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NEW YORK, NY 10174

November 10, 2000

VIA OVERNIGHT MAIL

Blanca S. Bayo, Director
Florida Public Service Commission
Division of Records and Reporting
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

DEPOSIT DATE
D387 NOV 14 2000

001692-7X

Re: Application of McLeodUSA Telecommunications Services, Inc. for Authority to
 Provide Alternative Local Exchange Telecommunications Services Within the
 State of Florida

Dear Ms. Bayo:

Enclosed for filing on behalf of McLeodUSA Telecommunications Services, Inc. ("McLeod") please find an original and seven (7) copies of McLeod's application for authority to provide alternative local exchange telecommunications services within the State of Florida. Also enclosed is a check in the amount of \$250.00 to cover the filing fee.

Please date stamp and return the extra copy of this filing in the self-addressed, postage-prepaid envelope provided. Should you have any questions concerning this matter, please do not hesitate to call us.

Respectfully submitted,



Grace R. Chiu
Brett P. Ferenchak

Counsel for
McLeodUSA Telecommunications Services, Inc.

Enclosure

cc: David R. Conn
 Douglas M. Marrano

DOCUMENT NUMBER-DATE

14611 NOV 13 8

FPSC-RECORDS/REPORTING

ORIGINAL

**** FLORIDA PUBLIC SERVICE COMMISSION ****

**DIVISION OF REGULATORY OVERSIGHT
CERTIFICATION SECTION**

001692-TX

**APPLICATION FORM
for
AUTHORITY TO PROVIDE
ALTERNATIVE LOCAL EXCHANGE SERVICE
WITHIN THE STATE OF FLORIDA**

Instructions

This form is used as an application for an original certificate and for approval of the assignment or transfer of an existing certificate. In the case of an assignment or transfer, the information provided shall be for the assignee or transferee (See Page 12).

Print or type all responses to each item requested in the application and appendices. If an item is not applicable, please explain why.

Use a separate sheet for each answer which will not fit the allotted space.

Once completed, submit the original and six (6) copies of this form along with a non-refundable application fee of **\$250.00** to:

**Florida Public Service Commission
Division of Records and Reporting
2540 Shumard Oak Blvd.
Tallahassee, Florida 32399-0850
(850) 413-6770**

If you have questions about completing the form, contact:

**Florida Public Service Commission
Division of Regulatory Oversight
Certification Section
2540 Shumard Oak Blvd.
Tallahassee, Florida 32399-0850
(850) 413-6480**

DOCUMENT NUMBER-DATE

14611 NOV 13 8

FPSC-RECORDS/REPORTING

APPLICATION

1. This is an application for (check one):

Original certificate (new company).

Approval of transfer of existing certificate: Example, a non-certificated company purchases an existing company and desires to retain the original certificate of authority.

Approval of assignment of existing certificate: Example, a certificated company purchases an existing company and desires to retain the certificate of authority of that company.

Approval of transfer of control: Example, a company purchases 51% of a certificated company. The Commission must approve the new controlling entity.

2. Name of company:

McLeodUSA Telecommunications Services, Inc. ("McLeodUSA")

3. Name under which the applicant will do business (fictitious name, etc.):

Not applicable

4. Official mailing address (including street name & number, post office box, city, state, zip code):

6400 C Street, S.W., P.O. Box 3177

Cedar Rapids, Iowa 52406-3177

5. Florida address (including street name & number, post office box, city, state, zip code):

Not applicable because applicant does not have a Florida address at present.

6. Structure of organization:

- | | |
|---|--|
| <input type="checkbox"/> Individual | <input type="checkbox"/> Corporation |
| <input checked="" type="checkbox"/> Foreign Corporation | <input type="checkbox"/> Foreign Partnership |
| <input type="checkbox"/> General Partnership | <input type="checkbox"/> Limited Partnership |
| <input type="checkbox"/> Other _____ | |

7. If individual, provide:

Name: Not Applicable

Title: _____

Address: _____

City/State/Zip: _____

Telephone No.: _____ Fax No.: _____

Internet E-Mail Address: _____

Internet Website Address: _____

8. If incorporated in Florida, provide proof of authority to operate in Florida:

(a) **The Florida Secretary of State corporate registration number:**

Not Applicable

9. If foreign corporation, provide proof of authority to operate in Florida:

(a) **The Florida Secretary of State corporate registration number:**

F96000006048

10. If using fictitious name-d/b/a, provide proof of compliance with fictitious name statute (Chapter 865.09, FS) to operate in Florida:

(a) **The Florida Secretary of State fictitious name registration number:**

Not applicable

11. **If a limited liability partnership, provide proof of registration to operate in Florida:**

(a) **The Florida Secretary of State registration number:**

Not Applicable

12. **If a partnership, provide name, title and address of all partners and a copy of the partnership agreement.**

Name: Not Applicable

Title: _____

Address: _____

City/State/Zip: _____

Telephone No.: _____ Fax No.: _____

Internet E-Mail Address: _____

Internet Website Address: _____

13. **If a foreign limited partnership, provide proof of compliance with the foreign limited partnership statute (Chapter 620.169, FS), if applicable.**

(a) The Florida registration number: Not applicable

14. **Provide F.E.I. Number(if applicable):** 42-1407242

15. **Indicate if any of the officers, directors, or any of the ten largest stockholders have previously been:**

(a) **adjudged bankrupt, mentally incompetent, or found guilty of any felony or of any crime, or whether such actions may result from pending proceedings. Provide explanation.**

No officer or director of McLeodUSA has been adjudged bankrupt, mentally incompetent, or found guilty of any felony or any crime. McLeodUSA is a wholly-owned subsidiary of McLeodUSA Incorporated, a publicly-traded holding company whose principal business is Telecommunications.

