



4008

ANNUAL REPORT

of

Name: MCLEODUSA TELECOMMUNICATIONS SERVICES, INC.

Principal Office: 6400 C STREET SW
P.O. BOX 3177
CEDAR RAPIDS, IA 52406-3177

For the Year Ended: DECEMBER 31, 2002

Alternative Telecommunications Utility -- Other Telecommunications Provider

To

Public Service Commission of Wisconsin

| | |
|------------------|---|
| Mailing Address: | P.O. Box 7854 Madison, WI 53707-7854 |
| Courier Address: | 610 N. Whitney Way Madison, WI 53705-2729 |
| E-mail: | pscrecs@psc.state.wi.us |
| Telephone: | (608) 267-9504 |
| Facsimile: | (608) 266-3957 |
| Home Page: | http://psc.wi.gov |

This form is required under Wis. Stat. § 196.07. Failure to file the form by the statutory filing date can result in the imposition of a penalty under Wis. Stat. § 196.66. The penalty which can be imposed by this section of the statutes is a forfeiture of not less than \$25 nor more than \$5,000 for each violation. Each day subsequent to the filing date constitutes a separate and distinct violation. The filed form is available to the public and personally identifiable information may be used for purposes other than those related to public utility regulation.

RULES FOR REPORTING

1. The annual report due date is April 1 of the following year. (Example: The 2002 report is due April 1, 2003.) If that date falls on a weekend or holiday, the annual report is due the following business day.
2. **Electronic filing via e-mail is required unless additional provisional confidential treatment is desired.** Go to the Public Service Commission of Wisconsin's Web Page at <http://psc.wi.gov>, click on Telecommunications, click on Annual Report Programs and Worksheets, and click on Annual Report Program for Alternative Telecommunications Utility - Other Telecommunications Providers (OTH).
3. Alternative Telecommunications Utility-Other Telecommunications Provider (ATU-Other) entities with no revenues for the report year are required to file an OTH annual report.
4. Unless otherwise indicated, the information requested in this report should be taken from the accounts and other records of the utility. A query or response concerning information contained in this report regarding any practice or transaction should not be construed as indicating conformity to pertinent regulations.
5. Please follow all instructions and answer each question fully and accurately. Provide additional information as necessary to avoid misunderstandings or misleading responses.
6. Wherever information is requested in a "note," please show that information in the space provided, or make reference to the adjacent page or insert where the note may be found. Please also identify each note. Limited footnote capability is included in the annual report software program. Please use it where necessary to fully explain particulars in the annual report.
7. Numeric items are limited to digits (0-9). Do not type commas when entering numbers. A minus sign "-" should be entered in the software program to indicate negative values. The program will convert the minus sign to parentheses if a hard copy of the annual report is printed. Negative values may not be allowed for certain entries in the annual report due to restrictions contained in the software program.
8. Please report all dollar amounts to the nearest thousand dollars.
9. This annual report should be complete in all respects. Unless otherwise authorized, avoid references to returns of former years or to other reports.
10. Wherever schedules call for data from the previous year and such data were reported in the previous annual report, the previous year's data should be reported without modification. If modified, an appropriate footnote and explanation should be included in the current year's annual report.
11. Where part or all of the report is prepared by other than utility personnel, a disclosure is required in the "Individual or firm, if other than utility employee, preparing this report" portion of the Identification and Ownership schedule, which describes the nature and extent of work performed.
12. The OTH annual report program incorporates provisional confidentiality capability for the following item, based on the Commission's Information Regarding Confidential Filings decision dated February 24, 2003, as supplemented for the new Nonregulated Revenues category on the Operating Revenues schedule:
 - a. Operating Revenues (Particulars, Wisconsin-Based Intrastate, Wisconsin-Based Interstate, Wisconsin-Based Total, and Total Company columns) (pp. 14-15) (Miscellaneous Revenues and Nonregulated Revenues descriptions, other than Video Distance Learning and Directory appearing in the report form, contained in the Particulars column (column a) and respective dollar amounts reported for the Miscellaneous Revenues and Nonregulated Revenues categories in the columns labeled Wisconsin-

