





---

June 10, 1997

FOR IMMEDIATE RELEASE

Dana Phelps

205-519-2110

1-800-239-3000

[dphelps@deltacom.com](mailto:dphelps@deltacom.com)

### ITC^DeltaCom to Add Local Service to its Communications Product Package

#### *--Company Completes \$200 Million High Yield Debt--*

**West Point, GA** -- ITC^DeltaCom, has acquired \$200 million in high yield public debt financing in efforts to better position itself as a leading regional provider of integrated telecommunications services, including competitive local exchange telephone services, according to company officials. Additionally, the company is finalizing a \$100 million underwritten term and revolving bank commitment from NationsBank, which is expected to be syndicated to a number of other regional and national banks.

The company plans to allocate the proceeds to fund market expansion, the ongoing development and construction of the company's fiber optic network, and local services network and product development. This will enable ITC^DeltaCom to provide "one-stop" integrated telecommunications services to business customers, including local service, long distance and data services, Internet access and development, and telephone equipment in a single package tailored to the customer's specific needs. The company has completed its resale and interconnection agreement with BellSouth and has been certified as a Local Service Provider in seven Southern states.

"With the addition of competitive local service to our existing services this summer, we are completing our initiative to be an integrated telecommunications provider. We will truly offer our customers a one point-of-contact, full-service communications alternative," said Foster McDonald, ITC^DeltaCom President.

DeltaCom began in 1982 as a provider of long distance services in the Huntsville, Alabama area, quickly adding sales offices throughout Alabama. By 1995, the DeltaCom network had grown to multiple network switches and a statewide digital fiber optic network. The company transitioned to a regional facility-based interexchange carrier, matching network and support services of any long distance carrier.

DeltaCom was acquired by ITC Holding Company, Inc., of West Point, Georgia, in early 1996. With a 100-year tradition of excellence in the independent telephone business, and success in the 1980s of creating and building the fourth largest long distance carrier in the United States (SouthernNet and Telcom\*USA), DeltaCom was a natural addition to its renewed and growing interest and investment in the telecommunications industry. This year, DeltaCom operations have been combined with those of Interstate FiberNet, another ITC Holding subsidiary, which joins the expansive Southern fiber optic network of Interstate FiberNet, and its wholesale sales channel, with the retail sales and marketing strength of DeltaCom. The resulting company is called ITC^DeltaCom.

With the more aggressive vision of ITC Holding Company behind the company, ITC^DeltaCom has expanded to new markets outside Alabama including Louisiana, Florida, Georgia, South Carolina and North Carolina, with plans to further expand throughout the Southern United States during the next five years. Spanning this region is the ITC^DeltaCom network, providing a differential advantage for the company in the provision of long distance, Internet, local exchange services, and business telephone equipment.

The company will continue to be a leading provider of long-haul services to other communications carriers, serving over 60 markets in ten states via its sonet-based network, which deploys the latest in fiber optic technology.

ITC^DeltaCom is built on a solid foundation of service exceeding customers' expectations every day. Focused on serving business customers, ITC^DeltaCom provides a level of understanding and support which comes from proven experience in meeting the needs and expectations of business operations.

"We will continue to focus on business customers as we grow to new markets and add new products," said Drew Walker, ITC^DeltaCom CEO, "We serve a wide range of business customers, from small businesses to large regional banking, retail and insurance companies, to state government."

"As a regional full-service provider, we differentiate our offering with exceptional service, provided by exceptional people. This is the basis of our past success and will continue to dominate our direction in the future," he added.

More information about ITC^DeltaCom can be found on the world wide web at <http://www.itcdeltacom.com>.

---

<a href="#">What is ITC^DeltaCom?</a>	<a href="#">Products &amp; Services</a>	<a href="#">Newsroom</a>	<a href="#">Carrier's Carrier</a>	<a href="#">Career Opportunities</a>	<a href="#">Contact Us</a>	<a href="#">Guestbook</a>	<a href="#">Site Map</a>
---------------------------------------	---	--------------------------	-----------------------------------	--------------------------------------	----------------------------	---------------------------	--------------------------



Copyright 1997 UMI Inc.;  
Copyright American City Business Publications Inc. 1997;  
Business Dateline;  
Atlanta Business Chronicle

July 11, 1997

SECTION: Vol 20; No 6; pg 1A

LENGTH: 873 words

HEADLINE: Tiny telecom firm shoots for BellSouth

BYLINE: Jason Kelly

DATELINE: West Point; GA; US; South Atlantic

BODY:

A company run by telecommunications golden boy Cam Lanier and backed by a recently raised \$300 million will compete for a chunk of BellSouth Telecommunications Corp.'s business in the Southeast.

West Point, Ga.-based firm, ITC DeltaCom Inc., plans to go after customers in the Southeast, pushing a service-heavy offering to business customers. The fast-growing, 500-person-company currently has offices across the region, including two in Atlanta. Officials of the privately held company would not disclose present revenues or projections.

"We're going to be a gnat, but we think there's going to be a niche for us to compete in," said Lanier, a longtime presence in the local and long-distance telephone business in Georgia. His resume tells the story of other "gnats," gathered and cultivated into swarms that made him a fortune.

