



PUBLIC NOTICE

Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

News Media Information 202 / 418-0500
Fax-On-Demand 202 / 418-2830
TTY 202 / 418-2555
Internet: <http://www.fcc.gov>
<ftp.fcc.gov>

DA 05-2851

Released: October 27, 2005

DOMESTIC SECTION 214 APPLICATION FILED FOR TRANSFER OF CONTROL OF MCLEODUSA-DIP TO MCLEODUSA

STREAMLINED PLEADING CYCLE ESTABLISHED

WC Docket No. 05-303

Comments Due: November 10, 2005

Reply Comments Due: November 17, 2005

On October 20, 2005, McLeodUSA Telecommunications Services, Inc., Debtor-in-Possession (“McLeodUSA-DIP”) and McLeodUSA Telecommunications Services, Inc. (“McLeodUSA,” together with McLeodUSA-DIP, “Applicants”), filed an application, pursuant to sections 63.03 and 63.04 of the Commission’s rules,¹ providing notice of a planned *pro forma* transfer of McLeodUSA to McLeodUSA-DIP in connection with a planned consensual (i.e., “pre-packaged”) Chapter 11 financial restructuring (“Restructuring”) that will change the capital structure of McLeodUSA’s ultimate parent company, McLeodUSA Incorporated (“Parent”, together with McLeodUSA, “Parties”).² Additionally, Applicants seek approval of the transfer of of McLeodUSA-DIP back to McLeodUSA. This Restructuring is currently anticipated to take place by November 28, 2005.³

¹ 47 C.F.R §§ 63.03, 63.04; *see* 47 U.S.C. § 214.

² As part of the Restructuring, Parent and its wholly owned subsidiaries will each act as a debtor-in-possession (“DIP”) in the Chapter 11 proceeding and a DIP credit facility in the amount of \$50 million will be issued for working capital and general corporate purposes in accordance with approved budgets to assure that operations continue on an uninterrupted basis during the Restructuring. As with the existing credit facility, all of Parent’s wholly owned subsidiaries, including McLeodUSA, will act as guarantors and pledge all or substantially all of their assets to secure the DIP credit facility. This credit facility and the associated security interests will be refinanced with the proceeds of the exit facility described in the application.

³ Applicants are also filing applications for transfer of control associated with authorization for international services. Any action on this domestic 214 application is without prejudice to Commission action on other related, pending applications.

Applicants assert that this transaction is entitled to presumptive streamlined treatment under section 63.03(b)(2)(i) of the Commission's rules because immediately following the Restructuring: (1) McLeodUSA will hold less than a 10 percent share of the interstate, inteexchange market; (2) to the extent McLeod-USA provides U.S. local exchange services or exchange access services, those services are provided only in geographic areas served by a dominant local exchange carrier that is not a party to the Restructuring; and (3) non of the Applicants or their affiliates are dominant with respect to any U.S. domestic telecommunications service.⁴

The Restructuring that will transfer McLeodUSA-DIP to McLeodUSA will be purely financial, in which certain secured creditors will become the shareholders of Parent and existing equity in Parent will be extinguished.⁵ The Restructuring will enable McLeodUSA's current operations to continue without interruption or any changes to the rates, terms and conditions of the services that its customers currently receive. The financial Restructuring is part of a plan of reorganization (the "Plan") that has been agreed upon by the Parent and a majority of its secured creditors. Parent is currently soliciting creditor votes on the Plan consistent with the Bankruptcy Code, and intends to file the Plan with the United States Bankruptcy Court for the Northern District of Illinois (the "Bankruptcy Court") on or around October 28, 2005, upon completion of the solicitation process, thereby commencing the Chapter 11 proceedings. The "pre-packaged" Plan will enable McLeodUSA to continue current operations without interruption or any changes in the rates, terms or conditions of the services that its customers currently receive. The consensual Plan will protect unsecured creditors and enable the Parties to emerge from Chapter 11 as soon as possible. Following emergence, the Applicants will file consummation notice with the Commission.

McLeodUSA, an Iowa corporation, 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. Direct ownership of McLeodUSA will not change. Precise equity ownership of Parent will not be known until the Company emerges, however, the new shareholders will be major institutional investment companies, and Applicants do not expect that any single entity or group of entities will hold 50% or more of the stock of the Parent and, thereby, no entity will hold more than a 50% indirect share of McLeodUSA. Specifically, the following entities will own or control 10 percent or greater equity/voting interest in Parent and therefore are anticipated to be the five largest indirect owners of McLeodUSA following the Restructuring: (1) Fidelity Investments (31.25 percent), a U.S. entity; and Wayzata Investment Partners LLC (15.41 percent), a U.S. entity. The 31.25 percent interest to be held by Fidelity Investments is held by several individual investment funds. Fidelity Adv Ser:Adv.High Income

⁴ 47 C.F.R. § 63.03(b)(2)(i).

⁵ Under the Plan, all equity interests in Parent will be extinguished, including the 58% majority share of the equity interest in Parent currently held by various partnerships and investment funds controlled or managed by Forstmann Little & Co.

Advtg will hold a 16.38 percent indirect interest in McLeodUSA. No other investment funds will hold or control an indirect 10 percent or greater interest in McLeodUSA. No entity will own or control an interest in Fidelity Adv Ser II:Adv.High Income Advtg that will give them an indirect 10 percent or greater interest in McLeodUSA.

McLeodUSA states that the proposed Restructuring serves the public interest because it will increase competition in the United States telecommunications market by reinvigorating McLeodUSA as a viable competitor, and because it will preclude any disruption of service that might otherwise result from the Parties' financial condition. Moreover, given that the Restructuring will not directly affect McLeodUSA's rates, terms and conditions of service, it will not negatively impact customers. Customers of McLeodUSA will continue to receive service from the same company under the same rates, terms and conditions of service that those customers currently receive.