RULES FOR REPORTING

Based Intrastate, Wisconsin-Based Interstate, Wisconsin-Based Total, and Total Company);

- b. Central Office Data-End of Year (p. 19)
 - i. Integrated Service Digital Network (ISDN) Lines-In Use (BRI);
 - ii. ISDN Lines-In Use (PRI);
 - iii. xDSL Lines-In Use;
 - iv. Switched 56 lines in use;
 - v. Digital Transmission Facilities: DS-1-In use;
 - vi. Digital Transmission Facilities: DS-3-In use;
 - vii. Video Information Service-In use (# lines); and
 - viii. Fiber Transmission Facilities: No. of fiber strands working (LIT) in C.O.

If additional provisional confidential treatment is desired, please contact the Commission concerning required manual filing procedures. In this situation, do not file the annual report electronically using the program's e-mail filing capabilities.

- 13. It is not necessary to manually or electronically "sign" the signature page. It is not necessary to file a hardcopy annual report printout with the Commission.
- 14. **Edit Check, Confidential Listing, Exported Annual Report, and Export Status Files; Filing the Completed Report:**

Program edit checks, which are located under the Admin dropdown menu, should be run at the completion of data entry. Each edit problem lists pertinent schedule(s) as well as the nature of the problem (such as "does not equal"). Edit items should be reviewed and corrected; unresolved problems should be footnoted in the report, if necessary. This screen automatically saves the edit checks to an .edt file that may be viewed and edited (for purposes of adding necessary notations) using a word processing package such as WordPad.

The confidential listing, which is located under the Admin dropdown menu, should also be run at the completion of data entry. This will create a .clf file.

Select the annual report to export from the Main-Report Selection window. Click Admin, Export Data to PSC to start the export process. This will create an .mdb file, which will subsequently be encrypted to a file with an .sen extension. An export status file is also created (with a .txt extension). The export status file may also be viewed in a word processing package such as WordPad. If you encounter any export errors, please contact the Commission for assistance.

The .edt, .clf, .sen, and .txt files will be zipped to a file with a .zip extension. An e-mail message will be created, addressed to pscrcs@psc.state.wi.us. The .zip file is automatically attached to the e-mail message. After the e-mail is created, it will automatically be sent to the Commission.

Once received and processed by the Commission, you will receive a response indicating that your annual report has been received and is being processed. You will be notified if there are any problems with the annual report filing.

- 15. **Name Changes:**

If a name change (e.g., the new name, the date of the change, and the affected entities with their respective four-digit Commission identification numbers) is identified in the report, documents from the State of Wisconsin Department of Financial Institutions (DFI) also must be submitted to the Commission:

RULES FOR REPORTING

A domestic corporation should send a copy of the stamped page from its Articles of Amendment as filed with DFI. A foreign corporation should send a copy of their Amended Certificate of Authority as issued by DFI.

These documents can be obtained by:

1. Calling DFI at (608) 261-7577;
2. Contacting DFI on the web at <http://wdfi.org>; or
3. By writing to DFI at P.O. Box 7846, Madison, WI 53707-7846.

A name change is not effective in the Commission's records until a separate notification letter is sent to the Commission including documentation to confirm registration of that change with the State of Wisconsin Department of Financial Institutions.

16. Changes to the Annual Report Subsequent to Filing:

If making revisions to the report subsequent to an electronic filing with the Commission, resubmit the report via e-mail following the procedures set forth above in item number 14. New edit check, confidential listing, exported annual report, and export status files should be created as a result of the revisions.

Revisions to an annual report previously filed on a manual basis also require a new complete manual filing.

17. Municipalities authorized by the Commission as competitive local exchange carriers (CLECs) should report only the CLEC-related amounts in the OTH annual report.