(b) an officer, director, partner or stockholder in any other Florida certificated telephone company. If yes, give name of company and relationship. If no longer associated with company, give reason why not.

No officer or director of McLeodUSA, has been an officer, director, partner, or stockholder in any other Florida certificated telephone company.

16. **Who will serve as liaison to the Commission with regard to the following?**

(a) **The application:**

Name: Grace R. Chiu

Swidler Berlin Shereff Friedman, LLP

Title: Counsel to Applicant

Address: 3000 K Street, NW, Suite 300

City/State/Zip: Washington, DC 20007

Telephone No.: (202) 424-7500 **Fax No.:** (202) 424-7645

Internet E-Mail Address: GRChiu@swidlaw.com

Internet Website Address: http://www.swidlaw.com

(b) **Official point of contact for the ongoing operations of the company:**

Name: David R. Conn

Title: Vice President & Deputy General Counsel

Address: 6400 C Street, S.W., P.O. Box 3177

City/State/Zip: Cedar Rapids, Iowa 52406-3177

Telephone No.: (319) 790-7055 **Fax No.:** (319) 790-7901

Internet E-Mail Address: dconn@mcleodusa.com

Internet Website Address: http://www.mcleodusa.com

(c) **Complaints/Inquiries from customers:**

Name: David R. Conn

Title: Vice President & Deputy General Counsel

Address: 6400 C Street, S.W., P.O. Box 3177

City/State/Zip: Cedar Rapids, Iowa 52406-3177

Telephone No.: (319) 790-7055 **Fax No.:** (319) 790-7901

Internet E-Mail Address: dconn@mcleodusa.com

Internet Website Address: http://www.mcleodusa.com

17. List the states in which the applicant:

(a) **has operated as an alternative local exchange company.**

McLeodUSA currently operates as a local exchange carrier in the following states: Arizona, Colorado, Idaho, Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, New Mexico, North Dakota, Ohio, Oregon, South Dakota, Utah, Washington, Wisconsin, and Wyoming.

(b) **has applications pending to be certificated as an alternative local exchange company.**

McLeodUSA currently has applications pending to operate as a local exchange carrier in Arkansas, Tennessee, Texas, and Oklahoma.

(c) **is certificated to operate as an alternative local exchange company.**

McLeodUSA is currently certified to operate as a local exchange carrier in the following states: Arizona, Colorado, Idaho, Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Montana, Nebraska, New Mexico, North Dakota, Ohio, Oregon, South Dakota, Utah, Washington, Wisconsin, and Wyoming.

- (d) **has been denied authority to operate as an alternative local exchange company and the circumstances involved.**

McLeodUSA has not been denied authority to operate as an alternative local exchange company in any state in which it has applied for such status.

- (e) **has had regulatory penalties imposed for violations of telecommunications statutes and the circumstances involved.**

McLeodUSA has not had regulatory penalties imposed for violations of telecommunications statutes in any state in which it currently operates.

- (f) **has been involved in civil court proceedings with an interexchange carrier, local exchange company or other telecommunications entity, and the circumstances involved.**

McLeodUSA has not been involved in any civil court proceedings with an interexchange carrier, local exchange company, or other telecommunications entity.

18. Submit the following:

- A. Managerial capability: give resumes of employees/officers of the company that would indicate sufficient managerial experiences of each.**

A list of biographies of McLeodUSA's key managers attached as Exhibit A.

- B. Technical capability: give resumes of employees/officers of the company that would indicate sufficient technical experiences or indicate what company has been contracted to conduct technical maintenance.**

Please see the biographies filed as Exhibit A in response to Question 18.A, above.

C. Financial capability.

The application **should contain** the applicant's audited financial statements for the most recent 3 years. If the applicant does not have audited financial statements, it shall so be stated.

The unaudited financial statements should be signed by the applicant's chief executive officer and chief financial officer affirming that the financial statements are true and correct and should include:

1. the balance sheet:
2. income statement: and
3. statement of retained earnings.

NOTE: *This documentation may include, but is not limited to, financial statements, a projected profit and loss statement, credit references, credit bureau reports, and descriptions of business relationships with financial institutions.*

Further, the following (which includes supporting documentation) should be provided:

1. **written explanation** that the applicant has sufficient financial capability to provide the requested service in the geographic area proposed to be served.

McLeodUSA Incorporated ("McLeod"), the ultimate parent company, possesses the financial qualifications required of applicants for the license requested herein. McLeod has access to the financing and capital necessary to conduct its telecommunications operations as specified in this Application. McLeod will rely upon its existing personnel and technological and financial resources to provide intrastate services. Attached as Exhibit B is a copy of the most recent financial statements for McLeod. This exhibit is offered to demonstrate Applicant's financial ability to operate as a telecommunications service provider in the State of Florida. The capital available to McLeod, as evidenced by Exhibit B, will be available to meet McLeodUSA's capital needs as it implements and maintains its network and provides service to Florida customers.

2. **written explanation** that the applicant has sufficient financial capability to maintain the requested service.

Please refer to the information supplied in response to Question 1 above.

3. **written explanation** that the applicant has sufficient financial capability to meet its lease or ownership obligations.

Please refer to the information supplied in response to Question 1 above.

