e\delatocom, the AvData network solutions business and IT Group Communications. These impairment charges are recorded as special charges in the accompanying statements of operations.

The impairment of property and equipment removed from service relates to assets that the Company no longer plans to use as a result of its restructuring. Based on market conditions and operating results of e\delatocom, the Company tested its e\delatocom assets for impairment. The Company determined that an impairment existed and wrote the related assets down to estimated fair value. The Company expensed goodwill of \$23.9 million related to e\delatocom and \$21 million of e\delatocom property and equipment. Fair value was determined based on estimates of market values for comparable properties. In the opinion of management, the e\delatocom assets are appropriately valued at December 31, 2001. However, management continues to evaluate strategic alternatives for this business segment, and additional impairment charges may be necessary based on the results of these evaluations or future changes in market conditions.

Based on the Company's forecast for its AvData network solutions business and the expected operating results from customers acquired in the acquisition of IT Group Communications in 1998, the Company tested the related assets for impairment. The Company determined that an impairment existed and expensed \$24.4 million of goodwill and \$1.6 million of customer base assets related to the AvData network solutions business and \$1.6 million of customer base assets related to former customers of IT Group Communications. These charges are reflected in the table below under "Retail Services."

In September 2001, the Company also recorded a total of \$2.9 million of other special charges, including a \$1.7 million write-down of its retail services inventory of telephone systems and related equipment as a result of a decline in demand for those systems. These charges are included as a component of cost of services. The Company also recorded additional bad debt expense of \$1.2 million, which is included in selling, operations and administration expenses. Of this amount, \$809,000 was associated with disputed access charge revenues billed to interexchange carriers by the retail services segment and \$392,000 was associated with a discontinued service in the e\delatocom business.

The following table summarizes restructuring and special charges the Company recorded in connection with the September 2001 restructuring (in thousands):

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<TABLE>
<CAPTION>

	Broadband Transport Services	Retail Services	e\delatocom	Total
<S>	<C>	<C>	<C>	<C>
Cost of services:				
Inventory writedown	\$ --	\$ 1,663	\$ --	\$ 1,663
Selling, general and administration:				
Restructuring charges:				
Employee severance	120	2,048	1,638	3,806
Office space leases	--	1,114	88	1,202
Other exit costs	--	54	--	54
Bad debts	--	809	392	1,201
Special charges:				
Impaired property and equipment	55	1,793	21,174	23,022
Impaired goodwill and other intangible assets	--	27,565	23,850	51,415
	----	-----	-----	-----

Total	\$175	\$35,046	\$47,142	\$82,363
	=====	=====	=====	=====

</TABLE>

The following table reflects activity associated with accrued restructuring costs which are recorded in accrued liabilities for the year ended December 31, 2001 (in thousands):

	Accruals	Write-offs/ Payments	Balance at December 31, 2001
Restructuring charges:			
Employee severance	\$3,555	\$3,339	\$ 216
Office space leases	1,202	135	1,067
Other exit costs	54	54	0
	-----	-----	-----
Total	\$4,811	\$3,528	\$1,283
	=====	=====	=====

Management expects to use the remaining restructuring accruals in 2002 and 2003 as additional payments are made under the terms of employee severance and office space lease agreements.

10. Commitments and Contingencies

Purchase Commitments

At December 31, 2001, the Company had entered into agreements with vendors to purchase approximately \$8.8 million of equipment during 2002 related to the improvement and installation of switches, other network equipment and certain services.

In November 2000, the Company entered a purchase agreement with Nortel Networks, Inc. for the purchase of telecommunications equipment and services. The agreement provides that the Company will receive specified volume discounts if it purchases at least \$250 million of equipment and services from Nortel Networks between November 1, 1999 and December 31, 2002. If the Company does not purchase at least \$250 million of equipment and services, it will be required to pay Nortel Networks an amount equal to three percent of the difference between \$250 million and the amount of equipment the Company purchases. If the Company purchases equipment in excess of the original \$250 million commitment amount, it may be able to obtain additional volume discounts based on additional purchase thresholds. As of December 31, 2001, the Company had purchased \$113.1 million of equipment pursuant to the Nortel Networks purchase agreement.

Surety bonds

Some of the Company's customers, especially government entities, require that the Company obtain surety

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bonds as a condition to its provision of service to them. In February 2002, because of the Company's financial condition, its surety cancelled all outstanding surety bonds that contained cancellation clauses. At the time the surety bonds were cancelled, the Company's surety bond portfolio had a face value of approximately \$1.9 million in outstanding obligations, of which approximately \$1.2 million were cancelled. As of February 28, 2002, these bonds had not been replaced. The surety plans to cancel all remaining bonds that may be cancelled upon renewal as they renew. These bonds renew at various dates in 2002 and have a face value of \$405,000. The remaining bonds, valued at \$282,000, are noncancellable, unless the Company no longer needs them or does not perform its obligations under the bonds. The surety also refuses to underwrite any new surety bonds unless the Company provides 100% collateral for such bonds. The Company is actively working with the existing obligees of the bonds to provide the security they require, and another surety has offered to underwrite new bonds or replace cancelled bonds for the Company if the Company provides 100% collateral for each bond. The Company's inability to provide surety bonds to replace the cancelled surety bonds or issue new surety bonds will have an adverse impact on its ability to provide service to some customers, especially government entities or other entities that generally require surety bonds. In addition, the requirement to provide 100% collateral for any bond issued may have an adverse impact on the funds available for capital expenditures or other uses if the Company chooses to purchase the surety bond and provide the collateral. To maintain the Company's existing surety obligations would require approximately \$1.6 million of available funds and, depending on the perception of the Company's financial condition, could increase the demand on the Company of additional surety bonds and therefore further restrict the Company's available funds.

Deposit contingency

The Company depends on BellSouth Telecommunications, Inc. ("BellSouth") for the provision of wholesale telecommunications services under its interconnection agreements with BellSouth and pursuant to various access tariffs which BellSouth has filed with federal and state regulatory agencies. By letter dated March 8, 2002, BellSouth requested that the Company provide a \$10 million security deposit by March 29, 2002 in connection with BellSouth's provision of services to the Company. The Company is contesting both the requirement for, and the amount of, the requested deposit. If the Company is unsuccessful in either eliminating or substantially reducing the amount of the requested security deposit, the Company's cash reserves may be insufficient to fund the deposit, which could have a material adverse affect on the Company's ability to provide services to its customers.

Legal Proceedings

In the normal course of business, the Company is subject to various litigation. In management's opinion, there are no legal proceedings, other than those described below, pending against the Company that could have a material adverse effect on the financial position, results of operations or liquidity of the Company.

Proceedings Affecting Rights-of-Way. A portion of the Company's network runs through fiber optic cables owned by the Mississippi Power Company over its rights-of-way located in Jasper County, Mississippi. A proceeding involving Mississippi Power and several landowners who have granted Mississippi Power rights-of-way in Jasper County resulted in a January 1999 order of the Mississippi Supreme Court holding that Mississippi Power could not permit third parties to use its rights-of-way at issue for any purpose other than in connection with providing electricity to customers of Mississippi Power. The Company became a party to the proceeding after the January 1999 order. The Circuit Court of the First Judicial District of Jasper County, Mississippi has directed the Company not to use that portion of its fiber optic network located on Mississippi Power's rights-of-way in Jasper County, except in an emergency, pending the outcome of the trial. The Company has rerouted all of the circuits on the affected portion of our network so that the Company may continue to provide services to its customers along the affected route. If the courts ultimately agree with the landowners that the existing easements do not permit the Company's use, the Company believe its potential liability for damages may be limited to the value of a permanent easement for that use. The Company cannot provide assurance in this respect, however, since the landowners are seeking damages equal to the profits or gross revenues received by the Company from its use of Mississippi Power Company's rights-of-way in Jasper County and punitive damages for the Company's use of the route. The Company cannot reasonably estimate the amount of any potential loss.

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The Company initiated a civil suit in August 2001 in the U.S. District Court for the Southern District of Mississippi, Southern Division, in which the Company seeks a declaratory judgment confirming its continued use of cables in Mississippi Power Company's rights-of-way on 37 parcels of land or, alternatively, condemnation of the right to use the cables upon payment of just compensation to the landowners. Some of the defendants have filed a counterclaim against Mississippi Power and the Company seeking a constructive trust upon the revenues earned on those rights-of-way, together with compensatory and punitive damages. Although the Company has resolved the issue of its use of the rights-of-way with some of the defendants, the Company cannot provide assurance that it will be successful in this proceeding. The Company cannot reasonably estimate the amount of any potential loss. This civil suit has been consolidated with another pending civil suit in the U.S. District Court for the Southern District of Mississippi initiated by landowners claiming to represent a class of landowners and seeking compensatory and punitive damages against Mississippi Power Company arising from Mississippi Power Company's allowance of third parties to use its rights-of-way for telecommunications purposes.

The Company uses the rights-of-way of Gulf Power Company in Florida for a portion of its network. In the fourth quarter of 2000, Gulf Power was sued in the Circuit Court of Gadsden County, Florida by two landowners that claim to represent a class of all landowners over whose property Gulf Power has facilities that are used by third parties. The landowners have alleged that Gulf Power does not have the authority to permit the Company or other carriers to transmit telecommunications services over the rights-of-way. The Company was made a party to this litigation in August 2001. In March 2002, the court dismissed this matter without prejudice on the basis that, among other things, there was no additional burden on the property as a result of third-party use of the rights-of-way for telecommunications purposes and that the easements were broad enough in scope to permit such third-party use. However, the court also is permitting the plaintiffs to amend their complaint to allege additional facts regarding the use of the rights-of-way to support the landowners' contention that there is additional burden on the property because of the maintenance

requirements of the fiber routes and the placement of buildings and other physical telecommunications equipment on the rights-of-way. The Company cannot reasonably estimate the amount of any potential loss.

The Company uses rights-of-way of Georgia Power Company in Georgia for a portion of its network. In July 2001, a suit filed in the Superior Court of Decatur County, Georgia by a group seeking compensatory and punitive damages and claiming to represent a class of landowners alleged that Georgia Power and the other entities do not have the right to grant third parties the use of the rights-of-way for the transmission of telecommunications services of such third parties. The Company was made a party to the suit in January 2002. The Company cannot reasonably estimate the amount of any potential loss.

In August 2001, the Company filed suit in the Superior Court of Troup County, Georgia against Southern Telecom, Inc., Alabama Power Company, Georgia Power Company, Mississippi Power Company, Gulf Power Company and related entities from which the Company has obtained use of rights-of-way for our fiber optic telecommunications network. The Company seeks a declaratory judgment that the defendants are legally required to use their best efforts to defend against any claims that the Company does not have the right to use the rights-of-way granted to these entities and to defend, indemnify and hold the Company harmless against all such claims. In December 2001, the Company filed for summary judgment, but the court has not ruled on this action. The defendants have filed a counterclaim requesting, among other items, that the Company reimburse them for the cost of perfecting the applicable rights-of-way. The Company cannot reasonably estimate the amount of any potential loss.

Reciprocal Interconnection Charges

In September 2000, the Company reached a settlement with BellSouth Telecommunications, Inc. ("BellSouth") related to the Company's long-standing dispute over BellSouth's payment of reciprocal compensation for local calls placed by customers of BellSouth and terminated to customers of the Company, including calls terminated to the Company's Internet service provider customers (the "Settlement Agreement"). The Settlement Agreement provides for the settlement of all amounts claimed by the Company to be due for past reciprocal compensation at rates consistent with or in excess of amounts previously recognized by the Company as operating revenue, as well as establishes rates for all reciprocal compensation traffic on the Company's network for 2001 and 2002. The Company recognized a one-time net benefit of approximately \$14.3 million for the year ended December 31, 2000 related to prior-period amounts of reciprocal compensation.

The Settlement Agreement provided for a cash payment of approximately \$53 million, which BellSouth made in October 2000. This payment represented payment for reciprocal compensation amounts previously billed to BellSouth and for estimated reciprocal compensation billings for the period from the date of the Settlement Agreement through December 31, 2000 and for 2001. The portion of the payment related to 2001 is subject to

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reconciliation procedures. Under the initial reconciliation procedure that occurred in July 2001, the Company repaid \$5.5 million to BellSouth, which represented the difference between the forecasted amount of reciprocal compensation upon which the prepayment was based and the actual amount of reciprocal compensation generated by BellSouth during the first six months of 2001 and a revised forecasted amount for the last six months of 2001. This repayment had no effect on the Company's recorded revenues for 2001, because the Company recognizes reciprocal compensation revenue as it is earned. The repayment was recorded as a reduction to deferred revenue. The portion of the prepayment related to 2001 reciprocal compensation is subject to additional reconciliation procedures covering the last six months of 2001. The Company does not expect that it will be required to repay additional amounts to BellSouth as a result of the additional 2001 reconciliation procedures.

The Settlement Agreement also provided for the prepayment by BellSouth of an additional amount to the Company in December 2001 related to expected reciprocal compensation traffic levels in 2002. The Company received a prepayment from BellSouth of \$17.6 million in December 2001 related to this provision of the Settlement Agreement. This additional amount is subject to quarterly reconciliation procedures based upon the actual amount of reciprocal compensation traffic during 2002. These procedures may require the Company to repay a portion of the 2002 reciprocal compensation prepayment. The accompanying consolidated balance sheets include \$17.6 million in unearned revenue related to the prepayment for 2002.

The Company agreed to limit reciprocal compensation payments by BellSouth to \$27.5 million in 2001 and \$29.5 million in 2002.

11. Employee Benefit Plans

Employees of the Company participate in the Company's 401(k) defined contribution plan. The Company offers matching of employee contributions at a rate of 100% of up to the first 2% of employee contributions and 50% of up to the next 4% of employee contributions. Total matching contributions made to the Company's plan and charged to expense by the Company for the years ended December 31, 2001, 2000 and 1999 were \$2.4 million, \$1.8 million and \$946,000, respectively. No discretionary contributions were made for 2001, 2000 and 1999.

12. Related Party Transactions

As described below, certain affiliates of the Company and other related parties have provided the Company with various services, and the Company has provided some of these entities with telecommunications and related services. In management's opinion, the Company's transactions with the entities described below are generally representative of arm's-length transactions.

ITC Holding Company and Affiliates

Each of the companies described below is, or during one or more of the years ended December 31, 2001, 2000 and 1999 was, a subsidiary or affiliate of ITC Holding Company. During the years ended December 31, 2001, 2000 and 1999, directors of ITC Holding Company constituted a majority of the Company's Board of Directors and certain of such directors of the Company also served as directors or executive officers of certain of the companies described below. In 2001, as a result of its investment in the Series B preferred stock and common stock purchase warrants (Note 7), ITC Holding Company acquired beneficial ownership of securities of the Company representing over 20% of the total voting power of the Company's voting securities.

The current or former subsidiaries or affiliates of ITC Holding Company that provided the Company with various services and/or received services provided by the Company include KNOLOGY Broadband, Inc. ("KNOLOGY"), which provides local exchange and long-distance telephone services and cable television services; InterCall, Inc. ("InterCall"), which provides conference calling services; InterServ Services Corporation ("InterServ"), which provides operator services for "800" customer service numbers and full-service marketing research in the telecommunications industry and other industries; Powertel, Inc., which provides cellular services;

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and MindSpring Enterprises, Inc. and its successor, Earthlink, Inc. (collectively, "Earthlink"), which is a provider of Internet access.

For the years ended December 31, 2001, 2000 and 1999, the Company received services from these affiliated entities in the amounts of \$820,000, \$781,000, and \$877,000, respectively, which are reflected in selling, operations and administration expenses in the accompanying consolidated statements of operations. In addition, in 2001, 2000 and 1999, the Company received services from these affiliated entities in the amount of \$663,000, \$780,000 and \$610,000, respectively, which are reflected in cost of services in the accompanying consolidated statements of operations.

The Company provides operator and directory assistance services and lease capacity on certain of its fiber routes to affiliated entities. The Company also provides long-distance and related services to ITC Holding Company and some of the foregoing affiliated entities and acts as an agent for InterCall and Earthlink in contracting with major interexchange carriers to provide origination and termination services. Under these agreements, the Company contracts with the interexchange carrier and rebills the appropriate access charges plus a margin to InterCall and Earthlink, so that only the margin is included in the Company's consolidated revenues. Total affiliated revenues related to the foregoing entities included in the accompanying consolidated statements of operations for the years ended December 31, 2001, 2000 and 1999 were \$12.1 million, \$21.4 million and \$15.7 million, respectively.

SCANA Corporation and Affiliates

The Company entered into the transactions with SCANA Corporation ("SCANA") and its subsidiaries described below. Mr. Timmerman, a director and stockholder of the Company, is also Chairman, President and Chief Executive Officer of SCANA. SCANA is the beneficial owner of securities of the Company representing over 10% of the total voting power of the Company's voting securities.

The Company provides retail services, including local and long distance telephone services, data services and Internet access, to SCANA and some of SCANA's subsidiaries. Total revenues attributable to SCANA and its subsidiaries included in the accompanying consolidated statements of operations for the years ended December 31, 2001, 2000 and 1999 were \$1.5 million, \$1.7 million and \$826,000, respectively. The Company leases office space and space for

telecommunications switching equipment at various locations in Columbia, South Carolina from a subsidiary of SCANA. Under the lease agreements, the Company paid \$157,000, \$113,000 and \$83,000 for the years ended December 31, 2001, 2000 and 1999, respectively.

J. Smith Lanier & Co.

J. Smith Lanier & Co., an insurance placement company, has provided the Company with insurance brokerage services, including the negotiation and acquisition on the Company's behalf of various insurance policies with third-party insurers. J. Smith Lanier & Co. also has performed risk management services for the Company. The Company paid \$767,000, \$624,000 and \$532,000 for such services for the years ended December 31, 2001, 2000 and 1999, respectively. The Company provides retail services, including local and long distance telephone services and data and Internet services, to J. Smith Lanier & Co. Total revenues attributable to J. Smith Lanier & Co. included in the accompanying consolidated statements of operations for the years ended December 31, 2001, 2000 and 1999 were \$307,000, \$166,000 and \$73,000, respectively. J. Smith Lanier, II is the beneficial owner of more than 5% of the Company's common stock. Mr. Lanier also is the Chairman and a significant stockholder of J. Smith Lanier & Co. William T. Parr, a director of the Company, serves as Vice Chairman of J. Smith Lanier & Co.

Other

The Company leases real properties from a former stockholder and entities controlled by the former stockholder. Total rental expense related to these leases was approximately \$184,000, \$203,000 and \$176,000 in 2001, 2000 and 1999, respectively. The Company is obligated to pay rentals to the former stockholder totaling approximately

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\$210,000 annually from 2002 through February 2004 under leases which are cancelable by either of the parties with 24 months' notice.

In July 1999, the Company completed the acquisition, by merger, of AvData Systems, Inc., an affiliated entity (Note 13). Prior to the acquisition, some of the directors and officers of the Company were directors, officers and/or stockholders of AvData.

13. Acquisitions

Acquisition of AvData

In July 1999, the Company completed its acquisition, by merger, of AvData, a privately-owned data network management provider in Atlanta, Georgia. As the merger consideration, the Company issued 983,511 shares of common stock (including 171,898 shares which were held in a two-year escrow account to protect against specified contingencies) and options to purchase 39,915 shares of common stock valued at \$29.2 million in the aggregate. The Company issued an additional 123,757 shares of common stock and options to purchase 6,163 shares of common stock in March 2000 valued at \$4.3 million in the aggregate under earn-out provisions based on specified performance objectives met as of December 31, 1999.

The purchase price of AvData was allocated to the underlying assets purchased and liabilities assumed based on their estimated fair values at the date of acquisition. The following table summarizes the net assets purchased in connection with this acquisition and the amount attributable to costs in excess of net assets acquired (in thousands):

Property, plant and equipment.....	\$ 4,446
Working capital.....	(148)
Noncurrent liabilities.....	(63)
Intangible assets.....	29,240

Purchase price.....	\$33,475
	=====

Acquisition of Scientific Telecommunications, Inc.

In August 1999, the Company completed its acquisition of certain assets of SciTel, a privately-owned telecommunications equipment provider headquartered in Greenwood, Mississippi. The Company issued 83,117 shares of common stock valued at \$2.0 million and paid \$300,000 in cash to consummate the transaction.

The purchase price of SciTel was allocated to the underlying assets purchased and liabilities assumed based on their estimated fair values at the date of acquisition. The following table summarizes the net assets purchased in connection with this acquisition and the amount attributable to costs in excess

of net assets acquired (in thousands):

Property, plant and equipment	\$ 107
Working capital	498
Noncurrent liabilities	0
Intangible assets	1,695

Purchase price	\$2,300
	=====

Acquisition of Bay Data

In May 2000, the Company completed its acquisition, by merger, of Bay Data, a privately-owned information systems solutions company headquartered in Atlanta, Georgia. The Company paid cash of \$2.0 million and issued 837,942 shares of common stock valued at \$26.2 million to consummate the transaction. Of such shares, 111,725 shares are being held in escrow for two years to protect against specified contingencies.

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The purchase price of Bay Data was allocated to the underlying assets purchased and liabilities assumed based on their estimated fair values at the date of acquisition. The following table summarizes the net assets purchased in connection with this acquisition and the amount attributable to costs in excess of net assets acquired (in thousands):

Property, plant and equipment	\$ 1,807
Working capital	(1,375)
Noncurrent liabilities	0
Intangible assets	27,785

Purchase price	\$28,217
	=====

Pro forma results

The following pro forma information has been prepared assuming the acquisitions of AvData and Bay Data occurred on January 1, 1999. Pro forma results reflecting the 1999 acquisition of SciTel are not presented, as the acquisition was not material. This information includes pro forma adjustments related to the amortization of intangible assets resulting from the excess of the purchase price over the fair value of the net assets acquired. The pro forma information is presented for informational purposes only and may not be indicative of the results of operations as they would have been if these acquisitions had actually occurred on January 1, 1999, nor is the information necessarily indicative of the results of operations which may occur in the future.

