

**HOGAN & HARTSON
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January 13, 1998

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BY FEDERAL EXPRESS

Blanca S. Bayo
Director, Division of Records & Reporting
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

980079-TI

Dear Ms. Bayo:

**Re: Notification of Proposed Corporate Restructuring of
McLeodUSA Incorporated and for Consolidated
Communications Telecom Services Inc. to Abandon
Services**

On behalf of McLeodUSA Incorporated ("McLeodUSA"), McLeodUSA Telecommunications Services, Inc. ("McLeodUSA Telecom") and Consolidated Communications Telecom Services Inc. ("CCTS"), enclosed for filing are an original and twelve (12) copies of the above-referenced notification.

DOCUMENT NUMBER - DATE
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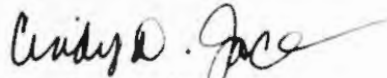
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Mr. Robert J. Murphy
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Please date-stamp the enclosed extra copy of this filing and return it in the attached self-addressed, stamped envelope. Should you have any questions, please do not hesitate to contact the undersigned.

Respectfully submitted,

HOGAN & HARTSON, L.L.P.



Peter A. Rohrbach
Karis A. Hastings
Cindy D. Jackson

Counsel for McLeodUSA Incorporated,
McLeodUSA Telecommunications Services,
Inc., and Consolidated Communications
Telecom Services Inc.

Enclosures

cc: Casey D. Mahon, Esq.

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**Re: Notification of Proposed Corporate Restructuring of
McLeodUSA Incorporated and for Consolidated
Communications Telecom Services Inc. to Abandon
Services**

Dear Ms. Bayo:

On behalf of McLeodUSA Incorporated, ("McLeodUSA"), McLeodUSA Telecommunications Services, Inc. ("McLeodUSA Telecom") and Consolidated Communications Telecom Services Inc. ("CCTS") (jointly, the "Parties"), this letter is to notify the Commission about the planned restructuring of McLeodUSA. As part of this corporate restructuring, CCTS's current customer base in Florida will be assigned to McLeodUSA Telecom. CCTS will thereafter abandon service in Florida. After all necessary regulatory approvals are obtained, CCTS will merge into McLeodUSA Telecom with McLeodUSA Telecom surviving.

It is the understanding of the Parties that prior Commission approval is not required for the transactions described herein. Accordingly, absent receipt of written notification to the contrary within thirty (30) days, the Parties will proceed on the understanding that no approval or formal action with respect to the proposed transactions is required by the Commission.

In the fall of year, the Commission permitted McLeodUSA to acquire control of CCTS and other subsidiaries of Consolidated Communications Inc. ("Consolidated") through the merger of Consolidated into a wholly-owned subsidiary of McLeodUSA. See Docket No. 970790-TI, Order No. PSC-97-1020-FOF-TI. The restructuring described herein will enhance the competitive benefits of that merger by permitting McLeodUSA to integrate the operations of McLeodUSA Telecom and

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CCTS, which are separately authorized to provide resold interexchange telecommunications services within Florida.

A description of the Parties and the proposed transaction is provided below:

I. THE PARTIES

A. McLeodUSA Incorporated

McLeodUSA is a publicly traded Delaware corporation (NASDAQ; symbol: MCLD) whose principal offices are located at McLeodUSA Technology Park, 6400 C Street SW, Cedar Rapids, Iowa 52406-3177. McLeodUSA, formerly McLeod, Inc.¹ is a provider of integrated telecommunications services primarily to small and medium size businesses and residential customers in Iowa, Illinois, Minnesota, Wisconsin, Indiana, Colorado, Wyoming and the Dakotas. McLeodUSA's services include: (i) the sale of "bundled" local and long distance telecommunications services; (ii) telecommunications network maintenance services and telephone equipment; (iii) private line and data service; (iv) the sale of advertising space in telephone directories; (v) local exchange services through the operation of an independent local exchange company; and (vi) telemarketing services.

McLeodUSA is the parent company of McLeodUSA Telecom, a nondominant carrier that is authorized to provide intrastate interexchange services in Florida pursuant certification granted by this Commission in Docket No. 961457-TI, on March 11, 1997, as amended on March 24, 1997, effective April 2, 1997. Further information regarding McLeodUSA Telecom's legal, technical, managerial and financial qualifications to provide service, and a tariff of its Florida rates and charges, was submitted with its application for certification filed with the Commission in Docket No. 961457-TI, is therefore already a matter of public record, and is herein incorporated by reference.

McLeodUSA Telecom is also currently authorized to provide resold intrastate interexchange and other competitive services in numerous other states pursuant to certification, registration or tariff requirements, or on an unregulated

¹ McLeod, Inc. was renamed McLeodUSA Incorporated effective June 1, 1997.