TABLE OF CONTENTS

| Schedule Name | Page |
|---|-------------|
| Cover Page | 1 |
| Rules for Reporting | 2 |
| Signature Page | 3 |
| Table of Contents | 4 |
| Identification and Ownership | 5 |
| Income Statement - Total Company | 6 |
| Income Statement - Wisconsin Intrastate Operations | 7 |
| Total Company Balance Sheet - Assets | 8 |
| Total Company Balance Sheet - Liabilities and Capital | 9 |
| Total Company Balance Sheet - Notes | 10 |
| Retained Earnings - Total Company | 11 |
| Telecommunications Plant in Service & Accumulated Depreciation & Amortization - Wisconsin | 12 |
| Operating Revenues | 14 |
| Average Number of Subscribers | 16 |
| Access Expenses, Billing Expenses & Charges Imposed by Another Carrier | 17 |
| Central Office Data - End of Year | 19 |
| Assessable Revenues | 20 |
| Other Information | 21 |
| Schedule And Report Notes | 22 |

IDENTIFICATION AND OWNERSHIP

Exact Utility Name: MCLEODUSA TELECOMMUNICATIONS SERVICES, INC.
Utility Location: 6400 C STREET SW
P.O. BOX 3177
CEDAR RAPIDS, IA 52406-3177

Utility Web Site Address: www.mcleodusa.com

Date utility authorized to provide service in Wisconsin: 04/01/1997

State in which utility was organized: Iowa

Organization type (e.g., corporation, partnership): Corporation

New Utility Name:

Effective Date:

Telephone numbers for potential customers to contact company:

Business Customers: (800) 593 - 1177 Ext:

Residential Customers: (800) 500 - 3453 Ext:

Officer in charge of correspondence concerning this report

Name: DAVID R. CONN
Title: ASSISTANT SECRETARY
Firm/Company: MCLEODUSA, INC.
Office Address: 6400 C STREET SW
P.O. BOX 3177
CEDAR RAPIDS, IA 52406-3177
Fax Number: (319) 790 - 7901
Telephone Number: (319) 790 - 6480
Email Address: David.Conn@mcleodusa.com

Individual or firm, if other than utility employee, preparing this report

Name:
Title:
Firm/Company:
Office Address:

Fax Number:
Telephone Number:
Email Address:

Name and address of the office where the utility's books are kept

Name: JOSEPH H. CERYANEC
Title: VP - CONTROLLER & TREASURY
Firm/Company: MCLEODUSA, INC.
Office Address: 6400 C STREET SW
P.O. BOX 3177
CEDAR RAPIDS, IA 52406-3177
Fax Number: (319) 790 - 7399
Telephone Number: (319) 790 - 7767
Email Address: Joseph.Ceryanec@mcleodusa.com

IDENTIFICATION AND OWNERSHIP

List names, addresses, and number of shares held by persons owning 5 percent or more of outstanding voting securities. If any stock is held by a nominee, give known particulars as to the beneficial owner (See Wis. Stat. § 196.795(1)(c), for definition of beneficial owner).

Name: FORSTMANN LITTLE & CO.
Address: 767 FIFTH AVE, 44TH FLOOR
NEW YORK , NY 10153

Number of Shares Held: 188,000,000
Beneficial Owner: NONE

List companies owned, controlled, or operated and form and extent of such ownership, control or operation.

