

BEFORE THE TENNESSEE REGULATORY AUTHORITY AT

NASHVILLE, TENNESSEE

December 15, 2010

IN RE:

**PETITION OF MCLEODUSA TELECOMMUNICATIONS
SERVICES, INC. AND US LEC OF TENNESSEE INC.
FOR CHANGE IN CORPORATE FORM, NAME
CHANGE AND *PRO FORMA* REORGANIZATION**

**DOCKET NO.
09-00194**

ORDER APPROVING *PRO FORMA* REORGANIZATION AND NAME CHANGE

This matter came before Chairman Mary W. Freeman, Director Eddie Roberson and Director Kenneth C. Hill of the Tennessee Regulatory Authority (the "Authority" or "TRA"), the voting panel assigned to this docket, at a regularly scheduled Authority Conference held on November 22, 2010 for consideration of the Petition filed on December 7, 2009 by McLeodUSA Telecommunications Services, Inc. ("McLeodUSA") and US LEC of Tennessee Inc. ("US LEC") (together, the "Parties") notifying the Authority of a change in the corporate form for the companies, a name change, and requesting approval for a *pro forma* reorganization. According to the Petition, the Parties intend to change their corporate names by converting to limited liability companies. After the conversion, McLeodUSA will operate under the name McLeodUSA Telecommunications Services, LLC d/b/a PAETEC Business Services, and US LEC will operate under the name US LEC of Tennessee LLC d/b/a PAETEC Business Services.

McLeodUSA and US LEC are wholly-owned indirect subsidiaries of PAETEC Holding Corp. ("PAETEC Holding" or "Company"), a Delaware corporation. Currently, McLeodUSA is held by PAETEC Holding through the McLeodUSA Inc. and McLeodUSA Holdings, Inc.

subsidiaries. US LEC is held by PAETEC Holding through the US LEC Corp. subsidiary. In Tennessee, McLeodUSA is authorized to provide resold and facilities-based local exchange and intrastate interexchange telecommunications services pursuant to Authority Order in Docket No. 00-00906 and operator services pursuant to Authority Order in Docket No. 96-01632. In Tennessee, US LEC is authorized to provide local exchange, exchange access and interexchange telecommunications services pursuant to Authority Order in Docket No. 97-00387.

PAETEC Communications, Inc. is a Delaware corporation that offers voice, data and Internet protocol solutions to businesses, enterprise organizations, and institutions in forty-seven states and the District of Columbia. In Tennessee, PAETEC is authorized to provide resold interexchange telecommunications services and operator services pursuant to Authority Order in Docket No. 98-00691.

DESCRIPTION OF THE *PRO FORMA* TRANSACTION

The Company proposes to complete a *pro forma* corporate reorganization whereby McLeodUSA and US LEC will become indirect wholly-owned subsidiaries of PAETEC Holding under the PAETEC Corp. and PAETEC Communications, Inc. subsidiaries, rather than through their current intervening parent companies. US LEC will be moved under PAETEC Communications, Inc. by way of the contribution of US LEC Corp.'s stock to PAETEC Communications, Inc. McLeodUSA will be collapsed into PAETEC Holding Corp., and McLeodUSA Holdings, Inc.'s stock will be contributed to PAETEC Communications, Inc.

The Petition states the *pro forma* reorganization will not result in a transfer of control of McLeodUSA or US LEC because the ultimate parent of those companies, PAETEC Holding, will remain the same. Furthermore, the day-to-day operations of the Company will continue to be managed by the same personnel, and the transaction will not affect the Parties' current rates or services.

REQUEST FOR NAME CHANGE

McLeod Telemanagement, Inc. was initially granted authority to provide operator services and/or resell telecommunications services in Tennessee in Docket No. 96-01632. The final order was issued on March 25, 1997. On November 21, 2000, in Docket No. 00-00906, the Authority approved the *Joint Application of McLeodUSA Telecommunications Services, Inc. and Caprock Telecommunications Corporation for Approval to Transfer Certificate of Public Convenience and Necessity held by Caprock Telecommunications Corporation to McLeodUSA Telecommunications Services, Inc.* Caprock Telecommunications Corporation was issued a certificate to provide competing telecommunications services in Tennessee in Docket No. 99-00852.

