

WC 06-207

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BINGHAM McCUTCHEN

FUG/MLLON

NOV 06 2006

November 6, 2006

VIA COURIER

Bingham McCutchen LLP
Suite 300
3000 K Street NW
Washington, DC
20007 5116
202 424 7500
202 424 7647 fax

bingham.com

Boston
Hartford
London
Los Angeles
New York
Orange County
San Francisco
Silicon Valley
Tokyo
Walnut Creek
Washington

Marlene H. Dortch, Secretary
Federal Communications Commission
Wireline Competition Bureau – CPD – 214 Appls.
P.O. Box 358145
Pittsburgh, PA 15251-5145

Re: Application of McLeodUSA Telecommunications Services, Inc. and JB and SG Communications, LLC for Authority Pursuant to Section 214 of the Communications Act of 1934, as amended, to Complete a Transfer of Assets of an Authorized Domestic and International Section 214 Carrier

Dear Ms. Dortch:

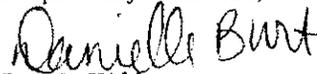
On behalf of McLeodUSA Telecommunications Services, Inc. (“McLedUSA”) and JB and SG Communications, LLC, enclosed please find an original and six (6) copies of an application for authority to complete a transfer of assets whereby JB and SG Communications will acquire certain assets and customers from McLeodUSA.

Pursuant to Section 63.04(b) of the Commission’s rules, Applicants submit this filing as a combined international section 214 transfer of control application and domestic section 214 transfer of control application (“Combined Application”). Applicants are simultaneously filing the Application with the International Bureau through the MyIBFS Filing System.

Also enclosed is a check in the amount of \$965.00 made payable to the Federal Communications Commission, which satisfies the filing fee required for this Application under line 2.b of Section 1.1105 of the Commission’s rules.

Please date-stamp the enclosed extra copy of this filing and return it in the envelope provided. Please direct any questions regarding this filing to the undersigned.

Respectfully submitted,



Jean L. Kiddoo
Danielle Burt

FEDERAL COMMUNICATIONS COMMISSION
REMITTANCE ADVICE

(1) LOCKBOX # 358145		SPECIAL USE ONLY FCC USE ONLY	
SECTION A - PAYER INFORMATION			
(2) PAYER NAME (if paying by credit card enter name exactly as it appears on the card) JB and SG Communications, LLC		(3) TOTAL AMOUNT PAID (U.S. Dollars and cents) \$965.00	
(4) STREET ADDRESS LINE NO. 1 c/o Bingham McCutchen, LLP			
(5) STREET ADDRESS LINE NO. 2 3000 K Street, N.W. , Suite 300			
(6) CITY Washington		(7) STATE DC	(8) ZIP CODE 20007
(9) DAYTIME TELEPHONE NUMBER (include area code) 202-424-7500		(10) COUNTRY CODE (if not in U.S.A.)	
FCC REGISTRATION NUMBER (FRN) REQUIRED			
(11) PAYER (FRN) 0015-6838-16		(12) FCC USE ONLY	
IF MORE THAN ONE APPLICANT, USE CONTINUATION SHEETS (FORM 159-C) COMPLETE SECTION BELOW FOR EACH SERVICE, IF MORE BOXES ARE NEEDED, USE CONTINUATION SHEET			
(13) APPLICANT NAME McLeodUSA Telecommunications Services, Inc.			
(14) STREET ADDRESS LINE NO. 1 One Martha's Way			
(15) STREET ADDRESS LINE NO. 2			
(16) CITY Hiawatha		(17) STATE Iowa	(18) ZIP CODE 52233
(19) DAYTIME TELEPHONE NUMBER (include area code) (800) 593-1177		(20) COUNTRY CODE (if not in U.S.A.)	
FCC REGISTRATION NUMBER (FRN) REQUIRED			
(21) APPLICANT (FRN) 0003-7160-73		(22) FCC USE ONLY	
COMPLETE SECTION C FOR EACH SERVICE, IF MORE BOXES ARE NEEDED, USE CONTINUATION SHEET			
(23A) CALL SIGN/OTHER ID	(24A) PAYMENT TYPE CODE CUT	(25A) QUANTITY 1	
(26A) FEE DUE FOR (PTC) \$965.00	(27A) TOTAL FEE \$965.00	FCC USE ONLY	
(28A) FCC CODE 1	(29A) FCC CODE 2		
(23b) CALL SIGN/OTHER ID	(24B) PAYMENT TYPE CODE	(25B) QUANTITY	
(26B) FEE DUE FOR (PTC)	(27B) TOTAL FEE	FCC USE ONLY	
(28B) FCC CODE 1	(29B) FCC CODE 2		
SECTION D - CERTIFICATION			
CERTIFICATION STATEMENT			
I, <u>Danielle C. Burt</u> , certify under penalty of perjury that the foregoing and supporting information is true and correct to the best of my knowledge, information and belief.			
SIGNATURE <u>Danielle Burt</u>		DATE <u>11/06/2006</u>	
SECTION E - CREDIT CARD PAYMENT INFORMATION			
MASTERCARD _____ VISA _____ AMEX _____ DISCOVER _____ ACCOUNT NUMBER _____ EXPIRATION DATE _____ I hereby authorize the FCC to charge my credit card for the service(s) authorization herein described. SIGNATURE _____ DATE _____			