Company Name: NONE
Form of Interest: N/A
Extent of Interest: N/A

INCOME STATEMENT - TOTAL COMPANY

| Particulars (a) | This Year (b) | Last Year (c) | |
|--|----------------------|----------------------|-----------|
| Operating Revenues | 969,161,920 | 1,138,434,000 | 1 |
| OPERATING EXPENSES | | | |
| Access and Billing Expenses | 224,927,167 | 294,299,656 | 2 |
| Local Interconnection | 0 | 0 | 3 |
| Other Charges Imposed by Another Carrier | 396,183,833 | 400,489,561 | 4 |
| Communication System Operations | 0 | 0 | 5 |
| Sales and Marketing | 62,662,000 | 148,490,000 | 6 |
| Administrative and General | 224,343,000 | 266,007,000 | 7 |
| Depreciation and Amortization | 280,927,000 | 290,818,000 | 8 |
| Other | 121,878,000 | 28,855,783 | 9 |
| Total Operating Expenses | 1,310,921,000 | 1,428,960,000 | 10 |
| Net Operating Income | (341,759,080) | (290,526,000) | 11 |
| OTHER INCOME | | | |
| Nonoperating Income and Expense | (45,630,000) | (25,524,000) | 12 |
| Nonoperating Taxes | 0 | 0 | 13 |
| Interest and Related Items | 0 | 0 | 14 |
| Extraordinary Items | 0 | 0 | 15 |
| Nonregulated Net Income | 0 | 0 | 16 |
| Total Nonoperating Income | (45,630,000) | (25,524,000) | 17 |
| Net Income | (387,389,080) | (316,050,000) | 18 |

Income Statement - Total Company Note:

Disclose additional material information not included elsewhere in this report that is necessary to make the financial statements clear and understandable, including:

1. A summary of significant accounting policies, including, but not limited to, accounting policies related to pension cost, unbilled revenues, and income taxes.
2. The method of computing depreciation expense.

INCOME STATEMENT - WISCONSIN INTRASTATE OPERATIONS

| Particulars (a) | Wisconsin Intrastate % This Year (b) | This Year (c) | Last Year (d) | |
|--|---|-------------------|--------------------|-----------|
| Operating Revenues | 5.00% | 51,312,642 | 53,516,243 | 1 |
| OPERATING EXPENSES | | | | |
| Access and Billing Expenses | 0% | 8,978,738 | 3,840,213 | 2 |
| Local Interconnection | 0% | 0 | 0 | 3 |
| Other Charges Imposed by Another Carrier | 0% | 22,931,169 | 41,263,581 | 4 |
| Communication System Operations | 0% | 0 | 0 | 5 |
| Sales and Marketing | 0% | 329,290 | 44,951 | 6 |
| Administrative and General | 0% | 1,178,926 | 10,813,493 | 7 |
| Depreciation and Amortization | 0% | 1,889,321 | 3,413,058 | 8 |
| Other | 0% | 640,471 | 0 | 9 |
| Total Operating Expenses | 0% | 35,947,915 | 59,375,296 | 10 |
| Net Operating Income | 0% | 15,364,727 | (5,859,053) | 11 |
| OTHER INCOME | | | | |
| Nonoperating Income and Expense | 0% | 0 | 0 | 12 |
| Nonoperating Taxes | 0% | 0 | 0 | 13 |
| Interest and Related Items | 0% | 0 | 0 | 14 |
| Extraordinary Items | 0% | 0 | 0 | 15 |
| Nonregulated Net Income | 0% | 0 | 0 | 16 |
| Total Nonoperating Income | 0% | 0 | 0 | 17 |
| Net Income | 0% | 15,364,727 | (5,859,053) | 18 |

Income Statement - Wisconsin Intrastate Operations Note:

Please state the bases upon which the Wisconsin intrastate factors were developed and provide supporting calculations.