THIS PAGE MUST BE COMPLETED AND SIGNED

APPLICANT ACKNOWLEDGMENT STATEMENT

1. **REGULATORY ASSESSMENT FEE:** I understand that all telephone companies must pay a regulatory assessment fee in the amount of .15 of one percent of gross operating revenue derived from intrastate business. Regardless of the gross operating revenue of a company, a minimum annual assessment fee of \$50 is required.
2. **GROSS RECEIPTS TAX:** I understand that all telephone companies must pay a gross receipts tax of two and one-half percent on all intra and interstate business.
3. **SALES TAX:** I understand that a seven percent sales tax must be paid on intra and interstate revenues.
4. **APPLICATION FEE:** I understand that a non-refundable application fee of \$250.00 must be submitted with the application.

UTILITY OFFICIAL:

David R. Conn

Print Name

Vice President & Deputy General Counsel

Title

(319) 790-7055

Telephone No.

Address: 6400 C Street, SW P.O. Box 3177

Cedar Rapids, IA 52406-3177



Signature

11/10/00

Date

(319) 790-7901

Fax No.

THIS PAGE MUST BE COMPLETED AND SIGNED

AFFIDAVIT

By my signature below, I, the undersigned officer, attest to the accuracy of the information contained in this application and attached documents and that the applicant has the technical expertise, managerial ability, and financial capability to provide alternative local exchange company service in the State of Florida. I have read the foregoing and declare that, to the best of my knowledge and belief, the information is true and correct. I attest that I have the authority to sign on behalf of my company and agree to comply, now and in the future, with all applicable Commission rules and orders.

Further, I am aware that, pursuant to Chapter 837.06, Florida Statutes, "Whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his official duty shall be guilty of a misdemeanor of the second degree, punishable as provided in s. 775.082 and s. 775.083."

UTILITY OFFICIAL

David R. Conn
Print Name


Signature

Vice President & Deputy General Counsel
Title

11/10/00
Date

(319) 790-7055
Telephone No.

(319) 790-7901
Fax No.

Address: 6400 C Street, SW P.O. Box 3177
Cedar Rapids, IA 52406-3177

EXHIBITS

- Exhibit A Managerial and Technical Qualifications
- Exhibit B Financial Statements of Applicant's Parent:
McLeodUSA Incorporated

EXHIBIT A

Managerial and Technical Qualifications

MANAGERIAL AND TECHNICAL QUALIFICATIONS

Clark E. McLeod

Mr. McLeod founded the Company and has served as Chairman, Chief Executive Officer and a director of the Company since its inception in June 1991. His previous business venture, Teleconnect, an Iowa-based long distance telecommunications company, was founded in January 1980. Mr. McLeod served as Chairman and Chief Executive Officer of Teleconnect from January 1980 to December 1988, and from December 1988 to August 1990, he served as President of Telecom*USA, the successor to Teleconnect following its merger with SouthernNet, Inc. in December 1988. By 1990, Telecom*USA had become America's fourth largest long distance telecommunications company with nearly 6,000 employees. MCI purchased Telecom*USA in August 1990 for \$1.25 billion.

Stephen C. Gray

Mr. Gray was named President and Chief Executive Officer of McLeodUSA Local Services in January 2000. He has also served as Chief Operating Officer of the Company since September 1992, President since October 1994 and a director since April 1993. Prior to joining the Company, Mr. Gray served from August 1990 to September 1992 as Vice President of Business Services at MCI, where he was responsible for MCI's local access strategy and for marketing and sales support of the Business Markets division. From February 1988 to August 1990, he served as Senior Vice President of National Accounts and Carrier Services for Telecom*USA, where his responsibilities included sales, marketing, key contract negotiations and strategic acquisitions and combinations. Prior to joining Telecom*USA, from September 1986 to February 1988, Mr. Gray held a variety of management positions with Williams Telecommunications Company, a long distance telephone company.

Roy A. Wilkens

Mr. Wilkens was named Chief Technology Officer as well as President and Chief Executive Officer of McLeodUSA Data Services in January 2000. Mr. Wilkens has served as a director of McLeodUSA since June 1999. Mr. Wilkens was President of the Williams Pipeline Company when he founded WilTel Network Services as an operating unit of the Williams Companies, Inc., in 1985. He was founder/Chief Executive Officer of WilTel Network Services from 1985 to 1997. In 1995, WilTel Network Services was acquired by LDDS Communications, which now operates under the name WorldCom. Mr. Wilkens served as Vice Chairman of WorldCom until his retirement in 1997. In 1992, Mr. Wilkens was appointed by President George Bush to the National Security Telecommunications Advisory Council. He also has served as chairman of both the Competitive Telecommunications Association (CompTel) and the National Telecommunications Network. Mr. Wilkens is a director of Splitrock Services, Inc., Paging Network, Inc., UniDial Inc., and Orillion Corporation.

Michael J. Brown

Mr. Brown was named Group Vice President - Chief Service Officer in December 1999. Mr. Brown served as Group Vice President - Customer Support from September 1998 until December 1999, as Senior Vice President - Customer Support from February 1998 until September 1998, and as Senior Vice President of Sales for Colorado, Minnesota, North Dakota and South Dakota from August 1997 until February 1998. Prior to the above named positions, Mr. Brown held many positions at McLeodUSA including: Director of Iowa Sales, January 1994 - September 1994; Vice President of Sales, September 1994 - July 1995; and Vice President, Telecommunications, July 1995 - March 1996 which included sales, marketing, and customer service responsibilities. From March 1996 to February 1998, Mr. Brown served as Vice President of Sales for various field sales regions of the Company. Before joining McLeodUSA, Mr. Brown was with MCI from 1990 to 1994, where as Director for Iowa, Nebraska, and South Dakota in the Business Services division, Mike received the "Spirit of MCI" award in 1993 from Chairman Bert Roberts, one of the highest awards presented at MCI. Prior to MCI, Mike was Regional Director of Sales for Teleconnect and Telecom*USA for the Illinois Region from 1987 to 1990. Other positions from 1981 - 1990 were all in the telecommunications industry, primarily in sales and sales management capacities.