	2000	1999
	-----	-----
	(in thousands, except share data)	
Operating revenues	\$367,923	\$265,997
Net loss	(72,004)	(61,058)
Basic and diluted net loss per common share	\$ (1.18)	\$ (1.07)

14. Segment Reporting

As discussed in Note 1, the Company operates in three business segments: broadband transport services, retail services and e\deltacom. The Company also has a corporate segment, which has no operations. The Company evaluates segment performance based on operating revenue, gross margin, selling, operations and administration expenses and depreciation and amortization expense. The accounting policies of the business segments are the same as those described in the summary of significant accounting policies (Note 2). All intercompany transactions between segments have been eliminated. Summarized financial data by business segment as of and for the years ended December 31, 2001, 2000 and 1999 are as follows (in thousands):

<TABLE>

<CAPTION>

	2001				

	Broadband				
	Transport	Retail	e\deltacom	Corporate	
	Segment	Segment	Segment	Segment	Consolidated

<S>	<C>	<C>	<C>	<C>	<C>
Operating revenues	\$ 95,034	\$305,074	\$15,231	\$ --	\$ 415,339
Gross margin	83,831	139,682	4,042	--	227,555

Selling, operations and administration...	33,979	125,293	29,440	--	188,712
Depreciation and amortization	49,091	60,476	9,289	82	118,938
Special charges	55	29,358	45,024	--	74,437
Other income (expense), net					1,434
Interest expense					(58,833)

Loss before income taxes and extraordinary item					\$ (211,931)
=====					
Identifiable assets	\$347,729	\$425,912	\$93,593	\$11,098	\$ 878,332
=====					
Capital expenditures, net	\$ 44,286	\$ 61,190	\$56,489	\$ --	\$ 161,965
=====					

</TABLE>

<TABLE>
<CAPTION>

2000

	Broadband Transport Segment	Retail Segment	e/\deltacom Segment	Corporate Segment	Consolidated
<S>	<C>	<C>	<C>	<C>	<C>
Operating revenues	\$ 83,336	\$269,947	\$ 10,365	\$ --	\$ 363,648

</TABLE>

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<TABLE>
<CAPTION>

2000

	Broadband Transport Segment	Retail Segment	e/\deltacom Segment	Corporate Segment	Consolidated
<S>	<C>	<C>	<C>	<C>	<C>
Gross margin	73,949	131,097	3,602	--	208,648
Selling, operations and administration...	32,986	101,743	16,321	--	151,050
Depreciation and amortization	37,930	45,164	3,343	82	86,519
Other income (expense), net					14,337
Interest expense					(55,482)

Loss before income taxes and extraordinary item					\$ (70,066)
=====					
Identifiable assets	\$457,637	\$453,381	\$101,630	\$35,878	\$1,048,526
=====					
Capital expenditures, net	\$121,588	\$131,120	\$ 57,123	\$ --	\$ 309,831
=====					

</TABLE>

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<CAPTION>

1999

	Broadband Transport Segment	Retail Segment	e/\deltacom Segment	Corporate Segment	Consolidated
<S>	<C>	<C>	<C>	<C>	<C>
Operating revenues	\$ 72,853	\$171,991	\$--	\$ --	\$244,844
Gross margin	62,082	64,041	--	--	126,123
Selling, operations and administration...	24,151	72,703	--	--	96,854
Depreciation and amortization	28,857	24,871	--	82	53,810
Other income (expense), net					14,949
Interest expense					(45,293)

Loss before income taxes and extraordinary item					\$ (54,885)
=====					
Identifiable assets	\$386,820	\$334,368	\$--	\$86,410	\$807,598
=====					
Capital expenditures, net	\$ 66,806	\$ 98,734	\$--	\$ --	\$165,540
=====					

</TABLE>

15. Quarterly Financial Data (Unaudited)

The following table has been prepared from the financial records of the

Company, without audit, and reflects all adjustments that are, in the opinion of management, necessary for a fair presentation of the results of operations for the interim periods presented (in thousands, except per share amounts). The sum of the per share amounts does not equal the annual amounts because of the changes in the weighted-average number of shares outstanding during the year.

2001	1st Qtr (a)	2nd Qtr	3rd Qtr	4th Qtr (b)	Total
Operating revenues	\$102,207	\$106,034	\$ 102,482	\$104,616	\$ 415,339
Gross margin	58,769	59,938	53,418	55,430	227,555
Net loss applicable to common stockholders	(29,820)	(31,103)	(119,942)	(34,779)	(215,644)
Basic and diluted net loss per common share	(0.48)	(0.50)	(1.92)	(0.56)	(3.46)

2000	1st Qtr	2nd Qtr (a)	3rd Qtr (a)	4th Qtr (a) (b)	Total
Operating revenues	\$ 75,707	\$ 86,411	\$102,875	\$ 98,655	\$363,648
Gross margin	41,071	48,492	63,540	55,545	208,648
Net loss	(15,847)	(18,358)	(10,731)	(25,939)	(70,875)
Basic and diluted net loss per common share	(0.27)	(0.30)	(0.17)	(0.42)	(1.16)

- (a) The Company recognized one time net benefits for interconnection agreement settlements of approximately \$1.5 million for the first quarter of 2001 and \$2.5 million, \$11.8 million and \$1.8 million for the second, third and fourth quarters of 2000, respectively.
- (b) The Company's weighted average outstanding shares for the fourth quarter of 2001 and 2000 was 62,364,768 and 61,611,576, respectively.

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS AS TO SCHEDULE

We have audited in accordance with auditing standards generally accepted in the United States, the consolidated financial statements of ITC/\DELTACOM, INC. and SUBSIDIARIES included in this Form 10-K and have issued our report thereon dated February 15, 2002. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule listed in the index is the responsibility of the Company's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

/S/ Arthur Andersen LLP

Atlanta, Georgia
February 15, 2002

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ITC/\DELTACOM, INC. AND SUBSIDIARIES

SCHEDULE II--VALUATION AND QUALIFICATION ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 1999, 2000 AND 2001
(In thousands)

Description:	Balance at Beginning of Period	Additions		Deduction	Balance at End of Period
		Charged to Income	Charged to Other Accounts		
<S>	<C>	<C>	<C>	<C>	<C>

Provision for uncollectible accounts					
1999.....	1,260	753	494 (1)	983 (2)	1,524
2000.....	1,524	3,009	0	1,530 (2)	3,003
2001.....	3,003	5,230	0	2,544 (2)	5,689
Valuation allowance for deferred tax assets					
1999.....	8,695	19,803	2,689 (3)	0	31,187
2000.....	31,187	17,176	8,999 (3)	0	57,362
2001.....	57,362	55,203	2,275 (3)	0	114,840

</TABLE>

- (1) Represents a purchase reserve related to the acquisition of AvData Systems, Inc.
- (2) Represents the write-off of accounts considered to be uncollectible, less recoveries of amounts previously written off.
- (3) Represents the increase in the valuation allowance related to stock option compensation deductible for income tax purposes, but not for financial accounting purposes, and charged to additional paid-in capital, net of a full valuation allowance.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, as of the 1st day of April 2002.

ITC/\DELTACOM, INC.

By: /s/ Larry F. Williams

Larry F. Williams
Chairman and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated and on the dates indicated.

<TABLE>

<CAPTION>

Signature	Title	Date
----- <S> /s/ Larry F. Williams ----- Larry F. Williams	<C> Chairman and Chief Executive Officer (Principal Executive Officer)	<C> April 1, 2002
----- /s/ Andrew M. Walker ----- Andrew M. Walker	President, Chief Operating Officer and Director	April 1, 2002
----- /s/ Douglas A. Shumate ----- Douglas A. Shumate	Senior Vice President-Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	April 1, 2002
----- /s/ Campbell B. Lanier, III ----- Campbell B. Lanier, III	Vice Chairman	April 1, 2002
----- /s/ James H. Black, Jr. ----- James H. Black, Jr.	Director	April 1, 2002
----- /s/ Donald W. Burton ----- Donald W. Burton	Director	April 1, 2002
----- /s/ Robert A. Dolson ----- Robert A. Dolson	Director	April 1, 2002

/s/ James V. Martin ----- James V. Martin	Director	April 1, 2002
/s/ R. Gerald McCarley ----- R. Gerald McCarley	Director	April 1, 2002

</TABLE>

<TABLE>		
<CAPTION>		
Signature	Title	Date
-----	-----	-----
<S>	<C>	<C>
/s/ William T. Parr ----- William T. Parr	Director	April 1, 2002
/s/ William H. Scott, III ----- William H. Scott, III	Director	April 1, 2002
/s/ William B. Timmerman ----- William B. Timmerman	Director	April 1, 2002

</TABLE>

EXHIBIT INDEX

Exhibit Number	Exhibit Description
-----	-----
3.1	Restated Certificate of Incorporation of ITC/\DeltaCom, Inc. (including the Certificate of Designations of the Powers, Preferences and Relative, Participating or Other Rights, and the Qualifications, Limitations or Restrictions Thereof, of Series A Convertible Preferred Stock, the Certificate of Designation of the Powers, Preferences and Relative, Participating, Optional and Other Special Rights of Series B-1 Cumulative Convertible Preferred Stock and Qualifications, Limitations and Restrictions Thereof and the Certificate of Designation of the Powers, Preferences and Relative, Participating, Optional and Other Special Rights of Series B-2 Cumulative Convertible Preferred Stock and Qualifications, Limitations and Restrictions Thereof). Filed as Exhibit 3.1 to Quarterly Report on Form 10-Q for the quarter ended September 30, 2001 and incorporated herein by reference.
3.2	Amended and Restated Bylaws of ITC/\DeltaCom, Inc. Filed herewith.
4.1	Specimen representing the Common Stock of ITC/\DeltaCom, Inc. Filed as Exhibit 4.1 to Registration Statement on Form S-1, as amended (File No. 333-36683) ("Form S-1 "), and incorporated herein by reference.
4.2	Specimen representing the Series B-1 Cumulative Convertible Preferred Stock, par value \$0.01 per share, of ITC/\DeltaCom, Inc. Filed as Exhibit 4.1 to Quarterly Report on Form 10-Q for the quarter ended June 30, 2001 and incorporated herein by reference.
4.3	Specimen representing the Series B-2 Cumulative Convertible Preferred Stock, par value \$0.01 per share, of ITC/\DeltaCom, Inc. Filed as Exhibit 4.1 to Quarterly Report on Form 10-Q for the quarter ended September 30, 2001 and incorporated herein by reference.
10.1	Capacity Agreement dated as of February 1, 1997 between Interstate FiberNet, Inc. and Entergy Technology Company. Filed as Exhibit 10.1 to Registration Statement on Form S-4, as amended (File No. 333-31361) (the "1997 Form S-4 "), and incorporated herein by reference.
10.2	License Agreement dated February 1, 1997 between Interstate FiberNet, Inc. and Metropolitan Atlanta Rapid Transit Authority. Filed as

Exhibit 10.2 to 1997 Form S-4 and incorporated herein by reference.

- 10.3.1 Master Capacity Lease dated July 22, 1996 between Interstate FiberNet, Inc. and InterCel PCS Services, Inc. Filed as Exhibit 10.8 to 1997 Form S-4 and incorporated herein by reference.
- 10.3.2 First Amendment to Master Capacity Lease dated as of August 22, 1996 between Interstate FiberNet, Inc. and InterCel PCS Services, Inc. Filed as Exhibit 10.9 to 1997 Form S-4 and incorporated herein by reference.
- 10.4 Term Agreement dated as of August 11, 1994 between Gulf States FiberNet and Illinois Central Railroad Company. Filed as Exhibit 10.14 to 1997 Form S-4 and incorporated herein by reference.
- 10.5.1 Revised and Restated Fiber Optic Facilities and Services Agreement dated as of June 9, 1995 among Southern Development and Investment Group, Inc., on behalf of itself and as agent for Alabama Power Company, Georgia Power Company, Gulf Power Company, Mississippi Power Company, Savannah Electric and Power Company, Southern Electric Generating Company and Southern Company Services, Inc. and MPX Systems, Inc., which was assigned in part by MPX Systems, Inc. to Gulf States FiberNet pursuant to an Assignment dated as of July 25, 1995. Filed as Exhibit 10.15 to 1997 Form S-4 and incorporated herein by reference.
- 10.5.2 Release, Waiver, and Assumption Agreement, dated as of December 31, 1997, between Southern Development Investment Group, Inc., on behalf of itself and as agent for Alabama Power Company, Georgia Power Company, Gulf Power Company, Mississippi Power Company, Savannah Electric and Power Company, Southern Electric Generating Company and Southern Company Services, Inc. and Interstate FiberNet, Inc. and Gulf States Transmission Systems, Inc. Filed as Exhibit 10.15.1 to 1997 Form 10-K and incorporated herein by reference.

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- 10.5.3 Amendment to the Revised and Restated Fiber Optic Facilities and Services Agreement, dated as of January 1, 1998, by and among Southern Company Energy Solutions, Inc. (f/k/a Southern Development Group, Inc.), on behalf of itself and as agent for Alabama Power Company, Georgia Power Company, Gulf Power Company, Mississippi Power Company, Savannah Electric and Power Company, Southern Electric Generating Company and Southern Company Services, Inc. and Interstate FiberNet, Inc. Filed as Exhibit 10.15.2 to Quarterly Report on Form 10-Q for the quarter ended September 30, 1998 (the "September 1998 Form 10-Q ") and incorporated herein by reference.
- 10.5.4 First Amendment to Revised and Restated Fiber Optic Facilities and Services Agreement dated as of July 24, 1995 between Southern Development and Investment Group, Inc. on behalf of itself and as agent for others and MPX Systems, Inc. Filed as Exhibit 10.16 to 1997 Form S-4 and incorporated herein by reference.
- 10.5.5 Partial Assignment and Assumption of Revised and Restated Fiber Optic Facilities and Services Agreement dated July 25, 1995 between MPX Systems, Inc. and Gulf States FiberNet. Filed as Exhibit 10.17 to 1997 Form S-4 and incorporated herein by reference.
- +10.5.6 Amendment to Revised and Restated Fiber Optic Facilities and Services Agreement, dated July 15, 1997, by and among Southern Development and Investment Group, Inc., on behalf of itself and its agent for Alabama Power Company, Georgia Power Company, Gulf Power Company, Mississippi Power Company, Savannah Electric and Power Company, Southern Electric Generating Company and Southern Company Services, Inc. (collectively "SES"), ITC Transmission Systems, Inc. (as managing partner of Interstate FiberNet) and Gulf States Transmission Systems, Inc. Filed as Exhibit 10.17.1 to 1997 Form S-4 and incorporated herein by reference.
- 10.5.7 Consent for Assignment of Interest dated February 20, 1997 among SCANA Communications, Inc., Gulf States FiberNet, Gulf States Transmission Systems, Inc. and Southern Development and Investment Groups, Inc. Filed as Exhibit 10.18 to 1997 Form S-4 and incorporated herein by reference.
- 10.5.8 Second Partial Assignment and Assumption of Revised and Restated Fiber Optic Facilities and Services Agreement dated March 27, 1997 between SCANA Communications, Inc. and ITC Holding Company, Inc. Filed as

Exhibit 10.19 to 1997 Form S-4 and incorporated herein by reference.

+10.5.9 Amendment, effective as of August 1, 2000, between Southern Telecom, Inc., on behalf of itself and as agent for the other parties specified therein, and Interstate FiberNet, Inc. to the Revised and Restated Fiber Optics Facilities and Services Agreement made as of June 9, 1995. Filed as Exhibit 10.1 to Quarterly Report on Form 10-Q for the quarter ended September 30, 2000 and incorporated herein by reference.

10.6.1 Fiber System Lease Agreement dated January 30, 1996 between CSW Communications, Inc. and Gulf States FiberNet. Filed as Exhibit 10.20 to 1997 Form S-4 and incorporated herein by reference.

10.6.2 Consent for Acquisition and Assignment dated January 13, 1997 between CSW Communications, Inc. and Gulf States FiberNet. Filed as Exhibit 10.21 to 1997 Form S-4 and incorporated herein by reference.

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10.7 Network Operating Agreement dated March 25, 1996 among Gulf States FiberNet, TriNet, Inc., Hart Communications, Inc. and SCANA Communications, Inc. (f/k/a MPX Systems, Inc.). Filed as Exhibit 10.25 to 1997 Form S-4 and incorporated herein by reference.

10.8.1 Agreement for the Provision of Fiber Optic Facilities and Services dated March 29, 1990 between Alabama Power Company and Southern Interexchange Facilities, Inc. Filed as Exhibit 10.26 to 1997 Form S-4 and incorporated herein by reference.

10.8.2 Amendment to the Agreement for Provision of Fiber Optic Facilities and Services dated March 29, 1990 between Alabama Power Company and Southern Interexchange Facilities, Inc. Filed as Exhibit 10.27 to 1997 Form S-4 and incorporated herein by reference.

10.8.3 First Amendment to the Agreement for the Provision of Fiber Optic Facilities and Services dated March 22, 1991 between Alabama Power Company and Southern Interexchange Facilities, Inc. Filed as Exhibit 10.28 to 1997 Form S-4 and incorporated herein by reference.

10.8.4 Second Amendment to the Agreement for the Provision of Fiber Optic Facilities and Services dated December 1, 1991 between Alabama Power Company and Southern Interexchange Facilities, Inc. Filed as Exhibit 10.29 to 1997 Form S-4 and incorporated herein by reference.

10.8.5 Third Amendment to the Agreement for the Provision of Fiber Optic Facilities and Services dated September 23, 1992 between Alabama Power Company and Southern Interexchange Facilities, Inc. Filed as Exhibit 10.30 to 1997 Form S-4 and incorporated herein by reference.

10.8.6 Fourth Amendment to the Agreement for the Provision of Fiber Optic Facilities and Services dated January 1, 1994 between Alabama Power Company and Southern Interexchange Facilities, Inc. Filed as Exhibit 10.31 to 1997 Form S-4 and incorporated herein by reference.

10.9.1 Agreement dated March 6, 1990 between Tennessee Valley Authority and Consolidated Communications Corporation (predecessor to DeltaCom, Inc.). Filed as Exhibit 10.32 to 1997 Form S-4 and incorporated herein by reference.

10.9.2 Supplement Agreement; Leased Fiber Pathways, dated as of September 26, 1997, by and between Tennessee Valley Authority and DeltaCom, Inc. Filed as Exhibit 10.32.1 to 1997 Form 10-K and incorporated herein by reference.

10.10 Master Equipment Lease Agreement dated October 30, 1995 between AT&T Systems Leasing Co. and DeltaCom, Inc. Filed as Exhibit 10.36 to 1997 Form S-4 and incorporated herein by reference.

10.11 Agreement dated January 14, 1997 between DeltaCom, Inc. and SCANA Communications, Inc., for switch location in Columbia, South Carolina. Filed as Exhibit 10.41 to 1997 Form S-4 and incorporated herein by reference.

+10.12.1 Network Products Purchase Agreement No. ITC 2000NPPA between Nortel Networks Inc. and Interstate FiberNet, Inc. and its subsidiary ITC\DeltaCom Communications, Inc., effective as of November 8, 2000 (the "Nortel Purchase Agreement"). Filed as Exhibit 10.18 to Annual Report on Form 10-K for the year ended December 31, 2000 and

incorporated herein by reference.

Exhibit Number	Exhibit Description
++10.12.2	Schedule D: Data and Internet Products: Ethernet Port Commitment and Services Payment Program to the Nortel Purchase Agreement. Filed herewith.
+10.12.3	Professional Services Attachment, Exhibit P, to the Nortel Purchase Agreement. Filed as Exhibit 10.8.2 to Quarterly Report on Form 10-Q for the quarter ended June 30, 2001 and incorporated herein by reference.
+10.12.4	Product Attachment, Exhibit Q, eBusiness Solutions Products, to the Nortel Purchase Agreement. Filed as Exhibit 10.8.3 to Quarterly Report on Form 10-Q for the quarter ended June 30, 2001 and incorporated herein by reference.
+10.13	Fiber Optic Facilities Agreement, dated November 15, 1996, by and between Interstate FiberNet and Florida Power Corporation. Filed as Exhibit 10.45 to 1997 Form S-4 and incorporated herein by reference.
+10.14.1	Fiber Optic Capacity Marketing and Operating Agreement, dated March 21, 1996, by and between Interstate FiberNet and Florida Power & Light Company. Filed as Exhibit 10.46 to 1997 Form S-4 and incorporated herein by reference.
+10.14.2	Addendum to Fiber Optic Capacity Marketing and Operating Agreement, dated July 10, 1997, by and between Interstate FiberNet and Florida Power & Light Company. Filed as Exhibit 10.47 to 1997 Form S-4 and incorporated herein by reference.
+10.15	Master Service Agreement, dated May 6, 1996, by and between Interstate FiberNet and MCI Telecommunications Corporation. Filed as Exhibit 10.48 to 1997 Form S-4 and incorporated herein by reference.
+10.16	Telecommunications System Maintenance Agreement, dated as of January 26, 1995, by and between Interstate FiberNet and Sprint Communications Company L.P. Filed as Exhibit 10.49 to 1997 Form S-4 and incorporated herein by reference.
+10.17	Sprint Communications Company Facilities and Services Agreement, dated January 26, 1995, by and between Interstate FiberNet and Sprint Communications Company L.P. Filed as Exhibit 10.50 to 1997 Form S-4 and incorporated herein by reference.
+10.18	Fiber Optic Facility Lease Agreement, dated as of January 31, 1997, by and between Interstate FiberNet, Inc. and Southern Telecom 1, Inc. Filed as Exhibit 10.51 to 1997 Form S-4 and incorporated herein by reference.
10.19	First Assignment and Assumption of Fiber Optic Facility Lease Agreement, dated February 1, 1997, by and between Interstate FiberNet, Inc. and Gulf States FiberNet. Filed as Exhibit 10.52 to 1997 Form S-4 and incorporated herein by reference.
+10.20.1	Telecommunications System Agreement, dated January 26, 1995, by and between Interstate FiberNet, Inc. and Sprint Communications Company L.P. Filed as Exhibit 10.53 to 1997 Form S-4 and incorporated herein by reference.
10.20.2	Amendment to Telecommunications System Agreement, dated July 25, 1995, by and between Gulf States FiberNet and Sprint Communications Company L.P. Filed as Exhibit 10.54 to 1997 Form S-4 and incorporated herein by reference.

Exhibit Number	Exhibit Description
+10.20.3	Amendment No. 2 to Telecommunications System Agreement, dated August 8, 1996, by and between Gulf States FiberNet and Sprint Communications Company L.P. Filed as Exhibit 10.55 to 1997 Form S-4 and incorporated herein by reference.
+10.20.4	Assignment of the Telecommunications System Agreement, dated July 25, 1995, between Interstate FiberNet, Inc., Gulf States FiberNet and

- +10.20.5 Assignment of the Telecommunications System Agreement, dated February 27, 1997, between Sprint Communications Company L.P., Gulf States FiberNet and Gulf States Transmission Systems, Inc. Filed as Exhibit 10.57 to 1997 Form S-4 and incorporated herein by reference.

- 10.21 Fixed Fee Agreement for Exchange of Use and Maintenance of Six (6) Fiber Optic Fibers with an Option of Two (2) Additional Fiber Optic Fibers, dated July 25, 1997, by and between Interstate FiberNet, Inc., Gulf States Transmission Systems, Inc. and ALLTEL Telephone Services Corporation. Filed as Exhibit 10.58 to 1997 Form S-4 and incorporated herein by reference.

- +10.22 Marketing and Operating Agreement, dated as of October 6, 1994, by and between Interstate FiberNet, Inc. and DukeNet Communications, Inc. Filed as Exhibit 10.74 to 1997 Form S-4 and incorporated herein by reference.

- 10.23.1 Credit Agreement (the "Credit Agreement "), dated as of April 5, 2000, among ITC/\DeltaCom, Inc., Interstate FiberNet, Inc., the subsidiary guarantors listed on the signature pages thereto, the banks, financial institutions and other institutional lenders listed on the signature pages thereto as the Initial Lenders, Morgan Stanley Senior Funding, Inc. ("Morgan Stanley "), as administrative agent for the Lender Parties (as defined therein), Morgan Stanley & Co. Incorporated, as collateral agent, Bank of America Securities LLC and Morgan Stanley, as joint lead arrangers and joint book runners, and Bank of America, N.A., as syndication agent. Filed as Exhibit 10.1 to Quarterly Report on Form 10-Q for the quarter ended March 31, 2000 and incorporated herein by reference.

