

MPOWER HOLDING CORPORATION  
MPOWER COMMUNICATIONS  
CORP.  
CORPORATE CODE OF CONDUCT  
AND ETHICS

**FOREWORD**

This Corporate Code of Conduct and Ethics, referred to as the "Code," is intended to provide our company's Board of Directors, officers, management and other employees with a clear understanding of the principles of business conduct and ethics that are expected of them. The standards set forth in the Code apply to us all. Every Company employee must acknowledge review of and compliance with the Code as a condition of his or her relationship with the Company. The Company's Ethics Committee has overall responsibility for the Code.

Many of the standards outlined on the following pages will be familiar, for they reflect the fundamental values of fairness and integrity that are a part of our daily lives. Applying these standards to our business lives is an extension of the values by which we are known as individuals and by which we want to be known as a company.

It is our responsibility to conduct ourselves in an ethical business manner and also to ensure that others do the same. If any one of us violates these standards, we can expect a disciplinary response, which may rise to the level of termination of any employment or other relationship with the company or legal action. If any breach of the Code is known to any employee or member of management, you are obligated to report violations in accordance with the procedures set out in this Code. By doing so, we ensure that the good faith efforts of all of us to comply with the Code are not undermined.

The ultimate responsibility for maintaining our Code rests with each of us. As individuals of personal integrity, we can do no less than to behave in a way that will continue to bring credit to our Company and ourselves.

While it is impossible for this Code to describe every situation that may arise, the standards explained in this Code are guidelines that should govern our conduct at all times. If you are confronted with situations not covered by this Code, or have questions regarding the matters that are addressed in the Code, you are urged to consult with the Senior Vice President/General Counsel and or any other member of the Company's Ethics Committee.

## **IMPLEMENTATION OF THE CODE**

The following questions and answers address the Company's implementation of the Code and each employee's obligation to comply with the Code. The Company has attempted to design procedures that ensure maximum confidentiality and, most importantly, freedom from the fear of retaliation for complying with and reporting violations under the Code.

**Q: Who is responsible for administering, updating and enforcing the Code?**

**A:** The Company's Senior Vice President/General Counsel has been given the responsibility to administer, update and enforce the Code.

Specific responsibilities of the position are to:

- Develop the Code based on legal requirements, regulations and ethical considerations that are raised in the Company's operations;
- Ensure that the Code is distributed to all employees and that all members of management acknowledge the principles of the Code;
- Implement any training program deemed desirable in connection with the Code;
- Audit and assess compliance success with the Code;
- Serve as a point person for reporting violations and asking questions under the Code; and
- Revise and update the Code to respond to detected violations and changes in the law.

Overall responsibility for the Code resides in the Company's Ethics Committee, which is composed of a Member of the Audit Committee of the Board of Directors, the Senior Vice President/General Counsel and the Internal Audit Officer. The primary responsibilities of the Ethics Committee are to:

- Assist the Senior Vice President/General Counsel in developing the Code;
- Develop internal procedures to monitor and audit compliance with the Code;
- Serve as point persons for reporting violations and asking questions under the Code;
- Set up a mechanism for anonymous reporting of suspected violations of the Code by employees and refer, when appropriate, such reports to the Audit Committee;
- Conduct internal investigations, with the assistance of counsel, of suspected compliance violations;
- Evaluate disciplinary action for employees who violate the Code;
- In the case of more severe violations of the Code by senior corporate officers, make recommendations regarding disciplinary action to the Board of Directors; and
- Evaluate the effectiveness of the Code and improve the Code.

**Q. How can I contact the Senior Vice President/General Counsel?**

A: The names and phone numbers of the Senior Vice President of Legal Affairs/General Counsel and each member of the Ethics Committee, who should be contacted in the absence of the Senior Vice President/General Counsel, are listed below. Any one of these individuals can assist you in answering questions or reporting violations or suspected violations under the Code.