J. Lyle Patrick

Mr. Patrick is Group Vice President - Finance and Accounting and the Chief Financing & Accounting Officer. Since September 1997, Mr. Patrick has had responsibility for financial, billing and other administrative functions of the Company, as well as directing the Company's regulatory and legislative efforts with various state and national agencies. From 1988 until September of 1997, Mr. Patrick was Vice President and Chief Financial Officer of Consolidated Communications Inc. Mr. Patrick is a Certified Public Accountant and was a partner with Arthur Andersen LLP for the 14 years prior to his tenure with CCI. Mr. Patrick is the immediate past Chairman of the CompTel Board of Directors, the national competitive telecommunications association. He is a past Chairman of the Illinois Telecommunications Association Board of Directors, and has served on various committees as well as the Board of Directors of the United States Telephone Association.

Randall Rings

Mr. Rings was named Group Vice President - Chief Legal Officer of McLeodUSA in June 2000. He had previously served as Vice President, Secretary and General Counsel of the Company since March 1998. From May 1996 to March 1998, he served as General Counsel of McLeodUSA Publishing, where he was responsible for its legal, legislative and regulatory affairs. Prior to 1996, Mr. Rings served as an Associate Attorney at March & McMillan, P.C., with a diverse legal practice which included business planning, commercial litigation, employment and environmental law, and representation of electric and telephone cooperatives. From November 1988 to June 1992, he served as Corporate Counsel to the Association of Illinois Electric Cooperatives, where he acted as its chief legal officer and

advised electric and telephone cooperatives throughout Illinois on corporate, tax, employment and other legal matters.

Steven J. Shirar

Mr. Shirar was named Group Vice President - Chief Sales Officer in April 2000. Mr. Shirar served as Chief Marketing Officer from December 1999 to April 2000, as Regional President - Southern Region from September 1998 until December 1999, and as Executive Vice President of Telecommunications Marketing from September 1997 until September 1998. From August 1996 until September 1997, Mr. Shirar was President of Consolidated Systems and Services, a billing services and software development subsidiary of Consolidated Communications Inc. From September 1994 through August 1996, Mr. Shirar was Chief Operating Officer of MedAdvantage, a Michigan-based managed health care concern. From January 1992 until August 1994, he was President of Ameritech Industrial Infosource, Inc., an advertising services and publishing concern with offices in the U.S. and six European countries. From January 1989 through December 1991, Mr. Shirar was responsible for corporate and market strategy development for Ameritech, focused on the consumer and small business marketplace. In the years prior to that position, he held a number of engineering, operations and marketing positions with Ameritech.

EXHIBIT B

Financial Statements of Applicant's Parent:
McLeodUSA Incorporated

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, 1999

Commission File Number: 0-20763

McLEODUSA INCORPORATED

(Exact name of registrant as specified in its charter)

Delaware

42-1407240

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

McLeodUSA Technology Park
6400 C Street SW, P.O. Box 3177
Cedar Rapids, IA

52406-3177

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (319) 364-0000

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

Not applicable

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

Class A common stock, par value \$0.01 per share
6.75% Series A preferred stock, par value \$0.01 per share
(Title of Classes)

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 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 voting stock held by non-affiliates of the registrant, based upon the closing price of the registrant's common stock as of March 17, 2000 is \$11,278,547,249.*/

The number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date is:

- Class A common stock, par value \$.01 per share, outstanding as of March 17, 2000: 160,512,447 shares

*/ Solely for the purposes of this calculation, all directors and executive officers of the registrant and all stockholders beneficially owning more than 5% of the registrant's common stock that have representation on the registrant's Board of Directors are considered to be affiliates.

DOCUMENTS INCORPORATED BY REFERENCE

List hereunder the following documents incorporated by reference and the Part of the Form 10-K into which the document is incorporated:

Portions of the definitive proxy statement for the Annual Meeting of Stockholders to be held on May 31, 2000, to be filed within 120 days after the end of the registrant's fiscal year, are incorporated by reference

MCLEODUSA INCORPORATED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In millions, except shares)

	December 31,	
	1999	1998
ASSETS		
Current Assets		
Cash and cash equivalents.....	\$ 326.9	\$ 455.1
Investment in available-for-sale securities.....	934.1	136.6
Trade receivables, net.....	183.8	116.4
Inventory.....	27.5	12.8
Deferred expenses.....	39.2	26.7
Prepaid expenses and other.....	58.0	45.6
Total current assets.....	1,569.5	793.2
Property and Equipment		
Land and building.....	85.1	60.3
Telecommunications networks.....	635.9	307.3
Furniture, fixtures and equipment.....	267.2	138.3
Networks in progress.....	453.2	185.5
Building in progress.....	1.2	12.6
	1,442.6	704.0
Less accumulated depreciation.....	172.6	74.3
	1,270.0	629.7
Investments, Intangibles and Other Assets		
Other investments.....	35.9	35.9
Goodwill, net.....	957.1	289.6
Other intangibles, net.....	290.2	112.4
Other.....	80.4	64.4
	1,363.6	502.3
	\$4,203.1	\$1,925.2
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Current maturities of long-term debt.....	\$ 14.4	\$ 8.2
Contracts and notes payable.....	.1	4.5
Accounts payable.....	109.6	62.0
Accrued payroll and payroll related expenses.....	26.2	13.6
Other accrued liabilities.....	92.2	63.8
Deferred revenue, current portion.....	24.1	11.0
Customer deposits.....	30.1	16.8
Total current liabilities.....	296.7	179.9
Long-Term Debt, less current maturities.....	1,763.8	1,245.2
Deferred Revenue, less current portion.....	15.8	16.8
Other Long-term liabilities.....	18.3	20.5
	2,094.6	1,462.4
Redeemable convertible preferred stock		
Preferred, Series B, redeemable, convertible, \$.01 par value, authorized, issued and Outstanding 1999 275,000; 1998 none.....	687.5	—
Preferred, Series C, redeemable, convertible, \$.01 par value, authorized, issued and Outstanding 1999 125,000; 1998 none.....	312.5	—
	1,000.0	—
Stockholders' Equity		
Capital stock:		
Preferred, Series A, \$.01 par value: authorized, issued and outstanding 1999 1,150,000 shares; 1998 none.....	—	—
Common, Class A, \$.01 par value; authorized 250,000,000 shares; issued and outstanding 1999 157,587,012 shares and 1998 127,358,350 shares.....	1.6	1.3
Common, Class B, convertible, \$.01 par value; authorized 22,000,000 shares; issued and outstanding 1999 none; 1998 none.....	—	—
Additional paid-in capital.....	1,523.5	716.5
Accumulated deficit.....	(491.3)	(253.3)
Accumulated other comprehensive income (loss).....	74.7	(1.7)
	1,108.5	462.8
	\$4,203.1	\$1,925.2