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basis. In addition, McLeodUSA Telecom is authorized by the FCC to provide domestic interstate and international services as a non-dominant carrier in all 50 states and the District of Columbia.

Since its inception in 1991, McLeodUSA has aggressively pursued its goal to be the leading provider of integrated telecommunications services in the market areas it targets. McLeodUSA's "one stop" approach integrates local, long distance, voice mail, paging, and Internet access services on a single bill, tailored to the customer's specific needs. As of September 30, 1997, McLeodUSA served over 200,800 customers in 214 cities and towns and had consolidated operating revenues in excess of \$131.5 Million, assets in excess of \$1.3 Billion, and shareholders' equity in excess of \$579.4 Million.

B. Consolidated Communications Telecom Services Inc.

McLeodUSA is also the parent company of CCTS, a nondominant carrier registered to provide intrastate interexchange telecommunications services throughout the State of Florida pursuant to certification granted by this Commission in Docket No. 930269-TI, effective June 15, 1993.² Further information regarding CCTS's legal, technical, managerial and financial qualifications to provide service, and a tariff of its Florida rates and charges, was submitted with CCTS's application for certification filed with the Commission in Docket No. 930269-TI, is therefore already a matter of public record, and is herein incorporated by reference.

² CCTS's Florida certification was granted to its corporate predecessor, Midwest Fibernet Inc. ("MFI"). *Application for Certificate to provide interexchange telecommunications service by Midwest Fibernet Inc.*, Docket No. 930269-TI, Order No. PSC-93-0786-FOF-TI (issued May 24, 1993). By Order effective January 20, 1996, this Commission authorized an intra-corporate merger involving MFI and certain other consolidated subsidiaries, whereupon the post-merger entity changed its name to Consolidated Communications Telecom Services Inc. *Request for approval of intracorporate merger and pro-forma transfer of control of Midwest Fibernet Inc. to Consolidated Network Inc.*, Docket No. 951256-TI, Order No. PSC-95-1609-FOF-TI (issued Dec. 29, 1995). By letter dated July 15, 1996, CCTS notified the Commission that the intra-corporate merger and name change that were the subject of Docket No. 951256-TI became effective May 1, 1996.

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The Commission was notified by letter dated June 26, 1997, of a transaction whereby McLeodUSA would acquire control of Consolidated and its subsidiary CCTS. See Docket No. 970790-TI, Order No. PSC-97-1020-FOF-TI.

**II. REQUEST FOR AUTHORITY TO REORGANIZE
CORPORATE STRUCTURE AND FOR CCTS TO
ABANDON SERVICE IN FLORIDA**

This transaction involves a corporate reorganization (the "Reorganization") pursuant to which McLeodUSA will combine two of its wholly-owned subsidiaries. Earlier this year, the Commission was notified by letter dated June 26, 1997 about the transfer of control to McLeod of CCTS and other subsidiaries of Consolidated, which occurred through the merger of Consolidated into a wholly-owned subsidiary of McLeodUSA; the Commission approved this transaction on August 26, 1997. See Docket No. 970790-TI, Order No. PSC-97-1020-FOF-TI.

McLeodUSA now seeks to integrate the operations of its subsidiaries McLeodUSA Telecom and CCTS in order to take advantage of significant economic, marketing, and administrative efficiencies. Specifically, McLeodUSA seeks to transition customers and operations from CCTS to McLeodUSA Telecom. Prior to this transition, McLeodUSA will notify CCTS's customers of the planned restructuring. McLeodUSA will also inform CCTS's customers that they have the option to either switch service to another provider or remain with McLeodUSA. Customers choosing to remain with McLeodUSA will have the option to choose between the CCTS rate plan to which they currently subscribe or to move to a McLeodUSA Telecom rate plan. McLeodUSA Telecom will incorporate the CCTS rate plans in its tariff and continue to offer such rates for a twelve month period. McLeodUSA Telecom will consider the migrating CCTS customers as continuing customers with regard to existing payment arrangements and deposits.

The proposed Reorganization will not involve a change in the manner in which McLeodUSA Telecom and CCTS provide telecommunications services because McLeodUSA Telecom will continue the provision of high quality, affordable telecommunications services to CCTS's Florida end-users. As such, the proposed Reorganization of McLeodUSA will neither disrupt service nor cause inconvenience or confusion to CCTS's customers. Similarly, because McLeodUSA Telecom will continue to provide service to CCTS's customers after the dissolution of CCTS, the

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abandonment of service proposed by CCTS will have no effect on CCTS's end-user customers.³

After all necessary regulatory approvals are obtained, CCTS will merge into McLeodUSA Telecom, with McLeodUSA Telecom surviving. After this Reorganization, the existing operations of CCTS will continue to be conducted by McLeodUSA Telecom, which will continue to be a direct subsidiary of McLeodUSA.⁴

III. PUBLIC INTEREST CONSIDERATIONS

Consummation of the proposed transaction will serve the public interest, convenience, and necessity for several reasons. First, the combination of the existing management and work force of the two companies will strengthen their collective ability to bring competitive telecommunications services to consumers in the State of Florida. As a result, consumers in these markets will receive the many benefits of competition, including superior customer service and expanded service offerings.