FEDERAL COMMUNICATIONS COMMISSION REMITTANCE ADVICE (CONTINUATION SHEET) Page No <u>2</u> of <u>2</u>		SPECIAL USE FCC ONLY
USE THIS SECTION ONLY FOR EACH ADDITIONAL APPLICANT SECTION BB - ADDITIONAL APPLICANT INFORMATION		
(13) APPLICANT NAME JB and SG Communications, LLC		
(14) STREET ADDRESS LINE NO. 1 230 2nd Street SE		
(15) STREET ADDRESS LINE NO. 2 Suite 312		
(16) CITY Cedar Rapids		(17) STATE Iowa
		(18) ZIP CODE 52401
(19) DAYTIME TELEPHONE NUMBER (include area code) (319) 298-4702		(20) COUNTRY CODE (if not in U.S.A.)
FCC REGISTRATION NUMBER (FRN) REQUIRED		
(21) APPLICANT (FRN) 0015-6838-16		(22) FCC USE ONLY
COMPLETE SECTION C FOR EACH SERVICE, IF MORE BOXES ARE NEEDED, USE CONTINUATION SHEET		
(23A) CALL SIGN/OTHER ID	(24A) PAYMENT TYPE CODE	(25A) QUANTITY
(26A) FEE DUE FOR (PTC)	(27A) TOTAL FEE	FCC USE ONLY
(28A) FCC CODE 1		(29A) FCC CODE 2
(23B) CALL SIGN/OTHER ID	(24B) PAYMENT TYPE CODE	(25B) QUANTITY
(26B) FEE DUE FOR (PTC)	(27B) TOTAL FEE	FCC USE ONLY
(28B) FCC CODE 1		(29B) FCC CODE 2
(23C) CALL SIGN/OTHER ID	(24C) PAYMENT TYPE CODE	(25C) QUANTITY
(26C) FEE DUE FOR (PTC)	(27C) TOTAL FEE	FCC USE ONLY
(28C) FCC CODE 1		(29C) FCC CODE 2
(23D) CALL SIGN/OTHER ID	(24D) PAYMENT TYPE CODE	(25D) QUANTITY
(26D) FEE DUE FOR (PTC)	(27D) TOTAL FEE	FCC USE ONLY
(28D) FCC CODE 1		(29D) FCC CODE 2
(23E) CALL SIGN/OTHER ID	(24E) PAYMENT TYPE CODE	(25E) QUANTITY
(26E) FEE DUE FOR (PTC)	(27E) TOTAL FEE	FCC USE ONLY
(28E) FCC CODE 1		(29E) FCC CODE 2
(23F) CALL SIGN/OTHER ID	(24F) PAYMENT TYPE CODE	(25F) QUANTITY
(26F) FEE DUE FOR (PTC)	(27F) TOTAL FEE	FCC USE ONLY
(28F) FCC CODE 1		(29F) FCC CODE 2