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

MCLEODUSA INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(In millions, except per share data)

	<u>Year Ended December 31,</u>		
	<u>1999</u>	<u>1998</u>	<u>1997</u>
Revenue:			
Telecommunications:			
Local and long distance	\$ 456.0	\$ 271.2	\$ 110.0
Local exchange services	78.4	67.8	16.1
Private line and data	80.1	40.1	17.2
Network maintenance and equipment	36.3	32.9	21.0
Other telecommunications	<u>30.1</u>	<u>27.8</u>	<u>9.9</u>
Total telecommunications revenue	680.9	439.8	174.2
Directory	209.2	144.9	81.1
Telemarketing	<u>18.7</u>	<u>19.4</u>	<u>12.6</u>
Total revenue	908.8	604.1	267.9
Operating expenses:			
Cost of service	457.1	323.2	151.2
Selling, general and administrative	392.7	260.9	148.2
Depreciation and amortization	190.7	89.1	33.3
Other	<u>—</u>	<u>5.6</u>	<u>4.6</u>
Total operating expenses	<u>1,040.5</u>	<u>678.8</u>	<u>337.3</u>
Operating loss	<u>(131.7)</u>	<u>(74.7)</u>	<u>(69.4)</u>
Nonoperating income (expense):			
Interest income	42.6	26.0	22.7
Interest (expense)	(136.8)	(78.2)	(34.6)
Other income	<u>5.6</u>	<u>2.0</u>	<u>1.4</u>
Total nonoperating income (expense)	<u>(88.6)</u>	<u>(50.2)</u>	<u>(10.5)</u>
Loss before income taxes	(220.3)	(124.9)	(79.9)
Income taxes	<u>—</u>	<u>—</u>	<u>—</u>
Net loss	<u>(220.3)</u>	<u>(124.9)</u>	<u>(79.9)</u>
Preferred stock dividend	<u>(17.7)</u>	<u>—</u>	<u>—</u>
Net loss applicable to common shares	<u>\$ (238.0)</u>	<u>\$ (124.9)</u>	<u>\$ (79.9)</u>
Basic and diluted loss per common share	<u>\$ (1.61)</u>	<u>\$ (.99)</u>	<u>\$ (.73)</u>
Weighted average common shares outstanding	<u>147.7</u>	<u>125.6</u>	<u>109.9</u>
Other comprehensive income (loss):			
Unrealized gains on securities:			
Unrealized holding gains (losses) arising during the			
Period	83.4	3.0	(2.5)
Less: Reclassification adjustment for gains included in			
Net income	<u>(7.0)</u>	<u>(2.2)</u>	<u>—</u>
Total other comprehensive income (loss)	<u>76.4</u>	<u>.8</u>	<u>(2.5)</u>
Comprehensive loss	<u>\$ (161.6)</u>	<u>\$ (124.1)</u>	<u>\$ (82.4)</u>

