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February 14, 2002

VIA OVERNIGHT MAIL

Ms. Blanca S. Bayó
Commission Clerk and Administrative Services Director
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Application for Approval of the Indirect Transfer of Control of McLeodUSA
Telecommunications Services, Inc.

Dear Ms. Bayó:

020125-TP

McLeodUSA Telecommunications Services, Inc. ("McLeodUSA"), by and through its undersigned counsel, hereby requests Commission approval, pursuant Chapter 364.33 of the Florida Statutes, FLA. STAT. CH. 364.33 (2001), of the indirect transfer of control of McLeodUSA, an authorized provider of intrastate telecommunications services in the State of Florida, that will result from the pending recapitalization of its ultimate parent company, McLeodUSA Incorporated ("Parent").¹

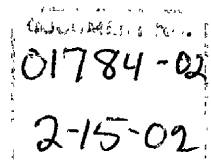
An original and fifteen (15) copies of this letter are enclosed. Please date-stamp the enclosed extra copy of this filing and return it in the attached self-addressed stamped envelope.

Introduction

Parent recently filed a pre-negotiated plan of reorganization (the "Reorganization Plan" or "Plan") in its chapter 11 bankruptcy proceeding as a key step in positioning Parent for the future through a restructuring of its capital structure.² Neither McLeodUSA nor any other

¹ On January 31, 2002, Parent filed a voluntary petition in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court") for reorganization relief under chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101-1330.

² The Reorganization Plan is supported by Parent's Board of Directors, its senior secured lenders, affiliates of Forstmann Little & Co., the ad hoc committee of holders of Parent's unsecured notes, and certain of Parent's preferred shareholders.



subsidiary of Parent, however, has filed for bankruptcy protection and therefore is not part of Parent's bankruptcy proceeding. McLeodUSA emphasizes that during Parent's bankruptcy proceeding, McLeodUSA expects to operate its business in the ordinary course without interruption, with no impact upon its customers, employees, and trade creditors, and without interference from the Bankruptcy Court.

Indirect Transfer of Control of McLeodUSA. The Reorganization Plan contemplates that affiliates of Forstmann Little & Co.³ will convert existing preferred stock into common stock, and purchase approximately 23 per cent of the reorganized Parent's common stock (plus warrants to purchase an additional 6 per cent of common stock). As a result of the consummation of the Reorganization Plan, Forstmann Little would own on a fully diluted basis approximately 57 per cent of the reorganized Parent's common stock. Indirect control of McLeodUSA, therefore, would be transferred to Forstmann Little. Attached hereto as Exhibit A is an illustrative chart depicting the corporate structure of Parent and McLeodUSA prior to and immediately following consummation of the Reorganization Plan.

Expedited Consideration Requested. The transactions described herein are subject to confirmation of the Reorganization Plan by the Bankruptcy Court. The confirmation hearing is scheduled to commence on April 5, 2002. Accordingly, McLeodUSA respectfully requests Commission approval of the indirect transfer of control of McLeodUSA to Forstmann Little, as soon as possible but no later than April 5, 2002. By avoiding or minimizing any delay in implementation of the Reorganization Plan, McLeodUSA can assure that the benefits of the Plan will more readily accrue to its customers in the State of Florida.

In support of this Application, McLeodUSA states as follows:

I. The Applicant

McLeodUSA is an Iowa corporation with principal offices located at McLeodUSA Technology Park, 6400 C Street, SW, Cedar Rapids, Iowa 52406-3177. McLeodUSA provides integrated communications services, including local services, primarily in 25 Midwest, Southwest, Northwest, and Rocky Mountain states. McLeodUSA is a wholly owned subsidiary of McLeodUSA Holdings, Inc. which, in turn, is a wholly owned subsidiary of Parent, a publicly traded Delaware corporation and the one of the largest independent competitive local exchange carriers in the United States.

³ For purposes of this Application, Forstmann Little is comprised of five affiliated partnerships: Forstmann Little & Co. Equity Partnership-VII, L.P., Forstmann Little & Co. Subordinated Debt & Equity Management Buyout Partnership-VIII, L.P., Forstmann Little & Co. Equity Partnership-V, L.P., Forstmann Little & Co. Subordinated Debt & Equity Management Buyout Partnership-VI, L.P., and Forstmann Little & Co. Subordinated Debt & Equity Management Buyout Partnership-VII, L.P., and any other investment fund controlled and managed by the same general partner or investment manager as any of the foregoing (collectively "Forstmann Little").

