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October 16, 2007

**VIA ELECTRONIC MAIL**  
**& U.S. MAIL FIRST CLASS**

Ms. Sharla Dillon  
Docket Room Manager  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, TN 37243-0505

Re: **Docket 07-00229: Responses to Data Request No. 1 -- *Joint Application for Approval to Transfer Indirect Control of McLeodUSA Telecommunications Services, Inc. to PAETEC Holding Corp. and for McLeodUSA to Participate in Certain Debt Financing Arrangements***

Dear Ms. Dillon:

PAETEC Holding Corp. ("PAETEC"), McLeodUSA Incorporated ("McLeodUSA Parent"), and McLeodUSA Telecommunications Services, Inc. ("McLeodUSA," together with PAETEC and McLeodUSA Parent, the "Applicants"), by the undersigned counsel, hereby submit for filing in the above referenced docket their responses to Data Request No. 1, issued by Mr. Jerry Kettles, Chief of the Economic Analysis & Policy Division, by letter dated October 9, 2007 ("Data Request No. 1").

An original and four (4) copies of this filing are enclosed. Also enclosed is a disk containing an electronic copy of this filing formatted as a .pdf file. Please date-stamp the extra copy of this filing, and return it to us in the enclosed self-addressed stamped envelope.

The numbered paragraphs below correspond to the questions as numbered in Data Request No. 1.

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**1. Have the applicants filed similar applications or notices in other states? If so, provide a listing of states and action taken.**

Response: Yes. Applicants recently filed applications or notices in other jurisdictions, which are identified below. No action has been taken to date on any of the applications or notices

|            |                      |             |               |
|------------|----------------------|-------------|---------------|
| Arizona    | District of Columbia | Minnesota   | Pennsylvania  |
| California | Georgia              | Mississippi | Texas         |
| Colorado   | Indiana              | New York    | West Virginia |
| Delaware   | Louisiana            | Ohio        |               |

Additionally, Applicants intend to file notice in the following jurisdictions:

|                      |               |                |              |
|----------------------|---------------|----------------|--------------|
| Alabama              | Kentucky      | New Hampshire  | South Dakota |
| Arkansas             | Maine         | New Jersey     | Texas        |
| Connecticut          | Maryland      | New Mexico     | Utah         |
| District of Columbia | Massachusetts | North Carolina | Vermont      |
| Florida              | Michigan      | North Dakota   | Virginia     |
| Idaho                | Missouri      | Oklahoma       | Washington   |
| Illinois             | Montana       | Oregon         | Wisconsin    |
| Iowa                 | Nebraska      | Rhode Island   | Wyoming      |
| Kansas               | Nevada        | South Carolina |              |

**2. Have the applicants filed a similar application with the FCC? If so, list any action taken and the associated docket number. If a schedule to complete the review of your petition has been established by the FCC, provide such with your response.**

Response: Yes. Applicants have filed applications at the FCC, seeking approval for the proposed transfer of control. To date, no action has been taken on, and no docket numbers have been assigned to, the FCC applications.

**3. Provide the number of customers that McLeodUSA Telecommunications Services, Inc. ("McLeodUSA") currently has in Tennessee.**

Response: Attached hereto as Exhibit A is Applicants' response to Question 3. Exhibit A is filed under seal in the attached envelope marked "**CONFIDENTIAL.**" Exhibit A consists of commercially sensitive information regarding McLeodUSA's Tennessee operations that constitutes confidential, proprietary, and non-public information ("Confidential Information"). Disclosure of the Confidential Information would have a deleterious effect with respect to

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McLeodUSA's competitive position in the Tennessee communications marketplace, by providing competitors with inside information about McLeodUSA's Tennessee operations that would otherwise not be available to them. Applicants therefore respectfully requests that Exhibit A be accorded confidential treatment throughout and after the proceedings in the above-captioned matter.

**4. Have the applicants applied for approval of the financing transaction from any federal agency? If so, what is the status of any such application or notification?**

Response: No. Applicants are not required to obtain approval of the financing transaction from any federal agency.

**5. Page 8 of the *Joint Application* states that McLeodUSA will grant a security interest in all of its assets to secure amounts owed under the Credit Facilities. Will any Tennessee assets, including those from PAETEC Holding Corp.'s operating subsidiaries in Tennessee, be pledged as collateral for any debt issued under the financing arrangements?**

Response: Yes. The instant Application seeks approval for McLeodUSA to pledge its Tennessee assets, which consist of approximately 15.8 route miles of dark fiber.<sup>1</sup>

With respect to PAETEC's existing operating subsidiaries in Tennessee, the Authority has already granted approval in Docket No. 06-00221, for US LEC of Tennessee Inc. d/b/a PAETEC Business Services to pledge its Tennessee assets as collateral pursuant to its obligations under the Debt Financing arrangements. PAETEC's other operating subsidiary in Tennessee, PAETEC Communications, Inc., has no assets in Tennessee that will be pledged as collateral.

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<sup>1</sup> The location of the dark fiber is as follows: it enters the Memphis area from the West along I-55, then heads south and east through town, and terminates in a manhole in the southeast portion of Memphis near the intersection of Crowfarn Drive and Delp Street.

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Please contact us if there are any questions regarding this filing.

Respectfully submitted,



Tony S. Lee  
Grace R. Chiu

cc: JT Ambrosi (PAETEC)  
William A. Haas (McLeodUSA)  
Jean L. Kiddoo (Bingham)  
Brett C. Ferencak (Bingham)

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**EXHIBIT A**

**Response to Question 3**

**FILED UNDER SEAL**