- 10.23.2 Amendment No. 1, dated as of June 1, 2001, to the Credit Agreement. Filed as Exhibit 10.7 to Quarterly Report on Form 10-Q for the quarter ended June 30, 2001 and incorporated herein by reference.

- 10.23.3 Amendment No. 2, dated as of June 1, 2001, to the Credit Agreement. Filed herewith.

- 10.23.4 Security Agreement, dated April 5, 2000, made by Interstate FiberNet, Inc., ITC/\DeltaCom, Inc., and the other Persons listed on the signature pages thereof and the Additional Grantors (as defined in Section 23(b) thereof) to Morgan Stanley & Co. Incorporated, as collateral agent for the Secured Parties (as defined in the Credit Agreement). Filed as Exhibit 10.2 to Quarterly Report on Form 10-Q for the quarter ended March 31, 2000 and incorporated herein by reference.

- 10.24.1 Indenture, dated as of June 3, 1997, between ITC/\DeltaCom, Inc. and United States Trust Company of New York, as Trustee, relating to the 11% Senior Notes due 2007 of ITC/\DeltaCom, Inc. Filed as Exhibit 4.1 to 1997 Form S-4 and incorporated herein by reference.

- 10.24.2 Supplemental Indenture, dated as of October 17, 1997, between ITC/\DeltaCom, Inc. and United States Trust Company of New York, as Trustee. Filed as Exhibit 82.2 to Form S-1 and incorporated herein by reference.

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- 10.24.3 Pledge and Security Agreement dated as of June 3, 1997 from ITC/\DeltaCom, Inc. as Pledgor to United States Trust Company of New York as Trustee. Filed as Exhibit 4.3 to 1997 Form S-4 and incorporated herein by reference.

- 10.24.4 Form of Exchange Note (contained in Indenture filed as Exhibit 10.34.1).

- 10.25 Assignment and Contribution Agreement Pursuant to Pledge and Security Agreement dated as of July 25, 1997, by and among ITC/\DeltaCom, Inc., Interstate FiberNet, Inc. and United States Trust Company of New York, as Trustee filed herewith. Filed as Exhibit 4.5 to 1997 Form S-4 and incorporated herein by reference.

- +10.26.1 MCI Carrier Agreement, effective September 1, 1997, by and between MCI Telecommunications Corporation and Associated Communications Companies of America (ACCA). Filed as Exhibit 10.87 to Form S-1 and incorporated herein by reference.

- +10.26.2 First Amendment to the MCI Carrier Agreement, dated as of November 21, 1997, by and between MCI Telecommunications Corporation and Associated Communication Companies of America (ACCA). Filed as Exhibit 10.87.1 to 1997 Form 10-K and incorporated herein by reference.
- 10.27.1 Amended and Restated ITC/\DeltaCom, Inc. 1997 Stock Option Plan. Filed herewith.
- 10.27.2 Form of Stock Option Agreement under the Amended and Restated ITC/\DeltaCom, Inc. 1997 Stock Option Plan. Filed as Exhibit 10.37.2 to Annual Report on Form 10-K for the year ended December 31, 2000 and incorporated herein by reference.
- 10.28.1 ITC/\DeltaCom, Inc. Director Stock Option Plan. Filed as Exhibit 10.89 to Form S-1 and incorporated herein by reference.
- 10.28.2 Form of Non-Qualified Stock Option Agreement under the ITC/\DeltaCom, Inc. Director Stock Option Plan. Filed as Exhibit 10.38.2 to Annual Report on Form 10-K for the year ended December 31, 2000 and incorporated herein by reference.
- 10.29.1 ITC Holding Company, Inc. Amended and Restated Stock Option Plan. Filed as Exhibit 10.90 to Form S-1 and incorporated herein by reference.
- 10.29.2 Amendment No. 1 to ITC Holding Company, Inc. Amended and Restated Stock Option Plan. Filed as Exhibit 10.2 to Quarterly Report on Form 10-Q for the quarter ended June 30, 2000 and incorporated herein by reference.
- 10.30.1 ITC Holding Company, Inc. Nonemployee Director Stock Option Plan. Filed as Exhibit 10.91 to Form S-1 and incorporated herein by reference.
- 10.30.2 Amendment No. 1 to ITC Holding Company, Inc. Nonemployee Director Stock Option Plan. Filed as Exhibit 10.3 to Quarterly Report on Form 10-Q for the quarter ended June 30, 2000 and incorporated herein by reference.
- 10.31 Description of ITC/\DeltaCom, Inc. Bonus Plan. Filed as Exhibit 10.92 to Form S-1 and incorporated herein by reference.

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- 10.32 Form of Indemnity Agreement between ITC/\DeltaCom, Inc. and certain of its Directors and Officers. Filed as Exhibit 10.93 to Form S-1 and incorporated herein by reference.
- 10.33.1 Sale and Purchase Agreement, dated as of March 11, 1997, by and between SCANA Corporation and ITC Holding Company, Inc. Filed as Exhibit 10.94 to Form S-1 and incorporated herein by reference.
- 10.33.2 First Amendment to Sale and Purchase Agreement. Among SCANA Corporation, SCANA Communications, Inc., and ITC Holding Company, Inc., dated as of October 16, 1997, among SCANA Corporation, SCANA Communications, Inc., ITC Holding Company, Inc. and ITC/\DeltaCom, Inc. Filed as Exhibit 10.95 to Form S-1 and incorporated herein by reference.
- 10.34.1 Indenture dated March 3, 1998 between ITC/\DeltaCom, Inc. and United States Trust Company of New York, as Trustee, relating to the 8 7/8% Senior Notes due 2008 of ITC/\DeltaCom, Inc. Filed as Exhibit 4.2 to Inc.1997 Form 10-K and incorporated herein by reference.
- 10.34.2 Form of Global 8 7/8% Note due 2008 (contained in Indenture filed as Exhibit 10.44.1).
- 10.35.1 Indenture dated as of November 5, 1998 between ITC/\DeltaCom, Inc. and United States Trust Company of New York, as Trustee, relating to the 9 3/4% Senior Notes due 2008 of ITC/\DeltaCom, Inc. Filed as Exhibit 4.2 to Registration Statement on Form S-4, as amended (File No. 333-71735) (the "February 1999 Form S-4"), and incorporated herein by reference.
- 10.35.2 Form of Global 9 3/4% Note due 2008 (contained in Indenture filed as Exhibit 10.45.1).
- 10.36.1 Registration Rights Agreement, dated as of May 12, 1999, by and among ITC/\DeltaCom, Inc. and Morgan Stanley & Co. Incorporated, Credit Suisse First Boston Corporation, First Union Capital Markets Corp. and

NationsBanc Montgomery Securities LLC. Filed as Exhibit 4.1 to the May 1999 Form 10-Q and incorporated herein by reference.

- 10.36.2 Indenture dated as of May 12, 1999, between ITC/\DeltaCom, Inc. ITC/\DeltaCom, Inc. and U.S. Trust, Company of Texas, N.A., a national banking corporation, as trustee. Filed as Exhibit 4.1 to the May 1999 Form 10-Q and incorporated herein by reference.
- 10.36.3 Form of Global Note relating to the 4 1/2% Convertible Subordinated Notes due 2006 (contained in Indenture filed as Exhibit 10.46.2).
- 10.36.4 Form of Registered 4 1/2% Convertible Subordinated Note due 2006. Filed as Exhibit 4.5 to Registration Statement on Form S-3, as amended (File No. 333-84661), and incorporated herein by reference.
- 10.37.1 Master Lease Agreement, dated as of December 29, 2000, between NTFC Capital Corporation, as Lessor, and ITC/\DeltaCom Communications, Inc. and Interstate FiberNet, Inc., as Lessees (the "Master Lease Agreement"). Filed as Exhibit 10.47.1 to Annual Report on Form 10-K for the year ended December 31, 2000 and incorporated herein by reference.
- 10.37.2 Form of Equipment Schedule to the Master Lease Agreement. Filed as Exhibit 10.47.2 to Annual Report on Form 10-K for the year ended December 31, 2000 and incorporated herein by reference.

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- 10.37.3 Guaranty, dated as of December 29, 2000, between Interstate FiberNet, Inc. and NTFC Capital Corporation. Filed as Exhibit 10.47.3 to Annual Report on Form 10-K for the year ended December 31, 2000 and incorporated herein by reference.
- 10.37.4 Amendment No. 1, dated as of June 18, 2001, to the Financial Covenants and Reporting Requirements Annex to the Master Lease Agreement. Filed as Exhibit 10.6 to Quarterly Report on Form 10-Q for the quarter ended June 30, 2001 and incorporated herein by reference.
- 10.37.5 Amendment No. 2, dated as of June 18, 2001, to the Financial Covenants and Reporting Requirements Annex to the Master Lease Agreement. Filed herewith.
- 10.38 Interconnection Agreement, dated February 9, 2001, by and between BellSouth Telecommunications, Inc. and ITC/\DeltaCom Communications, Inc. d/b/a/ ITC/\DeltaCom. Filed as Exhibit 10.48 to Annual Report on Form 10-K for the year ended December 31, 2000 and incorporated herein by reference.
- 10.39.1 Interconnection Agreement, dated as of June 5, 2000, by and between BellSouth Telecommunications, Inc. and ITC/\DeltaCom Communications, Inc. d/b/a/ ITC/\DeltaCom. Filed as Exhibit 10.49.1 to Annual Report on Form 10-K for the year ended December 31, 2000 and incorporated herein by reference.
- 10.39.2 First Amendment to the Interconnection Agreement by and between BellSouth Telecommunications, Inc. and ITC/\DeltaCom Communications, Inc., dated as of August 21, 2000, between ITC/\DeltaCom Communications, Inc. and BellSouth Telecommunications, Inc. Filed as Exhibit 10.49.2 to Annual Report on Form 10-K for the year ended December 31, 2000 and incorporated herein by reference.
- 10.39.3 Amendment to the Interconnection Agreement by and between BellSouth Telecommunications, Inc. and ITC/\DeltaCom Communications, Inc., dated as of February 14, 2001, by and between ITC/\DeltaCom Communications, Inc. and BellSouth Telecommunications, Inc. Filed as Exhibit 10.49.3 to Annual Report on Form 10-K for the year ended December 31, 2000 and incorporated herein by reference.
- 10.40 Interconnection Agreement, effective as of July 1, 1999, by and between ITC/\DeltaCom Communications, Inc. and BellSouth Telecommunications, Inc. Filed as Exhibit 10.50 to Annual Report on Form 10-K for the year ended December 31, 2000 and incorporated herein by reference.
- 10.41.1 Investment Agreement, dated as of February 27, 2001, between ITC/\DeltaCom, Inc. and ITC Holding Company, Inc. Filed as Exhibit 10.1 to Report on Form 10-Q for the period ended March 31, 2001, and incorporated herein by reference.
- 10.41.2 Amendment No. 1 to Investment Agreement, dated as of May 29, 2001, by

and among ITC/\DeltaCom, Inc., ITC Holding Company, Inc., SCANA Corporation and HBK Master Fund L.P. Filed as Exhibit 10.1 to Quarterly Report on Form 10-Q for the quarter ended June 30, 2001 and incorporated herein by reference.

10.41.3 Registration Rights Agreement, dated as of June 20, 2001, among ITC/\DeltaCom, Inc., ITC Holding Company, Inc., SCANA Corporation, HBK Master Fund L.P. and the other Holders from time to time thereunder. Filed as Exhibit 10.2 to Quarterly Report on Form 10-Q for the quarter ended June 30, 2001 and incorporated herein by reference.

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- 10.41.4 ITC/\DeltaCom, Inc. Common Stock Purchase Warrant, dated June 20, 2001, issued to ITC Telecom Ventures, Inc. Filed as Exhibit 10.3 to Quarterly Report on Form 10-Q for the quarter ended June 30, 2001 and incorporated herein by reference.
- 10.41.5 ITC/\DeltaCom, Inc. Common Stock Purchase Warrant, dated June 20, 2001, issued to SCANA Corporation. Filed as Exhibit 10.4 to Quarterly Report on Form 10-Q for the quarter ended June 30, 2001 and incorporated herein by reference.
- 10.41.6 ITC/\DeltaCom, Inc. Common Stock Purchase Warrant, dated June 20, 2001, issued to HBK Master Fund L.P. Filed as Exhibit 10.5 to Quarterly Report on Form 10-Q for the quarter ended June 30, 2001 and incorporated herein by reference.
- 10.41.7 ITC/\DeltaCom, Inc. Common Stock Purchase Warrant, dated September 5, 2001, issued to ITC Telecom Ventures, Inc. Filed as Exhibit 10.1 to Quarterly Report on Form 10-Q for the quarter ended September 30, 2001 and incorporated herein by reference.
- 10.41.8 ITC/\DeltaCom, Inc. Common Stock Purchase Warrant, dated September 5, 2001, issued to SCANA Corporation. Filed as Exhibit 10.2 to Quarterly Report on Form 10-Q for the quarter ended September 30, 2001 and incorporated herein by reference.
- 10.41.9 ITC/\DeltaCom, Inc. Common Stock Purchase Warrant, dated September 5, 2001, issued to HBK Master Fund L.P. Filed as Exhibit 10.3 to Quarterly Report on Form 10-Q for the quarter ended September 30, 2001 and incorporated herein by reference.
- 10.42.1 Master Lease Agreement, dated as of December 31, 2001, between General Electric Capital Corporation, as Lessor, and ITC/\DeltaCom Communications, Inc., as Lessee (the "GECC Master Lease Agreement"). Filed herewith.
- 10.42.2 Form of Equipment Schedule to the GECC Master Lease Agreement. Filed herewith.
- 12.1 Statement regarding Computation of Ratios. Filed herewith.
- 21.1 Subsidiaries of ITC/\DeltaCom, Inc. Filed herewith.
- 23.1 Consent of Arthur Andersen LLP. Filed herewith.
- 99.1 Representation letter concerning Arthur Andersen LLP. Filed herewith.

+ Confidential treatment has been granted for this exhibit. The copy filed as an exhibit omits the information subject to the confidential treatment request.

++ Certain confidential portions of this exhibit were omitted by means of redacting a portion of the text. This exhibit has been filed separately with the Secretary of the SEC without such text pursuant to our Application Requesting Confidential Treatment under Rule 24b-2 under the Securities Exchange Act.

AMENDED AND RESTATED BYLAWS

OF

ITC/\DELTACOM, INC.

1. OFFICES

1.1. Registered Office

The initial registered office of the Corporation shall be in Wilmington, Delaware, and the initial registered agent in charge thereof shall be Corporation Service Company.

1.2. Other Offices

The Corporation may also have offices at such other places, both within and without the State of Delaware, as the Board of Directors may from time to time determine or as may be necessary or useful in connection with the business of the Corporation.

2. MEETINGS OF STOCKHOLDERS

2.1. Place of Meetings

All meetings of the stockholders shall be held at such place as may be fixed from time to time by the Board of Directors, the Chairperson, the Chief Executive Officer or the President.

2.2. Annual Meetings

The Corporation shall hold annual meetings of stockholders, commencing with the year 1998, on such date and at such time as shall be designated from time to time by the Board of Directors, the Chairperson, the Chief Executive Officer or the President, at which stockholders shall elect successors to that class of directors whose terms shall have expired and transact such other business as may properly be brought before the meeting.

2.3. Special Meetings

Special meetings of the stockholders, for any purpose or purposes, unless otherwise prescribed by statute, may be called at any time by (a) the Chairperson or (b) a majority of the directors in office, although less than a quorum.

2.4. Notice of Meetings

Notice of any meeting of stockholders, stating the place, date and hour of the meeting, and (if it is a special meeting) the purpose or purposes for which the meeting is called, shall be given to each stockholder entitled to vote at such meeting not less than ten nor more than sixty days before the date of the meeting (except to the extent that such notice is waived or is not required as provided in the General Corporation Law of the State of Delaware (the "Delaware General Corporation Law") or these Amended and Restated Bylaws (the "Bylaws"). Such notice shall be given in accordance with, and shall be deemed effective as set forth in, Section 222 (or any successor section) of the Delaware General Corporation Law.

2.5. Waivers of Notice

Whenever the giving of any notice is required by statute, the Certificate of Incorporation of the Corporation (which shall include any amendments thereto and shall be hereinafter referred to as so amended as the "Certificate of Incorporation") or these Bylaws, a waiver thereof, in writing and delivered to the Corporation, signed by the person or persons entitled to such notice, whether before or after the event as to which such notice is required, shall be deemed equivalent to notice. Attendance of a stockholder at a meeting shall constitute a waiver of notice (1) of such meeting, except when the stockholder at the beginning of the meeting objects to holding the meeting or transacting business at the meeting, and (2) (if it is a special meeting) of consideration of a particular matter at the meeting that is not within the purpose or purposes described in the meeting notice, unless the stockholder objects to considering the matter at the beginning of the meeting.

2.6. Business at Special Meetings

Business transacted at any special meeting of stockholders shall be limited to the purposes stated in the notice (except to the extent that such notice is waived or is not required as provided in the Delaware General Corporation Law or these Bylaws).

2.7. List of Stockholders

After the record date for a meeting of stockholders has been fixed, at least ten days before such meeting, the officer who has charge of the stock ledger of the Corporation shall make a list of all stockholders entitled to vote at the meeting, arranged in alphabetical order and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting for a period of at least 10 days prior to the meeting during ordinary business hours, at the principal place of business of the Corporation. The list shall also be produced and kept at the time and place of

the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

2.8. Quorum at Meetings

Stockholders may take action on a matter at a meeting only if a quorum exists with respect to that matter. Except as otherwise provided by statute or by the Certificate of Incorporation, the holders of shares representing a majority of the voting power of the

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outstanding shares entitled to vote at the meeting, and who are present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business. Where a separate vote by a class or classes is required with respect to any matter, the holders of shares representing a majority of the voting power of the outstanding shares entitled to vote with respect to that matter, present in person or represented by proxy, shall constitute a quorum entitled to take action with respect to that vote on that matter. Once a share is represented for any purpose at a meeting (other than solely to object (1) to holding the meeting or transacting business at the meeting, or (2) (if it is a special meeting) to consideration of a particular matter at the meeting that is not within the purpose or purposes described in the meeting notice), it is deemed present for quorum purposes for the remainder of the meeting and for any adjournment of that meeting unless a new record date is or must be set for the adjourned meeting. The holders of shares representing a majority of the voting power of the outstanding shares present in person or represented by proxy at a meeting, whether or not a quorum is present, may adjourn such meeting from time to time.

2.9. Voting and Proxies

Unless otherwise provided in the Delaware General Corporation Law or in the Certificate of Incorporation, and subject to the other provisions of these Bylaws, each stockholder shall be entitled to one vote on each matter, in person or by proxy, for each share of the Corporation's capital stock that has voting power and that is held by such stockholder. No proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period. A duly executed appointment of proxy shall be irrevocable if the appointment form states that it is irrevocable and if, and only as long as, it is coupled with an interest sufficient in law to support an irrevocable power.

2.10. Required Vote

When a quorum is present at any meeting of stockholders, all matters (other than the election of directors) shall be determined, adopted and approved by the affirmative vote (which need not be by ballot) of shares representing a majority of the voting power of the outstanding shares present in person or represented by proxy at the meeting and entitled to vote with respect

to the matter, unless the proposed action is one upon which, by express provision of the Delaware General Corporation Law, the Certificate of Incorporation, the rules or regulations of the National Association of Securities Dealers, Inc., the Nasdaq Stock Market or any stock exchange applicable to the Corporation or its securities, or other applicable law or regulation applicable to the Corporation or its securities, a different vote is specified and required, in which case such express provision shall govern and control with respect to that vote on that matter. Where a separate vote by a class or classes is required with respect to any matter, that matter shall be determined, adopted and approved by the affirmative vote (which need not be by ballot) of shares representing a majority of the voting power of the outstanding shares of such class or classes present in person or represented by proxy at the meeting, unless the proposed action is one upon which, by express provision of the Delaware General Corporation Law or the Certificate of Incorporation, the rules or regulations of the National Association of Securities Dealers, Inc., the Nasdaq Stock Market or any stock exchange applicable to the Corporation or its securities, or other applicable law or regulation applicable to the Corporation or its securities, a different vote is specified and required, in which case such express provision shall govern and control with respect to that vote on that matter.

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Notwithstanding the foregoing, directors shall be elected by a plurality of the votes of the shares present in person or represented by proxy at the meeting and entitled to vote on the election of directors.

2.11. Action Without a Meeting

Except as otherwise provided by the Certificate of Incorporation, any action required or permitted to be taken by the stockholders of the Corporation at a duly called annual or special meeting of stockholders may be effected without a meeting, without prior notice and without a vote, but only if the action is effected by one or more unanimous written consents of the stockholders entitled to take such action, and the writing or writings are delivered to the Corporation within sixty days of the delivery to the Corporation of the earliest dated consent. All such consents shall be included in the Minute Book of the Corporation.

3. DIRECTORS

3.1. Powers

The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors, which may exercise all such powers of the Corporation and do all such lawful acts and things, subject to any limitation set forth in the Certificate of Incorporation or as otherwise may be provided in the Delaware General Corporation Law.

3.2. Number and Election; Classes

The number of directors which shall constitute the whole Board of Directors shall not be fewer than five nor more than fifteen. The first Board of Directors shall consist of 9 members. Thereafter, within the limits above specified, the number of directors shall be determined by resolution of the Board of Directors. The directors shall be elected at the annual meeting of the stockholders, except as provided in Section 3.4 hereof, and each director elected shall hold office until such director's successor is elected and qualified or until the director's earlier death, resignation or removal. Directors need not be stockholders. Unless otherwise provided in the Certificate of Incorporation, the Board of Directors shall divide the directors into three classes; and, when the number of directors is changed, shall determine the class or classes to which the increased or decreased number of directors shall be apportioned; provided, however, that no decrease in the number of directors

shall affect the term of any director then in office. At each annual meeting of stockholders, directors elected to succeed those whose terms are expiring shall be elected for a term of office expiring at the annual meeting of stockholders held in the third year following their election and until their respective successors are elected and qualified, or until such director's earlier death, resignation or removal.