GENERAL INFORMATION

The transfer of control identified herein has been found, upon initial review, to be acceptable for filing as a streamlined application. The Commission reserves the right to return any transfer of control application if, upon further examination, it is determined to be defective and not in conformance with the Commission's rules and policies. Pursuant to sections 1.415 and 1.419 of the Commission's rules, 47 CFR §§ 1.415, 1.419, interested parties may file **comments on or before November 10, 2005** and **reply comments on or before November 17, 2005**.⁶ Unless otherwise notified by the Commission, Applicants are permitted to transfer the assets and related control on the 31st day after the date of this notice.⁷ Comments may be filed using: (1) the Commission's Electronic Comment Filing System (ECFS), (2) the Federal Government's eRulemaking Portal, or (3) by filing paper copies. *See Electronic Filing of Documents in Rulemaking Proceedings*, 63 FR 24121 (1998).

- Electronic Filers: Comments may be filed electronically using the Internet by accessing the ECFS: <http://www.fcc.gov/cgb/ecfs/> or the Federal eRulemaking Portal: <http://www.regulations.gov>. Filers should follow the instructions provided on the website for submitting comments.
- For ECFS filers, if multiple docket or rulemaking numbers appear in the caption of this proceeding, filers must transmit one electronic copy of the comments for each docket or rulemaking number referenced in the caption. In completing the transmittal screen, filers should include their full name, U.S. Postal Service mailing address, and the applicable docket or rulemaking number. Parties may also submit an electronic comment by Internet e-mail. To get filing instructions, filers should send an e-mail to ecfs@fcc.gov,

⁶ See 47 C.F.R. § 63.03(a).

⁷ Such authorization is conditioned upon receipt of any other necessary approvals from the Commission in connection with the proposed transaction.

and include the following words in the body of the message, “get form.” A sample form and directions will be sent in response.

- Paper Filers: Parties who choose to file by paper must file an original and four copies of each filing. If more than one docket or rulemaking number appears in the caption of this proceeding, filers must submit two additional copies for each additional docket or rulemaking number.

Filings can be sent by hand or messenger delivery, by commercial overnight courier, or by first-class or overnight U.S. Postal Service mail (although we continue to experience delays in receiving U.S. Postal Service mail). All filings must be addressed to the Commission’s Secretary, Office of the Secretary, Federal Communications Commission.

The Commission’s contractor will receive hand-delivered or messenger-delivered paper filings for the Commission’s Secretary at 236 Massachusetts Avenue, NE., Suite 110, Washington, DC 20002. The filing hours at this location are 8:00 a.m. to 7:00 p.m. All hand deliveries must be held together with rubber bands or fasteners. Any envelopes must be disposed of before entering the building. Commercial overnight mail (other than U.S. Postal Service Express Mail and Priority Mail) must be sent to 9300 East Hampton Drive, Capitol Heights, MD 20743. U.S. Postal Service first-class, Express, and Priority mail should be addressed to 445 12th Street, SW, Washington DC 20554.

People with Disabilities: To request materials in accessible formats for people with disabilities (braille, large print, electronic files, audio format), send an e-mail to fcc504@fcc.gov or call the Consumer & Governmental Affairs Bureau at 202-418-0530 (voice), 202-418-0432 (tty).

You may submit comments, identified by the above noted docket number, by any of the following methods:

- Federal eRulemaking Portal: <http://www.regulations.gov>. Follow the instructions for submitting comments.
- Federal Communications Commission’s Web Site: <http://www.fcc.gov/cgb/ecfs/>. Follow the instructions for submitting comments.
- People with Disabilities: Contact the FCC to request reasonable accommodations (accessible format documents, sign language interpreters, CART, etc.) by e-mail: FCC504@fcc.gov or phone: 202-418-0530 or TTY: 202-418-0432.

In addition, one copy of each pleading must be sent to each of the following:

- (1) The Commission’s duplicating contractor, Best Copy and Printing, Inc., 445 12th Street, SW, Room CY-B402, Washington, DC 20554, www.bcpweb.com; phone: (202) 488-5300 fax: (202) 488-5563;

- (2) Tracey Wilson-Parker, Competition Policy Division, Wireline Competition Bureau, 445 12th Street, S.W., Room 5-C212, Washington, D.C. 20554; email: tracey.wilson-parker@fcc.gov;
- (3) Erin C. Boone, Competition Policy Division, Wireline Competition Bureau, 445 12th Street, S.W., Room 5-B155, Washington, D.C. 20554; e-mail: erin.boone@fcc.gov;
- (4) Susan O'Connell, Policy Division, International Bureau, 445 12th Street, S.W., Room 7-B544, Washington, D.C. 20554; email: susan.o'connell@fcc.gov; and
- (5) James Bird, Office of General Counsel, 445 12th Street, S.W., Room 8-C824, Washington, D.C. 20554; e-mail: james.bird@fcc.gov.

Filings and comments are also available for public inspection and copying during regular business hours at the FCC Reference Information Center, Portals II, 445 12th Street, SW, Room CY-A257, Washington, DC, 20554. They may also be purchased from the Commission's duplicating contractor, Best Copy and Printing, Inc., Portals II, 445 12th Street, SW, Room CY-B402, Washington, DC 20554, telephone: (202) 488-5300, fax: (202) 488-5563, or via e-mail www.bcpweb.com.

For further information, please contact Tracey Wilson-Parker, at (202) 418-1394, or Erin Boone at (202) 418-0064.

- FCC -