ITC DeltaCom is the company resulting from a purchase made in early 1996: DeltaCom Inc. --a 15-year-old Alabama-based long-distance company -- was bought by ITC Holding Co., headed by Lanier. ITC then combined DeltaCom operations with Interstate FiberNet, another ITC subsidiary.

In June, ITC DeltaCom completed a \$200 million high-yield debt offering, as well as arranged for a \$100 million financing from NationsBank. Drew Walker, the president of ITC DeltaCom, said he company would use the funds to extend the network, as well as beef up sales and marketing personnel.

For BellSouth, the prospect of competing with ITC DeltaCom is not nearly as daunting as battling with AT&T Corp. for several reasons. First, ITC DeltaCom will command much less of the market than AT&T and won't even enter the residential arena.

Furthermore, and arguably more interestingly, BellSouth and ITC have had and will sustain a close relationship, given Lanier's experience running an incumbent rural phone company -- as well as the interesting dynamics created by the now-deregulated telecommunications industry.

BellSouth is in the unique position of desperately needing competition; only when a balanced playing field is achieved will the state Public Service Commission and the Federal Communications Commission allow Regional Bell Operating Companies (RBOCs) like BellSouth to offer long-distance service to its customers.

But, is the enemy you know better than the one you don't?

"I think they do look at us differently," Walker said. "We obviously don't pose the threat in magnitude that the others do. But we present a challenge that they will have a tough time overcoming. Where they are weak, we are strong."

Walker said ITC DeltaCom's focus on face-to-face sales and a smaller niche will allow the company to ferret away the lucrative business customers that account for a sizable portion of telecommunications revenues. In a sense, the company will fly under BellSouth's business radar screen, capturing midsized business customers that BellSouth never had to worry about selling to before because it was a monopoly.

"They've never had to do that," Walker said. "And we don't believe that will be an area where they will put a lot of resources."

As for ITC DeltaCom's strategy and the threat it poses, BellSouth won't say. Spokesperson Lynn Bress said her company was "not in a position to comment on what they do or might do."

"We want to make sure that everyone that is a certified provider of our service has an opportunity to compete," Bress said. "We're treating (ITC DeltaCom) like one of our 52 competitors (that have been certified to resell BellSouth service).

"They're in an enviable position, since they can provide what we can't," Bress said referring to the local and long-distance bundle.

But industry analysts said BellSouth is likely more comfortable with players like Lanier, whom they've known for a while. "They (BellSouth) need to show they're working with the competition, so working with someone they know has to be a good thing," said Dan Carpenter, president of Atlanta-based TeleAdvice Inc., a telecommunications consulting firm. "They know Cam; they know how he does business."

Carpenter said he wouldn't be surprised if BellSouth eventually acquired ITC DeltaCom. "The idea behind what (Lanier's) doing could be to go into a market we can sell and then sell the company in two years," Carpenter said.

It wouldn't be unheard of, especially for Lanier -- who created a name for himself in the 1980s, when he made SouthernNet (eventually called Telecom USA), into a top five long-distance company. He sold the business to MCI Communications Corp. in 1990 for \$1.2 billion.

He has invested those profits and subsequent money in a variety of different concerns, including Powertel Inc., which will launch its Personal Communications Service offering in Atlanta at the end of 1996. Other investments include a stake in MindSpring Enterprises Inc., an Atlanta-based Internet service provider. Walker, whose tenure with Lanier dates back to the Telecom USA days, said they will draw on that experience.

"We have the infrastructure that allows us to compete, otherwise we'd just run out of gas," he said. "We really had the same type of customer base at Telecom USA that we plan to have here. In the South, we will have a capacity that matches any competitor."

GRAPHIC: Photo

LANGUAGE: ENGLISH

UMI-ACC-NO: 9787094

LOAD-DATE: July 31, 1997



Copyright 1997 UMI Inc.;  
Copyright Birmingham Business Journal, Inc. 1997;  
Business Dateline;  
Birmingham Business Journal

October 6, 1997

SECTION: Vol 14; No 40; pg 1

LENGTH: 680 words

HEADLINE: Teleport will 'cherry pick' from BellSouth

BYLINE: Don Milazzo

DATELINE: Birmingham; AL; US; South Central

BODY:

A New York telecommunications giant is putting its foot down in Birmingham's telephone business, a step that will accelerate the competition for high-volume commercial accounts.

Teleport Communications Group Inc. is investing some \$6.7 million in its market launch downtown, where it is building a fiber optics ring around the business district to provide dial tone service and other communications products. A rival to BellSouth and part of the new breed of industry competitors, Teleport (TCG) expects to have its local network operational by December, according to a company spokesman.

At that point, TCG will join a short but growing list of companies that have this year begun challenging BellSouth for local commercial dial tone revenue, namely Maryland-based American Communications Services Inc. (ACSI), Denver's ICG Telecom Group Inc. and West Point, Ga.'s ITC/DeltaCom. Each of these companies maintains some of its own communications infrastructure and switches but relies on interconnection agreements with BellSouth to process customer calls to residences and other areas it doesn't serve.

TCG--which dubs itself "The other local phone company"--is currently leasing space in Energen Plaza downtown, where it employs 15 technicians. A sales staff will be added shortly to pursue business customers in the area, according to Craig Eichelman, a public relations agent for the company's regional headquarter's in Nashville.