3.3. Nomination of Directors

Only persons who are nominated in accordance with the procedures set forth in this Section 3.3 shall be eligible for election as directors. Nominations of persons for election to the Board of Directors of the Corporation may be made at a meeting of stockholders by or at the direction of the Board of Directors or by any stockholder of the Corporation entitled to vote for

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the election of directors at the meeting who complies with the notice procedures set forth in this Section 3.3. Such nominations, other than those made by or at the direction of the Board of Directors, shall be made pursuant to timely notice in writing to the Secretary of the Corporation. To be timely, a stockholder notice shall be delivered to or mailed and received at the principal executive office of the Corporation not less than sixty days prior to the meeting; provided, however, that in the event that less than seventy-five days' notice or prior public disclosure of the date of the meeting is given or made to stockholders, notice by the stockholder to be timely must be so received not later than the close of business on the fifteenth day following the day on which such notice of the date of the meeting was mailed or such public disclosure was made. Such stockholder's notice shall set forth (a) as to each person whom the stockholder proposes to nominate for election or re-election as a director, (i) the name, age, business address and residence address of such person, (ii) the principal occupation or employment of such person, (iii) the class and number of shares of the Corporation's stock which are beneficially owned by such person,

and (iv) any other information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (including without limitation such person's written consent to be named in the proxy statement as a nominee and to serving as a director if elected); and (b) as to the stockholder giving the notice (i) the name and address, as they appear on the Corporation's books, of such stockholder and (ii) the class and number of shares of the Corporation's stock which are beneficially owned by such stockholder. At the request of the Board of Directors, any person nominated by the Board of Directors for election as a director shall furnish to the Secretary of the Corporation that information required to be set forth in the stockholder's notice of nomination which pertains to the nominee. No later than the tenth day following the date of receipt of a stockholder nomination submitted pursuant to this Section 3.3, the Chairman of the Board of Directors of the Corporation shall, if the facts warrant, determine and notify in writing the stockholder making such nomination that such nomination was not made in accordance with the time limits and/or other procedures prescribed by the bylaws. If no such notification is mailed to such stockholder within such ten-day period, such nomination shall be deemed to have been made in accordance with the provisions of this Section 3.3. No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth in this Section 3.3.

3.4. Vacancies

Vacancies and newly created directorships resulting from any increase in the authorized number of directors elected by all of the stockholders having the right to vote as a single class may be filled by a majority of the directors then in office, although fewer than a quorum, or by a sole remaining director. Whenever the holders of any class or classes of stock or series thereof are entitled to elect one or more directors by the provisions of the Certificate of Incorporation, vacancies and newly created directorships of such class or classes or series may be filled by a majority of the directors elected by such class or classes or series thereof in office, or by a sole remaining director so elected. Each director so chosen shall hold office until the next election of the Class for which such director shall have been chosen, and until such director's successor is elected and qualified, or until the director's earlier death, resignation or removal. In the event that one or more directors resigns from the Board of Directors, effective at a future date, a majority of the directors then in office, including those who have so resigned, shall have power to fill such vacancy or vacancies, the vote thereon to take effect when such resignation or resignations shall become effective, and each director so chosen shall hold office

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until the next election of the Class for which such director shall have been chosen, and until such director's successor is elected and qualified, or until the director's earlier death, resignation or removal.

3.5. Meetings

3.5.1. Regular Meetings

Regular meetings of the Board of Directors may be held without notice at such time and at such place as shall from time to time be determined by the Board of Directors.

3.5.2. Special Meetings

Special meetings of the Board of Directors may be called by the Chairperson, the Chief Executive Officer or the President on one day's notice. At least one day's notice of special meetings of the Board of Directors shall be provided to each director, either personally or by telephone, express delivery service (so that the scheduled delivery date of the notice is at least one day in advance of the meeting), telegram or facsimile transmission. At least five days' notice of special meetings of the Board of Directors shall be provided by first-class mail (effective upon deposit of such notice in the mail). The notice need not describe the purpose of a special meeting.

3.5.3. Telephone Meetings

Members of the Board of Directors may participate in a meeting of the Board of Directors by any communication by means of which all participating directors can simultaneously hear each other during the meeting. A director participating in a meeting by this means is deemed to be present in person at the meeting.

3.5.4. Action Without Meeting

Any action required or permitted to be taken at any meeting of the Board of Directors may be taken without a meeting if the action is taken by all members of the Board of Directors. The action must be evidenced by one or more written consents describing the action taken, signed by each director, and delivered to the Corporation for inclusion in the Minute Book of the Corporation.

3.5.5. Waiver of Notice of Meeting

A director may waive any notice required by statute, the Certificate of Incorporation or these Bylaws before or after the date and time stated in the notice. Except as set forth below, the waiver must be in writing, signed by the director entitled to the notice, and delivered to the Corporation for inclusion in the Minute Book of the Corporation. Notwithstanding the foregoing, a director's attendance at or participation in a meeting waives any required notice to the director of the meeting unless the director at the beginning of the meeting objects to holding the meeting or transacting business at the meeting and does not thereafter vote for or assent to action taken at the meeting.

3.6. Quorum and Vote at Meetings

At all meetings of the Board of Directors, a quorum of the Board of Directors consists of a majority of the total number of directors prescribed pursuant to Section 3.2 of these Bylaws. The vote of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors, except as may be otherwise specifically provided by statute or by the Certificate of Incorporation or by these Bylaws.

3.7. Committees of Directors

The Board of Directors may by resolution create one or more committees and appoint members of the Board of Directors to serve on the committees at the pleasure of the Board of Directors. The Board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. If a member of a committee shall be absent from any meeting, or disqualified from voting thereat, the remaining member or members present and not disqualified from voting, whether or not such member or members constitute a quorum, may, by unanimous vote, appoint another member of the Board of Directors to act at the meeting in the place of such absent or disqualified member. Any such committee, to the extent provided in the resolution of the Board of Directors, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to amending the Certificate of Incorporation (except that a committee may, to the extent authorized in the resolution or resolutions providing for the issuance of shares of stock adopted by the Board of Directors pursuant to Section 151(a) of the Delaware General Corporation Law, fix the designations and any of the preferences or rights of such shares relating to dividends, redemption, dissolution, any distribution of assets of the Corporation or the conversion into, or the exchange of such shares for, shares of any other class or classes or any other series of the same or any other class or classes of stock of the Corporation or fix the number of shares of stock or authorize the increase or decrease of the shares of any series), adopting an agreement of merger or consolidation pursuant to Sections 251 or 252 of the Delaware General Corporation Law, recommending to the stockholders the sale, lease or exchange of all or substantially all of the Corporation's property and assets, recommending to the stockholders a dissolution of the Corporation or a revocation of a dissolution, or amending the Bylaws; and unless the Board resolution appointing the Committee, these Bylaws or the Certificate of Incorporation expressly so provide, no such committee shall have the power or authority to declare a dividend, to authorize the issuance of stock, or to adopt a certificate of ownership and merger pursuant to Section 253 of the Delaware General Corporation Law. Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the Board of Directors.

Each committee shall keep regular minutes of its meetings and report the same to the Board of Directors, when required. Unless otherwise specified in the board resolution appointing the Committee, all provisions of the Delaware General Corporation Law and these Bylaws relating to meetings, action without meetings, notice (and waiver thereof), and quorum and voting requirements of the Board of Directors apply, as well, to such committees and their members.

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3.8. Compensation of Directors

The Board of Directors shall have the authority to fix the compensation of directors. No such payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor.

4. OFFICERS

4.1. Positions

The officers of the Corporation shall be a President, a Secretary and a Treasurer, and such other officers as the Board of Directors (or an officer authorized by the Board of Directors) from time to time may appoint, including a Chairperson, a Chief Executive Officer, a Chief Financial Officer and one or more Vice Chairmen, Senior Vice Presidents, Vice Presidents, Assistant Secretaries and Assistant Treasurers. Each such officer shall exercise such powers and perform such duties as shall be set forth below and such other powers and duties as from time to time may be specified by the Board of Directors or by any officer(s) authorized by the Board of Directors to prescribe the duties of such other officers. Any number of offices may be held by the same person, except that in no event shall the President and the Secretary be the same person. Each of the Chairperson, Chief Executive Officer, Chief Financial Officer, President, and/or any Vice President may execute bonds, mortgages and other documents under the seal of the Corporation, except where required or permitted by law to be otherwise executed and except where the execution thereof shall be expressly delegated by the Board of Directors to some other officer or agent of the Corporation.

4.2. Chairperson

The Chairperson shall (when present) preside at all meetings of the Board of Directors and stockholders, and shall ensure that all orders and resolutions of the Board of Directors and stockholders are carried into effect. The Chairperson may execute bonds, mortgages and other contracts, under the seal of the Corporation, if required, except where required or permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be expressly delegated by the Board of Directors to some other officer or agent of the Corporation.

4.3. Chief Executive Officer

In the absence of the Chairperson, or if no Chairperson shall have been appointed, the Chief Executive Officer shall (when present) preside at all meetings of the Board of Directors and stockholders, and shall ensure that all orders and resolutions of the Board of Directors and stockholders are carried into effect. The Chief Executive Officer may execute bonds, mortgages and other contracts, under the seal of the Corporation, if required, except where required or permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be expressly delegated by the Board of Directors to some other officer or agent of the Corporation.

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4.4. President

The President shall have overall responsibility and authority for management of the operations of the Corporation, subject to the authority of the Chief Executive Officer and the Board of Directors. The President may execute bonds, mortgages and other contracts, under the seal of the Corporation, if required, except where required or permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be expressly delegated by the Board of Directors to some other officer or agent of the Corporation.

4.5. Chief Financial Officer

The Chief Financial Officer shall have overall responsibility and authority for management of the financial operations of the Corporation, subject to the authority of the Chief Executive Officer and the Board of Directors. The Chief Financial Officer may execute bonds, mortgages and other contracts, under the seal of the Corporation, if required, except where required or permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be expressly delegated by the Board of Directors to some other officer or agent of the Corporation.

4.6. Vice President

In the absence of the President or in the event of the President's inability or refusal to act, the Vice President (or in the event there be more than one Vice President, the Vice Presidents in the order designated, or in the absence of any designation, then in the order of their election) shall perform the duties of the President, and when so acting shall have all the powers of, and be subject to all the restrictions upon, the President.

4.7. Secretary

The Secretary shall have responsibility for preparation of

minutes of meetings of the Board of Directors and of the stockholders and for authenticating records of the Corporation. The Secretary shall give, or cause to be given, notice of all meetings of the stockholders and special meetings of the Board of Directors. The Secretary or an Assistant Secretary may also attest all instruments signed by any other officer of the Corporation.

4.8. Assistant Secretary

The Assistant Secretary, or if there be more than one, the Assistant Secretaries in the order determined by the Board of Directors (or if there shall have been no such determination, then in the order of their election), shall, in the absence of the Secretary or in the event of the Secretary's inability or refusal to act, perform the duties and exercise the powers of the Secretary.

4.9. Treasurer

The Treasurer shall have responsibility for the custody of the corporate funds and securities and shall see to it that full and accurate accounts of receipts and disbursements

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are kept in books belonging to the Corporation. The Treasurer shall render to the Chairperson, the Chief Executive Officer, the President, the Chief Financial Officer and the Board of Directors, upon request, an account of all financial transactions and of the financial condition of the Corporation.

4.10. Assistant Treasurer

The Assistant Treasurer, or if there shall be more than one, the Assistant Treasurers in the order determined by the Board of Directors (or if there shall have been no such determination, then in the order of their election), shall, in the absence of the Treasurer or in the event of the Treasurer's inability or refusal to act, perform the duties and exercise the powers of the Treasurer.

4.11. Term of Office

The officers of the Corporation shall hold office until their successors are chosen and qualify or until their earlier resignation or removal. Any officer may resign at any time upon written notice to the Corporation. Any officer elected or appointed by the Board of Directors may be removed at any time, with or without cause, by the affirmative vote of a majority of the Board of Directors.

4.12. Compensation

The compensation of officers of the Corporation shall be fixed by

the Board of Directors or by any officer(s) authorized by the Board of Directors to prescribe the compensation of such other officers.

4.13. Fidelity Bonds

The Corporation may secure the fidelity of any or all of its officers or agents by bond or otherwise.

5. CAPITAL STOCK

5.1. Certificates of Stock; Uncertificated Shares

The shares of the Corporation shall be represented by certificates, provided that the Board of Directors may provide by resolution that some or all of any or all classes or series of the Corporation's stock shall be uncertificated shares. Any such resolution shall not apply to shares represented by a certificate until such certificate is surrendered to the Corporation. Notwithstanding the adoption of such a resolution by the Board of Directors, every holder of stock represented by certificates, and upon request every holder of uncertificated shares, shall be entitled to have a certificate (representing the number of shares registered in certificate form) signed in the name of the Corporation by the Chairperson, President or any Vice President, and by the Treasurer, Secretary or any Assistant Treasurer or Assistant Secretary of

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the Corporation. Any or all the signatures on the certificate may be facsimile. In case any officer, transfer agent or registrar whose signature or facsimile signature appears on a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if such person were such officer, transfer agent or registrar at the date of issue.

5.2. Lost Certificates

The Board of Directors, Chairperson, Chief Executive Officer, President or Secretary may direct a new certificate of stock to be issued in place of any certificate theretofore issued by the Corporation and alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming that the certificate of stock has been lost, stolen or destroyed. When authorizing such issuance of a new certificate, the Board of Directors or any such officer may, as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or certificates, or such owner's legal representative, to advertise the same in such manner as the Board of Directors or such officer shall require and/or to give the Corporation a bond or indemnity, in such sum or on such terms and conditions as the Board of Directors or such officer may direct, as indemnity against any claim that may be made against the Corporation on account of the certificate alleged to have been lost, stolen or destroyed or on account of the

issuance of such new certificate or uncertificated shares.

5.3. Record Date

5.3.1. Actions by Stockholders

In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall not be more than sixty days nor less than ten days before the date of such meeting. If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting, unless the Board of Directors fixes a new record date for the adjourned meeting.

In order that the Corporation may determine the stockholders entitled to consent to corporate action in writing without a meeting, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall not be more than ten days after the date upon which the resolution fixing the record date is adopted by the Board of Directors. If no record date has been fixed by the Board of Directors, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting, when no prior action by the Board of Directors is required by the Delaware General Corporation Law, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Corporation in the manner prescribed

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by Section 213(b) of the Delaware General Corporation Law. If no record date has been fixed by the Board of Directors and prior action by the Board of Directors is required by the Delaware General Corporation Law, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting shall be at the close of business on the day on which the Board of Directors adopts the resolution taking such prior action.

5.3.2. Payments

In order that the Corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other

lawful action, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall be not more than sixty days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

5.4. Stockholders of Record

The Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, to receive notifications, to vote as such owner, and to exercise all the rights and powers of an owner. The Corporation shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise may be provided by the Delaware General Corporation Law.

6. INDEMNIFICATION

6.1. Authorization of Indemnification

Each person who was or is a party or is threatened to be made a party to or is involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative and whether by or in the right of the Corporation or otherwise (a "proceeding"), by reason of the fact that he or she, or a person of whom he or she is the legal representative, is or was a director or officer of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee, partner (limited or general) or agent of another corporation or of a partnership, joint venture, limited liability company, trust or other enterprise, including service with respect to an employee benefit plan, shall be (and shall be deemed to have a contractual right to be) indemnified and held harmless by the Corporation (and any successor to the Corporation by merger or otherwise) to the fullest extent authorized by, and subject to the conditions and (except as provided herein) procedures set forth in the Delaware General Corporation Law, as the same exists or may hereafter be amended (but any such amendment shall not be deemed to limit or prohibit the rights of indemnification hereunder for past acts or omissions of any such person insofar as such amendment limits or prohibits the indemnification rights that said law permitted the Corporation to provide prior to such amendment), against all expenses, liabilities and losses (including attorneys' fees, judgments, fines, ERISA taxes or penalties and amounts paid or to

be paid in settlement) reasonably incurred or suffered by such person in connection therewith; provided, however, that the Corporation shall indemnify

any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person (except for a suit or action pursuant to Section 6.2 hereof) only if such proceeding (or part thereof) was authorized by the Board of Directors of the Corporation. Persons who are not directors or officers of the Corporation may be similarly indemnified in respect of such service to the extent authorized at any time by the Board of Directors of the Corporation. The indemnification conferred in this Section 6.1 also shall include the right to be paid by the Corporation (and such successor) the expenses (including attorneys' fees) incurred in the defense of or other involvement in any such proceeding in advance of its final disposition; provided, however, that, if and to the extent the Delaware General Corporation

Law requires, the payment of such expenses (including attorneys' fees) incurred by a director or officer in advance of the final disposition of a proceeding shall be made only upon delivery to the Corporation of an undertaking by or on behalf of such director or officer to repay all amounts so paid in advance if it shall ultimately be determined that such director or officer is not entitled to be indemnified under this Section 6.1 or otherwise; and provided further, that,

such expenses incurred by other employees and agents may be so paid in advance upon such terms and conditions, if any, as the Board of Directors deems appropriate.

6.2. Right of Claimant to Bring Action Against the Corporation

If a claim under Section 6.1 is not paid in full by the Corporation within sixty days after a written claim has been received by the Corporation, the claimant may at any time thereafter bring an action against the Corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such action. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in connection with any proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to the Corporation) that the claimant has not met the standards of conduct which make it permissible under the Delaware General Corporation Law for the Corporation to indemnify the claimant for the amount claimed or is otherwise not entitled to indemnification under Section 6.1, but the burden of proving such defense shall be on the Corporation. The failure of the Corporation (in the manner provided under the Delaware General Corporation Law) to have made a determination prior to or after the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the Delaware General Corporation Law shall not be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct. Unless otherwise specified in an agreement with the claimant, an actual determination by the Corporation (in the manner provided under the Delaware General Corporation Law) after the commencement of such action that the claimant has not met such applicable standard of conduct shall not be a defense to the action, but shall create a presumption that the claimant has not met the applicable standard of conduct.

6.3. Non-exclusivity

The rights to indemnification and advance payment of expenses provided by Section 6.1 hereof shall not be deemed exclusive of any other rights to which those seeking indemnification and advance payment of expenses may be entitled under any by-law,

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agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his or her official capacity and as to action in another capacity while holding such office.

6.4. Survival of Indemnification

The indemnification and advance payment of expenses and rights thereto provided by, or granted pursuant to, Section 6.1 hereof shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director, officer, employee, partner or agent and shall inure to the benefit of the personal representatives, heirs, executors and administrators of such person.

6.5. Insurance

The Corporation shall have power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee, partner (limited or general) or agent of another corporation or of a partnership, joint venture, limited liability company, trust or other enterprise, against any liability asserted against such person or incurred by such person in any such capacity, or arising out of such person's status as such, and related expenses, whether or not the Corporation would have the power to indemnify such person against such liability under the provisions of the Delaware General Corporation Law.

7. GENERAL PROVISIONS

7.1. Inspection of Books and Records

Any stockholder, in person or by attorney or other agent, shall, upon written demand under oath stating the purpose thereof, have the right during the usual hours for business to inspect for any proper purpose the Corporation's stock ledger, a list of its stockholders, and its other books and records, and to make copies or extracts therefrom. A proper purpose shall mean a purpose reasonably related to such person's interest as a stockholder. In every instance where an attorney or other agent shall be the person who seeks the right to inspection, the demand under oath shall be accompanied by a power of attorney or such other writing which authorizes the attorney or other agent to so act on behalf of the stockholder. The demand under oath shall be directed to

the Corporation at its registered office or at its principal place of business.

7.2. Dividends

The Board of Directors may declare dividends upon the capital stock of the Corporation, subject to the provisions of the Certificate of Incorporation and the laws of the State of Delaware.

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7.3. Reserves

The directors of the Corporation may set apart, out of the funds of the Corporation available for dividends, a reserve or reserves for any proper purpose and may abolish any such reserve.

7.4. Execution of Instruments

All checks, drafts or other orders for the payment of money, and promissory notes of the Corporation shall be signed by such officer or officers or such other person or persons as the Board of Directors may from time to time designate.

7.5. Fiscal Year

The fiscal year of the Corporation shall be fixed by resolution of the Board of Directors.

7.6. Seal

The corporate seal shall be in such form as the Board of Directors shall approve. The seal may be used by causing it or a facsimile thereof to be impressed or affixed or otherwise reproduced.

7.7. Amendments

The Board of Directors or the stockholders may from time to time adopt, amend or repeal the Bylaws of the Corporation. Such action by the Board of Directors shall require the affirmative vote of at least a majority of the directors then in office. Such action by the stockholders shall require the affirmative vote of 66-2/3% of the total number of votes of the then outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class thereon.

* * * * *

The foregoing Amended and Restated Bylaws were adopted by the Board of Directors effective March 21, 2002.

/s/ J. Thomas Mullis

J. Thomas Mullis, Secretary

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PORTIONS OF THIS EXHIBIT MARKED BY BRACKETS ("") OR OTHERWISE INDICATED HAVE BEEN OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT. THE OMITTED PORTIONS HAVE BEEN FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION.***

Agreement No. ITC2000NPPA
Data and Internet Product Attachment
Exhibit K, Schedule D
Page 1 of 2

SCHEDULE D
DATA AND INTERNET PRODUCTS
ETHERNET PORT COMMITMENT AND SERVICES PAYMENT PROGRAM

- 1.0 Description- As part of the Commitment Amount, IFN's e/\deltacom division commits to purchase [***]([***) Ethernet ports listed in Schedule A, Part [***] of Exhibit K ("*** Commitment") during the Commitment Period; provided, however, if e/\deltacom fails to achieve the Ethernet port Commitment, Buyer shall have no further obligation or liability with respect to the Ethernet Port Commitment except as provided in Section 3.6 of this Schedule and as Buyer may otherwise be obligated under the General Terms and Conditions for failure to achieve the Commitment Amount.
- 2.0 Ethernet port Pricing- The pricing for the [***] Ethernet ports is specified in Schedule A, Part [***] of Exhibit K of the Agreement and subject to the discount schedule in Exhibit G-1. However, for the first [***]([***) ports ordered, such [***] Ethernet ports will be discounted at [***] percent ([***]%) from List Price provided in Schedule A, Part [***] of Exhibit K.
- 3.0 Services Payment Program
 - 3.1 In consideration of the above Ethernet port Commitment, Nortel Networks shall offer e/\deltacom the option to purchase Services on a pay as you order ports program, ("Services Payment Program") up to [***] dollars (\$[***]) in Services. e/\deltacom shall not be required to purchase any amount of Services, but to the extent it does purchase Services, amounts due and owing for such Services may be paid pursuant to the Services Payment Program.
 - 3.2 The Services and applicable prices provided under this Services Payment Program shall be set forth in one or more Statements of Work ("SOW") attached to Exhibit P and performed on a mutually agreed to schedule as provided in the SOW. Prior to becoming a part of and attached to this Agreement, each SOW shall be agreed upon and signed by e/\deltacom and

Nortel Networks.

3.3 If e/\deltacom elects to purchase Services under this Services Payment Program, e/\deltacom will accept such SOW and issue Orders for the Services under Exhibit P referencing this Services Payment Program, Schedule D.

3.4 A portion of the amount due and owing by e/\deltacom with respect to the Services at the time one or more ports are Ordered, shall be invoiced concurrently along with the invoice for the Ethernet ports. Initially, for each Ethernet port ordered Nortel Networks shall invoice in the amount of [***] dollars (\$[***]) to recover the cost for the Services purchased under the Services Payment Program until the Services are paid in full under this Services Payment Program. Issuance and payment of

CONFIDENTIAL AND PROPRIETARY INFORMATION

CONFIDENTIAL TREATMENT REQUESTED

Agreement No. ITC2000NPPA
Data and Internet Product Attachment
Exhibit K, Schedule D
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invoices for the [***]and Services Payment Program will be pursuant to Article 6, Terms of Payment, of the General Terms & Conditions.

3.5 Product Credits may not be used for the payment under this Services Payment Program for the Ethernet ports or Services.

