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Our File No.: 000031923

October 17, 2006

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Chairman Sara Kyle
Tennessee Regulatory Authority
c/o Sharla Dillon, Dockets and Record Manager
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

Re: Docket No. 06-00254: Petition of McLeodUSA Telecommunications Services, Inc. for Approval to Participate in Certain Financing Arrangements
RESPONSE TO DATA REQUEST NO. 1

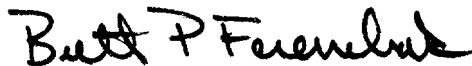
Dear Chairman Kyle:

On behalf of McLeodUSA Telecommunications Services, Inc. ("Petitioner"), enclosed for filing are an original and four (4) copies of Petitioner's response to Data Request No. 1. Also enclosed is a diskette with an electronic copy of this filing.

Please note that Attachment A contains confidential information and, therefore, is being filed under seal. Petitioner respectfully request that this Exhibit be treated as confidential and not released to the public.

Please date-stamp the enclosed extra copy of this filing and return it in envelope provided. Should you have any questions concerning this filing, please do not hesitate to contact me.

Respectfully submitted,



Jean L. Kiddoo
Brett P. Ferenczak

Enclosure

cc: Jerry Kettles (TRA) (via email)

**BEFORE THE
TENNESSEE REGULATORY AUTHORITY**

In the Matter of the Petition of)	
)	
McLeodUSA Telecommunications)	Docket No. 06-00254
Services, Inc.)	
)	
for Approval to Participate in Certain)	
Financing Arrangements)	
)	

RESPONSE TO DATA REQUEST NO. 1

McLeodUSA Telecommunications Services, Inc. (“MTSI” or “Petitioner”), by undersigned counsel, provide the following response to the Tennessee Regulatory Authority’s (“TRA”) Data Request No. 1:

1. **Please provide a copy of, or completely describe the terms of, the indentures governing the 10.5% Senior Secured Notes due 2011 and the Exchange Notes.**

Petitioner provided a detailed description of the terms of the 10.5% Senior Secured Notes and the Exchange Notes in the Petition. As requested, however, Petitioner provides as Attachment A the Indenture for the 10.5% Senior Secured Notes. Please note that this document is **confidential and proprietary**. Petitioner respectfully requests that the Indenture be filed under seal and not released to the public. Petitioner, therefore, provides Attachment A in sealed envelopes stamped confidential.

- 2. Please identify the terms of the Permitted Indebtedness and Permitted Liens as described in the Petition, if they are not completely described in the response to question 1. Specifically identify the amounts and associated rates for debt issuance allowed under Permitted Indebtedness. Specifically identify the amounts allowed under Permitted Liens.**

Permitted Indebtedness is defined on pages 17 to 19 of the Indenture. Permitted Liens are defined on pages 20 to 22 of the Indenture. As described in the Petition, the Permitted Indebtedness includes up to \$26 million aggregate principal amount in indebtedness beyond the Notes, including (1) \$20 million under a credit or loan agreement that may be entered into in the future by McLeodUSA Incorporated (“McLeodUSA”) and certain subsidiaries and (2) \$6 million in additional indebtedness that may be incurred by McLeodUSA and certain subsidiaries. The rates for this category of Permitted Indebtedness have not been established and would depend on market conditions prevailing at the time the indebtedness is incurred. In addition to other Permitted Liens described in the Indenture, the Permitted Liens that are allowed to secure the category of Permitted Indebtedness described in the preceding sentence would be limited to the obligations outstanding with respect to such Permitted Indebtedness. Again, MTSI notes that it does not have any physical assets located in Tennessee that are used to provide regulated services.

Respectfully submitted,

A handwritten signature in black ink that reads "Brett P. Ferenchak". The signature is written in a cursive, slightly slanted style.

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Dated: October 17, 2006