"Nationwide, TCG is adding about 1,500 jobs per year," Eichelman said, but he could not speculate on the size of TCG's eventual employment ranks in Birmingham.

Marcus Belli, TCG's vice president and general manager in Nashville, did not return phone calls seeking comment by press time.

Founded in 1983, TCG is the country's first and largest competitive local exchange carrier but also packages long distance, data communications and other capabilities with its dial tone service, Merrill Lynch started the company to fulfill its own communications needs and later expanded it to encompass other large businesses in New York and beyond.

Backed by \$1.3 billion in investment capital from its listing on the NASDAQ exchange, TCG already serves 57 major U.S. markets and expects to have a presence in eight more--including Birmingham--by the end of the year. Launches in Nashville and Chattanooga are scheduled for November, followed by Knoxville in early 1998.

Unlike BellSouth, TCG and most other competitors will not immediately, if ever, serve residential customers. Notes ITC/DeltaCom's Director of Marketing Moss Crosby: "It's just not our target market."

Instead, most firms taking advantage of the deregulation ushered in by the federal Telecommunications Act of 1996 are content to pursue high-volume clients clustered in metropolitan business districts and suburban corporate centers. Vic Grover, a telecommunications analyst with Sterne Agee & Leach Inc. in Atlanta, said such "cherry picking" is to be expected in this age of deregulation and fierce competition.

"They're typically targeting the most profitable segments of the business," Grover said of TCG and others. "It's a very successful strategy, and Wall Street is anteing up for it."

Last week, TCG's stock hit an all-time high of \$53, Grover said, adding that the company's 1996 revenues grew nearly 48 percent from the previous fiscal year to exceed \$267 million.

BELLSOUTH spokesman Bill Todd said TCG's plans for the Birmingham market are bittersweet.

"It's another threat to our business customer market," he said. "On the positive side, though, it adds credence to the existence of competition in the local phone service business."

Although most Bell companies have opened their networks to competitors such as TCG, government regulators--citing a lack of such competition--have so far rejected applications by at least two Baby Bells to enter the lucrative long distance market.

"The RBOCs (regional Bell operating companies) kind of have their hands tied right now," Grover said. "Deregulation hasn't really opened up the market for them yet."

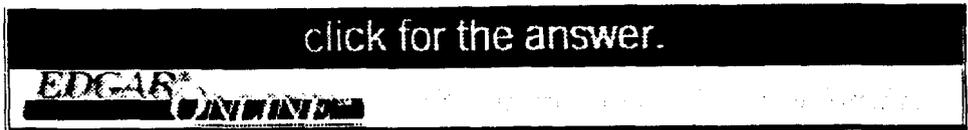
GRAPHIC: Logo

LANGUAGE: ENGLISH

UMI-ACC-NO: 9813947

LOAD-DATE: October 23, 1997





Form S-1/A for ITC DELTACOM INC filed on Oct 22 1997

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON OCTOBER 22, 1997

REGISTRATION NO. 333- 36683

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

AMENDMENT NO. 3  
TO  
FORM S-1  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933

	ITC/\DELTACOM, INC.	
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)		
DELAWARE	4813	58-2301135
(STATE OR OTHER	(PRIMARY STANDARD	(I.R.S. EMPLOYER
JURISDICTION OF	INDUSTRIAL	IDENTIFICATION NUMBER)
INCORPORATION OR	CLASSIFICATION CODE	
ORGANIZATION)	NUMBER)	

206 WEST NINTH STREET WEST POINT, GEORGIA 31833 (706) 645-8990  
(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

ANDREW M. WALKER CHIEF EXECUTIVE OFFICER ITC/\DELTACOM, INC. 206 WEST NINTH STREET WEST POINT, GEORGIA 31833 (706) 645-8990  
(NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF AGENT FOR SERVICE)

COPIES TO:  
RICHARD J. PARRINO, ESQ. NANCY J. JERRY V. ELLIOTT, ESQ. SHEARMAN &  
KELLNER, ESQ. HOGAN & HARTSON L.L.P. STERLING 599 LEXINGTON AVENUE NEW  
555 THIRTEENTH STREET, N.W. YORK, NEW YORK 10022 (212) 848-4000  
WASHINGTON, D.C. 20004 (202) 637-5600

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as practicable after this Registration Statement becomes effective.  
If any of the securities being registered on this Form are to be offered on

a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. [ ]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. [ ]

-----  
 CALCULATION OF REGISTRATION FEE  
 -----

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED	PROPOSED MAXIMUM OFFERING PRICE PER SHARE	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE	AM REGIS
Common Stock, \$.01 par value.....	5,750,000 shares(1)	\$16.50(2)	\$94,875,000(2)	\$2

- (1) Includes 750,000 shares to cover over-allotments, if any.  
 (2) Estimated solely for purposes of calculating the registration fee.  
 (3) Previously paid.

