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Arizona Corporation Commission
DOCKETED

April 14, 2009

AZ CORP COMMISSION
DOCKET CONTROL

APR 21 2009

Michael P. Kearns
Interim Executive Director
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

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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. Kearns:

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 2009:

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, 2009, PAETEC and McLeodUSA Parent plan to maintain the same number of employees in Arizona during calendar year 2009.

Investment: As of April 1, 2009, PAETEC and McLeodUSA have no plans for additional investment in Arizona during calendar year 2009. However, PAETEC has prepared a broadband stimulus proposal for which it will attempt secure funding through NTIA that proposes additional investment in Arizona. Thus, if funding is secured in 2009 from NTIA broadband funds, PAETEC would likely be investing more capital in Arizona sometime in 2009 or early 2010, depending on when and if such that funding is obtained.

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.

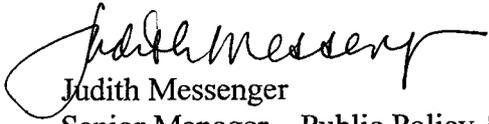
Response:

On October 15, 2008, PAETEC drew down the full \$50 million principle amount of loans available under the revolving credit facility due February 28, 2012. The amount of additional indebtedness that PAETEC may secure in the form of incremental term loans under its credit agreement governing the Credit Facilities (the "Credit Agreement") now stands at \$125 million.

On April 10, 2009, PAETEC had outstanding under the credit agreement term loans in a total principal amount of \$623 million.

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

Sincerely,



Judith Messenger
Senior Manager – Public Policy & Regulatory

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