TOTAL COMPANY BALANCE SHEET - ASSETS

| Particulars (a) | Balance--EOY (b) | Balance--FOY (c) | |
|---|-----------------------------|-----------------------------|-----------|
| CURRENT ASSETS | | | |
| Cash and Cash Equivalents | 6,029,000 | 6,700,000 | 1 |
| Net Telecommunications Accounts Receivable | 61,647,000 | 146,018,000 | 2 |
| Net Other Accounts Receivable | 489,000 | 1,566,000 | 3 |
| Net Notes Receivable | 0 | 0 | 4 |
| Interest and Dividends Receivable | 0 | 0 | 5 |
| Materials and Supplies | 0 | 0 | 6 |
| Prepayments | 0 | 15,059,000 | 7 |
| Other Current Assets | 10,911,000 | (2,000) | 8 |
| TOTAL CURRENT ASSETS | 79,076,000 | 169,341,000 | |
| NONCURRENT ASSETS | | | |
| Investments in Affiliated Companies | 0 | 48,246,000 | 9 |
| Investments in Nonaffiliated Companies | 0 | 0 | 10 |
| Other Noncurrent Assets | 314,324,992 | 155,564,992 | 11 |
| Deferred Charges | 0 | 0 | 12 |
| TOTAL NONCURRENT ASSETS | 314,324,992 | 203,810,992 | |
| PLANT | | | |
| Telecommunications Plant in Service | 1,129,917,952 | 1,644,877,056 | 13 |
| Less: Accumulated Depreciation and Amortization | 242,059,008 | 507,576,000 | 14 |
| Net Property Held for Future Telecommunications Use | 0 | 0 | 15 |
| Net Nonoperating Plant | 0 | 0 | 16 |
| Telecommunications Plant Under Construction | 79,789,000 | 191,492,992 | 17 |
| Net Telecommunications Plant Adjustment | 0 | 0 | 18 |
| TOTAL PLANT | 967,647,944 | 1,328,794,048 | |
| TOTAL ASSETS AND OTHER DEBITS | <u>1,361,048,936</u> | <u>1,701,946,040</u> | |

TOTAL COMPANY BALANCE SHEET - LIABILITIES AND CAPITAL

| Particulars (a) | Balance--EOY (b) | Balance--FOY (c) | |
|---|-----------------------------|-----------------------------|----|
| CURRENT LIABILITIES | | | |
| Accounts and Notes Payable to Affiliated Companies | 2,622,966,016 | 2,404,564,992 | 1 |
| Other Accounts and Notes Payable | 241,892,992 | 337,214,016 | 2 |
| Advance Billing and Payments | 7,883,000 | 9,997,000 | 3 |
| Customer Deposits | 2,034,000 | 2,786,000 | 4 |
| Current Maturities - Long-Term Obligations | 3,543,000 | 15,138,000 | 5 |
| Taxes Accrued | 0 | 5,643,000 | 6 |
| Other Current and Accrued Liabilities | 49,167,000 | 31,052,000 | 7 |
| TOTAL CURRENT LIABILITIES | 2,927,486,008 | 2,806,395,008 | |
| LONG-TERM DEBT | | | |
| Net Funded Debt | 0 | 0 | 8 |
| Obligations Under Capital Leases | 0 | 0 | 9 |
| Advances from Affiliated Companies | 0 | 0 | 10 |
| Other Long-Term Debt | 0 | 0 | 11 |
| TOTAL LONG-TERM DEBT | 0 | 0 | |
| OTHER LIABILITIES AND DEFERRED CREDITS | | | |
| Other Long-Term Liabilities | 912,000 | 5,057,000 | 12 |
| Unamortized Investment Tax Credits | 0 | 219,000 | 13 |
| Net Noncurrent Deferred Income Taxes | 0 | 527,000 | 14 |
| Other Deferred Credits | 68,431,000 | 16,366,000 | 15 |
| TOTAL OTHER LIABILITIES AND DEFERRED CREDITS | 69,343,000 | 22,169,000 | |
| STOCKHOLDERS' EQUITY | | | |
| Capital Stock and Paid-In Capital | 15,843,000 | 13,320,000 | 16 |
| Other Capital | 0 | 0 | 17 |
| Retained Earnings | (1,651,623,040) | (1,139,938,048) | 18 |
| TOTAL STOCKHOLDERS' EQUITY | (1,635,780,040) | (1,126,618,048) | |
| TOTAL LIABILITIES AND OTHER CREDITS | <u>1,361,048,968</u> | <u>1,701,945,960</u> | |

TOTAL COMPANY BALANCE SHEET - NOTES

Other information concerning the total company balance sheet.