-----  
 THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT ALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933, OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.  
 -----

+++++  
 +INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A +  
 +REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE +  
 +SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY +  
 +OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT +  
 +BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR +  
 +THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE +  
 +SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE +  
 +UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF +  
 +ANY SUCH STATE. +  
 +++++  
 PROSPECTUS (Subject to Completion)

Issued October 22, 1997

5,000,000 Shares

[LOGO OF ITC/\DELTACOM APPEARS HERE]

COMMON STOCK  
 -----

ALL OF THE SHARES OF COMMON STOCK OFFERED HEREBY ARE BEING SOLD BY THE COMPANY. PRIOR TO THIS OFFERING, THERE HAS BEEN NO PUBLIC MARKET FOR THE COMMON STOCK. IT IS CURRENTLY ESTIMATED THAT THE INITIAL PUBLIC OFFERING PRICE OF THE COMMON STOCK WILL BE BETWEEN \$14.50 AND \$16.50 PER SHARE. SEE "UNDERWRITERS" FOR A DISCUSSION OF THE FACTORS TO BE CONSIDERED IN DETERMINING THE INITIAL PUBLIC OFFERING PRICE.

-----  
 THE COMMON STOCK HAS BEEN APPROVED FOR QUOTATION ON THE NASDAQ NATIONAL MARKET, SUBJECT TO OFFICIAL NOTICE OF ISSUANCE, UNDER THE SYMBOL "ITCD."

-----  
 SEE "RISK FACTORS" BEGINNING ON PAGE 10 OF THIS PROSPECTUS FOR INFORMATION THAT SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS.

-----  
 THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

-----  
 PRICE \$ A SHARE

	PRICE TO PUBLIC	UNDERWRITING DISCOUNTS AND COMMISSIONS (1)	PROCEEDS TO COMPANY (2)
Per Share.....	\$	\$	\$
Total (3).....	\$	\$	\$

- 
- (1) The Company has agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended. See "Underwriters."
  - (2) Before deducting estimated offering expenses of \$750,000 payable by the Company.
  - (3) The Company has granted to the Underwriters an option, exercisable within 30 days of the date hereof, to purchase up to an aggregate of 750,000 additional Shares of Common Stock at the price to public less underwriting discounts and commissions, for the purpose of covering over-allotments, if any. If the Underwriters exercise such option in full, the total price to public, underwriting discounts and commissions, and proceeds to Company will be \$ , \$ and \$ , respectively. See "Underwriters."

-----  
 The Shares are offered, subject to prior sale, when, as and if accepted by the Underwriters and subject to approval of certain legal matters by Shearman & Sterling, counsel for the Underwriters. It is expected that delivery of the Shares will be made on or about , 1997 at the office of Morgan Stanley & Co. Incorporated, New York, N.Y., against payment therefor in immediately available funds.

-----  
 MORGAN STANLEY DEAN WITTER  
 MERRILL LYNCH & CO.

J.C. BRADFORD & CO.

WHEAT FIRST BUTCHER SINGER

, 1997

No person is authorized in connection with any offering made hereby to give information or to make any representations not contained in this Prospectus, and, if given or made, such information or representations must not be relied upon as having been authorized by the Company or any Underwriter. This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the Common Stock offered hereby, nor does it constitute an offer to sell or a solicitation of an offer to buy any securities offered hereby to any person in any jurisdiction in which it is unlawful to make such an offer or solicitation to such person. Neither the delivery of this Prospectus nor any sale made hereunder shall under any circumstances create any implication that the information contained herein is correct as of any date subsequent to the date hereof.

No action has been or will be taken in any jurisdiction by the Company or any Underwriter that would permit a public offering of the Common Stock or possession or distribution of this Prospectus in any jurisdiction where action for that purpose is required, other than in the United States. Persons into whose possession this Prospectus comes are required by the Company and the Underwriters to inform themselves about and to observe any restrictions as to the offering of the Common Stock and the distribution of this Prospectus.

In this Prospectus references to "dollar" and "\$" are to United States dollars, and the terms "United States" and "U.S." mean the United States of America, its states, its territories, its possessions and all areas subject to its jurisdiction.

-----  
 TABLE OF CONTENTS

	PAGE	
	-----	
Prospectus Summary.....	3	
Risk Factors.....	10	
History of the Company.....	21	
Use of Proceeds.....	23	
Dividend Policy.....	23	
Capitalization.....	24	
Dilution.....	25	
Selected Financial and Operating Data.....	26	
Pro Forma Financial Data.....	28	
Management's Discussion and Analysis of Financial Condition and Results of Operations.....	32	
Business.....	49	
Management.....	64	
		PAGE
		-----
Certain Transactions.....		68
Principal Stockholders.....		71
Description of Certain Indebtedness.....		72
Description of Capital Stock.....		75
Shares Eligible for Future Sale.....		78
Certain United States Federal Tax Consequences for Non-United States Holders..		80
derwriters.....		83
Legal Matters.....		85
Experts.....		85
Available Information.....		86



Company's Carriers' Carrier Services was \$14.3 million and pro forma EBITDA as a percentage of revenue ("EBITDA Margin") for the Company's Carriers' Carrier Services was 59%. As of June 30, 1997, on a pro forma basis, the Company had remaining future long-term contract commitments totaling approximately \$75.8 million. These contracts expire on various dates through 2006 and are expected to generate approximately \$56.0 million in revenues to the Company through 2001, of which approximately \$14.5 million are expected to be realized in 1998.