Russell I. Zuckerman Senior Vice President/General Counsel Ethics Committee Member	(585) 218-6567 rzuckerman@mpowercom.com
Michael J. Tschiderer Internal Audit Officer Vice President – Finance, Controller & Treasurer Ethics Committee Member	(585) 218-6563 mtschiderer@mpowercom.com
Robert M. Pomeroy Audit Committee Chairman Ethics Committee Member	(917) 400-6357 rpomeroy@optonline.net

**Q: Do I have a duty to report violations under the Code?**

A: Yes, participation in the Code and the corporate ethics program is mandatory. You must immediately report any suspected or actual violation of the Code to the Senior Vice President/General Counsel or to a member of the Ethics Committee. Your report will be treated as confidential to the extent allowed by law. Failure to report suspected or actual violations is itself a violation of the Code and may subject you to disciplinary action, including termination of employment or legal action.

**Q: I'm afraid of being fired for raising questions or reporting violations under the Code. Will I be risking my job if I do?**

A: The Code contains a clear non-retaliation policy which is located in Section VI of the Code, meaning that if you report a violation of a federal criminal statute by the Company, or its agents acting on behalf of the Company, to a federal law enforcement officer or the appropriate officer of the Company identified in Section VI, the Company has an obligation to protect you from being fired, demoted or otherwise harmed for, or because of, the reporting of this violation to a law enforcement agency, even if the violation involves you, your supervisor, or senior management of the company. Any report you make to the Senior Vice President/General Counsel or to any member of the Ethics Committee will be treated as confidential to the extent allowed by law.

**Q: How are suspected violations investigated under the Code?**

A: When a suspected violation is reported to the Senior Vice President/General Counsel or to a member of the Ethics Committee, the Senior Vice President/General Counsel will gather information about the allegation by interviewing the employee reporting the suspected violation, the employee who is accused of the violation and others who may be aware of relevant facts to determine if a factual basis for the allegation exists. The reporting employee's immediate supervisor will not be involved in the investigation, if the reported violation involves that

supervisor. To the extent possible under law, the identity of the reporting employee will be kept confidential.

If non-substantiated, the reporting employee will be informed and at that time will be asked for any additional information not previously communicated. If there is no additional information, the Senior Vice President/General Counsel will close the case as unsubstantiated and no further action will be taken.

If the allegation is substantiated, the Ethics Committee will make a judgment as to the degree of severity of the violation and the appropriate disciplinary response. In the case of less severe violations, the Senior Vice President/General Counsel may refer the violation to the People Services Department for appropriate disciplinary action.

All proceedings will be kept confidential to the extent allowed by law and limited to those in the Company with a need to know. Every effort to protect the identity of the reporting person will be made, to the extent allowable under law.

**Q: Do I have to participate in any investigation under the Code?**

A: Your full cooperation with any pending investigation under the Code is a condition of your continued relationship with the Company. The refusal to cooperate fully with any investigation is a violation of the Code and grounds for termination.

**Q: What are the consequences of violating the Code?**

A: As explained above, employees who violate the Code may be subject to varying levels of discipline, including, but not limited to, termination of employment. Employees who violate the Code may simultaneously violate federal, state, local or foreign laws, regulations or policies and in such a case such employees may be subject to prosecution, imprisonment and fines, including reimbursement to the Company, the government or any other person for losses resulting from the violation and may be subject to punitive or treble damages depending on the severity of the violation.

**Q: What if I have questions under the Code or want to obtain a waiver under any provision of the Code?**

A: The Senior Vice President/General Counsel and any member of the Ethics Committee can help you answer questions you may have under the Code. Particularly difficult questions will be answered with input from the Ethics Committee as a whole. In addition, Section VII of the Code provides how you may obtain a waiver from the Code; waivers will be granted only in very limited circumstances. You should never pursue a course of action that is unclear under the Code without first consulting the Senior Vice President/General Counsel or the Ethics Committee. Any waiver of the Code for Members of the Board and/or executive officers may only be granted by the Audit Committee of the Board.

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GENERAL REQUIREMENTS

To be honest, fair, and accountable in all business dealings, and:

**To our customers:** to provide high quality telecommunications services consistent with customer requirements. To be the best supplier of telecommunications services we can with emphasis on fair competition and long lasting relationships.

**To our suppliers:** to develop and maintain mutually beneficial relationships based on the principle of fair competition in the marketplace.

**To society and the local community:** to be a responsible and responsive corporate citizen in a moral, ethical and beneficial manner.

