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April 2, 2004

Marlene H. Dortch, Secretary
Federal Communications Commission
Office of the Secretary
445 12th Street, SW
Washington, DC 20554

RE: **Notice of Ex Parte Communication**

WC Docket Nos. 02-33, 02-52, 01-337, 01-338, 03-266, 04-36

Dear Ms. Dortch.

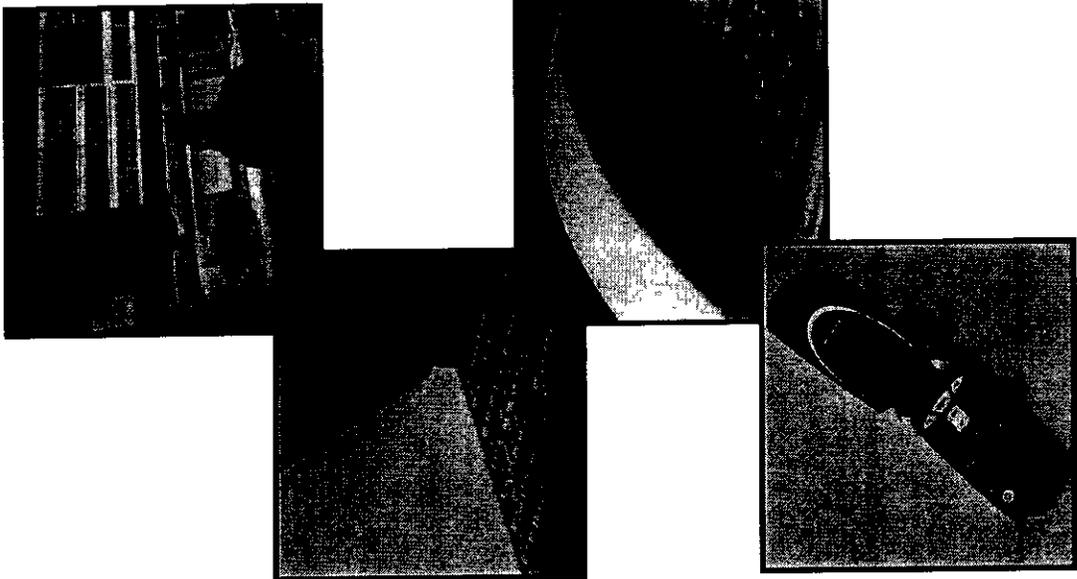
On March 31, 2004, Steve Gray, James Thompson and Bill Courter met with Commissioner Martin and Senior Legal Advisor Dan Gonzalez regarding issues in the above-referenced docket concerning the possible impact on the facilities-based CLEC industry. We are also filing the attached document that was discussed and left behind during this meeting

Very truly yours,


William H. Courter
Assistant General Counsel

Cc: Commissioner Martin
Dan Gonzalez

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★ McLeodUSA[®]

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Company Overview



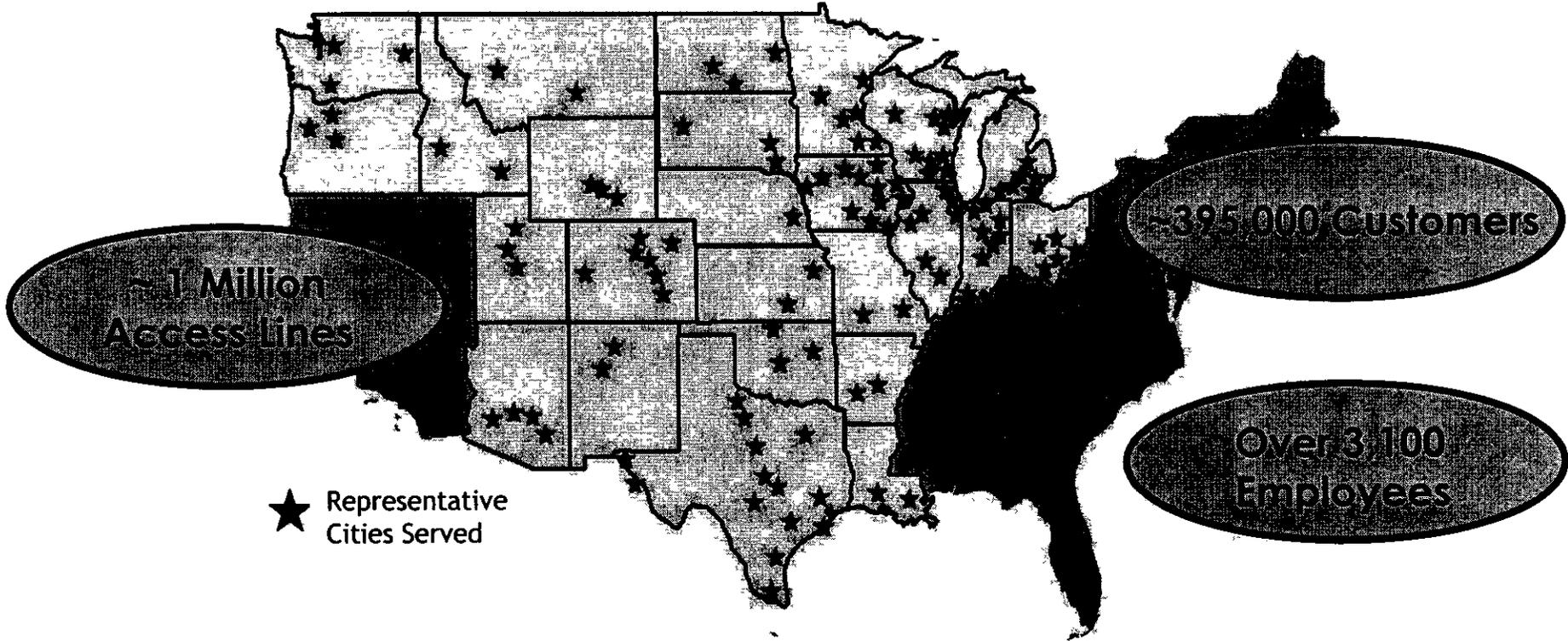
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- **Forstmann Little & Co. today owns 58% of McLeodUSA**
- **Focused strategy on integrated communication services in a 25-state footprint covering Midwest, Southwest, Northwest and Rocky Mountains**
- **New, experienced management team has executed strategic initiatives that have substantially improved the operation of the business**
- **One of the nation's largest, independent competitive telecommunications services providers**
 - **Approximately 1 million business and residential access lines in service**
 - **65% UNE-L; 35% UNE-P/Resale**
 - **Approximately 395,000 customers at 4Q03**
 - **Approximately \$870 million of Telco revenue in 2003**
 - **Positive Telco EBITDA since 2Q02**