3.6 If the Agreement terminates pursuant to its terms or expires, and e/\deltacom has ordered Services under the Services Payment Program, Nortel Networks shall immediately invoice e/\deltacom for any remaining unpaid Services and such invoice shall be paid pursuant to Article 6, Terms of Payment, of the General Terms & Conditions.

3.7 In the event e/\deltacom notifies Nortel Networks in writing that e.deltacom does not desire to purchase any further Services under the Services Payment Program, then any Services ordered after such notice shall be invoiced and paid pursuant to Article 6 of the General Terms & Conditions. Should e/\deltacom purchase Services in excess of the Services Payment Program, then payment for such additional Services shall be made pursuant to Article 6, Terms of Payment, of the General Terms and Conditions.

4.0 Service Billing Audit - Nortel Networks and e/\deltacom shall conduct a quarterly review of the Services Ordered under the Services Payment Program to determine if a change in the Services Payment Program charge on an invoice as referenced in 3.4 above is needed. Such audits shall be

conducted at a mutually agreed upon time.

NORTEL NETWORKS INC.

By: /s/ Colin S. Doherty

Name: Colin S. Doherty

Title: RVP S.E. Region

Date: 3/30/01

INTERSTATE FIBERNET, INC.

By: /s/ David L. Hill

Name: David L. Hill

Title: VP Engineering and Planning

Date: 3/27/01

ITC/\DELTACOM COMMUNICATIONS INC.

By: /s/ David L. Hill

Name: David L. Hill

Title: VP Engineering and Planning

Date: 3/27/01

CONFIDENTIAL AND PROPRIETARY INFORMATION

CONFIDENTIAL TREATMENT REQUESTED

AMENDMENT NO. 2 TO THE
CREDIT AGREEMENT

Dated as of June 1, 2001

AMENDMENT NO. 2 TO THE CREDIT AGREEMENT among ITC/\DeltaCom, Inc., a Delaware corporation (the "Parent"), Interstate FiberNet, Inc., a

Delaware corporation (the "Borrower"), ITC/\Deltacom Communications, Inc., an

Alabama corporation, DeltaCom Information Systems, Inc., an Alabama corporation (collectively, the "Subsidiary Guarantors"), the banks, financial institutions

and other institutional lenders parties to the Credit Agreement referred to below (collectively, the "Lenders") and Morgan Stanley Senior Funding, Inc., as

administrative agent (the "Administrative Agent") for the Lenders.

PRELIMINARY STATEMENTS:

(1) The Borrower, the Parent, the Subsidiary Guarantors, the Lenders and the Administrative Agent have entered into a Credit Agreement dated as of April 5, 2000 (as amended, supplemented or otherwise modified through the date hereof, the "Credit Agreement"). Capitalized terms not otherwise defined in this Amendment have the same meanings as specified in the Credit Agreement.

(2) The Borrower, the Parent, the Subsidiary Guarantors and the Required Lenders have agreed to amend the Credit Agreement as hereinafter set forth.

(3) The Required Lenders are, on the terms and conditions stated below, willing to grant the request of the Borrower and the Borrower, the Parent, the Subsidiary Guarantors and the Required Lenders have agreed to amend the Credit Agreement as hereinafter set forth.

SECTION 1. Amendments to Credit Agreement. The Credit

Agreement is, effective as of the date hereof and subject to the satisfaction of the conditions precedent set forth in Section 2, hereby amended as follows:

(a) Section 1.01 is amended to add the following definitions:

"Investment Agreement" means the Investment Agreement, dated as of February 27, 2001 and amended as of May 29, 2001, as the

amended from time to time in accordance with its terms, among Parent, ITC Holding Company, Inc., SCANA Corporation and HBK Master Fund L.P.

"PIK Dividends" means the shares of Series B Preferred Stock paid or payable as dividends on shares of Series B Preferred Stock in accordance with the applicable certificate of designation with respect thereto.

"Series B Preferred Stock" means the shares of any series of the Parent's cumulative convertible preferred stock which is designated as "Series B-__ Cumulative Convertible Preferred Stock" and issued pursuant to the Investment Agreement and the

certificate of designation for such series of cumulative convertible preferred stock, including, without limitation, PIK Dividends.

(b) The second paragraph of Section 5.02(b) is amended by deleting the word "and" where it appears immediately before clause (vii) and inserting the following immediately after clause (vii):

"; and

(viii) with respect to the Parent, the Series B Preferred Stock."

SECTION 2. Conditions of Effectiveness. This Amendment shall

become effective as of the date first above written when, and only when, the Administrative Agent shall have received counterparts of this Amendment executed by the Borrower, the Parent, the Subsidiary Guarantors and the Required Lenders or, as to any of the Lenders, advice satisfactory to the Administrative Agent that such Lender has executed this Amendment. This Amendment is subject to the provisions of Section 9.01 of the Credit Agreement.

SECTION 3. Representations and Warranties of the Borrower. The

Borrower represents and warrants that:

(a) the representations and warranties contained in each Loan Document are correct in all material respects on and as of the date hereof, before and after giving effect to this Amendment, other than any such representations and warranties that, by their terms, refer to a specific date other than the date hereof, in which case as of such specific date; and

(b) no Default has occurred and is continuing, or would result from this Amendment.

SECTION 4. Consent of the Borrower, the Parent and the

Subsidiary Guarantors. The Parent and the Subsidiary Guarantors, as Guarantors

under the Credit Agreement, and the Borrower, the Parent and the Subsidiary Guarantors, as Grantors under the Security Agreement, hereby consent to this Amendment and hereby confirm and agree that (a) they have received a copy of and reviewed to their satisfaction this Amendment, (b) notwithstanding the effectiveness of this Amendment, each of the Guaranties, the Security Agreement and the other Loan Documents are, and shall continue to be, in full force and effect and are hereby ratified and confirmed in all respects, except that, on and after the effectiveness of this Amendment, each reference in the Loan Documents to the "Credit Agreement," "thereunder," "thereof," or words of like import shall mean and be a reference to the Credit Agreement, as amended by this Amendment, and (c) the Loan Documents to which the Borrower, the Parent or any Subsidiary Guarantor is a party and all of the Collateral described therein do, and shall continue to, secure the payment of all of the Secured Obligations.

SECTION 5. Reference to and Effect on the Credit. (a) On and

after the effectiveness of this Amendment, each reference in the Credit Agreement to "this Agreement," "hereunder," "hereof," or words of like import referring to the Credit Agreement, and each reference in the Notes to "the Credit Agreement," "thereunder," "thereof," or words of like

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import referring to the Credit Agreement, shall mean and be a reference to the Credit Agreement, as amended by this Amendment.

(b) The Credit Agreement and the other Loan Documents as specifically amended by this Amendment are and shall continue to be in full force and effect and are hereby in all respects ratified and confirmed.

(c) The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of any Lender or the Administrative Agent under any of the Loan Documents, nor constitute a waiver of any provision of any of the Loan Documents.

SECTION 6. Costs; Expenses. The Borrower agrees to pay on

demand all costs and expenses of the Administrative Agent in connection with the preparation, execution, delivery and administration, modification and amendment of this Amendment and the other instruments and documents to be delivered hereunder (including, without limitation, the reasonable fees and expenses of counsel for the Administrative Agent) in accordance with the terms of Section 9.04 of the Credit Agreement.

SECTION 7. Execution in Counterparts. This Amendment may be

executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement. Delivery of an executed counterpart of a signature page to this Amendment by telecopier shall be effective as delivery of a manually executed counterpart of this Amendment.

SECTION 8. Governing Law. This Amendment shall be governed by,

and construed in accordance with, the laws of the State of New York.

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IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized, as of the date first above written.

ITC/\DELTACOM, INC.

By: /s/ Douglas A. Shumate

Title: Senior Vice President-CFO

INTERSTATE FIBERNET, INC.

By: /s/ Douglas A. Shumate

Title: Senior Vice President-CFO

ITC/\DELTACOM COMMUNICATIONS, INC.

By: /s/ Douglas A. Shumate

Title: Senior Vice President-CFO

DELTACOM INFORMATION SYSTEMS, INC.

By: /s/ Douglas A. Shumate

Title: Senior Vice President-CFO

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MORGAN STANLEY SENIOR FUNDING, INC.,
as Administrative Agent and as Lender

By: /s/ Lucy K. Galbraith

Title: Managing Director

MORGAN STANLEY & CO. INCORPORATED,
as Collateral Agent

By: /s/ Lucy K. Galbraith

Title: Managing Director

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As Lenders

Lender: Suffield CLO, Ltd.

By: D.L. Bobson & Co. Inc. as

Collateral Manager

By: /s/ Steven J. Katz

Title: Counsel

As Lenders

Lender: Fidelity and Guaranty Life
By: Dwight Asset Management

By: /s/ Edward S. Meiss

Title: Senior Vice President

As Lenders

Lender: Maplewood (Cayman) Limited
By: Massachusetts Mutual Life
Insurance Company,
as Investment Manager

By: /s/ Steven J. Katz

Title: Second Vice President

As Lenders

Lender: P W Willows Fund L.L.C.
By: Bond Street Capital, L.L.C.,
its advisor

By: /s/ Sam S. Kim

Title: Managing Member

As Lenders

Lender: Excel Bank

By: /s/

Title: Vice President

As Lenders

Lender: IBM Credit Corporation

By: /s/

Title: Manager of Credit

As Lenders

Lender: ELC (Cayman) Ltd. 2000-1

By: /s/

Title: Director

As Lenders

Lender: TRYON CLO Ltd. 2000-1

By: /s/

Title: Director

As Lenders

Lender: Bank of America, NA

By: /s/

Title: AVP

As Lenders

Lender: Sankaty High Yield Partners
II, L.P.

By: /s/ Diane J. Exter

Title: Managing Director
Portfolio Manager

As Lenders

Lender: Sankaty High Yield Partners
III, L.P.

By: /s/ Diane J. Exter

Title: Managing Director
Portfolio Manager

As Lenders

Lender: Sankaty Advisors, LLC as Collateral
Manager for Great Point CLO 1999-1
Ltd. as Term Lender

By: /s/ Diane J. Exter

Title: Managing Director
Portfolio Manager

As Lenders

Lender: Sankaty Advisors, LLC as Collateral

By: /s/ Diane J. Exter

Title: Managing Director
Portfolio Manager

As Lenders

Lender: PACIFICA PARTNERS I, L.P.
By: Imperial Credit Asset Management
as its Investment Advisor

By: /s/ Tom Calwell

Title: Vice President

As Lenders

Lender: Webster Bank
By: /s/ Elisabeth V. Piker

Title: Vice President

As Lenders

Lender: WESTPAC BANKING CORPORATION

By: /s/ Lance Vassarotti

Title: Vice President

As Lenders

Lender: PROMETHEUS INVESTMENT
FUNDING NO. 1 LTD.

By: CPF Asset Advisory, L.L.C., as
Investment Manager

By: /s/ Thomas L. Mowat

Title: Associate Director

By: /s/ Elizabeth H. Talimadge

Title: Managing Director
Chief Investment Officer

ITC/\DELTACOM, INC.
1997 STOCK OPTION PLAN
(Amended and Restated)

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ITC/\DELTACOM, INC.
1997 STOCK OPTION PLAN
(Amended and Restated)

ITC/\DELTACOM, INC., a Delaware corporation (the "Corporation"), sets forth herein the terms of the 1997 Stock Option Plan (the "Plan") as follows:

1. PURPOSE

The Plan is intended to advance the interests of the Corporation by providing eligible individuals (as designated pursuant to Section 5 hereof) an opportunity to acquire or increase a proprietary interest in the Corporation, which thereby will create a stronger incentive to expend maximum effort for the growth and success of the Corporation and its subsidiaries and will encourage such eligible individuals to continue to service the Corporation.

2. DEFINITIONS

For purposes of interpreting the Plan and related documents (including Option Agreements), the following definitions shall apply:

2.1 "Affiliate" means any company or other trade or business that is controlled by or under common control with the Corporation, (determined in accordance with the principles of Section 414(b) and 414(c) of the Code and the regulations thereunder) or is an affiliate of the Corporation within the meaning of Rule 405 of Regulation C under the 1933 Act.

2.2 "Board" means the Board of Directors of the Corporation.

2.3 "Cause" means, unless otherwise defined in an Option Agreement, (i) gross negligence or willful misconduct in connection with the performance of duties; (ii) conviction of a criminal offense (other than minor traffic offenses); or (iii) material breach of any term of any employment, consulting or other services, confidentiality, intellectual property or non-competition agreements, if any, between Optionee and the Corporation or any of its Subsidiaries or Affiliates.

2.4 "Code" means the Internal Revenue Code of 1986, as now in effect or as hereafter amended.

2.5 "Committee" means the Board or a committee of the Board which must consist of no fewer than two members of the Board and shall be appointed by the Board.

2.6 "Corporation" means ITC/\DELTACOM, Inc.

2.7 "Effective Date" means the date of adoption of the Plan by the Board.

2.8 "Employer" means ITC/\DELTACOM, Inc. or the Subsidiary, Affiliate or majority stockholder of the Corporation which employs the designated recipient of an Option.

2.9 "Exchange Act" means the Securities Exchange Act of 1934, as now in effect or as hereafter amended.

2.10 "Fair Market Value" means the value of each share of Stock subject to the Plan determined as follows: if on the Grant Date or other determination date the shares of Stock are listed on an established national or regional stock exchange, are admitted to quotation on the National Association of Securities Dealers Automated Quotation System, or are publicly traded on an established securities market, the Fair Market Value of the shares of Stock shall be the closing price of the shares of Stock on such exchange or in such market (the highest such closing price if there is more than one such exchange or market) on the trading day immediately preceding the Grant Date (or on the Grant Date, if so specified by the Committee or the Board) or such other determination date (or if there is no such reported closing price, the Fair Market Value shall be the mean between the highest bid and lowest asked prices or between the high and low sale prices on such trading day) or, if no sale of the shares of Stock is reported for such trading day, on the next preceding day on which any sale shall have been reported. If the shares of Stock are not listed on such an exchange, quoted on such System or traded on such a market, Fair Market Value shall be determined by the Board in good faith.

2.11 "Grant Date" means the later of (i) the date as of which the Committee approves the grant and (ii) the date as of which the Optionee and the Corporation, Subsidiary, Affiliate or majority stockholder of the Corporation enter the relationship resulting in the Optionee being eligible for grants.

2.12 "Family Member" means a person who is a spouse, child, stepchild, grandchild, parent, stepparent, grandparent, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, of the Optionee, any person sharing the Optionee's household (other than a tenant or employee), a trust in which these persons (or the Optionee) have more than fifty percent of the

beneficial interest, a foundation in which these persons (or the Optionee) control the management of assets, and any other entity in which these persons (or the Optionee) own more than fifty percent of the voting interests.

2.13 "Incentive Stock Option" means an "incentive stock option" within the meaning of section 422 of the Code.

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2.14 "Option" means an option to purchase one or more shares of Stock pursuant to the Plan.

2.15 "Option Agreement" means the written agreement evidencing the grant of an Option hereunder.

2.16 "Optionee" means a person who holds an Option under the Plan.

2.17 "Option Period" means the period during which Options may be exercised as defined in Section 11.

2.18 "Option Price" means the purchase price for each share of Stock subject to an Option.

2.19 "Plan" means the ITC/\DELTACOM, Inc. 1997 Stock Option Plan.

2.20 "1933 Act" means the Securities Act of 1933, as now in effect or as hereafter amended.

2.21 "Service Relationship" means the provision of bona fide services to the Corporation, a Subsidiary, an Affiliate or the majority stockholder as an employee, director, advisor or consultant.

2.22 "Stock" mean the shares of Common Stock, par value \$.01 per share, of the Corporation.

2.23 "Subsidiary" means any "subsidiary corporation" of the Corporation within the meaning of Section 425(f) of the Code.

3. ADMINISTRATION

3.1. Committee

The Plan shall be administered by the Committee, which shall have the full power and authority to take all actions and to make all determinations required or provided for under the Plan or any Option granted or Option Agreement entered into hereunder and all such other actions and determinations not inconsistent with the specific terms and provisions of the Plan deemed by the Committee to be necessary or appropriate to the administration of the Plan

or any Option granted or Option Agreement entered into hereunder. The interpretation and construction by the Committee of any provision of the Plan or of any Option granted or Option Agreement entered into hereunder shall be final and conclusive.

3.2. No Liability

No member of the Board or of the Committee shall be liable for any action or determination made, or any failure to take or make an action or determination, in good faith with respect to the Plan or any Option granted or Option Agreement entered into hereunder.

4. STOCK

The stock that may be issued pursuant to Options granted under the Plan shall be Stock, which shares may be treasury shares or authorized but unissued shares. The number of shares of Stock that may be issued pursuant to Options granted under the Plan shall not exceed in the aggregate 13,815,000 shares of Stock, which number of shares is subject to adjustment as provided in Section 19 hereof. If any Option expires, terminates or is terminated for any reason prior to exercise in full, the shares of Stock that were subject to the unexercised portion of such Option shall be available for future Options granted under the Plan.

5. ELIGIBILITY

Options may be granted under the Plan to (i) any officer or key employee of the Corporation, any Subsidiary, any Affiliate or the majority stockholder of the Corporation (including any such officer or key employee who is also a director of the Corporation, any Subsidiary, any Affiliate or the majority stockholder of the Corporation) or (ii) any other individual whose participation in the Plan is determined to be in the best interests of the Corporation by the Committee. An individual may hold more than one Option, subject to such restrictions as are provided herein.

6. EFFECTIVE DATE AND TERM

6.1. Effective Date

The Plan shall become effective as of the date of adoption by the Board, subject to stockholders' approval of the Plan within one year of such effective date by a majority of the votes cast at a duly held meeting of the stockholders of the Corporation at which a quorum representing a majority of all outstanding stock is present, either in person or by proxy, and voting on the matter, or by written consent in accordance with applicable state law and the Certificate of Incorporation and By-Laws of the Corporation; provided, however,

that upon approval of the Plan by the stockholders of the Corporation, all Options granted under the Plan on or after the effective date shall be fully effective as if the stockholders of the Corporation had approved the Plan on the effective date. If the stockholders fail to approve the Plan within one year of such effective date, any Options granted hereunder shall be null, void and of no effect.

6.2. Term

If not sooner terminated by the Board, the Plan shall terminate on the date 10 years after the effective date.

7. GRANT OF OPTIONS

Subject to the terms and conditions of the Plan, the Committee may, at any time and from time to time prior to the date of termination of the Plan, grant to such eligible individuals as the Committee may determine Options to purchase such number of shares of Stock on such terms and conditions as the Committee may determine, including any terms or conditions which may be necessary to qualify such Options as Incentive Stock Options. Without limiting the foregoing, the Committee may at any time, with the consent of the Optionee, amend the terms of outstanding Options or issue new Options in exchange for the surrender and cancellation of outstanding Options. The date on which the Committee approves the grant of an Option (or such later date as is specified by the Committee) shall be considered the date on which such Option is granted. The maximum number of shares of Stock subject to Options that can be awarded under the Plan to any person is 1,605,000 shares, which number of shares is subject to adjustment as provided in Section 19 hereof.

8. LIMITATION ON Incentive STOCK OPTIONS

An Option shall constitute an Incentive Stock Option only to the extent that (i) it is designated an Incentive Stock Option and (ii) the aggregate fair market value (determined at the time the Option is granted) of the Stock with respect to which Incentive Stock Options are exercisable for the first time by any Optionee during any calendar year (under the Plan and all other plans of the Optionee's employer corporation and its parent and subsidiary corporations within the meaning of Section 422(d) of the Code) does not exceed \$100,000. This limitation shall be applied by taking Options into account in the order in which such Options were granted.

9. OPTION AGREEMENTS

All Options granted pursuant to the Plan shall be evidenced by written agreements to be executed by the Corporation and the Optionee, in such form or forms as the Committee shall from time to time determine. Option Agreements covering Options granted from time to time or at the same time need not contain

similar provisions; provided, however, that all such Option Agreements shall

comply with all terms of the Plan.

10. OPTION PRICE

The purchase price of each share of Stock subject to an Option shall be fixed by the Committee and stated in each Option Agreement. In the case of an Option that is intended to constitute an Incentive Stock Option, the Option Price shall be not less than the greater of par value or 100 percent of the fair market value of a share of the Stock covered by the Option on the date the Option is granted (as determined in good faith by the Committee); provided,

however, that in the event the Optionee would otherwise be ineligible to receive

an Incentive Stock Option by reason of the provisions of Sections 422(b)(6) and 424(d) of the Code (relating to stock ownership of more than 10 percent), the Option Price of an Option which is intended to be an Incentive Stock Option shall be not less than the greater of par value or 110 percent of the fair market value of a share of the Stock covered by the Option at the time such Option is granted. In the case of an Option not intended to constitute an Incentive Stock Option, the Option Price shall be not less than the par value of a share of the Stock covered by the Option on the date the Option is granted.

11. TERM AND EXERCISE OF OPTIONS

11.1. Term

Each Option granted under the Plan shall terminate and all rights to purchase shares thereunder shall cease upon the expiration of 10 years from the date such Option is granted, or on such date prior thereto as may be fixed by the Committee and stated in the Option Agreement relating to such Option; provided, however, that in the event the Optionee would otherwise be ineligible

to receive an Incentive Stock Option by reason of the provisions of Sections 422(b)(6) and 424(d) of the Code (relating to stock ownership of more than 10 percent), an Option granted to such Optionee which is intended to be an Incentive Stock Option shall in no event be exercisable after the expiration of five years from the date it is granted.

11.2. Exercise by Optionee

Only the Optionee receiving an Option or a transferee of an Option pursuant to Section 12 (or, in the event of the Optionee's legal incapacity or incompetency, the Optionee's guardian or legal representative, and in the case of the Optionee's death, the Optionee's estate) may exercise the Option.

11.3. Option Period and Limitations on Exercise

Each Option granted under the Plan shall be exercisable in whole or in part at any time and from time to time over a period commencing on or after the date of grant of the Option and ending upon the expiration or termination of the Option, as the Committee shall determine and set forth in the Option Agreement relating to such Option. Without limitation of the foregoing, the Committee, subject

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to the terms and conditions of the Plan, may in its sole discretion provide that an Option may not be exercised in whole or in part for any period or periods of time during which such Option is outstanding as the Committee shall determine and set forth in the Option Agreement relating to such Option. Any such limitation on the exercise of an Option contained in any Option Agreement may be rescinded, modified or waived by the Committee, in its sole discretion, at any time and from time to time after the date of grant of such Option. Notwithstanding any other provisions of the Plan, no Option shall be exercisable in whole or in part prior to the date the Plan is approved by the stockholders of the Corporation as provided in Section 6.1 hereof.