RETAINED EARNINGS - TOTAL COMPANY

| Particulars (a) | This Year (b) | Last Year (c) | |
|--|-------------------------------|-------------------------------|----------|
| Balance - First of Year | (1,139,937,920) | (615,108,672) | 1 |
| Changes: | | | |
| Balance Transferred from Income | (387,389,088) | (316,049,984) | 2 |
| Dividends Declared | 0 | 0 | 3 |
| Miscellaneous Debits to Retained Earnings | 0 | 0 | 4 |
| Miscellaneous Credits to Retained Earnings | (124,296,032) | (208,779,296) | 5 |
| Balance - End of Year | <u>(1,651,623,040)</u> | <u>(1,139,937,952)</u> | 6 |

TELECOMMUNICATIONS PLANT IN SERVICE & ACCUMULATED DEPRECIATION & AMORTIZATION - WISCONSIN

| Plant Function (a) | Plant in Service FOY (b) | Additions (c) | Retirements (d) | |
|--------------------------------|--------------------------------|------------------|--------------------|---|
| GENERAL SUPPORT | | | | |
| Enter Description Here | 0 | 0 | 0 | 1 |
| CENTRAL OFFICE | | | | |
| Enter Description Here | 19,214 | 0 | 185 | 2 |
| INFORMATION ORIG./TERM. | | | | |
| Enter Description Here | 0 | 0 | 0 | 3 |
| CABLE WIRE FACILITIES | | | | |
| Enter Description Here | 0 | 0 | 0 | 4 |
| AMORTIZABLE | | | | |
| Enter Description Here | 0 | 0 | 0 | 5 |
| TOTAL PLANT IN SERVICE | 19,214 | 0 | 185 | |

**TELECOMMUNICATIONS PLANT IN SERVICE & ACCUMULATED DEPRECIATION &
AMORTIZATION - WISCONSIN (cont.)**

| Plant Function (e) | Transfers / Adjustments (f) | Plant in Service EOY (g) | Acc. Depr. & Amortization EOY (h) | Net Plant in Service EOY (i) | |
|--------------------------------|-----------------------------------|--------------------------------|---|------------------------------------|---|
| GENERAL SUPPORT | | | | | |
| Enter Description Here | 0 | 0 | 0 | 0 | 1 |
| CENTRAL OFFICE | | | | | |
| Enter Description Here | (19,028) | 1 | 0 | 1 | 2 |
| INFORMATION ORIG./TERM. | | | | | |
| Enter Description Here | 0 | 0 | 0 | 0 | 3 |
| CABLE WIRE FACILITIES | | | | | |
| Enter Description Here | 0 | 0 | 0 | 0 | 4 |
| AMORTIZABLE | | | | | |
| Enter Description Here | 0 | 0 | 0 | 0 | 5 |
| TOTAL PLANT IN SERVICE | (19,028) | 1 | 0 | 1 | |

OPERATING REVENUES

| Particulars (a) | Wisconsin- Based Intrastate (b) | Wisconsin- Based Interstate (c) | |
|--|--|--|----|
| LOCAL NETWORK SERVICES REVENUES | | | |
| End User Retail | 36,802,054 | 0 | 1 |
| Reciprocal Comp. & Interconnection | 2,345,127 | 0 | 2 |
| Private Line, Special Access & UNEs | 3,540,116 | 2,090,042 | 3 |
| Enter Other Description Here | 0 | 0 | 4 |
| NETWORK INTERSTATE ACCESS SERVICE REVENUES | | | |
| End User Line Charge | | 0 | 5 |
| Switched | | 3,921,257 | 6 |
| Special | | 0 | 7 |
| NETWORK INTRASTATE ACCESS SERVICE REVENUES | | | |
| Switched | 1,056,802 | | 8 |
| Special | 0 | | 9 |
| Enter Other Description Here | 0 | | 10 |
| LONG DISTANCE NETWORK SERVICES MESSAGE REVENUES | | | |
| Enter Description Here | 8,079,598 | 8,307,091 | 11 |
| LONG DISTANCE PRIVATE NETWORK REVENUES | | | |
| Enter Description Here | 0 | 0 | 12 |
| MISCELLANEOUS REVENUES | | | |
| Video Distance Learning | 0 | 0 | 13 |
| Directory | 0 | 0 | 14 |
| IRU - Dark Fiber | 100,184 | 0 | 15 |
| Equipment Revenue | 0 | 147,592 | 16 |
| Other Revenue | 671,889 | 0 | 17 |
| Finance Charges | 384,314 | 105,702 | 18 |
| GROSS OPERATING REVENUES | 52,980,084 | 14,571,684 | |
| UNCOLLECTIBLE REVENUES | | | |
| Enter Description Here | 1,667,442 | 458,614 | 19 |
| TOTAL UNCOLLECTIBLE REVENUES | 1,667,442 | 458,614 | |
| TOTAL OPERATING REVENUES | 51,312,642 | 14,113,070 | |