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of the Joint Application of)	
McLeodUSA Telecommunications Services, Inc.)	
Transferor,)	File No. ITC-ASG-2006 _____
and)	
JB and SG Communications, LLC)	WC Docket No. 06-_____
Transferee)	
For Grant of Authority Pursuant to)	
Section 214 of the Communications Act of 1934,)	
as amended, and Sections 63.04, and 63.24 of the)	
Commission's Rules to Complete a)	
Transfer of Assets of an Authorized)	
Domestic and International Section 214 Carrier)	

JOINT APPLICATION

I. INTRODUCTION

A. Summary of Transaction

McLeodUSA Telecommunications Services, Inc. ("McLeodUSA") and JB and SG Communications, LLC ("Company") (together "Applicants"), through undersigned counsel and pursuant to Section 214 of the Communications Act, as amended, 47 U.S.C. § 214, and Sections 63.04 and 63.24 of the Commission's Rules, 47 C.F.R. §§ 63.04, 63.24, respectfully request Federal Communications Commission ("Commission") approval or such authority as may be necessary or required to complete a transaction whereby the Transferee will acquire certain assets, including certain customer accounts, from McLeodUSA. In particular, Applicants request

that the Commission authorize McLeodUSA to convey certain operating assets to Company.¹ As described below, because the rates, terms or conditions of the services being received by customers will not change as a result of the transfer, the proposed transaction will be virtually transparent to customers of McLeodUSA in terms of the services that those customers receive and the rates and terms of those services.

Applicants file this Application in connection with an Asset Purchase Agreement (“Agreement”) dated October 17, 2006. Through the Agreement, McLeodUSA has agreed to sell to Company certain Iowa assets of McLeodUSA, including the Cedar Rapids, Iowa and Marion, Iowa customer base served by its ATS Division (the “Customers”) and related network facilities.² As a result of the transaction, the Customers will be transferred to Company, which will become the service provider for those Customers.

B. Request for Streamlined Processing

Applicants respectfully submit that this Application is eligible for streamlined processing pursuant to Section 63.03 and 63.12 of the Commission's Rules, 47 C.F.R. §§ 63.03 & 63.12. With respect to domestic authority, this Application is eligible for streamlined processing pursuant to Section 63.03(b)(2)(i) because, immediately following the transaction, (1) Applicants and their affiliates, as defined in Section 3(1) of the Communications Act (“Affiliates”) combined will hold less than a ten percent (10%) share of the interstate, interexchange market; (2) Applicants and their Affiliates will provide local exchange service only in areas served by dominant local exchange carriers (none of which is a party to the proposed transaction) and; (3) none of the Applicants or their Affiliates is dominant with respect to any service.

¹ Company will file an application for international Section 214 authority under separate cover.

² In addition to telephone services, most of these customers also purchase cable television and/or broadband services. Those accounts and related network facilities are also being assigned to Company.

With respect to international authority, this Application is eligible for streamlined processing pursuant to Section 63.12(a)-(b) of the Commission's Rules, 47 C.F.R. §63.12(a)-(b). In particular, Section 63.12(c)(1) is inapplicable because none of the Applicants is a foreign carrier, or is affiliated with any foreign carriers and none of the scenarios outlined in Section 63.12(c) of the Commission's Rules, 47 C.F.R. § 63.12(c), applies.

In support of this Application, Applicants provide the following information:

II. DESCRIPTION OF THE APPLICANTS

A. McLeodUSA Telecommunications Services, Inc. (Transferor)

McLeodUSA Telecommunications Services, Inc. ("McLeodUSA") is an Iowa corporation with principal offices located at One Martha's Way, Hiawatha, Iowa 52233-2404. McLeodUSA provides integrated communications services, including local services, primarily in 25 Midwest, Southwest, Northwest, and Rocky Mountain states. McLeodUSA is a wholly owned subsidiary of McLeodUSA Holdings, Inc. which, in turn, is a wholly owned subsidiary of McLeodUSA Incorporated.