**To our shareholders:** to pursue growth and earnings objectives while adhering to ethical standards.

**To our employees:** to provide safe working conditions and an environment characterized by fairness, respect for the individual, dignity and equal opportunity.

**I. CONFLICTS OF INTEREST**

Employees should avoid any situation that may involve, or even appear to involve, a conflict between their personal interests and the interests of the Company. In dealings with current or potential customers, suppliers, contractors, and competitors, each employee should act in the best interest of the Company to the exclusion of personal advantage. Employees are prohibited from any of the following activities which could represent an actual or perceived conflict of interest:

- No employee or immediate family member of an employee shall have a significant financial interest in, or obligation to, any outside enterprise which does or seeks to do business with the Company or which is an actual or potential competitor of the Company.

- No employee shall conduct business on the Company's behalf with an outside enterprise which does or seeks to do business with the Company if an immediate family member of the employee is a principal, officer or employee of such enterprise.
- No employee or immediate family member of an employee shall serve as a director, officer or in any other management or consulting capacity of any actual or potential competitor of the Company.
- No employee shall use any Company property or information or his or her position at the Company for his or her personal gain.
- No employee shall engage in activities that are directly competitive with those in which the Company is engaged.
- No employee shall divert a business opportunity from the Company to such individual's own benefit. If an employee becomes aware of an opportunity to acquire or profit from a business opportunity or investment in which the Company is or may become involved or in which the Company may have an existing interest, the employee should disclose the relevant facts to the Senior Vice President/General Counsel or a member of the Ethics Committee. The employee may proceed to take advantage of such opportunity only if the Company is unwilling or unable to take advantage of such opportunity as notified in writing by the Ethics Committee.
- No employee or immediate family member of an employee shall receive any loan or advance from the Company, or be the beneficiary of a guarantee by the Company of a loan or advance from a third party, except for customary advances or corporate credit in the ordinary course of business. Please see Section II E below, "Corporate Advances", for more information on permitted corporate advances.

In addition, the Audit Committee of the Board of Directors will review and approve all related-party transactions involving officers and other key employees.

Each employee should make prompt and full disclosure in writing to the Senior Vice President/General Counsel or a member of the Ethics Committee of any situation which may involve a conflict of interest. Failure to disclose any actual or perceived conflict of interest is a violation of the Code.

## **II. PROTECTION AND PROPER USE OF COMPANY ASSETS**

Proper protection and use of Company assets, including proprietary information, is a fundamental responsibility of each employee of the Company. Employees must comply with security programs to safeguard assets against unauthorized use or removal, as well as against loss by criminal act or breach of trust.

## **A. Proper Use of Company Property**

The removal from the Company's facilities of the Company's property is prohibited, unless authorized by the Company. This applies to furnishings, equipment, and supplies, as well as property created or obtained by the Company for its exclusive use - such as customer lists, files, personnel information, reference materials and reports, computer software, data processing programs and data bases. Neither originals nor copies of these materials may be removed from the Company's premises or used for purposes other than the Company's business without prior written authorization from the Ethics Committee.

The Company's products and services are its property; contributions made by any employee to their development and implementation are the Company's property and remain the Company's property even if the individual's employment or directorship terminates.

Each employee has an obligation to use the time for which he or she receives compensation from the Company productively. Work hours should be devoted to activities directly related to the Company's business.

## **B. Confidential Information**

The Company provides its employees with confidential information relating to the Company and its business with the understanding that such information is to be held in confidence and not communicated to anyone who is not authorized to see it, except as may be required by law. The type of information that each employee must safeguard includes (but is not limited to) the Company's plans and business strategy, unannounced products, promotions and/or contracts, sales data, significant projects, customer and supplier lists, patents, trade secrets, manufacturing techniques and sensitive financial information, whether in electronic or conventional format. These are costly, valuable resources developed for the exclusive benefit of the Company. No employee shall disclose the Company's confidential information to an unauthorized third party, including but not limited to communications via the internet and/or in online chat rooms and message boards or use the Company's confidential information for his or her own personal benefit.