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

MCLEODUSA INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
Years Ended December 31, 1999, 1998 and 1997
(In millions, except shares)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total
	Class A	Class B				
Balance, December 31, 1996.....	\$ 0.4	\$ 0.2	\$ 450.7	\$ (47.8)	\$ —	\$ 403.5
Net loss	—	—	—	(79.9)	—	(79.9)
Issuance of 1,137,883 shares of Class A Common stock	—	—	0.9	—	—	0.9
Release of 56,177 shares of Class A common stock from escrow.....	—	—	1.3	—	—	1.3
Issuance of 84,430 shares of Class A common stock in connection with the acquisition of Digital Communications of Iowa, Inc.....	—	—	2.3	—	—	2.3
Issuance of 8,488,596 shares of Class A Common stock in connection with the Acquisition of CCI.....	—	—	223.6	—	—	223.6
Issuance of 55,500 shares of Class A common stock in connection with the acquisition of certain assets of OneTEL Corp.	—	—	2.0	—	—	2.0
Issuance of 140,000 shares of Class A common stock in connection with the acquisition of ownership interests of Colorado Directory Company LLC.....	—	—	4.5	—	—	4.5
Issuance of 38,080 shares of Class A common stock to participants in the Employee Stock Purchase Plan	—	—	0.7	—	—	0.7
Conversion of 15,625,929 shares of Class B Common stock to 15,625,929 shares of Class A common stock	0.2	(0.2)	—	—	—	—
Amortization of compensation expense related to stock options	—	—	3.0	—	—	3.0
Other comprehensive income	—	—	—	—	(2.5)	(2.5)
Balance, December 31, 1997.....	0.6	—	689.0	(127.7)	(2.5)	559.4
Net loss	—	—	—	(124.9)	—	(124.9)
Issuance of 1,353,785 shares of Class A common stock	—	—	3.7	—	—	3.7
Issuance of 70,508 shares of Class A common stock in connection with the acquisition of NewCom Technologies, Inc. and NewCom OSP Services, Inc.	—	—	3.2	—	—	3.2
Issuance of 151,019 shares of Class A common stock in connection with the acquisition of certain assets of Communications Cable-Laying Company, Inc.	—	—	6.0	—	—	6.0
Issuance of 70,672 shares of Class A common stock in connection with the acquisition of of Inlet, Inc. .	—	—	2.4	—	—	2.4
Issuance of 82,602 shares of Class A common stock to participants in the 401(k) profit-sharing plans.....	—	—	2.6	—	—	2.6
Issuance of 132,893 shares of Class A common stock to participants in the Employee Stock Purchase Plan	—	—	3.7	—	—	3.7
Amortization of compensation expense related to stock options	—	—	5.9	—	—	5.9
Other comprehensive income	—	—	—	—	0.8	0.8
Balance, December 31, 1998.....	0.6	—	716.5	(252.6)	(1.7)	462.8
Two-for-one stock split (Note 8).....	0.7	—	—	(0.7)	—	—
Net loss	—	—	—	(238.0)	—	(238.0)
Issuance of 4,174,274 shares of Class A common stock	—	—	20.7	—	—	20.7
Issuance of 25,397,456 shares of Class A common stock in connection with the acquisitions (Note 8)....	0.3	—	487.7	—	—	488.0
Issuance of 222,762 shares of Class A common stock to participants in the 401(k) profit-sharing plans.....	—	—	4.9	—	—	4.9
Issuance of 313,908 shares of Class A common stock to participants in the Employee Stock Purchase Plan	—	—	4.4	—	—	4.4
Issuance of 1,150,000 shares of Series A preferred stock	—	—	277.3	—	—	277.3
Amortization of compensation expense related to stock options	—	—	6.9	—	—	6.9
Issuance of 120,261 shares of Class A common stock to Series A preferred stock shareholders.....	—	—	5.1	—	—	5.1
Other comprehensive income	—	—	—	—	76.4	76.4
Balance, December 31, 1999.....	\$ 1.6	\$ —	\$ 1,523.5	\$ (491.3)	\$ 74.7	\$ 1,108.5

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

MCLEODUSA INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	<u>Year Ended December 31,</u>		
	<u>1999</u>	<u>1998</u>	<u>1997</u>
Cash Flows from Operating Activities			
Net loss.....	\$(220.3)	\$(124.9)	\$ (79.9)
Adjustments to reconcile net loss to net cash (used in) operating activities:			
Depreciation.....	105.6	53.3	17.6
Amortization.....	85.1	34.7	15.7
Accretion of interest on senior discount notes.....	38.9	35.1	26.7
Changes in assets and liabilities, net of effects of acquisitions:			
(Increase) in trade receivables.....	(20.7)	(6.4)	(15.9)
(Increase) in inventory.....	(12.7)	(8.2)	(0.8)
(Increase) decrease in deferred expenses.....	(4.0)	0.9	1.2
(Increase) decrease in prepaid expenses and other.....	10.2	(34.3)	(1.0)
(Increase) in deferred line installation costs.....	(27.2)	(13.6)	(9.7)
Increase (decrease) in accounts payable and accrued expenses.....	(16.9)	32.2	27.1
Increase in deferred revenue.....	10.5	4.6	7.2
Increase in customer deposits.....	9.3	4.1	3.0
Net cash (used in) operating activities.....	<u>(42.2)</u>	<u>(22.5)</u>	<u>(8.8)</u>
Cash Flows from Investing Activities			
Purchase of property and equipment.....	(599.7)	(289.9)	(151.3)
Available-for-sale securities:			
Purchases.....	(1,247.3)	(607.4)	(116.0)
Sales.....	144.3	264.4	102.4
Maturities.....	391.5	242.0	133.8
Business acquisitions.....	(230.8)	(27.8)	(181.9)
Deposits on PCS licenses.....	—	—	(28.0)
Other.....	(8.9)	(5.2)	(1.8)
Net cash (used in) investing activities.....	<u>(1,550.9)</u>	<u>(423.9)</u>	<u>(242.8)</u>
Cash Flows from Financing Activities			
Payments on contracts and notes payable.....	(26.2)	(11.1)	(19.0)
Proceeds from long-term debt.....	485.8	583.9	506.6
Payments on long-term debt.....	(279.2)	(10.9)	(2.2)
Net proceeds from issuance of common stock.....	18.0	7.7	1.6
Net proceeds from preferred stock – Series A.....	278.1	—	—
Net proceeds from preferred stock – Series B and C.....	998.7	—	—
Payments of preferred stock dividends.....	(10.3)	—	—
Net cash provided by financing activities.....	<u>1,464.9</u>	<u>569.6</u>	<u>487.0</u>
Net increase (decrease) in cash and cash equivalents.....	<u>(128.2)</u>	<u>123.2</u>	<u>235.4</u>
Cash and cash equivalents:			
Beginning.....	455.1	331.9	96.5
Ending.....	<u>\$ 326.9</u>	<u>\$ 455.1</u>	<u>\$ 331.9</u>
Supplemental Disclosure of Cash Flow Information			
Cash payment for interest, net of interest capitalized 1999 \$23.0; 1998 \$10.7; 1997 \$4.4.....	<u>\$ 85.8</u>	<u>\$ 27.0</u>	<u>\$ 1.8</u>
Supplemental Schedule of Noncash Investing and Financing Activities			
Release of 112,354 shares of Class A common stock from escrow.....	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1.3</u>
Capital leases incurred for the acquisition of property and equipment.....	<u>\$ 10.3</u>	<u>\$ 5.9</u>	<u>\$ 3.4</u>

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

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended June 30, 2000

or

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

For the transition period _____ to _____

Commission file number 0-20763

McLEODUSA INCORPORATED

(Exact name of registrant as specified in its charter)

Delaware
(State of Incorporation)

42-1407240
(IRS Employer Identification No.)