B. JB and SG Communications, LLC (Transferee)

JB and SG Communications, LLC ("Company") is a newly-formed limited liability company under the laws of the State of Iowa. Company's principal office is located at 230 2nd Street SE, Suite 312, Cedar Rapids, Iowa 52401.

III. DESCRIPTION OF THE TRANSACTION

Applicants propose to complete a transaction ("Transaction") through which Company will acquire certain assets of McLeodUSA, including its customer base in Cedar Rapids, Iowa and Marion, Iowa, pursuant to an Asset Purchase Agreement ("Agreement") dated October 17, 2006. As a result of the proposed Transaction, Company will replace McLeodUSA as the service provider

to the Customers in Cedar Rapids, Iowa and Marion, Iowa. McLeod USA will continue to offer services to other existing customers in Cedar Rapids, Marion, and elsewhere.³

Applicants emphasize that although the proposed Transaction will involve a transfer of customers, following the proposed Transaction those customers will continue to receive service from Company under the same rates, terms and conditions as the services currently provided. As a result, the proposed Transaction will be virtually transparent to the Customers in terms of the services that they currently receive. In addition, all of the affected customers will receive notice in compliance with the Commission's Rules.⁴ Moreover, because Company is acquiring operating assets of McLeodUSA necessary to provide service to the transferred customers, Company will have all of the assets required to continue to provide high-quality services to the customers it acquires.

Transferee is well-qualified to provide service to McLeodUSA's customers. Transferee's operations will be overseen by a well-qualified management team with substantial telecommunications experience and technical expertise. Thus, the Transferee will be able to provide the same services at the same rates, terms and conditions as currently provided to the Customers.

IV. PUBLIC INTEREST STATEMENT

The proposed Transaction described above will serve the public interest by ensuring that McLeodUSA's Cedar Rapids, Iowa and Marion, Iowa customers enjoy continuity of high-quality telecommunications service. In particular, the assignment of McLeodUSA's Cedar Rapids, Iowa and Marion, Iowa customers, together with the transfer of other assets required to serve those

³ Petitions note that they are not seeking to assign McLeodUSA's existing Section 214 authorizations. Company will offer domestic interstate services pursuant to blanket 214 authority and concurrently herewith is filing an application for Section 214 international authority.

⁴ Company will file the required certificate of compliance under separate cover.

customers, will ensure that the customers continue to receive uninterrupted interstate and international services. Moreover, the proposed Transaction will not cause customer confusion. Because the rates, terms and conditions of service will not change as a result of the transfer, the proposed Transaction will be virtually transparent to customers in terms of the services those customers receive.

Given the increasingly complex and competitive nature of the telecommunications and capital markets and for other business reasons, Applicants seek to complete the proposed Transaction as soon as possible. Accordingly, Applicants respectfully request that the Commission process, consider, and approve this Application as expeditiously as possible.

V. INFORMATION REQUIRED BY SECTION 63.24(e)

Pursuant to Section 63.24(e)(2) of the Commission's Rules, the Applicants submit the following information requested in Section 63.18 (a)-(d) and (h)-(p) in support of this Application:

63.18 (a) Name, address and telephone number of each Applicant:

Transferor:

McLeodUSA Telecommunications Services, Inc.
One Martha's Way
Hiawatha, Iowa 52233
(800) 593-1177 (Tel)
(319) 790-7767 (Fax)

Transferee:

JB and SG Communications, LLC
230 2nd Street SE, Suite 312
Cedar Rapids, Iowa 52401
(319) 298-4702 (Tel)

63.18 (b) Jurisdiction of Organizations:

Transferor: McLeodUSA Telecommunications Services, Inc. is an Iowa corporation.

Transferee: JB and SG Communications, LLC is a limited liability company

organized under the laws of the State of Iowa.