## **C. Accurate Records and Reporting**

Under law, the Company is required to keep books, records and accounts that accurately and fairly reflect all transactions, disposition of assets and other events that are the subject of specific regulatory record keeping requirements, including generally accepted accounting principles and other applicable rules, regulations and criteria for preparing financial statements. All Company financial reports, accounting records, sales reports, expense accounts, invoices, purchase orders, and other documents must accurately and clearly represent the relevant facts and the true nature of transactions. Under no circumstance may there be any unrecorded liability or fund of the Company, regardless of the purposes for which the liability or fund may have been intended, or any improper or inaccurate entry knowingly made on the books or records

of the Company. No payment on behalf of the Company may be approved or made with the intention, understanding or awareness that any part of the payment is to be used for any purpose other than that described by the documentation supporting the payments. In addition, intentional accounting misclassifications (e.g., expense versus capital) and improper acceleration or deferral of expenses or revenues are unacceptable reporting practices that are expressly prohibited.

The Company has developed and maintains a system of internal controls to provide reasonable assurance that transactions are executed in accordance with management's authorization, are properly recorded and posted, and are in compliance with regulatory requirements. The system of internal controls within the Company includes written policies and procedures, budgetary controls, supervisory review and monitoring, and various other checks and balances, and safeguards such as password protection to access certain computer systems. Employees are expected to be familiar with, and to adhere strictly to, these control policies.

Responsibility for compliance with these principles rests with all employees, and not solely with the Company's accounting personnel. All employees involved in approving transactions, supplying documentation for transactions, and determining account classifications are responsible for complying with these standards. **Because the integrity of the Company's external reports to shareholders and the Securities and Exchange Commission depends on the integrity of the Company's internal reports and record-keeping, all employees must adhere to the highest standards of care with respect to our internal records and reporting. The Company is committed to full, fair, accurate, timely, and understandable disclosure in the periodic reports required to be filed by it with the SEC, and it expects each employee to work diligently towards that goal.**

Any employee who believes the Company's books and records are not in accord with these requirements should immediately report the matter to the Senior Vice President/General Counsel or a member of the Ethics Committee or Audit Committee of the Board of Directors. The Company has adopted explicit non-retaliation policies with respect to these matters, as described in Section VI below.

In addition to reporting violations of the Code as described above, the Audit Committee has set up procedures for employees to report, on a confidential and anonymous basis, any concerns regarding questionable accounting or auditing matters. The procedures identified below may be amended or supplemented from time to time in order to comply with the listing requirements of any applicable stock exchange. These procedures are that any employee may report any questionable accounting or auditing matters by:

1. **following the procedures outlined in the letter to all employees from Audit Committee Chairman Robert Pomeroy (a copy of that letter is attached); or**
2. **calling, e-mailing or mailing a memo to the Senior Vice President/General Counsel or any other member of the Ethics Committee.**

Upon receiving a report of questionable accounting or auditing matters from any employee that has not also been sent to the Audit Committee, anyone receiving such a report will promptly notify the Audit Committee of the report.

#### **D. Document Retention**

Numerous federal and state statutes require the proper retention of many categories of records and documents that are commonly maintained by companies. In consideration of those legal requirements and the Company's business needs, all employees must maintain records in accordance with the Company's Document Retention Policy, a copy of which has been distributed.

In addition, any record, in paper or electronic format, relevant to a threatened, anticipated or actual internal or external inquiry, investigation, matter or lawsuit may not be discarded, concealed, falsified, altered, or otherwise made unavailable, once an employee has become aware of the existence of such threatened, anticipated or actual internal or external inquiry, investigation, matter or lawsuit. Employees must handle such records in accordance with the procedures outlined in the Company's Document Retention Policy.

When in doubt regarding retention of any record, an employee must not discard or alter the record in question and should seek guidance from the Senior Vice President/General Counsel or a member of the Ethics Committee. Employees should also direct all questions regarding document retention policy and procedures to the Senior Vice President/General Counsel or a member of the Ethics Committee.

#### **E. Corporate Advances**

It shall be a violation of the Code for any employees to advance Company funds to any other employee or to himself or herself except for small business advances for legitimate corporate purposes, which are approved by a supervisor or pursuant to a corporate credit card for legitimate business purposes.