The Company currently provides a variety of Retail Services, including retail long distance services such as traditional switched and dedicated long distance, 800/888 calling, calling card and operator services, Asynchronous Transfer Mode ("ATM"), frame relay, high capacity broadband private line services, as well as Internet, Intranet and Web page hosting and development services, and customer premise equipment installation and repair. As of June 30, 1997, the Company provided services to over 6,600 business customers. The Company currently offers Retail Services, other than local exchange services (which are provided in two markets), in 14 metropolitan areas in Alabama, Florida, Georgia, Louisiana, North Carolina and South Carolina and intends to provide a full range of Retail Services (including local exchange services) in approximately 22 additional

3

metropolitan areas throughout the southern United States over the next five years. For the six months ended June 30, 1997, pro forma revenue for the Company's Retail Services was \$40.0 million and pro forma EBITDA Margin for the Company's Retail Services was 8%.

In August 1997, the Company began offering local exchange services in Birmingham and Montgomery, Alabama by both reselling the services of the incumbent local exchange carrier and using its own switching facilities. The Company expects to offer local exchange services as part of its Retail Services in a total of six to nine markets (including Birmingham and Montgomery) by the end of 1997, initially by reselling the services of incumbent local exchange carriers and, where market conditions warrant, by using its own local switching facilities.

In connection with offering local exchange services, the Company has entered into an Interconnection Agreement (the "Interconnection Agreement") with BellSouth Telecommunications, Inc. ("BellSouth") to (i) resell BellSouth's local exchange services and (ii) interconnect the Company's network with BellSouth's network for the purpose of immediately gaining access to all of BellSouth's unbundled network elements. This agreement will allow the Company to enter new markets with minimal capital expenditures and to offer local exchange services to its current customer base. The Interconnection Agreement currently allows the Company to provide local service on a resale basis or by purchasing all unbundled network elements required to provide local service on a facilities basis, without using Company-owned facilities. The terms of the Interconnection Agreement, including interim pricing terms agreed to by the Company and BellSouth, have been approved by state regulatory authorities in most states, although they remain subject to review and modification by such authorities. In addition, the Interconnection Agreement does not resolve all operational issues, particularly those relating to the collocation of the Company's equipment with that of BellSouth. The Company and BellSouth are continuing to negotiate to resolve such issues. The Company expects that the Interconnection Agreement will provide a foundation for it to provide local services on a reasonable commercial basis, but there can be no assurance in this regard and important issues remain unsettled as a result of legal and regulatory developments and related matters. The Interconnection Agreement expires in July 1999, and there can be no assurance that the Company will be able to renew it under favorable terms, or at all.

#### BUSINESS STRATEGY

The Company's objectives are to maintain its leadership position in the

provision of Carriers' Carrier Services and to become a leading provider of Retail Services in the southern United States. The Company intends to increase its market share in existing markets and expand into new markets. The principal elements of the Company's business strategy include the following:

**PROVIDING INTEGRATED TELECOMMUNICATIONS SERVICES TO EXISTING BASE OF MID-SIZED AND MAJOR REGIONAL BUSINESS CUSTOMERS.** By providing additional telecommunications services such as local telephone service to its existing, well-established base of long distance customers, the Company expects to be able to increase revenues at relatively low incremental cost. The Company believes that bundling a variety of telecommunications services and presenting customers with one fully integrated monthly billing statement for all of those services will allow it to penetrate its target markets rapidly and build customer loyalty. The Company believes that there is substantial demand in its target markets among mid-sized and major regional business customers for an integrated package of telecommunications services that meets all of their telecommunications needs.

**LEVERAGING ITS EXTENSIVE FIBER OPTIC NETWORK.** The Company intends to leverage its extensive fiber optic network, which currently reaches over 60 POPs, by (i) continuing to provide switched and transport services to other communications carriers throughout its region to enable such carriers to diversify their routes and expand their networks; (ii) targeting customers that need to transmit large amounts of data within the Company's service region, such as banks and local and state governments; and (iii) offering local exchange services to its business customers, which began on a limited basis in the second half of 1997, as part of its integrated package of telecommunications services. The Company intends initially to provide local exchange services by reselling the

4

services of incumbent local exchange carriers and, in some established markets, building its own local switching facilities. Over time, the Company expects to provide local services primarily using the Company's own switching facilities and existing regional fiber optic network, supplemented by unbundled facilities of incumbent local exchange carriers or other competitive local exchange carriers. The configuration of the Company's network enables the Company to expand its network by installing additional remote local switches, which operate in conjunction with the Company's DMS-500 switches to provide facilities-based local services. Because remote local switches are less expensive to purchase and install than DMS-500 switches, and can be installed more quickly than DMS-500 switches, the Company believes that it will be able to enter new markets at less expense than many of its competitors. At present, the Company does not plan to construct intra-city local loop facilities.

**FOCUSING ON THE SOUTHERN UNITED STATES.** The Company intends to continue to focus on the southern United States in order to leverage its extensive telecommunications network in the region. The Company believes that its regional focus will enable it to take advantage of economies of scale in management, network operations and sales and marketing. The regional concentration of the Company's network also provides an opportunity for improved margins because a high portion of the Company's customers' telecommunications traffic originates and terminates within the region. The Company also believes that its regional focus will enable it to build on its long-standing customer and business relationships in the region.