63.18 (c) Correspondence concerning this Application should be sent to:

Jean L. Kiddoo
Danielle C. Burt
Bingham McCutchen LLP
3000 K Street, NW, Suite 300
Washington, DC 20007-5116
Tel: (202) 373-6000
Fax: (202) 424-7645
Email: jean.kiddoo@bingham.com
danielle.burt@bingham.com

63.18 (d) McLeodUSA holds domestic and international Section 214 authority. McLeodUSA is authorized to provide international switched services on a resold basis pursuant to a Section 214 authorization granted by the Commission in File No. ITC-214-19930827-00153.

Company is applying for international Section 214 authority.

63.18 (h) In accordance with 63.24(e)(2), items (h)-(p) are provided for the transferee.

1) The following entity owns or controls 10% or more of **JB and SG Communications, LLC**:

Name: Stephen C. Gray
Address: 230 2nd Street SE, Suite 312
Cedar Rapids, Iowa 52401
Citizenship: US Citizen
Interest Held: 11%
Principal Business: Individual

Name: Jeffrey D. Benjamin
Address: 9 West 57th Street, 43rd Floor
New York, NY 10019
Citizenship: US Citizen
Interest Held: 40%
Principal Business: Individual

Other than the foregoing, following the Transaction, to the best of the Applicants' knowledge, no other person or entities will directly or indirectly own 10% or greater direct or indirect interest in Company.

To the best of Applicants' knowledge, there are no officers or directors of Company that also serve as an officer or director of a foreign carrier as defined in Section 63.09(d). However, Jeffrey D. Benjamin is currently a Director of NTL Incorporated. NTL Inc. is the largest cable company in the United Kingdom.

- 63.18 (i) Applicants certify that they are not foreign carriers, nor are they affiliated with foreign carriers, nor will they become affiliated with foreign carriers as a result of this transaction.
- 63.18 (j) Applicants certify that they do not seek to provide international telecommunications services to any destination country where:
- (1) An Applicant is a foreign carrier in that country; or
 - (2) An Applicant controls a foreign carrier in that country; or
 - (3) Any entity that owns more than 25 percent of an Applicant, or that controls an Applicant, controls a foreign carrier in that country; or
 - (4) Two or more foreign carriers (or parties that control foreign carriers) own, in the aggregate more than 25 percent of an Applicant and are parties to, or the beneficiaries of, a contractual relation affecting the provision or marketing of international basic telecommunications services in the United States.
- 63.18 (k) Not applicable.
- 63.18 (l) Not applicable.
- 63.18 (m) Not applicable.
- 63.18 (n) Applicants certify that they have not agreed to accept special concessions directly or indirectly from any foreign carrier with respect to any U.S. international route where the foreign carrier possesses market power on the foreign end of the route and will not enter into such agreements in the future.
- 63.18 (o) Applicants certify that they are not subject to denial of federal benefits pursuant to Section 5301 of the Anti-Drug Abuse Act of 1998. *See* 21 U.S.C. § 853a. *See also* 47 C.F.R. §§ 1.2001-1.2003.
- 63.18 (p) Applicants respectfully submit that this Application is eligible for streamlined processing pursuant to Section 63.12(a)-(b) of the Commission's Rules, 47 C.F.R. §63.12(a)-(b). In particular, Section 63.12(c)(1) is inapplicable because none of the Applicants is or is affiliated with any foreign carriers and none of the scenarios outlined in Section 63.12(c) of the Commission's Rules, 47 C.F.R. § 63.12(c), applies.

VI. INFORMATION REQUIRED BY SECTION 63.04

In lieu of an attachment, pursuant to Commission Rule 63.04(b), 47 C.F.R. § 63.04(b) Applicants submit the following information in support of their request for domestic Section 214 authority in order to address the requirements set forth in Commission Rule 63.04(a)(6)-(12), 47 C.F.R. § 63.04(a)(6)-(12):

(a)(6) A description of the proposed Transaction is set forth in **Section III** above.