McLeodUSA's 25 State Footprint



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McLeodUSA is a leading provider of voice, data and internet services to businesses and individuals across the United States. Our services are designed to meet the needs of our customers and provide them with the highest quality of service. We are committed to providing our customers with the best possible service and support.

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- **Customer oriented thinking**
- **Simplified products... to sell, deliver, bill and service... packaged to provide value-added customer solutions**
- **Low cost, highly reliable, facilities-based network**
- **Streamlined business processes and the “right” systems infrastructure... scalable for growth**
- **Trained, committed workforce... high quality performance**
- **Teamwork, integrity and accountability in all we do**
- **Focus on profitable revenue growth & positive cash flow**

2003 Operating Highlights



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Significantly Improved Operational and Financial Performance

	<u>2002</u>	<u>2003</u>
• Customer satisfaction	85%	92%
• Billing ticket accuracy	99.3%	99.7%
• Network reliability	99.994%	99.999%
• Business line churn	2.5%	1.8%
• Total line churn	2.6%	2.1%
• Lines on network (UNE-L)	52%	65%
• QUALITY certifications	0	3,100
• Revenue	\$992MM	\$869MM
• Gross margin %	37.4%	42.6%
• Cost savings	\$ 75MM	\$114MM
• Total SG&A	\$350MM	\$312MM
• Adjusted EBITDA	\$ 21MM	\$58MM

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2004 Goals



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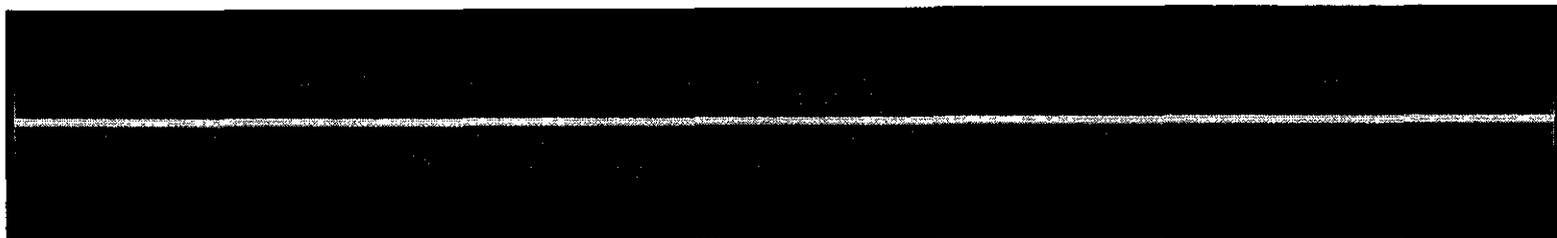
- Continued network quality and reliability
- Maintain customer satisfaction rating >90%
- Continued "first bill" review and accuracy > 99.7%
- Reduce customer churn
- Complete 2004  **QUALITY** training and certification program
- Launch new products: IAD phase 3 (VoIP) and managed services

Summary



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- Complete set of product offerings... Voice, Data and Internet
- Outstanding, experienced management team with proven track record
- Highly trained and committed workforce
- Outstanding operational performance...service delivery, billing and customer care
- Excellent reputation for high quality service
- Commitment to excellent, long-term customer relationships



Multiple proceedings on CLEC access to “Bottleneck” facilities



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- **271 Forbearance**
 - 271 approvals just completed
 - Basic premise . . . RBOC obligations continue
 - Independent obligation exists
- **VoIP**
 - Last-mile facilities cannot be replicated
 - Need Title II access to IP-enabled loop and transport facilities
 - Maintain existing ability to use collocations for VoIP
- **Fiber-to-the-Home**
 - Home means home -- not curb
 - Slippery slope
 - RBOCs have not curtailed investment
- **Broadband NPRM**
 - Residential only; Retail
 - Not wholesale or underlying facilities

Key Requirements



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- **Loops** Continued unbundled access and full use at TELRIC
- **EELS** Continued unbundled access and full use at TELRIC
- **Transport** Continued unbundled access and full use at TELRIC
- **Switchport** 1 – 2 year transition @ TELRIC pricing in competitive markets
- **Pricing** **UNEs at TELRIC**
 - “Just and Reasonable” for non-UNEs
 - strict and expedited enforcement
 - All pricing subject to imputation
 - NRCs continue to be a barrier to facilities-based competition