OPERATING REVENUES (cont.)

| Particulars (d) | Wisconsin- Based Total (e) | Total Company (f) | |
|--|-------------------------------------|-------------------------|----|
| LOCAL NETWORK SERVICES REVENUES | | | |
| End User Retail | 36,802,054 | 441,672,178 | 1 |
| Reciprocal Comp. & Interconnection | 2,345,127 | 9,218,460 | 2 |
| Private Line, Special Access & UNEs | 5,630,158 | 122,635,557 | 3 |
| Enter Other Description Here | 0 | 0 | 4 |
| NETWORK INTERSTATE ACCESS SERVICE REVENUES | | | |
| End User Line Charge | 0 | 0 | 5 |
| Switched | 3,921,257 | 97,243,356 | 6 |
| Special | 0 | 0 | 7 |
| NETWORK INTRASTATE ACCESS SERVICE REVENUES | | | |
| Switched | 1,056,802 | 21,366,747 | 8 |
| Special | 0 | 0 | 9 |
| Enter Other Description Here | 0 | 0 | 10 |
| LONG DISTANCE NETWORK SERVICES MESSAGE REVENUES | | | |
| Enter Description Here | 16,386,689 | 262,503,687 | 11 |
| LONG DISTANCE PRIVATE NETWORK REVENUES | | | |
| Enter Description Here | 0 | 0 | 12 |
| MISCELLANEOUS REVENUES | | | |
| Video Distance Learning | 0 | 0 | 13 |
| Directory | 0 | 0 | 14 |
| IRU - Dark Fiber | 100,184 | 9,511,810 | 15 |
| Equipment Revenue | 147,592 | 1,488,272 | 16 |
| Other Revenue | 671,889 | 25,290,563 | 17 |
| Finance Charges | 490,016 | 8,205,370 | 18 |
| GROSS OPERATING REVENUES | 67,551,768 | 999,136,000 | |
| UNCOLLECTIBLE REVENUES | | | |
| Enter Description Here | 2,126,056 | 29,974,080 | 19 |
| TOTAL UNCOLLECTIBLE REVENUES | 2,126,056 | 29,974,080 | |
| TOTAL OPERATING REVENUES | 65,425,712 | 969,161,920 | |

AVERAGE NUMBER OF SUBSCRIBERS

| Average Number of Subscribers (a) | Wisconsin-Based Total (b) | Total Company (c) | |
|--|--|------------------------------|----------|
| Residential | 29,539 | 234,262 | 1 |
| Business | 15,433 | 197,822 | 2 |
| Total | 44,972 | 432,084 | 3 |

NUMBER OF LIFELINE AND LINKUP CUSTOMERS

| Number of Lifeline and Linkup Customers (a) | Wisconsin (Actual No.)(b) | |
|--|--------------------------------------|---|
| Number of Lifeline Customers in Wisconsin at December 31, 2002 | | 1 |
| Number of Linkup Customers in Wisconsin Connected During 2002 | | 2 |