(a)(7) McLeodUSA provides local and/or long distance services in all states except for Alaska and Hawaii. All of the services provided by McLeodUSA and its affiliates are competitive in nature and neither McLeodUSA nor any of its affiliates holds a dominant position in any market.

Company is a newly-formed company that has applied for authority to operate in Iowa. Company does not currently provide telecommunications services in any state.

(a)(8) Applicants respectfully submit that this Application is eligible for streamlined processing pursuant to Sections 63.03 of the Commission's Rules, 47 C.F.R. §63.03. In particular, with respect to domestic authority, this Application is eligible for streamlined processing pursuant to Section 63.03(b)(2)(i) because, immediately following the transaction, (1) Applicants and their affiliates (as defined in Section 3(1) of the Communications Act – ("Affiliates") combined will hold less than a ten percent (10%) share of the interstate, interexchange market; (2) Applicants and their Affiliates will provide local exchange service only in areas served by dominant local exchange carriers (none of which is a party to the proposed transaction) and; (3) none of the Applicants or their Affiliates is dominant with respect to any service.

(a)(9) By this Application, Applicants seek authority with respect to both international and domestic Section 214 authorizations (this Application is being separately and concurrently filed with respect to both types of authorities in compliance with Commission Rule 63.04(b), 47 C.F.R. § 63.04(b)). Other than the required slamming certification, no other applications are being filed with the Commission with respect to this transaction.

(a)(10) Prompt completion of the proposed transaction is critical to ensure that Applicants can obtain the benefits described in the foregoing application. Accordingly, Applicants respectfully request that the Commission approve this Application expeditiously in order to allow Applicants to consummate the proposed transaction as soon as possible.

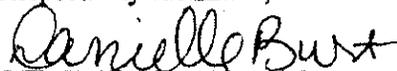
(a)(11) Not applicable.

(a)(12) A statement showing how grant of the application will serve the public interest, convenience and necessity is provided in Section IV above.

VI. CONCLUSION

For the reasons stated above, Applicants respectfully submit that the public interest, convenience, and necessity would be furthered by a grant of this Application. Applicants respectfully request expedited treatment to permit Applicants to complete the Transaction as soon as possible.

Respectfully submitted,



Jean L. Kiddoo

Danielle C. Burt

Bingham McCutchen LLP

3000 K Street, N.W., Suite 300

Washington, DC 20007-5116

Tel: (202) 373-6000

Fax: (202) 424-7645

Email: jean.kiddoo@bingham.com

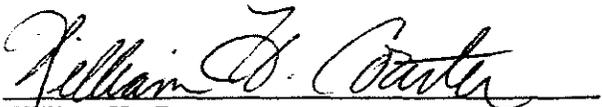
danielle.burt@bingham.com

Dated: November 6, 2006

Verifications

VERIFICATION

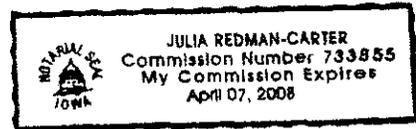
I, William H. Courter, state that I am Assistant General Counsel of McLeodUSA Telecommunications Services, Inc.; that I am authorized to make this Verification on behalf of McLeodUSA Telecommunications Services, Inc.; that the foregoing filing was prepared under my direction and supervision; and that the contents are true and correct to the best of my knowledge, information, and belief.


William H. Courter
Assistant General Counsel
McLeodUSA Telecommunications Services, Inc.

Sworn and subscribed before me this 3 day of November, 2006.


Notary Public

My commission expires April 7, 2008



VERIFICATION

I, Stephen C. Gray, state that I am Chairman of JB and SG Communications, LLC; that I am authorized to make this Verification on behalf of JB and SG Communications, LLC; that the foregoing filing was prepared under my direction and supervision; and that the contents are true and correct to the best of my knowledge, information, and belief.


Stephen C. Gray
Chairman
JB and SG Communications, LLC

Sworn and subscribed before me this 3 day of November, 2006.


Notary Public

My commission expires 6/21/2007