The efficiencies created by this Reorganization will have no negative impact on the customers of CCTS, and will allow McLeodUSA and its subsidiaries to manage their telecommunications operations more efficiently, permitting greater investment in facilities, customer services and technological innovation. The proposed transaction, therefore, will ensure the continued provision of high quality and innovative telecommunications services to CCTS's existing customers and should promote competition in the Florida telecommunications services market.

IV. CONCLUSION

It is the understanding of the Parties that prior Commission approval is not required for the proposed corporate restructuring described above. This letter is forwarded to the Commission for informational purposes, to be included in the appropriate file. In the event, however, that the Commission determines that approval is required, the Parties request that the Commission consider this letter

³ McLeodUSA Telecom similarly will continue the provision of services to CCTS customers in other States.

⁴ Charts of McLeodUSA's corporate structure before and after the proposed Reorganization are provided in Table 1 attached herein.

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as a request for expedited approval. Absent receipt of written notification to the contrary within thirty (30) days, the Parties will proceed on the understanding that no approval or other formal action with respect to the proposed transaction is required by the Commission.

Please do not hesitate to contact the undersigned with any questions or comments regarding this transaction.

Respectfully submitted,

HOGAN & HARTSON, L.L.P.



Peter A. Rohrbach
Karis A. Hastings
Cindy D. Jackson

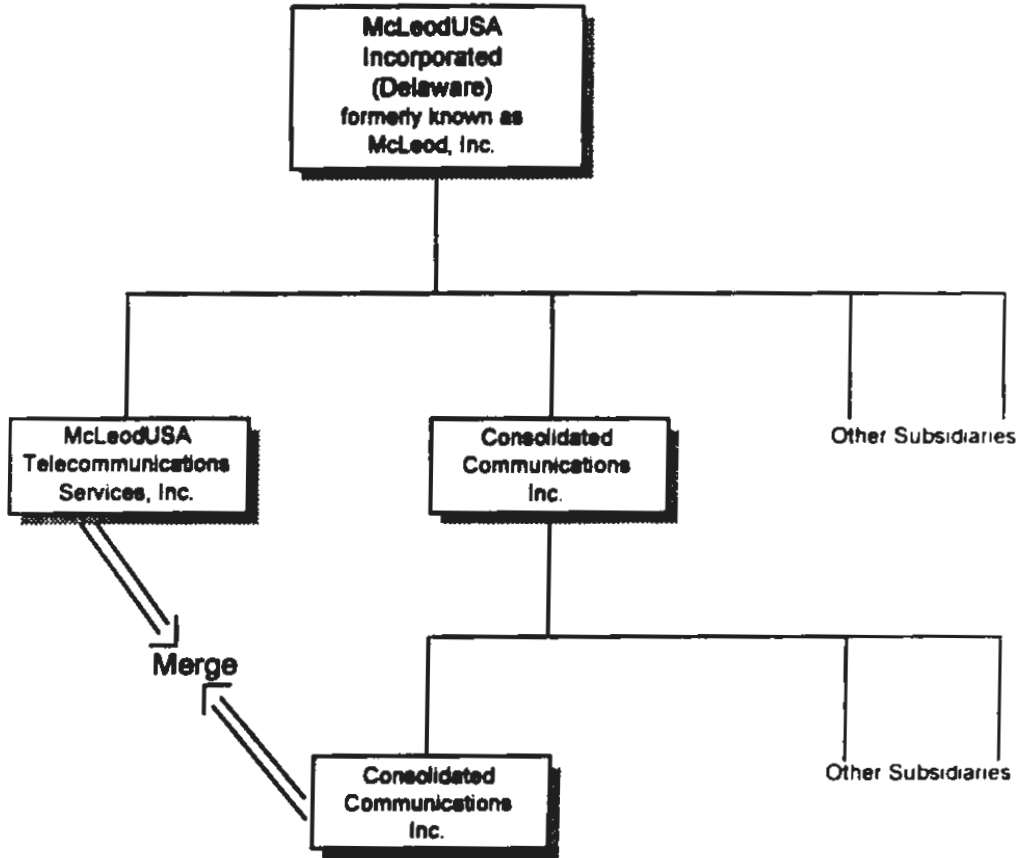
Counsel for McLeodUSA Incorporated,
McLeodUSA Telecommunications Services,
Inc., and Consolidated Communications
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Enclosures

cc: Casey D. Mahon, Esq.

Table 1

Current Structure



Proposed Structure