### **III. FAIR DEALING WITH CUSTOMERS, SUPPLIERS, COMPETITORS AND EMPLOYEES**

The Company does not seek to gain any advantage through the improper use of favors or other inducements. Good judgment and moderation must be exercised to avoid misinterpretation and adverse effect on the reputation of the Company or its employees. Offering, giving, soliciting or receiving any form of bribe to or from an employee of a customer or supplier to influence that employee's conduct is strictly prohibited.

## **A. Giving Gifts**

Cash or cash-equivalent gifts must not be given by an employee to any person or enterprise. Gifts, favors and entertainment may be given to non-governmental employees if such items:

- are consistent with customary business practice;
- are not excessive in value and cannot be construed as a bribe or pay-off;
- are not in violation of applicable law or ethical standards; and
- will not embarrass the Company or the employee if publicly disclosed.

## **B. Receiving Gifts**

Gifts, favors, entertainment or other inducements may not be accepted by employees or members of their immediate families from any person or organization that does or seeks to do business with, or is a competitor of, the Company, except as common courtesies consistent with customary business practices. If gifts from any person or organization total more than \$50.00 in any calendar year, please report the gifts immediately to the Senior Vice President/General Counsel or Ethics Committee, which must approve the acceptance of the gifts.

An especially strict standard applies when suppliers are involved. If a gift unduly influences or makes an employee feel obligated to "pay-back" the other party with business, receipt of the gift is unacceptable.

It is never acceptable to accept a gift in cash or cash equivalent.

## **C. Unfair Competition**

Although the free enterprise system is based upon competition, rules have been imposed stating what can and what cannot be done in a competitive environment. The following practices can lead to liability for "unfair competition" and should be avoided. They are violations of the Code.

*Disparagement of Competitors.* It is not illegal to point out weaknesses in a competitor's service or operation and the use of any such information should be only in accordance with Company standards. However, employees may not spread false rumors about competitors or make representations about their businesses. For example, an employee may not pass on anecdotal or unverified stories about a competitor's service as the absolute truth.

*Misrepresentations of Price and Service.* Lies or misrepresentations about the nature, quality or character of the Company's services are both illegal and contrary to Company policy. An employee may only describe our service based on their documented specifications, not based on anecdote or his or her belief that our specifications are too conservative.

## **D. Antitrust Concerns**

Federal and state antitrust laws are intended to preserve the free enterprise system by ensuring that competition is the primary regulator of the economy. Every corporate decision that involves customers, competitors, and business planning with respect to output, sales and pricing raises antitrust issues. Compliance with the antitrust laws is in the public interest, in the interest of the business community at large, and in our Company's interest.

Failing to recognize antitrust risk is costly. Antitrust litigation can be very expensive and time-consuming. Moreover, violations of the antitrust laws can, among other things, subject you and the Company to the imposition of injunctions, treble damages, and heavy fines. Criminal penalties may also be imposed, and individual employees can receive heavy fines or even be imprisoned. For this reason, antitrust issues should be taken seriously at all levels within the Company.

A primary focus of antitrust laws is on dealings between competitors. All employees must follow the following rules in all interactions with actual or potential competitors:

- Never agree with a competitor or a group of competitors to charge the same prices or to use the same pricing methods, to allocate services, customers, private or governmental payor contracts or territories among yourselves, to boycott or refuse to do business with a provider, vendor, payor or any other third party, or to refrain from the sale or marketing of, or limit the supply of, particular products or services.
- Never discuss past, present, or future prices, pricing policies, bundling, discounts or allowances, royalties, terms or conditions of sale, costs, choice of customers, territorial markets, production quotas, allocation of customers or territories, or bidding on a job with a competitor.
- Be careful of your conduct. An "agreement" that violates the antitrust laws may be not only a written or oral agreement, but also a "gentlemen's agreement" or a tacit understanding. Such an "agreement" need not be in writing. It can be inferred from conduct, discussions or communications of any sort with a representative of a competitor.
- Make every output-related decision (pricing, volume, etc.) independently, in light of costs and market conditions and competitive prices.
- Carefully monitor trade association activity. These forums frequently create an opportunity for competitors to engage in antitrust violations.