In Florida, McLeodUSA is authorized to provide alternative local exchange telecommunications services and intrastate interexchange telecommunications services pursuant to certifications granted by the Commission in Docket Nos. 001692-TX and 961457-TI, issued on February 5, 2001 and March 11, 1997, respectively. Further information concerning McLeodUSA's legal, technical, managerial and financial qualifications to provide service was submitted with its applications for certification with the Commission as noted above and is, therefore, a matter of public record. McLeodUSA respectfully requests that the Commission take official notice of that information and incorporate it herein by reference.

II. Designated Contacts

Questions or correspondence concerning this Application should be directed to McLeodUSA's attorneys of record:

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Grace R. Chiu
Wendy M. Creeden
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III. Request for Approval of the Indirect Transfer of Control

Parent has formulated a Reorganization Plan to restructure its capital structure. As set forth below, the Plan proposes that upon consummation Forstmann Little will own on a fully diluted basis a total of approximately 57 per cent of the reorganized Parent's common stock.

Forstmann Little has long been recognized as a preeminent acquirer and owner of businesses. Over its 23-year history, the firm has invested almost \$12 billion in the 29 acquisitions and investments it has made and has generated consistently superior subordinated debt and equity returns on significant amounts of partnership capital. Forstmann Little focuses exclusively on acquiring high quality, high growth companies, investing substantial amounts of its own capital to provide for significant ongoing expansion.

Pursuant to the Plan, Forstmann Little will invest an additional \$175 million in Parent in exchange for (i) approximately 23 per cent of the reorganized Parent's common stock ("Common Stock")⁴ and (ii) 5-year warrants to purchase an additional 6 per cent of Common Stock for \$30 million. In addition, Forstmann Little's existing McLeodUSA Incorporated Series D and Series E Preferred Stock will be converted into approximately 35 per cent of Common Stock. Upon the consummation of these transactions, Forstmann Little will own approximately 57 per cent of Common Stock. McLeodUSA therefore seeks approval of the indirect transfer of control of McLeodUSA to Forstmann Little.⁵

IV. Effect of the Indirect Transfer of Control of McLeodUSA

McLeodUSA emphasizes that the indirect transfer of control described herein will not involve a change in the name under which McLeodUSA currently operates nor any change in the manner in which McLeodUSA currently offers service in the State of Florida. Immediately following the recapitalization, McLeodUSA will continue to offer the services it currently offers with no change in the rates or terms and conditions of service. McLeodUSA, moreover, will continue to be led by the same team of experienced telecommunications management. The indirect transfer of control of McLeodUSA to Forstmann Little therefore will be seamless and transparent to consumers in the State of Florida, in terms of the services they receive.

V. Public Interest Considerations

Approval of the indirect transfer of control described herein will serve the public interest in promoting competition among telecommunications carriers. Specifically, the indirect transfer of control of McLeodUSA that will result from Forstmann Little's increased equity ownership of Parent (resulting from its new investment and conversion of preferred stock) will provide McLeodUSA with the opportunity to strengthen its competitive position through access to the improved capital structure of its ultimate parent. In addition, the improved financial position of Parent that will result from this increase in funding will enable Parent to implement its long-term growth plans and to significantly enhance McLeodUSA's operational flexibility and efficiency, as well as its long-term financial viability. These enhancements will inure directly to the benefit of Florida consumers. The proposed transaction will therefore ensure the provision of innovative, high quality telecommunications services to the public and should promote competition in the Florida telecommunications service market.

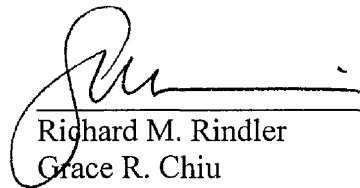
⁴ As used in this Application, the term "Common Stock" refers to the reorganized Parent's common stock.

⁵ As stated above, the transactions described herein are subject to confirmation of the Reorganization Plan by the Bankruptcy Court.

* * * *

For the reasons stated herein, McLeodUSA respectfully requests that the Commission grant approval of the indirect transfer of control of McLeodUSA to Forstmann Little as described herein. McLeodUSA respectfully requests that such approval be granted on an expedited basis to allow Parent and the other parties to implement the Reorganization Plan, and consummate the transactions contemplated thereby, including the increase in Forstmann Little's equity ownership of Parent, as soon as possible but no later than April 5, 2002. Expedited review and approval of this Application will enable McLeodUSA to assure that the benefits of the Reorganization Plan will more readily accrue to its customers in the State of Florida.

Respectfully submitted,



William H. Courter
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Services, Inc.

