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PAETEC

Arizona Corporation Commission

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April 15, 2011

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Steve Olea
Director of Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

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AZ CORP COMMISSION
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T-03342A-10-0381

RE: Docket No. T-03267A-10-0381, Decision No. 72015, In the Matter of the Application of PAETEC Holding Corp., McLeodUSA Incorporated and McLeodUSA Telecommunications Services, L.L.C. d/b/a PAETEC Business Services And Talk America Inc. d/b/a Cavalier Telephone and Cavalier Business for Approval to Transfer Indirect Control of Talk America Inc. to PAETEC Holding Corp.

Dear Mr. Olea:

As ordered by the Arizona Corporation Commission ("Commission") in Docket No. T-03267A-10-0381, Decision No. 72015, PAETEC Holding Corp ("PAETEC"), McLeodUSA Incorporated McLeodUSA Telecommunications Services, inc. d/b/a PAETEC Business Services and Talk America, Inc. submit the following compliance report for 2011:

1) IT IS FURTHER ORDERED that PAETEC and Talk America provide Commission Staff with updates by April 15, 2011 and April 15, 2012 on the status of plans related to the proposed transaction to increase employees and investment in Arizona

Response:

Employees: As of April 1, 2011, PAETEC and Talk America had 19 employees, and has budgeted to increase that total to 20 by year end 2011.

Investment: Since the transaction was announced in September 2010, PAETEC has invested an additional \$1.6 million in the State of Arizona.

2) IT IS FURTHER ORDERED that PAETEC and Talk America provide the Compliance Section with updates by April 15, 2011 and April 15, 2012 of any changes in the status of debt financing plans.

Response:

In December 2010, PAETEC obtained \$450 million principal amount of new 9 7/8% senior notes due 2018 and applied the proceeds to pay the merger consideration and other costs and expenses related to PAETEC's acquisition of Cavalier, including repayment of substantially all outstanding Cavalier indebtedness.

PAETEC is entering the market to procure a five year \$125 million bank revolver, and a 7 year \$100 million term loan.

If you have any additional questions, please contact me at (319) 790-7295 or by e-mail at William.haas@paetec.com.

Sincerely,



William A. Haas
Corporate Vice President – Public Policy & Regulatory