11.4. Method of Exercise

An Option that is exercisable hereunder may be exercised by delivery to the Corporation on any business day, at its principal office addressed to the attention of the Committee, of written notice of exercise, which notice shall specify the number of shares for which the Option is being exercised, and shall be accompanied by payment in full of the Option Price of the shares for which the Option is being exercised. Payment of the Option Price for the shares of Stock purchased pursuant to the exercise of an Option shall be made, as determined by the Committee and set forth in the Option Agreement pertaining to an Option, (a) in cash or by certified check payable to the order of the Corporation; (b) through the tender to the Corporation of shares of Stock which, if acquired from the Company, have been owned by the Optionee no less than six (6) months and which shares shall be valued, for purposes of determining the extent to which the Option Price has been paid thereby, at their Fair Market Value on the date of exercise; (c) to the extent permitted by applicable law and under the terms of the Option Agreement with respect to such Option, by causing the Corporation to withhold shares of Stock otherwise issuable pursuant to the exercise of an Option equal in value to the Option Price or portion thereof to be satisfied pursuant to this clause (c); or (d) by a combination of the methods described in Sections 11.4(a), 11.4(b) and 11.4(c) hereof; provided, however,

that the Committee may in its discretion impose and set forth in the Option Agreement pertaining to an Option such limitations or prohibitions on the use of shares of Stock to exercise Options as it deems appropriate. Payment in full of the Option Price need not accompany the written notice of exercise provided the notice directs that the Stock certificate or certificates for the shares for

which the Option is exercised be delivered to a licensed broker acceptable to the Corporation as the agent for the individual exercising the Option and, at the time such Stock certificate or certificates are delivered, the broker tenders to the Corporation cash (or cash equivalents acceptable to the Corporation) equal to the Option Price plus the amount (if any) of federal and/or other taxes which the Corporation may, in its judgment, be required to withhold with respect to the exercise of the Option. An attempt to exercise any Option granted hereunder other than as set forth above shall be invalid and of no force and effect. Promptly after the exercise of an Option and the payment in full of the Option Price of the shares of

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Stock covered thereby, the individual exercising the Option shall be entitled to the issuance of a Stock certificate or certificates evidencing such individual's ownership of such shares. A separate Stock certificate or certificates shall be issued for any shares purchased pursuant to the exercise of an Option which is an Incentive Stock Option, which certificate or certificates shall not include any shares which were purchased pursuant to the exercise of an Option which is not an Incentive Stock Option. An individual holding or exercising an Option shall have none of the rights of a stockholder until the shares of Stock covered thereby are fully paid and issued to such individual and, except as provided in Section 19 hereof, no adjustment shall be made for dividends or other rights for which the record date is prior to the date of such issuance.

11.5. Parachute Limitations

Notwithstanding any other provision of this Plan or of any other agreement, contract, or understanding heretofore or hereafter entered into by the Optionee with the Corporation or any Subsidiary, except an agreement, contract, or understanding hereafter entered into that expressly modifies or excludes application of this paragraph (an "Other Agreement"), and notwithstanding any formal or informal plan or other arrangement heretofore or hereafter adopted by the Corporation (or any such Subsidiary) for the direct or indirect provision of compensation to the Optionee (including groups or classes of participants or beneficiaries of which the Optionee is a member), whether or not such compensation is deferred, is in cash, or is in the form of a benefit to or for the Optionee (a "Benefit Arrangement"), if the Optionee is a "disqualified individual," as defined in Section 280G(c) of the Code, any Option held by that Optionee and any right to receive any payment or other benefit under this Plan shall not become exercisable or vested (i) to the extent that such right to exercise, vesting, payment, or benefit, taking into account all other rights, payments, or benefits to or for the Optionee under this Plan, all Other Agreements, and all Benefit Arrangements, would cause any payment or benefit to the Optionee under this Plan to be considered a "parachute payment" within the meaning of Section 280G(b)(2) of the Code as then in effect (a "Parachute Payment") and (ii) if, as a result of receiving a Parachute Payment,

the aggregate after-tax amounts received by the Optionee from the Corporation

under this Plan, all Other Agreements, and all Benefit Arrangements would be less than the maximum after-tax amount that could be received by Optionee without causing any such payment or benefit to be considered a Parachute Payment. In the event that the receipt of any such right to exercise, vesting, payment, or benefit under this Plan, in conjunction with all other rights, payments, or benefits to or for the Optionee under any Other Agreement or any Benefit Arrangement would cause the Optionee to be considered to have received a Parachute Payment under this Plan that would have the effect of decreasing the after-tax amount received by the Optionee as described in clause (ii) of the preceding sentence, then the Optionee shall have the right, in the Optionee's sole discretion, to designate those rights, payments, or benefits under this Plan, any

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Other Agreements, and any Benefit Arrangements that should be reduced or eliminated so as to avoid having the payment or benefit to the Optionee under this Plan be deemed to be a Parachute Payment.

12. TRANSFERABILITY OF OPTIONS

12.1. Transferability of Options

Except as provided in Section 12.2, during the lifetime of an Optionee, only the Optionee (or, in the event of legal incapacity or incompetency, the Optionee's guardian or legal representative) may exercise an Option. Except as provided in Section 12.2, no Option shall be assignable or transferable by the Optionee to whom it is granted, other than by will or the laws of descent and distribution.

12.2. Family Transfers.

Subject to the terms of the applicable Option Agreement, an Optionee may transfer all or part of an Option which is not an Incentive Stock Option to any Family Member; provided that subsequent transfers of transferred Options are prohibited except those in accordance with this Section 12.2 or by will or the laws of descent and distribution; and, provided further, that, except with the consent of the Board or the Committee, there may be no consideration for any transfer made pursuant to this section. Following transfer, any such Option shall continue to be subject to the same terms and conditions as were applicable immediately prior to transfer, provided that for purposes of Section 12.2 hereof the term "Optionee" shall be deemed to refer to the transferee. The events of termination of the Service Relationship of Sections 13 and 14 hereof shall continue to be applied with respect to the original Optionee, following which the Option shall be exercisable by the transferee only to the extent, and for the periods, specified in Section 11.3.

13. TERMINATION OF SERVICE RELATIONSHIP

Upon the termination of the Service Relationship of an Optionee with the Corporation, a Subsidiary or an Affiliate, other than by reason of the death or "permanent and total disability" (within the meaning of Section 22(e)(3) of the Code) of such Optionee or for Cause, any Option granted to an Optionee pursuant to the Plan shall continue to be exercisable only to the extent that it was exercisable immediately before such termination; provided,

however, such Option shall terminate ninety (90) days after the date of such

termination of Service Relationship, unless earlier terminated pursuant to Section 11.1 hereof, and such Optionee shall have no further right to purchase shares of Stock pursuant to such Option; and provided further, that the

Committee may provide, by inclusion of appropriate language in any Option Agreement or, alternatively, by resolution, that an Optionee may (subject to the general limitations on exercise set forth in Section

11.3 hereof), in the event of termination of the Service Relationship of the Optionee with the Corporation, a Subsidiary or an Affiliate, exercise an Option, in whole or in part, at any time subsequent to such termination of Service Relationship and prior to termination of the Option pursuant to Section 11.1 hereof, either subject to or without regard to any installment limitation on exercise imposed pursuant to Section 11.3 hereof, as the Committee, in its sole and absolute discretion, shall determine. Upon the termination of the Service Relationship of an Optionee with the Corporation, a Subsidiary or an Affiliate for Cause, any Option granted to an Optionee pursuant to the Plan shall terminate and such Optionee shall have no further right to purchase shares of Stock pursuant to such Option; and provided however, that the Committee may

provide, by inclusion of appropriate language in any Option Agreement, that an Optionee may (subject to the general limitations on exercise set forth in Section 11.3 hereof), in the event of termination of the Service Relationship of the Optionee with the Corporation, a Subsidiary or an Affiliate for Cause, exercise an Option, in whole or in part, at any time subsequent to such termination of Service Relationship and prior to termination of the Option pursuant to Section 11.1 hereof, either subject to or without regard to any installment limitation on exercise imposed pursuant to Section 11.3 hereof, as the Committee, in its sole and absolute discretion, shall determine and set forth in the Option Agreement. Whether a leave of absence or leave on military or government service shall constitute a termination of Service Relationship for purposes of the Plan shall be determined by the Committee, which determination shall be final and conclusive. For purposes of the Plan, including without limitation this Section 13 and Section 14, unless otherwise provided in an Option Agreement, a termination of Service Relationship with the Corporation, a Subsidiary or an Affiliate shall not be deemed to occur if the Optionee immediately thereafter has a Service Relationship with the Corporation, any other Subsidiary or any other Affiliate.

14. RIGHTS IN THE EVENT OF DEATH OR DISABILITY

14.1. Death

If an Optionee dies while in a Service Relationship with the Corporation, a Subsidiary or an Affiliate or within the period following the termination of such Service Relationship during which the Option is exercisable under Section 13 or 14.2 hereof, the executors, administrators, legatees or distributees of such Optionee's estate shall have the right (subject to the general limitations on exercise set forth in Section 11.3 hereof), at any time within one year after the date of such Optionee's death and prior to termination of the Option pursuant to Section 11.1 hereof, to exercise, in whole or in part, any Option held by such Optionee at the date of such Optionee's death, whether or not such Option was exercisable immediately prior to such Optionee's death; provided, however, that the Committee may provide by inclusion of appropriate ----- language in any Option Agreement that, in the event of the death of an Optionee, the executors,

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administrators, legatees or distributees of such Optionee's estate may exercise an Option (subject to the general limitations on exercise set forth in Section 11.3 hereof), in whole or in part, at any time subsequent to such Optionee's death and prior to termination of the Option pursuant to Section 11.1 hereof, either subject to or without regard to any installment limitation on exercise imposed pursuant to Section 11.3 hereof, as the Committee, in its sole and absolute discretion, shall determine and set forth in the Option Agreement.

14.2. Disability

If an Optionee terminates a Service Relationship with the Corporation, a Subsidiary or an Affiliate by reason of the "permanent and total disability" (within the meaning of Section 22(e)(3) of the Code) of such Optionee, then such Optionee shall have the right (subject to the general limitations on exercise set forth in Section 11.3 hereof), at any time within one year after such termination of Service Relationship and prior to termination of the Option pursuant to Section 11.1 hereof, to exercise, in whole or in part, any Option held by such Optionee at the date of such termination of Service Relationship, whether or not such Option was exercisable immediately prior to such termination of Service Relationship; provided, however, that the Committee ----- may provide, by inclusion of appropriate language in any Option Agreement, that an Optionee may (subject to the general limitations on exercise set forth in Section 11.3 hereof), in the event of the termination of the Service Relationship of the Optionee with the Corporation or a Subsidiary by reason of the "permanent and total disability" (within the meaning of Section 22(e)(3) of the Code) of such Optionee, exercise an Option, in whole or in part, at any time

subsequent to such termination of Service Relationship and prior to termination of the Option pursuant to Section 11.1 hereof, either subject to or without regard to any installment limitation on exercise imposed pursuant to Section 11.3 hereof, as the Committee, in its sole and absolute discretion, shall determine and set forth in the Option Agreement. Whether a termination of a Service Relationship is to be considered by reason of "permanent and total disability" for purposes of the Plan shall be determined by the Committee, which determination shall be final and conclusive.

15. USE OF PROCEEDS

The proceeds received by the Corporation from the sale of Stock pursuant to Options granted under the Plan shall constitute general funds of the Corporation.

16. SECURITIES LAWS

The Corporation shall not be required to sell or issue any shares of Stock under any Option if the sale or issuance of such shares would constitute a violation by the individual exercising the Option or by the Corporation of any provisions of any law or regulation of any governmental authority, including,

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without limitation, any federal or state securities laws or regulations. If at any time the Corporation shall determine, in its discretion, that the listing, registration or qualification of any shares subject to the Option upon any securities exchange or under any state or federal law, or the consent of any government regulatory body, is necessary or desirable as a condition of, or in connection with, the issuance or purchase of shares, the Option may not be exercised in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Corporation, and any delay caused thereby shall in no way affect the date of termination of the Option. Specifically in connection with the Securities Act, upon exercise of any Option, unless a registration statement under the Securities Act is in effect with respect to the shares of Stock covered by such Option, the Corporation shall not be required to sell or issue such shares unless the Corporation has received evidence satisfactory to the Corporation that the Optionee may acquire such shares pursuant to an exemption from registration under the Securities Act. Any determination in this connection by the Corporation shall be final and conclusive. The Corporation may, but shall in no event be obligated to, register any securities covered hereby pursuant to the Securities Act. The Corporation shall not be obligated to take any affirmative action in order to cause the exercise of an Option or the issuance of shares pursuant thereto to comply with any law or regulation of any governmental authority. As to any jurisdiction that expressly imposes the requirement that an Option shall not be exercisable unless and until the shares of Stock covered by such Option are registered or are subject to an available exemption from registration, the exercise of such Option (under circumstances in

which the laws of such jurisdiction apply) shall be deemed conditioned upon the effectiveness of such registration or the availability of such an exemption.

17. EXCHANGE ACT: RULE 16B-3

17.1. General

The Plan is intended to comply with Rule 16b-3 ("Rule 16b-3") (and any successor thereto) under the Exchange Act. Any provision inconsistent with Rule 16b-3 shall, to the extent permitted by law and determined to be advisable by the Committee (constituted in accordance with Section 17.2 hereof), be inoperative and void.

17.2. Compensation Committee

To the extent determined by the Board, at least two members of the Committee shall qualify as a "non-employee director" as defined in Rule 16b-3.

17.3. Restriction on Transfer of Stock

No director, officer or other "insider" of the Corporation subject to Section 16 of the Exchange Act shall be permitted to sell Stock (which such "insider"

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had received upon exercise of an Option) during the six months immediately following the grant of such Option.

18. AMENDMENT AND TERMINATION

The Board may, at any time and from time to time, suspend or terminate the Plan and make such changes in or additions to the Plan as it may deem proper, provided that, if and to the extent provided by applicable law or regulation, no such suspension or termination of, change in or addition to the Plan shall be made unless such suspension or termination of, or change in or addition to the Plan is authorized by the Company's stockholders. Except as permitted under Section 19 hereof, no suspension or termination of the Plan or any change in or addition to the Plan shall, without the consent of any Optionee who is adversely affected thereby, alter any Options previously granted to the Optionee pursuant to the Plan.

19. EFFECT OF CHANGES IN CAPITALIZATION

19.1. Changes in Stock

If the number of outstanding shares of Stock is increased or decreased or changed into or exchanged for a different number or kind of shares or other securities of the Corporation by reason of any recapitalization,

reclassification, stock split-up, combination of shares, exchange of shares, stock dividend or other distribution payable in capital stock, or other increase or decrease in such shares effected without receipt of consideration by the Corporation, occurring after the effective date of the Plan, a proportionate and appropriate adjustment shall be made by the Corporation in the number and kind of shares issuable under the Plan and for which Options are outstanding, so that the proportionate interest of the Optionee immediately following such event shall, to the extent practicable, be the same as immediately prior to such event. Any such adjustment in outstanding Options shall not change the aggregate Option Price payable with respect to shares subject to the unexercised portion of the Option outstanding but shall include a corresponding proportionate adjustment in the Option Price per share. Notwithstanding the foregoing, in the event of a spin-off that results in no change in the number of outstanding shares of Stock of the Corporation, the Corporation may, in such manner as the Corporation deems appropriate, adjust (i) the number and kind of shares of Stock subject to outstanding Options and/or (ii) the exercise price of outstanding Options.

19.2. Reorganization With Corporation Surviving

Subject to Section 19.3 hereof, if the Corporation shall be the surviving entity in any reorganization, merger or consolidation of the Corporation with one or more other entities, any Option theretofore granted pursuant to the Plan shall pertain to and apply to the securities to which a holder of the number of shares of

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Stock subject to such Option would have been entitled immediately following such reorganization, merger or consolidation, with a corresponding proportionate adjustment of the Option Price per share so that the aggregate Option Price thereafter shall be the same as the aggregate Option Price of the shares remaining subject to the Option immediately prior to such reorganization, merger or consolidation.

19.3. Other Reorganizations; Sale of Assets or Stock

Upon the dissolution or liquidation of the Corporation, or upon a merger, consolidation or reorganization of the Corporation with one or more other entities in which the Corporation is not the surviving entity, or upon a sale of substantially all of the assets of the Corporation to another person or entity, or upon any transaction (including, without limitation, a merger or reorganization in which the Corporation is the surviving entity) approved by the Board that results in any person or entity (other than persons who are holders of stock of the Corporation at the time the Plan is approved by the Stockholders and other than an Affiliate) owning 80 percent or more of the combined voting power of all classes of stock of the Corporation, the Plan and all Options outstanding hereunder shall terminate, except to the extent provision is made in connection with such transaction for the continuation of the Plan and/or the

assumption of the Options theretofore granted, or for the substitution for such Options of new options covering the stock of a successor entity, or a parent or subsidiary thereof, with appropriate adjustments as to the number and kinds of shares and exercise prices, in which event the Plan and Options theretofore granted shall continue in the manner and under the terms so provided. In the event of any such termination of the Plan, each Optionee shall have the right (subject to the general limitations on exercise set forth in Section 11.3 hereof and except as otherwise specifically provided in the Option Agreement relating to such Option), immediately prior to the occurrence of such termination and during such period occurring prior to such termination as the Committee in its sole discretion shall designate, to exercise such Option in whole or in part, whether or not such Option was otherwise exercisable at the time such termination occurs, but subject to any additional provisions that the Committee may, in its sole discretion, include in any Option Agreement. The Committee shall send written notice of an event that will result in such a termination to all Optionees not later than the time at which the Corporation gives notice thereof to its stockholders.

19.4. Adjustments

Adjustments under this Section 19 relating to stock or securities of the Corporation shall be made by the Committee, whose determination in that respect shall be final and conclusive. No fractional shares of Stock or units of other securities shall be issued pursuant to any such adjustment, and any fractions resulting from any such adjustment shall be eliminated in each case by rounding downward to the nearest whole share or unit.

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19.5. No Limitations on Corporation

The grant of an Option pursuant to the Plan shall not affect or limit in any way the right or power of the Corporation to make adjustments, reclassifications, reorganizations or changes of its capital or business structure or to merge, consolidate, dissolve or liquidate, or to sell or transfer all or any part of its business or assets.

20. WITHHOLDING

The Corporation or a Subsidiary may be obligated to withhold federal and local income taxes and Social Security taxes to the extent that an Optionee realizes ordinary income in connection with the exercise of an Option. The Corporation or a Subsidiary may withhold amounts needed to cover such taxes from payments otherwise due and owing to an Optionee, and upon demand the Optionee will promptly pay to the Corporation or a Subsidiary having such obligation any additional amounts as may be necessary to satisfy such withholding tax obligation. Such payment shall be made in cash or cash equivalents.

21. DISCLAIMER OF RIGHTS

No provision in the Plan or in any Option granted or Option Agreement entered into pursuant to the Plan shall be construed to confer upon any individual the right to remain in the employ of the Corporation, any Subsidiary or any Affiliate, or to interfere in any way with the right and authority of the Corporation, any Subsidiary or any Affiliate either to increase or decrease the compensation of any individual at any time, or to terminate any employment or other relationship between any individual and the Corporation, any Subsidiary or any Affiliate. The obligation of the Corporation to pay any benefits pursuant to the Plan shall be interpreted as a contractual obligation to pay only those amounts described herein, in the manner and under the conditions prescribed herein. The Plan shall in no way be interpreted to require the Corporation to transfer any amounts to a third party trustee or otherwise hold any amounts in trust or escrow for payment to any participant or beneficiary under the terms of the Plan.

22. NONEXCLUSIVITY

Neither the adoption of the Plan nor the submission of the Plan to the stockholders of the Corporation for approval shall be construed as creating any limitations upon the right and authority of the Board to adopt such other incentive compensation arrangements (which arrangements may be applicable either generally to a class or classes of individuals or specifically to a particular individual or individuals) as the Board in its discretion determines desirable, including, without limitation, the granting of stock options otherwise than under the Plan.

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23. GOVERNING LAW.

This Plan and all Options to be granted hereunder shall be governed by the laws of the State of Delaware (but not including the choice of law rules thereof).

IN WITNESS WHEREOF, the Company caused its duly authorized officer to execute this Plan as of the 24th day of March, 1997 to evidence its adoption of this Plan, and the Company has caused its duly authorized officer to execute this Plan, amended and restated as of September 13, 2001.

ITC/\DELTACOM, INC.

By: /s/ J. Thomas Mullis

Senior Vice President - Legal
and Regulatory

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AMENDMENT NO. 2 TO THE
FINANCIAL COVENANTS AND REPORTING REQUIREMENTS ANNEX

AMENDMENT NO. 2 TO THE FINANCIAL COVENANTS AND REPORTING REQUIREMENTS ANNEX (this "Amendment") dated as of June 1, 2001 among Interstate FiberNet, Inc. ("FiberNet") and ITC/\DeltaCom Communications, Inc., each as a lessee (each a "Lessee"), and NTFC Capital Corporation, as lessor ("Lessor").

PRELIMINARY STATEMENTS:

(1) Each Lessee and Lessor have entered into (A) a Master Lease Agreement dated December 29, 2000 (as heretofore amended, supplemented or otherwise modified, the "Lease") and (B) a Financial Covenants and Reporting Requirements Annex dated December 29, 2000 (as heretofore amended, supplemented or otherwise modified, the "Covenants Annex"). Capitalized terms not otherwise defined in this Amendment have the same meanings as specified in the Lease.

(2) Each Lessee and Lessor have agreed to amend the Covenants Annex as hereinafter set forth.

SECTION 1. Amendments to the Covenants Annex. The Covenants

Annex is, effective as of the date hereof and subject to the satisfaction of the condition precedent set forth in Section 2, hereby amended as follows:

Section 1.01 of the Senior Credit Agreement (as defined in the Covenants Annex), incorporated by reference in Section 1 of the Covenants Annex and attached to the Covenants Annex, is amended to add the following definitions:

"Investment Agreement" means the Investment Agreement, dated as of February 27, 2001 and amended as of May 29, 2001, as amended from time to time in accordance with its terms, among the Parent, ITC Holding Company, Inc., SCANA Corporation and HBK Master Fund L.P.

"PIK Dividends" means the shares of Series B Preferred Stock paid or payable as dividends on shares of Series B Preferred Stock in accordance with the applicable certificate of designation with respect thereto.

"Series B Preferred Stock" means the shares of any series of the Parent's cumulative convertible preferred stock which is designated as "Series B-__ Cumulative Convertible Preferred Stock" and issued pursuant to the Investment Agreement and the certificate of designation for such series of cumulative convertible preferred stock, including, without limitation, PIK Dividends.

The second paragraph of Section 5.02(b) of the Senior Credit Agreement (as defined in the Covenants Annex), incorporated by reference in Section 1 of the Covenants Annex

and attached to the Covenants Annex, is amended by deleting the word "and" where it appears immediately before clause (vii) and inserting the following immediately after clause (vii):

"; and

(viii) with respect to the Parent, the Series B Preferred Stock."

SECTION 2. Condition to Effectiveness. This Amendment shall

become effective as of the date first above written when, and only when, Lessor shall have received counterparts of this Amendment executed by each Lessee and Guarantor.