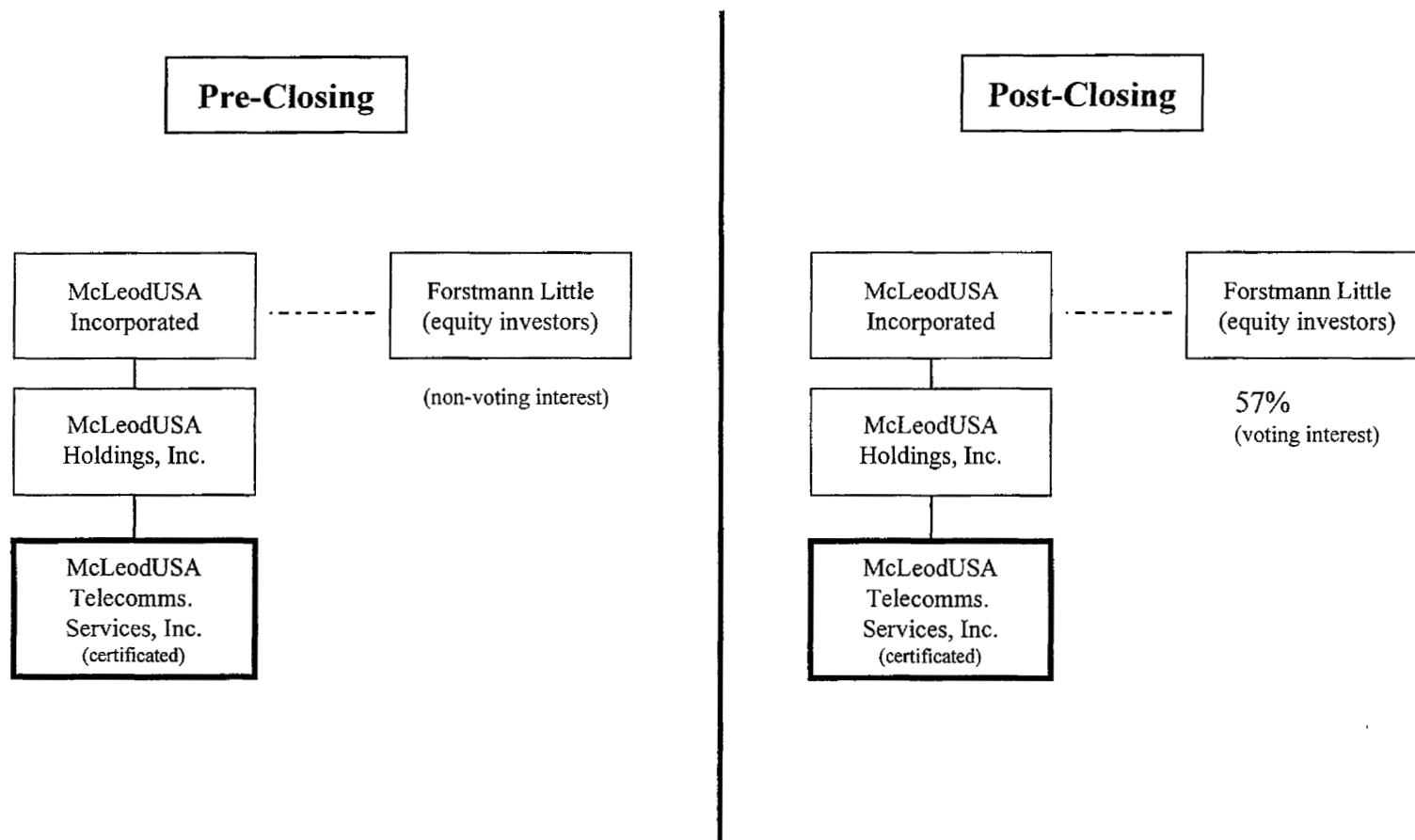
Enclosures

cc: David. R. Conn (McLeodUSA)

EXHIBIT A

Illustrative Chart

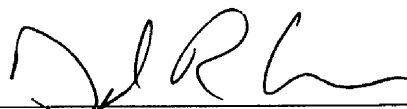
EXHIBIT A
Indirect Transfer of Control of
McLeodUSA Telecommunications Services, Inc. to Forstmann Little



VERIFICATION

STATE OF IOWA :
 : ss.
COUNTY OF LINN :

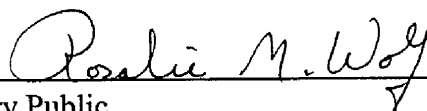
I, David R. Conn, being first duly sworn, state that I am Vice President and Deputy General Counsel of McLeodUSA Telecommunications Services, Inc., the Applicant in the foregoing Application; that I am authorized to make this Verification on behalf of the Applicant; that I have read the foregoing Application and know the contents thereof; and that the same are true and correct to the best of my knowledge, information, and belief.



David R. Conn
Vice President and Deputy General Counsel
McLeodUSA Telecommunications Services, Inc.

Sworn and subscribed before me this 6 th day of February, 2002.





Notary Public

My commission expires 7/28/2003.