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April 14, 2008

AZ CORP COMMISSION  
DOCKET CONTROL

Dean S. Miller  
Interim Executive Director  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

RE: Docket No. T-03267A-07-0554, Decision No. 70126, In the Matter of the Application of PAETEC Holding Corp., McLeodUSA Incorporated and McLeodUSA Telecommunications Services, Inc. for Approval to Transfer Indirect Control of McLeodUSA Telecommunications Services, Inc., and For McLeodUSA Telecommunications Services, Inc. to Participate in Certain Debt Financing Arrangements

Dear Mr. Miller:

As ordered by the Arizona Corporation Commission ("Commission") in Docket No. T-03267A-07-0554, Decision No. 70126, PAETEC Holding Corp ("PAETEC"), McLeodUSA Incorporated and McLeodUSA Telecommunications Services, inc. d/b/a PAETEC Business Services (referred to as "McLeodUSA") submit the following compliance report for 2008:

1) IT IS FURTHER ORDERED that PAETEC and McLeodUSA Parent provide the Compliance Section with updates by April 15, 2008 and April 15, 2009 on the status of plans to increase employees and investment in Arizona.

**Response:**

Employees: As of April 1, 2008, PAETEC and McLeodUSA Parent plan to increase the number of employees in Arizona from ten to sixteen during calendar year 2008.

Investment: As of April 1, 2008, PAETEC and McLeodUSA plan to increase investment in Arizona by approximately [\*\*\*\*\*] during calendar year 2008. This is investment in additional network equipment. This figure does not reflect any investment in office equipment required to support the new six (6) full time employees.

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2) IT IS FURTHER ORDERED that PAETEC and McLeodUSA Parent provide the Compliance Section with updates by April 15, 2008 and April 15, 2009 of any changes in the status of debt financing plans.

**Response:**

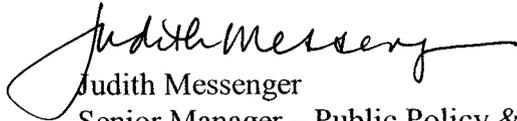
On January 29, 2008, PAETEC raised \$100 million due 2013 through an incremental term loan facility under its existing term and revolving loan credit agreement. Thus, the amount of additional indebtedness that PAETEC may incur in accordance with previously obtained regulatory approvals has been reduced from \$500 million to \$400 million. The terms of all of such additional indebtedness will be substantially similar to the terms of the existing terms loans and/or existing notes, subject to specified limitations.

On April 1, 2008, PAETEC had outstanding under the credit agreement term loans in a total principal amount of \$594 million.

In addition, as contemplated in the merger filing and approved by the Commission, McLeodUSA, as a new subsidiary of PAETEC post-closing, is participating in PAETEC's existing and proposed Debt Financing arrangements.

If you have any additional questions, please contact me at (585) 340-2822 or by e-mail at [judy.messeng@paetec.com](mailto:judy.messeng@paetec.com).

Sincerely,



Judith Messenger

Senior Manager – Public Policy & Regulatory

cc: Michael W. Patten, Esq.  
William A. Haas, Esq., PAETEC