**BUILDING MARKET SHARE THROUGH PERSONALIZED CUSTOMER SERVICE.** The Company believes that the key to revenue growth in its target markets is capturing and retaining customers by emphasizing marketing, sales and customer service. Management believes that customers prefer one company to be accountable for their telecommunications services, and that a consultative, face-to-face sales and service strategy is the most effective method of acquiring and maintaining a high quality customer base. The Company seeks to obtain long-term commitments from its business customers by responding rapidly and creatively to their

telecommunications needs. The Company currently operates 14 sales offices in Alabama, Florida, Georgia, Louisiana, North Carolina and South Carolina. Each sales office is staffed by personnel capable of marketing all of the Company's products and providing comprehensive support to the Company's customers. In the future, the Company expects to expand significantly its direct sales force and open sales offices in additional major and secondary population centers in the southern United States.

**EXPANDING ITS FIBER OPTIC NETWORK AND SWITCHING FACILITIES.** The Company expects to expand its fiber optic telecommunications network and switching facilities to include additional markets within the southern United States. The Company currently owns and operates approximately 3,000 route miles of fiber optic network extending from Georgia to Texas, with an additional 300 owned and operated route miles expected to be added by the end of 1997. The Company also markets and manages capacity on 3,000 additional network route miles through its strategic relationships principally with public utilities. In addition, the Company has a buy-sell agreement with Carolinas Fibernet, LLC, which manages fiber optic facilities in North Carolina and South Carolina. This agreement enables the parties to buy and sell capacity on each other's networks and allows the Company to provide customers with access to POPs throughout those states. The Company believes that, by continuing to combine its owned network with the networks of public utilities and by adding switching facilities throughout its network, it will be able to achieve capital efficiencies and rapidly expand its network in a cost-effective manner.

**LEVERAGING PROVEN MANAGEMENT TEAM.** The Company's management team consists of experienced telecommunications managers who in the past have successfully implemented a customer-focused long distance telecommunications strategy in the southern United States. Members of the team include Andrew Walker, Chief Executive Officer of the Company, Foster McDonald, President of the Company, and Douglas Shumate, Chief Financial Officer of the Company. ITC Holding Company, Inc. ("ITC Holding"), a diversified company with substantial holdings in telecommunications businesses operating in the southern United States, was the Company's sole stockholder prior to the Merger. The Company anticipates that the experience and contacts of ITC Holding's management and certain of its stockholders in the telecommunications industry will enhance the Company's development.

5

## HISTORY OF THE COMPANY

ITC/DeltaCom was incorporated in March 1997 as a wholly owned subsidiary of ITC Holding to acquire and operate ITC Holding's Retail Services and Carriers' Carrier Services businesses. The Company acquired such businesses on July 25, 1997 in the Reorganization described below.

**BACKGROUND.** ITC Holding has provided operator and directory assistance services since March 1992 through its subsidiary, Eastern Telecom, Inc., which does business as InterQuest ("InterQuest"). Carriers' Carrier Services have been offered since April 1992 through Interstate FiberNet, a partnership originally formed by ITC Holding (with a 49% interest) and SCANA Communications, Inc. ("SCANA") (with a 51% interest). In August 1994, ITC Holding acquired SCANA's interest in Interstate FiberNet through ITC Transmission Systems II, Inc., a wholly-owned subsidiary of ITC Holding ("Transmission II"). Also in August 1994, ITC Holding and SCANA formed a second partnership, Gulf States FiberNet, to construct and operate a fiber optic route primarily between Atlanta, Georgia and Shreveport, Louisiana with several supplemental spur routes. In a transaction consummated in March 1997 (the "Gulf States Acquisition"), ITC Holding acquired SCANA's 64% partnership interest in Gulf States FiberNet and certain fiber and fiber-related assets, including a significant customer contract for network services in Georgia (the "Georgia Fiber Assets"). Following the Gulf States Acquisition, ITC Holding contributed the remaining 64% interest in Gulf States FiberNet to Gulf States Transmission

Systems, Inc., a wholly owned subsidiary of ITC Holding ("Gulf States Transmission"), and the Georgia Fiber Assets to ITC Transmission Systems, Inc., a wholly owned subsidiary of ITC Holding ("Transmission"). Members of the Company's management have been managing the businesses of both Interstate FiberNet and Gulf States FiberNet since their inception.

In January 1996, through its acquisition (the "DeltaCom Acquisition") of DeltaCom, Inc. ("DeltaCom"), ITC Holding entered the retail long distance business and acquired several fiber optic routes within the state of Alabama that complemented the existing networks operated by Interstate FiberNet (including a fiber optic route from Atlanta, Georgia to Columbus, Georgia) and Gulf States FiberNet. DeltaCom, a provider of telecommunications services since its inception in 1982, provides long distance services to mid-sized businesses primarily in Alabama. In July 1996, DeltaCom purchased substantially all of the assets of Viper Computer Systems, Inc. ("ViperNet"), which provides Internet access, Web-hosting and Web page development services to business customers.

To finance the DeltaCom Acquisition and to refinance existing DeltaCom debt, ITC Holding incurred approximately \$74.0 million of indebtedness, which was pushed down to the Company (the "DeltaCom Indebtedness"). The aggregate consideration paid by ITC Holding in the Gulf States Acquisition was approximately \$27.9 million, of which \$10.0 million consisted of an unsecured note (the "SCANA Note"), which has been assumed by a subsidiary of the Company, and \$17.9 million consisted of ITC Holding preferred stock. In connection with the Gulf States Acquisition, Gulf States Transmission borrowed \$41.6 million under a credit facility (the "Bridge Facility") with NationsBank, N.A., to refinance a project loan incurred by Gulf States FiberNet.