US LEC was granted authority to provide competing local exchange, exchange access and interexchange telecommunications services throughout the state of Tennessee in TRA Docket No. 97-00387. US LEC was exempted from the corporate surety bond/irrevocable letter of credit requirement of Tenn. Code Ann. § 65-4-125(j) on August 28, 2000. On February 26, 2007, the Authority approved the Petition of US LEC to assume the fictitious name of PAETEC Business Services in Docket No. 07-00035.

In the current Petition, the Parties notified the Authority of their intention to change the company names. McLeodUSA will become McLeodUSA Telecommunications Services, LLC d/b/a PAETEC Business Services, and US LEC will become US LEC of Tennessee LLC d/b/a PAETEC Business Services.

FINDINGS AND CONCLUSIONS

Tenn. Code Ann. § 65-4-112 (2004) applies to the transaction described in the Petition because it results in the merger of certain assets from one Tennessee certificated carrier to another. Regarding the transfer of authority, Tenn. Code Ann. § 65-4-112 (2004) states:

No lease of its property, rights, or franchises, by any such public utility, and no merger or consolidation of its property, rights and franchises by any such public utility with the property, rights and franchises of any other such public utility of like character shall be valid until approved by the authority, even though power to take such action has been conferred on such public utility by the state of Tennessee or by any political subdivision of the state.

Based on assertions in the Petition, the panel found that the transfer is in the public interest because it will enhance the overall operational efficiency and competitive position of the Company, which will ultimately benefit the companies' subscribers. Because the transactions are intra-corporate in nature, the Parties' day-to-day operations of the Company will continue to be managed by the same personnel, and the transaction will not affect the Parties' current rates or services.

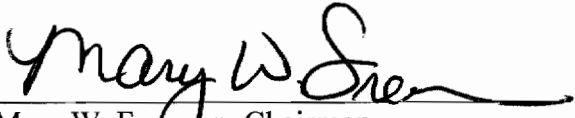
Based on the record, the panel voted unanimously: (1) to approve *nunc pro tunc* the reorganization described in the Petition pursuant to Tennessee Code Annotated § 65-4-112; (2) to grant the Parties' request for a waiver of TRA Rule 1220-4-1-.08(2)(c) relative to the customer notification letter because the Company is simply changing its name to reflect its new corporate structure; and (3) to approve the Parties' notification of McLeodUSA Telecommunications Services, Inc. to change its name to McLeodUSA Telecommunications Services, LLC d/b/a PAETEC Business Services and US LEC of Tennessee Inc. to change its name to US LEC of Tennessee LLC d/b/a PAETEC Business Services, contingent upon the companies filing with the Authority within ten days verification that their names have been changed with the Secretary of State's office to reflect the new corporate structure as well as the d/b/a PAETEC Business Services.


IT IS THEREFORE ORDERED THAT:

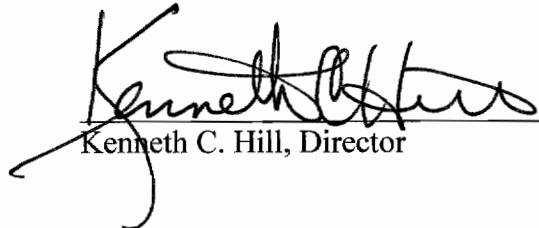
1. The *pro forma* reorganization of McLeodUSA Telecommunications Services, Inc. and US LEC of Tennessee Inc., as described in the Petition and discussed herein is approved.

2. The Parties' request for a waiver of TRA Rule 1220-4-1-.08(2)(c) relative to the customer notification letter is granted.

3. The notification of McLeodUSA Telecommunications Services, Inc. to change its name to McLeodUSA Telecommunications Services, LLC d/b/a PAETEC Business Services and US LEC of Tennessee Inc. to change its name to US LEC of Tennessee LLC d/b/a PAETEC Business Services is approved, contingent upon the companies filing with the Authority within ten days verification that their names have been changed with the Secretary of State's office to reflect the new corporate structure as well as the d/b/a PAETEC Business Services.


Mary W. Freeman, Chairman


Eddie Roberson, Director


Kenneth C. Hill, Director