McLeodUSA Technology Park
6400 C Street SW
P.O. Box 3177
Cedar Rapids, Iowa
(Address of principal executive office)

52406-3177
(Zip Code)

319-364-0000
(Registrant's telephone number,
including area code)

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

The number of shares outstanding of each class of the issuer's common stock as of August 3, 2000:

Common Stock Class A: (\$.01 par value) 582,553,110 shares

Common Stock Class B: (\$.01 par value) None

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

**McLEODUSA INCORPORATED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In millions, except shares)**

	June 30, 2000 (Unaudited)	December 31, 1999
ASSETS		
Current Assets		
Cash and cash equivalents.....	\$ 931.3	\$ 326.9
Investment in available-for-sale securities.....	324.5	934.1
Trade receivables, net.....	266.2	183.8
Inventory.....	33.2	27.5
Deferred expenses.....	39.7	39.2
Prepaid expenses and other.....	<u>52.1</u>	<u>58.0</u>
TOTAL CURRENT ASSETS.....	<u>1,647.0</u>	<u>1,569.5</u>
Property and Equipment		
Land and building.....	115.0	85.1
Telecommunications networks.....	878.7	635.9
Furniture, fixtures and equipment.....	349.2	267.2
Networks in progress.....	841.1	453.2
Building in progress.....	<u>4.6</u>	<u>1.2</u>
	2,188.6	1,442.6
Less accumulated depreciation.....	<u>290.6</u>	<u>172.6</u>
	<u>1,898.0</u>	<u>1,270.0</u>
Investments, Intangible and Other Assets		
Other investments.....	32.9	35.9
Goodwill, net.....	3,033.7	957.1
Other intangibles, net.....	339.3	290.2
Other.....	<u>118.6</u>	<u>80.4</u>
	<u>3,524.5</u>	<u>1,363.6</u>
	<u>\$ 7,069.5</u>	<u>\$ 4,203.1</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Current maturities of long-term debt.....	\$ 299.0	\$ 14.4
Contracts and notes payable.....	0.1	0.1
Accounts payable.....	143.3	109.6
Accrued payroll and payroll related expenses.....	28.5	26.2
Other accrued liabilities.....	213.6	92.2
Deferred revenue, current portion.....	71.9	24.1
Customer deposits.....	<u>30.7</u>	<u>30.1</u>
TOTAL CURRENT LIABILITIES.....	787.1	296.7
Long-term Debt, less current maturities.....	2,370.4	1,763.8
Deferred Revenue, less current portion.....	14.5	15.8
Other long-term liabilities.....	<u>19.1</u>	<u>18.3</u>
	<u>3,191.1</u>	<u>2,094.6</u>
Redeemable convertible preferred stock		
Preferred, Series B, redeemable, convertible, \$.01 par value, authorized, issued and outstanding 2000 275,000 shares; 1999 275,000 shares.....	687.5	687.5
Preferred, Series C, redeemable, convertible, \$.01 par value, authorized, issued and outstanding 2000 125,000 shares; 1999 125,000 shares.....	<u>312.5</u>	<u>312.5</u>
	<u>1,000.0</u>	<u>1,000.0</u>
Stockholders' Equity		
Capital Stock:		
Preferred, Series A, \$.01 par value: authorized 1,150,000 shares; issued and outstanding 2000 1,149,500 shares; 1999 1,150,000 shares.....	—	—
Common, Class A, \$.01 par value; authorized 2,000,000,000 shares; issued and outstanding 2000 578,571,887 shares; 1999 472,761,036 shares.....	5.8	4.8
Common, Class B, convertible, \$.01 par value; authorized 22,000,000 shares; issued and outstanding 2000 and 1999 none.....	—	—
Additional paid-in capital.....	3,497.3	1,523.5
Accumulated deficit.....	(706.6)	(494.5)
Accumulated other comprehensive income.....	<u>81.9</u>	<u>74.7</u>
	<u>2,878.4</u>	<u>1,108.5</u>
	<u>\$ 7,069.5</u>	<u>\$ 4,203.1</u>

- Class A common stock and accumulated deficit are presented after giving effect for the three-for-one stock split effected in the form of a stock dividend as described in Note 4.