SENIOR NOTE OFFERING. On June 3, 1997, the Company completed the sale of \$200.0 million principal amount of its 11 $\frac{3}{4}$  Senior Notes due 2007 (the "Senior Notes"). The net proceeds from the sale of the Senior Notes (the "Senior Note Offering"), other than the portion of such proceeds invested in U.S. government securities (the "Pledged Securities") pledged to secure and fund the first six scheduled interest payments on the Senior Notes, were released to the Company upon consummation of the Reorganization.

REORGANIZATION. On July 25, 1997, ITC Holding contributed to the Company in a series of transactions the businesses of Interstate FiberNet, Gulf States FiberNet, DeltaCom and InterQuest (such transactions collectively referred to herein as the "Reorganization"). In connection with the Reorganization, approximately \$31.0 million of the \$74.0 million of the DeltaCom Indebtedness was forgiven by ITC Holding and contributed

6

to the Company as additional equity. Following the Reorganization, the Company repaid the remaining \$43.0 million of the DeltaCom Indebtedness, accrued interest on all \$74.0 million of such indebtedness and the \$41.6 million of indebtedness outstanding under the Bridge Facility and accrued interest thereon with a portion of the net proceeds from the Senior Note Offering.

HOLDING COMPANY MERGER. On October 20, 1997, as part of a reorganization of the ITC Holding group of companies, ITC Holding transferred all of its assets (other than its stock in the Company) and all of its liabilities to another entity and then merged (the "Merger") with and into the Company, which is the surviving corporation in the Merger. In connection with the Merger, holders of ITC Holding common stock and convertible preferred stock received shares of the Company's Common Stock and Series A Convertible Preferred Stock (the "Series A Preferred Stock"), respectively.

#### THE OFFERING

Common Stock offered hereby.. 5,000,000 shares  
Common Stock to be  
outstanding after the



1 DOCKET U-22215 - BELL SOUTH TELECOMMUNICATIONS, INC., EX PART. IN  
2 RE: TARIFF REVISION TO REPLACE CERTAIN RESTRICTIONS ON THE NUMBER  
3 OF ACCESS LINES PROVIDED AT RESIDENCE RATES TERMINATING AT RESIDENCE  
4 LOCATIONS (WORK AT HOME).

5 HEARING HELD ON: June 27, 1997

6 ADMINISTRATIVE LAW JUDGE: Valeria Meiners

7 WITNESS

PAGE NO.

8  
9 MR. CONRAD MARTIN

10	Direct Examination by Mr. Mike Twomey	3-12
11	Cross-Examination by Mr. Michael Lamers	12-26
12	Cross-Examination by Mr. Richard Knight	26-29
13	Cross-Examination by Ms. Vanessa Porter	29
14	Questions by Judge Meiners	29-40
15	Re-Direct Examination by Mr. Mike Twomey	40-43
16	Questions by Judge Meiners	91-95
17	Re-Cross Examination by Mr. Michael Lamers	96-98
18	Re-Cross Examination by Mr. Richard Knight	98-99
19	Re-Direct Examination by Mr. Mike Twomey	101

20  
21 DR. RICHARD PALMER

22	Direct Examination of Adverse Witness by Mr. Mike Twomey	44-53
23	Direct Examination by Mr. Michael Lamers	62-70
24	Cross-Examination by Mr. Mike Twomey	70-71
25	Questions by Judge Meiners	72-76

26  
27 MR. RICHARD KNIGHT

28	Direct Examination of Adverse Witness by Mr. Mike Twomey	54-62
29	Narrative Testimony by Mr. Richard Knight	77-82
30	Cross-Examination by Mr. Mike Twomey	82-85
31	Questions by Judge Meiners	85-91

32  
33

1 business based on all the investments in time and my investors and  
2 my family and my partners that they should up the rates and put me  
3 out of business just because they want to. I think I should be  
4 grandfathered in based on the fact that I entered this business and  
5 entered these lines and paid for those lines coming to my house at  
6 residential rates. That's all I have to say.

7 JUDGE WEINERS: All right. Mr. Twomey, do you have any questions?

8 MR. TWOMEY: As with Dr. Palmer, I have some questions based on what  
9 he's just said.

10 CROSS-EXAMINATION OF MR. KNIGHT BY MR. TWOMEY:

11 MR. TWOMEY: Mr. Knight, you testified that you made the "same type"  
12 -- I think that's a quote of construction charges. You paid the  
13 same type of construction charges that Dr. Palmer paid; is that  
14 right?

15 MR. KNIGHT: That's correct.

16 Q. What was the amount of those construction charges?

17 A. I believe they were about \$1,200.

18 Q. Now, you testified that you -- I want to go back a little to  
19 this PRI, primary residence -- primary rate ISDN lines that you were  
20 talking about. Dr. Palmer testified that it wouldn't make any  
21 economic sense at all to be in business as an Internet provider with  
22 dial-up lines at a business rate, because you could have another  
23 type of dedicated facility to provide that, correct? Did you hear  
24 him say that?