SECTION 3. Representations and Warranties of Each Lessee. Each

Lessee represents and warrants that:

(a) the representations and warranties of such Lessee contained in each Lease Document are correct in all material respects on and as of the date hereof, before and after giving effect to this Amendment, other than any such representations and warranties that, by their terms, refer to a specific date other than the date hereof, in which case as of such specific date;

(b) the representations and warranties set out in Sections 13(b), (c), (d) and (e) are incorporated and set out in full herein with references therein to "this Agreement" or "Lease Documents" in whatever form being replaced by "this Amendment";

(c) no Event of Default has occurred and is continuing, or would result from this Amendment;

(d) Amendment No. 2 to the Senior Credit Agreement among the parties to the Senior Credit Agreement and dated as of June 1, 2001 is in full force and effect.

SECTION 4. Reference to and Effect on the Annexes. (a) On and

after the effectiveness of this Amendment, each reference in the Covenants Annex to "this Annex," "hereunder," "hereof" or words of like import referring to the Covenants Annex, shall mean and be a reference to the Covenants Annex, as

amended by this Amendment, and each reference in the Lease Documents to the "Financial Covenants and Reporting Requirements Annex," "thereunder," "thereof" or words of like import shall mean and be a reference to the Covenants Annex, as amended by this Amendment.

(b) The Covenants Annex, as amended by this Amendment, is and shall continue to be in full force and effect and hereby is in all respects ratified and confirmed.

(c) The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of Lessor under any of the Lease Documents, nor constitute a waiver of any provision of any of the Lease Documents.

SECTION 5. Consent of FiberNet. FiberNet, as Guarantor under

the Guaranty, hereby consents to this Amendment and hereby confirms and agrees that (a) it has received a copy of and reviewed to its satisfaction this Amendment and, (b) notwithstanding the

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effectiveness of this Amendment, the Guaranty is, and shall continue to be, in full force and effect and hereby is ratified and confirmed in all respects.

SECTION 6. Execution in Counterparts. This Amendment may be

executed by one or more of the parties on any number of separate counterparts (which may be originals or copies sent by facsimile transmission), each of which counterparts shall be an original.

SECTION 7. Governing Law. This Amendment shall be governed by

the laws of the State of New York. All parties waive all rights to a jury trial to the extent permitted by law.

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IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized, as of the date first above written.

As Lessee and, solely for purposes of Section 5 of this Amendment, as Guarantor:

INTERSTATE FIBERNET, INC.

By: /s/ Douglas A. Shumate

Name: Douglas A. Shumate

Title: Senior Vice President-CFO

As Lessee:

ITC /\ DELTACOM COMMUNICATIONS, INC.

By: /s/ Douglas A. Shumate

Name: Douglas A. Shumate

Title: Senior Vice President-CFO

As Lessor:

NTFC CAPITAL CORPORATION

By: /s/ Angela LePoce

Name: Angela M. LePoce

Title: VP Risk/Portfolio Managment

<TABLE>

<S>

<C>

Lessor General Electric Capital Corporation

Master Lease Agreement

Lessee ITC/\DeltaCom Communications, Inc.

Contact Ivor Fredrickson

Title V.P. Treasurer

Address

1791 O.G. Skinner Drive

Telephone Number

Facsimile Number

Master Lease Agreement No.

7101273

City

West Point

County/Province

Calhoun

State/Country

GA

Zip Code

31833

Corporation

[X]

Proprietorship

[_]

Partnership

[_]

Other

</TABLE>

TERMS AND CONDITIONS (The Reverse side contains Terms and Conditions which are also a part of this Agreement)

1. LEASE: Lessor shall purchase and lease to Lessee the equipment and associated items ("Equipment") described in any Equipment Schedule ("Schedule") executed from time to time by Lessor and Lessee that makes reference to this Master Lease Agreement ("Agreement"). This Agreement shall be incorporated into each Schedule. When computer programs and related documentation are furnished with the Equipment, and a non-exclusive license and/or sublicense (collectively, "Software") is granted to Lessee in an agreement ("Supplier Agreement") with the suppliers (collectively, "Supplier") identified on the Schedule, Lessor, to the extent permitted, grants Lessee a similar non-exclusive sublicense to use the Software only in conjunction with the Equipment for so long as the Equipment is leased hereunder. The Equipment and Software include, but are not limited to, all additions, attachments and accessions thereto and replacements therefore (collectively, "System"). Any reference to "Lease" shall mean with respect to each System, this Agreement, a Schedule, a Consent of Supplier, an Acceptance Certificate, any riders, amendments and addenda thereto, and any other documents as may from time to time be made a part thereof.

As conditions precedent to Lessor's obligation to purchase any Equipment and obtain any Software, not later than the Commitment Date set forth on the applicable Schedule (a) Lessee and Lessor shall execute this Agreement, a Schedule, an Acceptance Certificate and other documentation contemplated herein, and (b) there shall have been no material adverse change in Lessee's financial condition. Upon Lessor's execution of a Schedule, Lessee assigns to Lessor its rights to receive title to the Equipment and any non-exclusive sublicense to use the Software described in the Supplier Agreement as of the day the System is delivered to the Installation Site set forth in the applicable Schedule but no other right or any warranty thereunder. In consideration of such an assignment and subject to the terms and conditions herein, Lessor agrees to pay to the Supplier the Price (as defined in Section 3 below) for the System pursuant to the Supplier Agreement, but not to perform any other obligation thereunder. Unless Lessee exercises its Purchase Option as set forth in the applicable Schedule, Lessee hereby assigns to Lessor all of Lessee's then-remaining rights pursuant to the applicable Supplier Agreement effective upon the termination or expiration of the Term (as set forth in the applicable Schedule) for any reason.

2. TERM, RENEWAL AND EXTENSIONS: If all other conditions precedent to a Lease have been met, the Lease Term for the System described on each Schedule shall commence on the date of Lessee's execution of an Acceptance Certificate ("Commencement Date"), and continue for the number of whole months or other periods set forth in such Schedule ("Initial Term"), the first such full month commencing on the first day of the month following the Commencement Date (or commencing on the Commencement Date if such date is the first day of the month). If Lessee selects Purchase Option B or C in the applicable Schedule, on the expiration date of the Initial Term, the Lease shall be automatically renewed for a six-month period ("Renewal Term") unless, by giving written notice to Lessor six (6) months prior to the expiration date, the Lessee elects to terminate the Lease. After the Renewal Term, at Lessor's option, the Lease shall be automatically extended on a month-to-month basis until either party gives the other not less than thirty (30) days prior written notice of its intention to terminate the Lease. Any renewals and extensions shall be on the same terms and conditions as during the Initial Term. "Term" shall mean the applicable Initial Term, the Renewal Term, if any, and any extension thereof as provided herein.

3. RENT AND PAYMENT: Lessee shall pay to Lessor all the rental payments as shown in the applicable Schedule ("Rent") during the Term of the Lease, except as such Rent may be adjusted pursuant to this Section and Sections 2 and 8 of a Schedule, plus such additional amounts as are due Lessor under the Lease. Rent shall be paid as designated in the applicable Schedule in advance on the first day of each Payment Period ("Rent Payment Date"). If the Commencement Date is not the first day of a calendar month (or other Payment Period), Lessee shall pay to Lessor, on demand, interim Rent prorated daily based on a 360-day year

for each day from and including the Commencement Date to and including the last day of such month or other Payment Period.

The Rent is based upon the Price of the System and the acceptance of the System by Lessee on or before the Commitment Date set forth in the applicable Schedule. The "Price" of the System shall be as set forth in the Schedule, and shall exclude all other costs, including sales or other taxes included in the Supplier Agreement as part of the purchase price. If the Price is increased or decreased as a result of a job change order ("JCO"), the Lessee authorizes Lessor to adjust the Rent. If the Commencement Date occurs after the Commitment Date, and Lessor waives the condition precedent that the Commencement Date occur on or before the Commitment Date, Lessor's then-current Lease Rate Factor for similar transactions shall apply and the Lessee authorizes Lessor to adjust the Rent, accordingly.

Whenever any payment of Rent or other amount is not made within ten (10) days after the date when due, Lessee agrees to pay on demand (as a fee to offset Lessor's collection and administrative expenses), the greater of twenty-five dollars (\$25.00) or ten percent (10%) of each such overdue amount, but not exceeding the lawful maximum, if any. All payments shall be payable to Lessor in U.S. dollars at Lessor's address set forth in Section 18 or such other place as Lessor directs in writing. If Lessee requests changes or amendments to any Lease, Lessor may charge Lessee Lessor's reasonable costs and expenses of negotiation and documentation, including fees of legal staff or outside counsel.

4. DELIVERY: All transportation, delivery and installation costs (unless included in the Price) are the sole responsibility of Lessee. Lessee assumes all risk of loss and damage if the Supplier fails to deliver or delays in the delivery of any System, or if any System is unsatisfactory for any reason.

5. NET LEASE: Lessee's obligations under each Lease are absolute, unconditional and non-cancelable and shall not be subject to any delay, reduction, setoff, defense, counterclaim or recoupment for any reason including any failure of any System, or any misrepresentations of any supplier, manufacturer, installer, vendor or distributor. Lessor is not responsible for the delivery, installation, maintenance or operation of any System.

6. WARRANTIES: Lessor agrees that third-party warranties, if any, inure to the benefit of Lessee during the Term and on exercise of the Purchase Option. Lessee agrees to pursue any warranty claim directly against such third party and shall not pursue any such claim against Lessor. Lessee shall continue to pay Lessor all amounts payable under any Lease under any and all circumstances.

7. QUIET ENJOYMENT: Lessor shall not interfere with Lessee's quiet enjoyment and use of the System during the Term if no Event of Default has occurred and is continuing.

8. TAXES AND FEES: Lessee shall promptly reimburse Lessor, upon demand, as additional Rent, or shall pay directly, if so requested by Lessor, all license and registration fees, sales, use, personal property taxes and all other taxes and charges imposed by any federal, state, or local governmental or taxing authority, relating to the purchase, ownership, leasing, or use of the System or the Rent excluding, however, all taxes computed upon the net income of Lessor.

9. DISCLAIMER OF WARRANTIES AND DAMAGES: LESSEE ACKNOWLEDGES THAT (a) THE SIZE, DESIGN, CAPACITY OF EACH SYSTEM AND THE MANUFACTURER AND SUPPLIER HAVE BEEN SELECTED BY LESSEE; (b) LESSOR IS NOT A MANUFACTURER, SUPPLIER, DEALER, DISTRIBUTOR OR INSTALLER OF ANY SYSTEM; (c) NO MANUFACTURER OR SUPPLIER OR ANY OF THEIR REPRESENTATIVES IS AN AGENT OF LESSOR OR AUTHORIZED TO WAIVE OR ALTER ANY TERM OR CONDITION OF ANY LEASE; AND (d) EXCEPT FOR LESSOR'S WARRANTY OF QUIET ENJOYMENT SET FORTH IN SECTION 7, LESSOR HAS NOT MADE, AND DOES NOT HEREBY MAKE, ANY REPRESENTATION, WARRANTY OR COVENANT, WRITTEN OR ORAL, STATUTORY, EXPRESS OR IMPLIED, AS TO ANY MATTER WHATSOEVER INCLUDING, WITHOUT LIMITATION, THE DESIGN, QUALITY, CAPACITY, MATERIAL, WORKMANSHIP, OPERATION, CONDITION, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, HIDDEN OR LATENT DEFECTS, OR AS TO ANY PATENT, COPYRIGHT OR TRADEMARK INFRINGEMENT. LESSEE LEASES EACH SYSTEM "AS IS, WHERE IS."

LESSOR SHALL HAVE NO LIABILITY TO LESSEE OR ANY THIRD PARTY FOR ANY SPECIAL, DIRECT, INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES OF ANY SORT INCLUDING, WITHOUT LIMITATION, DAMAGES FOR PERSONAL INJURY, LOSS OF PROFITS OR SAVINGS, LOSS OF USE, OR ANY OTHER DAMAGES, WHETHER BASED ON STRICT LIABILITY OR NEGLIGENCE, WHETHER RESULTING FROM USE OF A SYSTEM OR BREACH OF A LEASE OR OTHERWISE, EXCEPT FOR DIRECT, SPECIFIC DAMAGES FOR PERSONAL INJURY OR PROPERTY DAMAGE TO THE EXTENT CAUSED BY LESSOR'S ACTIVE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT.

IF LESSEE HAS ELECTED PURCHASE OPTION B OR C, ARTICLE 2A OF THE UCC MAY APPLY TO THE LEASE AND LESSEE MAY HAVE CERTAIN RIGHTS THEREUNDER. IF SO, LESSEE ACKNOWLEDGES THAT SUCH A LEASE IS A FINANCE LEASE AS DEFINED IN UCC (S).2A-103. TO THE EXTENT PERMITTED BY LAW, LESSEE HEREBY WAIVES ANY RIGHTS OR REMEDIES LESSEE MAY HAVE UNDER UCC (S)(S) 2A-508-522 INCLUDING, WITHOUT LIMITATION, RIGHTS OF REJECTION, REVOCATION, CANCELLATION, GRANTING OF SECURITY INTERESTS,

10. INSURANCE: At its expense, Lessee shall keep each System insured against all risks of loss and damage for an amount equal to the installed replacement cost of such System with Lessor named as a loss payee. Lessee shall also maintain comprehensive general liability insurance, with Lessor named as an additional insured. All insurance policies shall be with an insurer having a rating of "B+" or better by A.M. Best Company, Inc., and be in such form, amount and deductibles as are satisfactory to Lessor. Each such policy must state by endorsement that the insurer shall give Lessor not less than thirty (30) days prior written notice of any amendment, renewal or cancellation. Lessee shall, upon request, furnish to Lessor satisfactory evidence that such insurance coverage is in effect. Lessee may self insure for such coverages only with Lessor's prior written consent.

11. CASUALTY: If any System, in whole or in part, is lost, stolen, damaged or destroyed, or is taken in any condemnation or similar proceeding (an "Event of Loss"), Lessee shall immediately notify Lessor. Lessee shall, at its option (a) immediately place the affected Equipment and Software in good condition and working order, (b) replace the affected item with like equipment or software in good condition and transfer clear title and any sublicense to Lessor, or (c) pay to Lessor, within thirty (30) days of the Event of Loss, an amount equal to the Stipulated Loss Value ("SLV") as defined below, for such affected Equipment or Software plus any other unpaid amounts then due under the Lease. If an Event of Loss occurs as to part of a System for which the SLV is paid, a prorata amount of Rent shall abate from the date the SLV payment is received by Lessor. Upon payment of the SLV, title to the applicable Equipment and the sublicense to the applicable Software shall pass to Lessee with no warranties, subject to the rights, if any, of the insurer.

The SLV shall be an amount equal to all future Rent from the last Rent Payment Date for which Rent has been paid to the end of the Term with each such payment discounted to present value at a simple interest rate of five percent (5%) per annum or the Lease Rate, as applicable, or, if such rate is not permitted by law, then at the lowest permitted rate, plus (a) if Lessee selects Purchase Option B, twenty percent of the product obtained by multiplying the total number of Rent payments shown on the Schedule for the applicable Term by the then periodic Rent, or (b) if Lessee selects Purchase Option C, the percent set forth in the Purchase Option C election in the Schedule times the Price as it may have been adjusted ("Percent Option Amount"). If Lessor receives any insurance proceeds, Lessor shall apply such proceeds to Lessee's outstanding obligations with any remaining sums to be delivered to Lessee.

12. INDEMNITY: Lessee shall indemnify Lessor against, and hold Lessor harmless from, and covenants to defend Lessor against, any and all losses, claims, liens, encumbrances, suits, damages, and liabilities (and all costs and expenses including, without limitation, reasonable attorneys' fees) related to the Lease including, without limitation, the selection, purchase, delivery, ownership, condition, use, operation of a System, or violation of a Software sublicense, or arising by operation of law (excluding any of the foregoing to the extent caused by the active gross negligence or willful misconduct of Lessor). Lessee shall assume full responsibility for or, at Lessor's sole option, reimburse Lessor for the defense thereof. This Section shall survive the termination of the Lease but not longer than the applicable statute of limitations.

13. TAX INDEMNITY: If Lessee selects Purchase Option B, the Lease is entered into based upon the assumptions ("Assumptions") that for federal, state, and local income tax purposes, Lessor shall be entitled to deduct, at the highest marginal rate of tax imposed on corporations, the maximum depreciation or cost recovery allowances provided in the Internal Revenue Code of 1986, as amended, and under state and local law in effect on the date Lessee executes the applicable Schedule. If, in its reasonable opinion, Lessor determines that its net after-tax economic yield or after-tax cash flow ("Net Economic Return") has been adversely affected as a result of a change in the Assumptions (a "Loss"), Lessee agrees to pay to Lessor, on demand, an amount which will cause Lessor's then Net Economic Return to equal the Net Economic Return that Lessor would have received had such Loss not occurred. Lessee shall have no right to inspect the tax returns of Lessor.

14. DEFAULT: Any of the following shall constitute an Event of Default: (a) Lessee fails to pay when due any Rent or other amount payable under a Lease that is not paid within ten (10) days of Lessee's receipt of written notice of nonpayment; (b) Lessee fails to perform any other material term in any Lease or other agreement given in connection with any Lease that continues uncured for twenty (20) days after Lessee's receipt of written notice thereof; (c) the inaccuracy of any material representation or warranty made by Lessee or any guarantor in connection with any Lease and the continuation thereof for thirty (30) days or more; (d) Lessee attempts to make a Transfer (as defined in Section 16) without Lessor's prior written consent; (e) Lessee dissolves or ceases to do business as a going concern; (f) Lessee sells all or substantially all of its assets, merges or consolidates with or into, or reorganizes with any entity; (g) Lessee becomes insolvent, makes an assignment for the benefit of creditors, files a voluntary petition or has an involuntary petition filed or action commenced against it under the United States Bankruptcy Code or any similar federal or state law; (h) Lessee fails to perform its obligations under any

other Lease or agreement with Lessor; or (i) Any partner of Lessee or any guarantor takes any actions described in subsections (e), (f), or (g) above.

15. REMEDIES: If an Event of Default has occurred, Lessor shall have the right to exercise one or more of the following remedies set forth below. Lessor may (a) terminate and/or declare an Event of Default under any Lease or other agreement with Lessee (b) recover from Lessee all Rent and any and all amounts then due and unpaid and (c) recover from Lessee all Rent and other amounts to become due, by acceleration or otherwise (plus, if the System is not returned in accordance with Section 9 of the applicable Schedule, an amount equal to (i) Lessor's reasonable estimate of the fair market value of the System at the end of the applicable Term if Lessee selects Purchase Option B in the Schedule, or (ii) if Lessee selects Purchase Option C in the Schedule, the Percent Option Amount). The amounts described in subsection (c) shall be present valued using a five percent (5%) simple interest rate per annum or the Lease Rate, as applicable, or, if such rate is not permitted by law, then at the lowest permitted rate. The amounts set forth in subsections (b) and (c) above shall be the agreed upon damages ("Lessor's Loss"). Lessor may also charge Lessee interest on the Lessor's Loss from the date of the Event of Default until paid at the rate of one and one-half percent (1-1/2%) per month, but in no event more than the maximum rate permitted by law; demand the Lessee return any System to Lessor in the manner provided in Section 9 of the Schedule; and take possession of, render unusable, or disable any System wherever located, with or without demand or notice or any court order or any process by law.

Upon repossession or return of a System, Lessor shall have the right to sell, lease or otherwise dispose of the System, with or without notice and by public or private bid, and shall apply the net proceeds thereof, if any, toward Lessor's Loss but only after deducting from such proceeds (a) in the case of any reletting of the System, the rent due for any period beyond the scheduled expiration of the Lease; (b) in the case of sale, (i) if Lessee has elected Purchase Option B, the estimated fair market value of the System as of the scheduled expiration of the Term of the Lease, or (ii) if Lessee has elected Purchase Option C, an amount equal to the Percent Option Amount; and (c) all expenses including, without limitation, reasonable attorneys' fees incurred in enforcement of any remedy. Lessee shall be liable for any deficiency if the net proceeds available after the permitted deductions are less than Lessor's Loss. No right or remedy is exclusive of any other provided herein or permitted by law or equity. All rights and remedies shall be cumulative and may be enforced concurrently or individually from time to time.

16. ASSIGNMENT: Lessor may, without notice to or the consent of Lessee, sell, assign, grant a security interest in, or pledge its interest in all or a portion of a System and/or a Lease and any amounts payable hereunder to any third party ("Assignee"). Lessee shall, if directed, pay all Rent and other amounts due to Assignee free from any claim or counterclaim, defense or other right which Lessee may have against Lessor. Lessor shall be relieved of its future obligations under the Lease as a result of such assignment if Lessor assigns to Assignee its interest in the System and Assignee assumes Lessor's future obligations. WITHOUT LESSOR'S PRIOR WRITTEN CONSENT, LESSEE SHALL NOT ASSIGN, SUBLEASE, TRANSFER, PLEDGE, MORTGAGE OR OTHERWISE ENCUMBER ("TRANSFER") ANY SYSTEM OR ANY LEASE OR ANY OF ITS RIGHTS THEREIN OR PERMIT ANY LEVY, LIEN OR ENCUMBRANCE THEREON. Any attempted non-consensual Transfer by Lessee shall be void ab initio. No Transfer shall relieve Lessee of any of its obligations under a Lease.

17. ORGANIZATION AND AUTHORITY: Lessee is duly organized, validly existing and in good standing under the laws of its State of formation and in any jurisdiction where a System is located. Lessee has the power and authority to execute, deliver and perform each Lease. The person executing this Agreement and any Schedules on behalf of Lessee has been given authority to bind the Lessee and each Lease constitutes or will constitute a legally binding and enforceable obligation of the Lessee. The execution, delivery and performance of each Lease is not and will not be in contravention of, or will not result in a breach of, any of the terms of Lessee's organizational documents, and any agreements, contracts or instruments to which Lessee is a party or under which it is bound.

18. NOTICES: Notices, demands and other communications shall be in writing and shall be sent by hand delivery, certified mail (return receipt requested), or overnight courier service, or facsimile transmission (effective upon transmission) with a copy sent by one of the foregoing methods, to Lessee at the address or facsimile number stated above and to Lessor at 501 Corporate Centre Drive, Suite 600, Franklin, Tennessee 37067, Attention: V.P. Finance, or facsimile no. (615) 771-6292. Notices shall be effective upon the earlier of actual receipt or four days after the mailing date. Either party may substitute another address by written notice.

19. JURISDICTION AND GOVERNING LAW: EACH LEASE SHALL BE GOVERNED BY THE LAWS OF THE STATE OF TENNESSEE AND THE LESSEE CONSENTS AND AGREES THAT, AT LESSOR'S OPTION, PERSONAL JURISDICTION, SUBJECT MATTER JURISDICTION AND VENUE SHALL BE WITH THE COURTS OF THE STATE OF TENNESSEE, OR THE FEDERAL COURT FOR THE MIDDLE DISTRICT OF TENNESSEE.