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

McLEODUSA INCORPORATED AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(In millions, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2000	1999	2000	1999
Revenues:				
Telecommunications	\$ 246.2	\$ 142.9	\$ 443.5	\$ 253.2
Local exchange services	20.5	19.8	42.1	37.4
Directory	59.8	55.2	124.6	104.6
Telemarketing	5.3	4.8	9.9	8.6
TOTAL REVENUES	331.8	222.7	620.1	403.8
Operating expenses:				
Cost of service	196.4	113.1	344.4	205.5
Selling, general and administrative	134.3	98.5	256.6	178.4
Depreciation and amortization	102.6	43.6	163.2	78.7
TOTAL OPERATING EXPENSES	433.3	255.2	764.2	462.6
OPERATING LOSS	(101.5)	(32.5)	(144.1)	(58.8)
Nonoperating income (expense):				
Interest income	15.6	6.7	30.8	15.0
Interest (expense)	(42.0)	(36.2)	(72.9)	(65.7)
Other income	2.2	0.6	2.0	0.6
TOTAL NONOPERATING INCOME (EXPENSE)	(24.2)	(28.9)	(40.1)	(50.1)
LOSS BEFORE INCOME TAXES	(125.7)	(61.4)	(184.2)	(108.9)
Income taxes	---	---	---	---
NET LOSS	(125.7)	(61.4)	(184.2)	(108.9)
Preferred stock dividend	(13.6)	---	(27.2)	---
NET LOSS APPLICABLE TO COMMON SHARES	\$ (139.3)	\$ (61.4)	\$ (211.4)	\$ (108.9)
Loss per common share	\$ (0.24)	\$ (0.14)	\$ (0.40)	\$ (0.26)
Weighted average common shares outstanding	578.6	449.4	529.1	423.2
Other comprehensive income (loss), net of tax:				
Unrealized gains on securities:				
Unrealized holding gains (losses) arising during the period	(10.5)	9.5	9.5	17.7
Less: reclassification adjustment for gains included in net income	(2.3)	(0.6)	(2.3)	(0.7)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	(12.8)	8.9	7.2	17.0
COMPREHENSIVE LOSS	\$ (152.1)	\$ (52.5)	\$ (204.2)	\$ (91.9)

* Loss per common share and weighted average common shares outstanding are presented after giving effect for the three-for-one stock split effected in the form of a dividend as described in Note 4.

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

McLEODUSA INCORPORATED AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)

	Six Months Ended June 30,	
	<u>2000</u>	<u>1999</u>
Cash Flows from Operating Activities		
Net loss	\$ (184.2)	\$ (108.9)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation	84.2	41.8
Amortization	79.0	36.9
Accretion of interest on senior discount notes	21.0	19.0
Changes in assets and liabilities, net of effects of acquisitions:		
(Increase) in trade receivables	(70.0)	(22.6)
(Increase) in inventory	(5.7)	(14.4)
(Increase) decrease in deferred expenses	(0.4)	0.2
Decrease in prepaid expenses and other	47.2	6.2
(Increase) in deferred line installation costs	(14.4)	(6.2)
(Decrease) in accounts payable and accrued expenses	(16.0)	(3.1)
Increase in deferred revenue	46.4	2.2
Increase in customer deposits	0.4	7.0
NET CASH (USED IN) OPERATING ACTIVITIES	<u>(12.5)</u>	<u>(41.9)</u>
Cash Flows from Investing Activities		
Purchases of property and equipment	(555.3)	(220.7)
Available-for-sale securities:		
Purchases	(408.8)	(348.6)
Sales	0.6	79.5
Maturities	1,049.2	150.3
Business Acquisitions	(19.7)	(170.3)
Other	(5.7)	(8.4)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>60.3</u>	<u>(518.2)</u>
Cash Flows from Financing Activities		
Payments on contracts and notes payable	—	(12.9)
Net proceeds from preferred stock	(1.0)	—
Net proceeds from long-term debt	555.7	486.4
Payments on long-term debt	(14.9)	(121.6)
Net proceeds from issuance of common stock	34.3	3.6
Payments of preferred stock dividends	(17.5)	—
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>556.6</u>	<u>355.5</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>604.4</u>	<u>(204.6)</u>
Cash and cash equivalents:		
Beginning	326.9	455.1
Ending	<u>\$ 931.3</u>	<u>\$ 250.5</u>
Supplemental Disclosure of Cash Flow Information:		
Cash payment for interest	<u>\$ 58.6</u>	<u>\$ 40.2</u>
Supplemental Schedule of Noncash Investing and Financing Activities		
Capital leases incurred for the acquisition of property and equipment	<u>\$ 6.1</u>	<u>\$ 3.0</u>

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

SWIDLER BERLIN SHEREFF FRIEDMAN, LLP

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NEW YORK OFFICE
405 LEXINGTON AVENUE
NEW YORK, NY 10174

November 10, 2000

VIA OVERNIGHT MAIL

Blanca S. Bayo, Director
Florida Public Service Commission
Division of Records and Reporting
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

DEPOSIT DATE
D387 NOV 14 2000

001692-TX

Re: Application of McLeodUSA Telecommunications Services, Inc. for Authority to Provide Alternative Local Exchange Telecommunications Services Within the State of Florida

Dear Ms. Bayo:

Enclosed for filing on behalf of McLeodUSA Telecommunications Services, Inc. ("McLeod") please find an original and seven (7) copies of McLeod's application for authority to provide alternative local exchange telecommunications services within the State of Florida. Also enclosed is a check in the amount of \$250.00 to cover the filing fee.

Please date stamp and return the extra copy of this filing in the self-addressed, postage-prepaid envelope provided. Should you have any questions concerning this matter, please do not hesitate to call us.

Respectfully submitted,

Brett P Ferenchak

Grace R. Chiu
Brett P. Ferenchak

REDACTED

DAVID R. OR SUSAN V. CONN
6046 N 10TH ST. PH. 319-373-8468
MARION, IA 52302

58-54 3026
730
179623061

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tions Services, Inc.

DATE 11/9/00

PAY TO THE ORDER OF

Florida Public Service Comm

\$250.00

Two hundred and fifty and 00/100

DOLLARS

FIRSTAR Bank, N.A.
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MEMO ABC APP

INVESTMENT CHECKING

DOCUMENT NUMBER - DATE

14611 NOV 13 2000

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