25 A. Yes, I did.

26 Q. Now, you are actually in business on the north shore with  
27 dial-up business rate lines, correct?

28 A. That's correct.

29 Q. Okay. Now, you said that you are migrating those lines from  
30 business rate dial-up lines to a primary rate ISDN line, correct?

31 A. Correct.

32 Q. Now, that migration has nothing whatsoever to do with this  
33 tariff, correct?

1 A. Well, actually, it does, because it was suggested based on the  
2 offer BellSouth did to me or actually they came to me and offered --  
3 they plan to restructure my network. And that's, you know, I mean,  
4 that's how I found out about all this stuff. So, you know, they did  
5 come to me and talk to me about that.

6 Q. Okay. Let me be a little bit more precise. You are already  
7 paying business rates at those locations on the north shore, correct?

8 A. That's correct.

9 Q. So, this tariff change, if it's approved, will not affect in any  
10 way your business on the north shore, correct?

11 A. That's correct.

12 Q. And you testified earlier about, well, it's all tied together,  
13 but it won't affect the rates that you pay on the north shore for  
14 those dial-up lines, correct?

15 A. Yes, they'll actually go down, because I won't be going through  
16 BellSouth.

17 Q. Okay. Now, you are migrating over to ISDN voluntarily,  
18 correct? I mean, that's your business decision to do that?

19 A. That's correct.

20 Q. And you're actually not using BellSouth, are you?

21 A. I plan not to. Well, in reality, I am using BellSouth, but, no,  
22 I'm not.

23 Q. You're buying service through ACSI, correct?

24 A. Via service through BellSouth.

25 Q. Who is a reseller?

26 A. That's correct.

27 Q. Okay. And you also testified that you intend to migrate those  
28 residential lines to primary rate ISDN as soon as the standards are  
29 set, correct?

30 A. No, I'm not as soon as the standards are set. It would depend  
31 on the current customer base that we currently have now. As  
32 customers move on and they want 56k access and as that time rolls on  
33 I will reduce my residential lines to a point where I hopefully will

1 not have any residential lines at that point. But we don't know how  
2 long that's going to be. That could be five, ten years from now.  
3 Q. Okay. But the migration from residential lines over to primary  
4 rate ISDN is not dependent on whether the tariff is approved. It  
5 depends on what your customers want in the way of service, correct?  
6 A. That's -- well, no. If the tariff is approved, then I will have  
7 to automatically -- I will go to all PRI type service. I will have  
8 to junk probably \$50,000 worth of equipment and purchase, in order  
9 to replace it, almost \$100,000 worth of equipment.  
10 Q. Okay. Now you have, in your words, junked that type of  
11 equipment on the north shore voluntarily, correct?  
12 A. I junked, yes, some of it. Yes.  
13 Q. Which has nothing to do with this tariff, correct?  
14 A. No.  
15 Q. Okay. I mean, the answer was, is that correct?  
16 A. Yes, that was correct.  
17 Q. Yes, it was correct. Okay. Did you testify that you could not  
18 obtain residential lines from another company?  
19 A. That's correct.  
20 Q. Even on a resold basis?  
21 A. Even on a resold basis.  
22 Q. Did you specifically request that ACSI give you residential  
23 service?  
24 A. I asked them. They said they would not give residential service.  
25 Q. Would it surprise you to learn that a witness for ACSI testified  
26 in this hearing room last week in another docket that if asked by  
27 customers to provide residential service, they would do so?  
28 A. That would surprise me.  
29 Q. Who did you speak to at ACSI?  
30 A. Mike Orban.  
31 Q. Mike who?  
32 A. Orban. O-R-B-A-N. And Jim Roberto.  
33 Q. And you requested a residential line from them?

1 A. I asked if they could provide it.

2 Q. And they told you no.

3 A. Uh-huh.

4 JUDGE MEINERS: What was your answer?

5 MR. KNIGHT: What's that?

6 JUDGE MEINERS: You said, and they told you, no -- what did you say?

7 MR. KNIGHT: They said they don't do residential lines. They said

8 they do business lines.

9 JUDGE MEINERS: No, I mean, Mr. Twomey said, and they told you, no.

10 And did you say, yes, that's correct. I just didn't hear your

11 response.

12 MR. KNIGHT: Yes. Oh, yes. I'm sorry. Yes. Yes.

13 JUDGE MEINERS: I'm sorry.

14 MR. TWOMEY: I have no further questions.

15 JUDGE MEINERS: Any questions?

16 MR. LAMERS: No questions.

17 JUDGE MEINERS: Any questions? Then I have a couple.

18 OBJECTIONS BY JUDGE MEINERS:

19 JUDGE MEINERS: I know that you were -- when you were testifying you

20 said that there were plenty of discussions between you and Bell at

21 the time you were putting in your lines as to what the purpose was

22 as opposed to Dr. Palmer's testimony where it just didn't seem to be

23 a relevant point of discussion. You said that there were

24 conversations --

25 MR. KNIGHT: Sure.

26 Q. -- where you discussed exactly what you were planning to do with

27 your lines?

28 A. Uh-huh.

29 Q. How did you first become aware that you could do this and get

30 these lines at a residential rate?

31 A. We asked BellSouth.

32 Q. How? Just tell me how.

33 A. I called and asked them if I wanted 100 lines here at my house."