Another focus of antitrust law is how a company deals with customers, suppliers, contractors and other third parties. The following practices could raise issues, and employees

should always consult with the Senior Vice President/General Counsel or the Ethics Committee before doing any of the following:

- Refuse to sell to any customers or prospective customer;
- Enter into any new distribution or supply agreement which differs in any respect from those previously approved;
- Condition a sale on the customer's purchasing another product or service, or on not purchasing the product of a competitor;
- Agree with a customer on a minimum or maximum resale price of our products;
- Require a supplier to purchase services from the Company as a condition of purchasing products from that supplier;
- Enter into an exclusive dealing arrangement with a supplier or customer.

If our Company has a dominant or potentially dominant position with respect to a particular market, especially rigorous standards of conduct must be followed. In these circumstances, all employees should:

- Consult with the Senior Vice President/General Counsel or the Ethics Committee before engaging in any bundling practices; and
- Keep the Senior Vice President/General Counsel fully informed of competitive strategies and conditions in any areas where the Company may have a significant market position.

Finally, always immediately inform the Senior Vice President of Legal Affairs/General Counsel if local, state or federal law enforcement officials request information from the Company concerning its operations.

#### **E. Unfair Practices in International Business**

Under the Foreign Corrupt Practices Act ("FCPA"), employees of the Company are prohibited from making certain payments to foreign officials. "Foreign officials" include not only persons acting in an official capacity on behalf of a foreign government, agency, department or instrumentality, but also representatives of international organizations, foreign political parties and candidates for foreign public office. The payment is "corrupt" under the FCPA if it is made for the purpose of:

- Influencing any act or decision of a foreign official in his official capacity;
- Inducing a foreign official to do or omit to do any act in violation of his lawful duty;

- Inducing a foreign official to use his position to affect any decision of the government; or
- Inducing a foreign official to secure any "improper advantage."

A payment is still "corrupt" even when paid through an intermediary. Any employee who has any questions whatsoever as to whether a particular payment might be "corrupt" under the FCPA, please contact the Senior Vice President/General Counsel or any member of the Ethics Committee.

#### **IV. GOVERNMENT RELATIONS**

Employees must adhere to the highest standards of ethical conduct in all relationships with government employees and must not improperly attempt to influence the actions of any public official.

##### **A. Government Procurement**

The U.S. Government and many state and local governments have adopted comprehensive laws and regulations governing their purchases of products from private contractors. These laws and regulations are intended to assure that governmental entities receive pricing, terms, and conditions equivalent to those granted to the Company's most favored commercial customers and that there is full and open competition in contracting.

When selling services to government procurement agencies, the Company is accountable for complying with all applicable procurement laws, regulations, and requirements. Certifications to, and contracts with, government agencies are to be signed by an employee authorized by the Company to sign such documents, based upon knowledge that all requirements have been fully satisfied.

##### **B. Payments to Officials**

Payments or gifts shall not be made directly or indirectly to any government official or employee if the gift or payment is illegal under the laws of the country having jurisdiction over the transaction, or if it is for the purpose of influencing or inducing the recipient to do, or omit to do, any act in violation of his or her lawful duty. Under no circumstances should gifts be given to employees of the United States Government.

##### **C. Political Contributions**

Company funds, property or services may not be contributed to any political party or committee, or to any candidate for or holder of any office of any government. This policy does not preclude, where lawful, Company expenditures to support or oppose public referendum or separate ballot issues. Individual contributions may be made to the Company's political action committee.

## **V. COMPLIANCE WITH LAWS, RULES AND REGULATIONS**

### **A. Insider Trading Policy**

The Company expressly forbids any employee from trading in the Company's stock, or the stock of others, based on material non-public information or communicating material non-public information to others in violation of the law. This conduct is frequently referred to as "insider trading." The Company's Insider Trading Policy sets out the applicable standards in detail. This policy applies to every employee of the Company and extends to activities both within and outside their duties to the Company, including trading for a personal account.

The concept of who is an "insider" is broad. It includes officers, directors and employees of a company. In addition, a person can be a "temporary insider" if he or she enters into a special confidential relationship in the conduct of a company's affairs and as a result is given access to information solely for the company's purpose. A temporary insider can include, among others, a company's investment advisors, agents, attorneys, accountants and lending institutions, as well as the employees of such organizations. The company may become a temporary insider of another company with which it has a contractual relationship, to which it has made a loan, to which it provides advice or for which it performs other services.

