

SWIDLER BERLIN SHEREFF FRIEDMAN, LLP

THE WASHINGTON HARBOUR
3000 K STREET, NW, SUITE 300
WASHINGTON, DC 20007-5116
TELEPHONE (202)424-7500
FAX (202) 424-7645
WWW.SWIDLAW.COM

NEW YORK OFFICE
THE CHRYSLER BUILDING
405 LEXINGTON AVENUE
NEW YORK, NY 10174
(212) 973-0111 FAX (212) 891-9598

February 27, 2002

BY OVERNIGHT DELIVERY

Thomas Dorman, Executive Director
Public Service Commission of Kentucky
211 Sower Boulevard
P.O. Box 615
Frankfort, Kentucky 40602

**Re: Notification of Proposed Indirect Transfer of Control of McLeodUSA
Telecommunications Services, Inc.**

Dear Mr. Dorman:

McLeodUSA Telecommunications Services, Inc. ("McLeodUSA"), by its undersigned counsel, hereby notifies the Commission of the proposed indirect transfer of control of McLeodUSA to Forstmann Little.¹ McLeodUSA is an authorized provider of intrastate telecommunications services in the Commonwealth of Kentucky. The Forstmann Little Partnerships are members of a family of affiliated private investment funds. The indirect transfer of control will result from the pending recapitalization of its ultimate parent company, McLeodUSA Incorporated. Further information regarding the parties and a description of the transaction are provided below.

Upon review of Kentucky statutes and the Commission's rules and regulations, McLeodUSA understands that prior Commission approval is not required to complete the

¹ For purposes of this Notification, 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" or the "Forstmann Little Partnerships").

indirect transfer of control described herein.² McLeodUSA therefore submits this notification letter ("Notification") for the Commission's information and asks the Commission to retain it in the appropriate file.

An original and ten (10) copies of this letter are enclosed. Kindly date stamp and return the enclosed extra copy of this letter in the postage paid envelope provided.

Description of the Parties

McLeodUSA. 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 McLeodUSA Incorporated, a publicly traded Delaware corporation and one of the largest independent competitive local exchange carriers in the United States.

In Kentucky, McLeodUSA is authorized to provide resold intrastate communications services and local exchange service pursuant to tariffs accepted by the Commission effective December 22, 1996 and April 21, 2001 respectively.

Forstmann Little. The Forstmann Little Partnerships are members of a family of affiliated private investment funds, Forstmann Little & Co., which 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 & Co. focuses exclusively on acquiring high quality, high growth companies, investing substantial amounts of its own capital to provide for significant ongoing expansion.

Description of the Transaction

As stated above, the indirect transfer of control of McLeodUSA will result from the pending recapitalization of its ultimate parent company, McLeodUSA Incorporated ("Parent").³

By way of background, Parent 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. Neither McLeodUSA nor any other subsidiary of Parent, however, has filed for bankruptcy protection

² See Administrative Case Nos. 359 and 370.

³ 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.

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.

The Reorganization Plan contemplates that affiliates of Forstmann Little & Co. will increase their equity ownership of Parent through a new investment of \$175 million and the conversion of existing preferred stock. As a result of these transactions, Forstmann Little would own a total of approximately 57 per cent of the reorganized Parent's Common Stock.⁴ Consequently, the Reorganization Plan will result in an indirect transfer of control of McLeodUSA 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.

Public Interest Considerations

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 Commonwealth of Kentucky. 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 Commonwealth of Kentucky, in terms of the services they receive.

Request For Expedited Review, If Approval is Deemed Required

As stated above, it is McLeodUSA's understanding that no prior Commission approval is required to complete the indirect transfer of control described herein. To the extent, however, that approval or other action by the Commission is otherwise deemed required for this transaction, McLeodUSA respectfully requests that this Notification be treated as an application for such approval or action. McLeodUSA further respectfully requests that such approval or action be granted on an expedited basis in order to allow Parent and the other parties to implement the Reorganization Plan, and consummate the transactions contemplated thereby, as soon as possible but no later than April 5, 2002.

The April 5, 2002 date is a critical deadline for McLeodUSA and Parent because the confirmation hearing, at which the Bankruptcy Court will consider the Reorganization Plan, is scheduled to commence on April 5, 2002. To permit consummation of the Reorganization Plan

⁴ As stated above, the transactions described herein are subject to confirmation of the Reorganization Plan by the Bankruptcy Court.

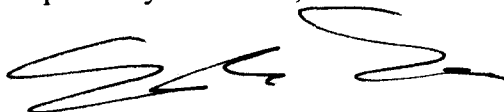
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as expeditiously as possible, McLeodUSA therefore respectfully requests expedited approval, to the extent that such approval is required, of the indirect transfer of control described herein.

* * *

Wherefore, undersigned counsel respectfully requests that the Commission promptly notify Edward Quill at (202) 945-6997, if there are any questions regarding this Notification and the proposed transaction.

Respectfully submitted,



Richard M. Rindler
Edward S. Quill, Jr.

Counsel to McLeodUSA Telecommunications
Services, Inc.

cc: David R. Conn (McLeodUSA)
Bethany M. Erwin (McLeodUSA)
Grace R. Chiu (SBSF)

EXHIBIT A

**CORPORATE STRUCTURE OF THE PARTIES PRIOR TO AND IMMEDIATELY
FOLLOWING CONSUMMATION OF THE REORGANIZATION PLAN**

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