20. MISCELLANEOUS: (a) Any failure of Lessor to require strict performance by Lessee, or any waiver by Lessor of any provision of a Lease, shall not be

construed as a consent to or waiver of any other breach of the same or of any other provision. (b) If there is more than one Lessee, the obligations of each Lessee are joint and several. (c) Lessee agrees to execute and deliver, upon demand, any documents necessary, in Lessor's reasonable opinion, to evidence the intent of a Lease, and/or to protect Lessor's interest in a System. Lessee appoints Lessor as its attorney-in-fact for the sole purpose of executing and delivering any UCC financing statements. Lessee agrees to pay Lessor's out-of-pocket costs of filing and recording such documentation. (d) Lessee shall deliver to Lessor such additional financial information as Lessor may reasonably request. (e) If any provision shall be held to be invalid or unenforceable, the validity and enforceability of the remaining provisions shall not in any way be affected or impaired. (f) In the event Lessee fails to pay or perform any obligations under a Lease, Lessor may, at its option, pay or perform such obligation, and any payment made or expense incurred by Lessor in connection therewith shall be due and payable by Lessee upon Lessor's demand with interest thereon accruing at the maximum rate permitted by law until paid. (g) Time is of the essence in each Lease. (h) Lessee shall pay Lessor, on demand, all costs and expenses, including reasonable attorneys' and collection fees, incurred by Lessor in enforcing the terms and conditions of a Lease or in protecting Lessor's rights and interests in a Lease or a System. (i) LESSOR INTENDS TO COMPLY WITH ALL APPLICABLE LAWS, INCLUDING THOSE CONCERNING THE REGULATION OF INTEREST. Therefore, no lease charge, late charge, fee or interest, if applicable, is intended to exceed the maximum amount permitted to be charged or collected by applicable law. If one or more of such charges exceed such maximum, then such charges will be reduced to the legally permitted maximum charge and any excess charge will be used to reduce the future Rent and/or the Price of the System or refunded. (j) Each Lease may be executed by one or more of the parties on any number of separate counterparts (which may be originals or copies sent by facsimile transmission), each of which counterparts shall be an original. (k) Each Lease constitutes the entire agreement between Lessor and Lessee with respect to the subject matter thereof and supersedes all previous writings and understandings of any nature whatsoever. (l) No agent, employee, or representative of Lessor has any authority to bind Lessor to any representation or warranty concerning any System and, unless such representation or warranty is specifically included in a Lease, it shall not be enforceable by Lessee against Lessor.

 Except as otherwise provided in Section 3 of this Agreement and Sections 2, 3, and 8 of a Schedule, any modifications, amendments or waivers to a Lease shall be effective only if mutually agreed upon in a writing, duly executed by authorized representatives of the parties.

General Electric Capital Corporation

BY /s/ Henry Cruz

 Authorized Representative

PRINT NAME Henry Cruz

TITLE Portfolio Manager DATE 12/31/01

ITC/\DeltaCom Communications, Inc.

BY /s/ Ivor Fredrickson

 Authorized Representative

PRINT NAME Ivor Fredrickson

TITLE VP and Treasurer DATE 12/31/01

<TABLE>

<S>	<C>	<C>
Lessor	General Electric Capital Corporation	Master Lease Agreement Addendum No. 1
Lessee	ITC/\DeltaCom Communications, Inc. ("Lessee")	Master Lease Agreement Dated December 31, 2001 7101273

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Contemporaneously with the entry into the Master Lease Agreement referred to

above (the "Master Lease Agreement"), Lessor and Lessees agree:

1. Capitalized terms used herein shall have the meaning set out in the Master Lease Agreement.
2. The fourth sentence of Section 1 of the Master Lease Agreement shall be deleted and replaced with the following:

"The Equipment and Software include all additions, attachments and accessions to the Equipment and Software which are leased under this Agreement (as described in any Schedule) and any replacements therefore (collectively, "System")."

3. The second sentence of Section 3 of the Master Lease Agreement is amended and restated as follows:

"Rent shall be paid as designated in the applicable Schedule in arrears on the first day of each Payment Period (as specified in the applicable Schedule) beginning with the second Payment Period ("Rent Payment Date")."

4. The phrase "ten percent (10%)" in the third paragraph of Section 3 of the Master Lease Agreement shall be deleted and replaced with the phrase "one and one-half percent (1.5%)".

5. The second paragraph of Section 9 of the Master Lease Agreement shall be deleted and replaced with the following:

"LESSOR SHALL HAVE NO LIABILITY TO LESSEE OR ANY THIRD PARTY FOR ANY SPECIAL, DIRECT, INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES OF ANY SORT INCLUDING, WITHOUT LIMITATION, DAMAGES FOR PERSONAL INJURY, LOSS OF PROFITS OR SAVINGS, LOSS OF USE, OR ANY OTHER DAMAGES, WHETHER BASED ON STRICT LIABILITY OR NEGLIGENCE, WHETHER RESULTING FROM USE OF A SYSTEM OR OTHERWISE, EXCEPT FOR DIRECT, SPECIFIC DAMAGES FOR LESSOR'S BREACH OF A LEASE OR FOR PERSONAL INJURY OR PROPERTY DAMAGE TO THE EXTENT CAUSED BY LESSOR'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT."

 General Electric Capital Corporation

 ITC/\DeltaCom Communications, Inc.

BY /s/ Henry Cruz

BY /s/ Ivor Fredrickson

 Authorized Representative

 Authorized Representative

PRINT NAME Henry Cruz

PRINT NAME Ivor Fredrickson

TITLE Portfolio Manager DATE 12/31/01

TITLE VP, Treasurer DATE 12/31/01

3/98(C)Telecom Financial Services Legal Staff

Page 1

</TABLE>

Agreement Addendum
 (continued)

6. Lessee shall fulfill all of its obligations under Section 11 of the Master Lease Agreement promptly, unless Section 11 otherwise provides that Lessee shall fulfill such obligation in a specified number of days.
7. Section 14(a) of the Master Lease Agreement is amended and restated to read as follows:

 "(a) Lessee fails to pay any Rent or other amount when due under a Lease that is not paid within ten (10) days of such failure;"
8. Section 14 of the Master Lease Agreement is further amended by deleting "or" before the beginning of clause (i), deleting the period at the end of clause (i) and inserting in place of such period the following as a new clause (j):

 "; or (j) an Event of Default (as defined in the Master Lease Agreement dated December 29, 2000 and made between Lessor and the Lessees named therein (the "Existing Master Lease Agreement")) occurs under the Existing Master Lease Agreement."
9. Notwithstanding anything in the Master Lease Agreement to the contrary, if the Master Lease Agreement requires Lessee to pay expenses or attorneys' fees of Lessor, Lessee shall only be obligated

to pay those expenses and attorneys' fees of Lessor under the Master Lease Agreement which are reasonable.

10. Section 19 of the Master Lease Agreement is amended and restated in its entirety as follows:

"19. JURISDICTION AND GOVERNING LAW: THIS AGREEMENT AND EACH LEASE SHALL BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK. BOTH PARTIES WAIVE ALL RIGHTS TO A JURY TRIAL TO THE EXTENT PERMITTED BY LAW. Lessee hereby submits for the benefit of Lessor to the jurisdiction of the state and federal courts in the State of New York in connection with all action and proceeding arising under or in connection with any of this Agreement and the Leases."

11. The Master Lease Agreement, as amended hereby, remains in full force and effect and is hereby ratified by the parties hereto.

Lessor General Electric Capital Corporation

Lease Rate Factor Addendum

Lessee ITC/\DeltaCom Communications, Inc.

Agreement No./Schedule No.
7101273-001

Contemporaneously with entering into the Schedule to the Master Lease Agreement referenced above, Lessor and Lessee hereby agree that the fourth sentence of the second paragraph of Section 3 of the Agreement, only with respect to the Schedule, is deleted and the following substituted in lieu thereof:

The Lease Rate Factor will be determined by adding 450 basis points to the published yield on Five (5) Year Constant Maturity United States Treasury Notes as reported in Federal Reserve Statistical Release H.15 (519) ("Treasury Yield"), as published by the Board of Governors of the Federal Reserve System, or any successor publication by the Board of Governors of the Federal Reserve System, three (3) business days prior to the commencement Date with respect to the Schedule.

General Electric Capital Corporation

ITC/\DeltaCom Communications, Inc.

BY /s/ Henry Cruz

BY /s/ Ivor Fredrickson

Authorized Representative

Authorized Representative

PRINT NAME Henry Cruz

PRINT NAME Ivor Fredrickson

TITLE Portfolio Manager DATE 12/31/01

TITLE VP and Treasurer DATE 12/31/01

Exhibit 10.42.2				
<S>	<C>	<C>	<C>	<C>
Lessor	General Electric Capital			Equipment Schedule
Lessee	ITC/\DeltaCom Communications, Inc.			
Billing Address		Attention		
1791 O.G. Skinner Drive		Ivor Fredrickson		
City	County/Province	State/Country	Zip Code	
West Point	Troupl	GA	31833	
Installation Site	City	County/Province	State/Country	Zip Code
1530 Deltacom Drive	Anniston	Calhoun	AL	36201
Supplier Name	Purchase Option		Advance Payment	
Lucent	<input checked="" type="checkbox"/> (A) \$1.00 <input type="checkbox"/> (B) FMV <input type="checkbox"/> (C)		00.00 The Advance Payment shall be applied to the first and last Rent payment(s).	
Agreement No./Schedule No.	Price	Payment Nos.	Lease Rate Factor	Rent
7101273-001	\$368,060.00			
Date of Schedule	Initial Term (months)			
12/12/01	060	1-18	0.00740	\$ 2,723.64
Commitment Date	Payment Period	Other		
11/01/01	x Monthly	19-60	0.02779	\$10,228.38
TERMS AND CONDITIONS (The Reverse side contains Terms and Conditions which are also a part of this Schedule)				

</TABLE>

The terms and conditions of the Master Lease Agreement between Lessor and Lessee referenced above are made a part of this Schedule. Lessor and Lessee hereby agree to the terms defined above and further agree as set forth herein.

1. ADVANCE PAYMENT: Lessee shall pay to Lessor, upon the execution and delivery of this Schedule, the advance payment set forth above ("Advance Payment") in consideration of the Lessor holding funds available to purchase the Equipment and obtain the Software and as compensation for Lessor's review of Lessee's credit and document preparation. Upon Lessor's acceptance of the Lease, the Advance Payment shall be applied to the payment of Rent as set forth above. Any Advance Payment shall be non-refundable if Lessee fails to timely provide all documentation or satisfy all conditions required by this Lease.

2. PURCHASE PRICE PAYMENTS: Lessee acknowledges that it has signed and received a copy of the Supplier Agreement. If Lessee is required to make payments to Supplier under the Supplier Agreement prior to the Commencement Date ("Purchase Price Payments"), Lessee requests Lessor to pay such payments subject to the following terms and conditions. The Price will be increased by adding a price adjustment for each Purchase Price Payment. Each such price adjustment shall be computed by multiplying the Purchase Price Payment paid by Lessor to Supplier by a rate equal to the "Base Lending Rate" from time to time designated by Citibank N.A., NY, NY in effect on the date Lessor makes the first Purchase Price Payment plus two and one-half percent, divided by 360, and multiplied by the actual number of days elapsed from the date of the Purchase Price Payment to the Commencement Date or, if the Lease does not commence, to the date Lessee refunds the Purchase Price Payments to Lessor in accordance with Section 3. In no event will all or any price adjustment(s) exceed any limits imposed by applicable law. The periodic Rent shall be increased as a result of adding to the Price of the System an amount equal to the total price adjustment(s).

3. ACCEPTANCE: Lessee agrees to accept the System for purposes of this Lease by signing the Acceptance Certificate within ten (10) days after the System has met the acceptance criteria specified in the Supplier Agreement. If Lessee fails or refuses to sign the Acceptance Certificate within such (10) ten day period, Lessor may declare Lessee's assignments and Lessor's agreement to pay the Price set forth in Section 1 of the Agreement and Section 2 of this Schedule to be

null and void ab initio and thereupon the Lease shall terminate. Lessor shall then have no obligations under the Lease and Lessee shall, within ten (10) days of a demand therefore, immediately pay to Lessor all Purchase Price Payments and all price adjustment(s) under Section 2 herein as well as Lessor's out-of-pocket expenses.

4. MAINTENANCE, USE, AND OPERATION: At all times during the Term, at its sole cost and expense, Lessee shall maintain the System in good repair, condition and working order, ordinary wear and tear excepted. Lessee shall use the System and all parts thereof for its designated purpose and in compliance with all applicable laws, shall keep the System in its possession and control and shall not permit the System to be moved from the Installation Site set forth above without Lessor's prior written consent.

5. PERSONAL PROPERTY: The System is, and shall at all times remain, personal property even if the Equipment is affixed or attached to real property or any improvements thereon. At Lessor's request, Lessee shall, at no charge, promptly affix to the System any tags, decals, or plates furnished by Lessor indicating Lessor's interest in the System and Lessee shall not permit their removal or concealment. At Lessee's expense, Lessee shall (a) at all times keep the System free and clear of all liens and encumbrances, except those described in Section 6 and those arising through the actions of Lessor, and (b) otherwise cooperate to defend Lessor's interest in the System and to maintain the status of the System and all parts thereof as personal property. If requested by Lessor, Lessee will, at Lessee's expense, furnish a waiver of any interest in the System from any party having an interest in the real estate or building in which the System is located. Lessor may inspect the System and any related maintenance records at any time during Lessee's normal business hours.

6. TRUE LEASE AND SECURITY INTEREST: If Lessee has selected Purchase Option B, (a) Lessor holds title to the Equipment and the right to use the Software and Lessor shall be entitled to all tax benefits resulting therefrom, (b) Lessee shall have no right, title or interest therein, other than possession and use as a lessee and non-exclusive sublicensee, and (c) Lessee and Lessor intend

this Lease to create a true lease and not a security interest, and the provisions of this Section or the filing of any financing statements with respect to this Lease shall not be deemed evidence of any contrary intent but of an attempt to protect Lessor's rights and title. Regardless of the purchase option selected, and without limiting or negating the foregoing sentence, to secure the performance of Lessee's obligations under this Lease including, without limitation, the repayment of any Purchase Price Payments, price adjustments and out-of-pocket expenses under Section 3 above, Lessee hereby grants to Lessor a first priority security interest in Lessee's existing and future right, title and interest in, to and under (i) the System including all additions, attachments, accessions, and leased Modifications and Additions (as defined in Section 7 below) thereto, and replacements therefor, (ii) the applicable Supplier Agreement, and (iii) all products and proceeds of the foregoing including, without limitation, insurance proceeds, rents and all sums due or to become due to Lessee with respect to any of the foregoing, and all monies received in respect thereof.

7. MODIFICATIONS, ADDITIONS AND ALTERATIONS: After the Commencement Date of this Lease and without notice to Lessor, Lessee may, at Lessee's expense, alter or modify any item of Equipment with an upgrade, accessory or any other equipment that meets the specifications of the System's manufacturer for use on or in connection with the System ("Modification") or with Software or other associated items or materials that meet the specifications of such manufacturer and are to be used on or in connection with such System ("Addition"). Any other modification or addition ("Alteration") shall be permitted only upon written notice to Lessor and at Lessee's expense and risk, and any such Alteration shall be removed and the System restored to its normal, unaltered condition at Lessee's expense prior to its return to Lessor. If not removed upon return of the System, any Modification or Addition shall become, without charge, the property of Lessor free and clear of all encumbrances. Restoration will include replacement of any parts removed in connection with the installation of an Alteration, Modification or Addition. Any Equipment or Software installed in connection with warranty or maintenance service or manufacturer's upgrades provided at no charge to Lessee shall be the property of Lessor.

8. LEASES FOR MODIFICATIONS AND ADDITIONS: During the Term of this Lease, at Lessee's request, Lessor may elect to lease to Lessee Modifications and

Additions ("CSO Equipment") subject to the terms of this Lease. While the CSO Equipment shall be added to and become a part of this Lease as of the CSO Commencement Date (as defined below), the CSO Lease Addendum shall be assigned a separate Schedule number. The lease for CSO Equipment shall expire at the same time as this Lease. The applicable Lease Rate Factor shall be Lessor's then-current Lease Rate Factor for similar transactions based upon the remaining length of the Term. The rent for CSO Equipment shall be determined by Lessor who shall adjust the then-current Rent and notify Lessee in writing of such adjustment(s), which shall be effective as of the first day of the month following the date of the notice (or the date of the notice if it is the first day of the month) ("CSO Commencement Date"). Any adjustment notice shall be added to and become a part of this Lease.

CSO Equipment must be ordered by Lessee from the Supplier. On the date any CSO Equipment is delivered to Lessee, Supplier shall pass title to such CSO Equipment (other than any Software which shall be licensed and/or sublicensed) directly to Lessor. Such title shall be good and marketable and free and clear of any and all liens and encumbrances of any nature whatsoever. Lessor shall promptly pay to Supplier the appropriate price of the CSO Equipment after the later of (a) the date the CSO Equipment is installed and functioning, or (b) Lessor's receipt of a full and complete listing of the CSO Equipment and the Supplier's invoice. No interest shall be payable by Lessor to Supplier with respect to such payment. Lessor's agreement to lease any CSO Equipment is subject to the condition that the Price payable to Supplier with respect thereto shall not exceed \$100,000.00 or be less than \$1,000.00, and is subject to satisfactory credit review by Lessor of Lessee's credit at the time of the CSO.

9. RETURN OF SYSTEM: (a) Upon any termination of this Lease pursuant to the term hereof prior to the end of the Term, (b) at Lessor's request upon the occurrence of an Event of Default, or (c) if Lessee has not exercised its Purchase Option set forth herein at the end of the applicable Term, Lessee shall, at its own risk and sole expense, immediately return the System to Lessor by properly removing, disassembling and packing it for shipment, loading it on board a carrier acceptable to Lessor, and shipping the same to a destination in the continental United States specified by Lessor, freight and insurance prepaid. The returned System shall be in the same condition and operating order as existed when received, ordinary wear and tear excepted. If Lessee does not immediately return the System to Lessor as required, Lessee shall pay to Lessor, on demand, an amount equal to the then-current Rent prorated on a daily basis for each day from and including the termination or expiration date of the Lease through and including the day Lessee ships the System to Lessor in accordance with this Section. Lessee shall pay to Lessor, upon written demand, any amount necessary to place the System in good repair, condition and working order, ordinary wear and tear excepted.

10. PURCHASE OPTION: At the expiration of the Initial Term or any Term, if Lessee has performed all terms and conditions of the Lease, except the return of the System pursuant to Section 9 herein, Lessee shall have the right to purchase all, but not less than all, of the Equipment and all leased Modifications and to receive an assignment of all, but not less than all, non-exclusive sublicenses to use the Software and Additions, if any, for the purchase price described below subject to the following terms and conditions:

If Lessee has elected Purchase Option B or C above, Lessee shall provide written notice to Lessor at least six (6) months prior to such purchase that Lessee has elected to exercise its Purchase Option. In any event, upon exercise of its purchase option, Lessee shall purchase the Equipment and all leased Modifications and obtain a non-exclusive sublicense to use the associated Software and Additions AS-IS, WHERE-IS, WITH ALL FAULTS AND SUBJECT TO THE SAME DISCLAIMERS OF WARRANTIES AND DAMAGES AS SET FORTH IN SECTION 9 OF THE AGREEMENT. Lessee also shall be responsible for the payment of any sales tax or other fees in connection with Lessee's exercise of this Purchase Option. The purchase price shall be due and payable to Lessor by Lessee at the expiration of the applicable Term.

Upon satisfaction by Lessee of the purchase conditions, Lessor's sole and exclusive obligations under this Purchase Option shall be to deliver to Lessee good title to such Equipment and leased Modifications such as Lessor received from the Supplier, to assign to Lessee a non-exclusive sublicense, as described in the Supplier Agreement, to use the associated Software and Additions, free and clear of all liens, encumbrances and rights of others arising solely out of or created by Lessor's actions. Lessor's assignment of the sublicense is limited to such sublicense as Lessor can assign without incurring further cost and is subject to all applicable terms and conditions of the license and/or sublicense

Exhibit 12.1

Statement Regarding Computation of Ratios
(In thousands, except ratio of earnings to fixed charges data)

<TABLE>
<CAPTION>

	Years Ended December 31,				
	2001	2000	1999	1998	1997
<S>	<C>	<C>	<C>	<C>	<C>
Fixed charges:					
Interest expense on debt	\$ 58,833	\$ 55,482	\$ 45,293	\$ 31,930	\$ 21,367
Capitalized interest	4,798	4,086	1,074	529	--
Interest element of rent expense	5,195	4,462	3,309	2,440	2,053
Fixed charges of unconsolidated subsidiary ..	--	--	--	--	--
	-----	-----	-----	-----	-----
	\$ 68,826	\$ 64,030	\$ 49,676	\$ 34,899	\$ 23,420
	=====	=====	=====	=====	=====
Earnings:					
Consolidated net loss	\$ (215,644)	\$ (70,875)	\$ (54,979)	\$ (34,342)	\$ (10,773)
Extraordinary loss	--	1,321	--	8,436	508
Preacquisition losses	--	--	--	--	(74)
(Benefit) provision for income taxes	--	(512)	94	(6,454)	(3,324)
Fixed charges	68,826	64,030	49,676	34,899	23,420
	-----	-----	-----	-----	-----
	\$ (146,818)	\$ (6,036)	\$ (5,209)	\$ 2,539	\$ 9,757
	=====	=====	=====	=====	=====
Ratio of earnings to fixed charges	--	--	--	--	--
	=====	=====	=====	=====	=====
Coverage deficiency	\$ 215,644	\$ 70,066	\$ 54,885	\$ 32,360	\$ 13,663

</TABLE>

Subsidiaries of ITC/\DeltaCom, Inc.

Interstate FiberNet, Inc., a Delaware corporation.

ITC/\DeltaCom Communications, Inc., an Alabama corporation.

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference of our reports dated February 15, 2002 on the consolidated financial statements of ITC/\DeltaCom, Inc. and subsidiaries and the related financial statement schedule, included in this Form 10-K, into ITC/\DeltaCom, Inc.'s previously filed Registration Statements on Form S-8, No. 333-65038, 333-42785, No. 333-62773, No. 333-85627 and No. 333-49034 and Form S-3, File No. 333-75635 and No. 333-34372.

/s/ Arthur Andersen LLP

Atlanta, Georgia

March 26, 2002

ITC/\DeltaCom, Inc.
4092 South Memorial Parkway
Huntsville, AL 35802

April 1, 2002

VIA EDGAR

Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549

Re: ITC/\DeltaCom, Inc.
Commission File No. 0-23252

Ladies and Gentlemen:

This letter is intended to fulfill the requirements of Temporary Note 3T to Article 3 of Regulation S-X under the Securities Exchange Act of 1934, and is being filed with the Securities and Exchange Commission as Exhibit 99.1 to the ITC/\DeltaCom, Inc. (the "Company") Annual Report on Form 10-K for the fiscal year ended December 31, 2001 (the "Form 10 K").

Arthur Andersen LLP ("Andersen") has issued after March 14, 2002 its audit report on the Company's consolidated financial statements included in the Form 10-K. Andersen represented to the Company that the audit was subject to Andersen's quality control system for the U.S. accounting and auditing practice to provide reasonable assurance that the engagement was conducted in compliance with professional standards and that there was appropriate continuity of Andersen personnel working on audits, availability of national office consultation and availability of personnel at foreign affiliates of Andersen to conduct the relevant portions of the audit.

Very truly yours,

/s/ J. Thomas Mullis

Senior Vice President Legal and Regulatory