Trading on inside information is not a basis for liability unless the information is material. Information is material if a reasonable investor would consider it important in making his or her investment decisions, or information that is likely to have a significant effect on the price of a company's securities.

Information is non-public until it has been effectively communicated to the marketplace. Tangible evidence of such dissemination is the best indication that the information is public. For example, information found in a report filed with the Securities and Exchange Commission or appearing in a national newspaper would be considered public. Please refer to the Company's Insider Trading Policy previously provided to you for more complete guidelines with respect to your obligations to refrain from insider trading.

## **VI. REPORTING VIOLATIONS UNDER THE CODE; NON-RETALIATION POLICY**

Any employee of the Company having any information or knowledge regarding the existence of any violation or suspected violation of the Code has a duty to report the violation or suspected violation to the Senior Vice President/General Counsel or any other member of the Ethics Committee. Additionally, any employee may report, on a confidential and anonymous basis, any concerns regarding questionable accounting or auditing matters in accordance with the procedures set forth in Section II.C. above.

Any employee who reports a suspected violation under the Code which the employee reasonably believes constitutes a violation of a federal criminal statute by the Company, or its

agents acting on behalf of the Company, to a federal law enforcement officer or the appropriate officer of the Company identified above, may not be fired, demoted or otherwise harmed for, or because of, the reporting of the suspected violation, regardless of whether the suspected violation involves the employee, the employee's supervisor or senior management of the Company. Every report made will be treated as confidential to the extent allowed by law. In addition, any attorney working for the Company shall report evidence of a material violation of securities law or breach of fiduciary duty or similar violation by the Company or any of its agents to the Senior Vice President/General Counsel or to any member of the Ethics Committee.

## **VII. QUESTIONS UNDER THE CODE AND WAIVER PROCEDURES**

Employees are encouraged to consult with the Senior Vice President/General Counsel and Ethics Committee about any uncertainty or questions they may have under the Code.

If any situation should arise where a course of action would likely result in a violation of the Code but for which the employee thinks that a valid reason for the course of action exists, the employee should contact the Senior Vice President/General Counsel or a member of the Ethics Committee to obtain a waiver **prior to the time the action is taken. No waivers will be granted after the fact for actions already taken.**

The Ethics Committee will review all the facts surrounding the proposed course of action and in certain limited circumstances will make a recommendation to the Audit Committee of the Board of Directors as to whether a waiver from any policy in the Code should be granted. If a majority of the members of the Audit Committee of the Board of Directors agree that a waiver should be granted, it will be granted. All waiver grants will be disclosed to the executive officers and to the Directors. If the waiver is granted for actions to be taken by or for the benefit of an executive officer or for the benefit of a member of the Board of Directors, the Company will disclose the nature and reasons for the waiver in a report filed promptly with the SEC. If a majority of the Audit Committee denies the request for a waiver, the waiver will not be granted and the employee may not pursue the intended course of action.

**It is the Company's policy only to grant waivers from the Code in limited and compelling circumstances.**

**EMPLOYEE STATEMENT**

I have read the Code of Conduct and Ethics adopted by Mpower Holding Corporation and Mpower Communications Corp. I have obtained an interpretation of any provision about which I had a question. I agree to abide by the provisions of the Code. Based on my review, I acknowledge that

\_\_\_\_\_ To the best of my knowledge, I am not in violation of any provision contained in the Code;

OR

\_\_\_\_\_ I have made a full disclosure below of this acknowledgement of the facts regarding any possible violation of the provisions set forth in the Code.

In addition, I understand that I am required to report any suspected or actual violation of the Code and that I may report, on a confidential and anonymous basis, any concerns regarding questionable accounting or auditing matters. I understand that I am required to cooperate fully with the Company in connection with the investigation of any suspected violation. I understand that my failure to comply with the Code or its procedures may result in disciplinary action, including termination.

By: \_\_\_\_\_  
Name (Please print):  
Department/Location:

Date: \_\_\_\_\_

**DISCLOSURE:** (attach additional pages if necessary)