ACCESS EXPENSES, BILLING EXPENSES & CHARGES IMPOSED BY ANOTHER CARRIER

| Particulars (a) | Wisconsin- Based Intrastate (b) | Wisconsin- Based Interstate (c) | |
|---|--|--|---|
| ACCESS AND BILLING EXPENSES | | | |
| Carrier Common Line (Intrastate IntraLATA) | 2,257,611 | | 1 |
| Carrier Common Line (Intrastate InterLATA) | 858,475 | | 2 |
| Carrier Common Line (Interstate) | | 1,796,470 | 3 |
| Switched Access | 5,862,652 | 3,443,145 | 4 |
| Special Access | 0 | 0 | 5 |
| Billing and Collection Expenses | 0 | 0 | 6 |
| TOTAL ACCESS AND BILLING EXPENSES | 8,978,738 | 5,239,615 | |
| CHARGES IMPOSED BY ANOTHER CARRIER | | | |
| Expenses Related to Interconnection with Another Local Exchange Carrier's Facilities | 0 | | 7 |
| Expenses Related to the Wholesale Use of Another Carrier's Network (Resale & Unbundled Network Elements) and Tariffed General Service Offerings | 22,931,169 | 13,467,512 | 8 |
| TOTAL CHARGES IMPOSED BY ANOTHER CARRIER | 22,931,169 | 13,467,512 | |
| TOTAL ACCESS EXPENSES, BILLING EXPENSES & CHARGES IMPOSED BY ANOTHER CARRIER | 31,909,907 | 18,707,127 | |

**ACCESS EXPENSES, BILLING EXPENSES & CHARGES IMPOSED BY ANOTHER CARRIER
(cont.)**

| Particulars (d) | Wisconsin- Based Total (e) | Total Company (f) | |
|---|-------------------------------------|-------------------------|---|
| ACCESS AND BILLING EXPENSES | | | |
| Carrier Common Line (Intrastate IntraLATA) | 2,257,611 | 79,054,834 | 1 |
| Carrier Common Line (Intrastate InterLATA) | 858,475 | 10,225,306 | 2 |
| Carrier Common Line (Interstate) | 1,796,470 | 22,740,544 | 3 |
| Switched Access | 9,305,797 | 112,906,483 | 4 |
| Special Access | 0 | 0 | 5 |
| Billing and Collection Expenses | 0 | 0 | 6 |
| TOTAL ACCESS AND BILLING EXPENSES | 14,218,353 | 224,927,167 | |
| CHARGES IMPOSED BY ANOTHER CARRIER | | | |
| Expenses Related to Interconnection with Another Local Exchange Carrier`s Facilities | 0 | 0 | 7 |
| Expenses Related to the Wholesale Use of Another Carrier`s Network (Resale & Unbundled Network Elements) and Tariffed General Service Offerings | 36,398,681 | 396,183,833 | 8 |
| TOTAL CHARGES IMPOSED BY ANOTHER CARRIER | 36,398,681 | 396,183,833 | |
| TOTAL ACCESS EXPENSES, BILLING EXPENSES & CHARGES IMPOSED BY ANOTHER CARRIER | 50,617,034 | 621,111,000 | |

CENTRAL OFFICE DATA - END OF YEAR

When an exchange has more than one central office, data must be reported for each central office.

| Description (a) | Central Off. (b) | Central Off. (c) | Central Off. (d) | Central Off. (e) | |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|----|
| Rate Center Name | GREEN BAY | MADISON | MILWAUKEE | | 1 |
| Central Office (Switch) CLLI Code | GNBYW106 | MDSOWILM | MILKXW114 | | 2 |
| Switch Location | GREEN BAY | MADISON | MILWAUKEE | | 3 |
| Manufacturer of COE | LUCENT | LUCENT | LUCENT | | 4 |
| Year COE Installed | 2001 | 2001 | 2000 | | 5 |
| Type of Equipment | 5ESS | 5ESS | 5ESS | | 6 |
| (S)tandalone, (H)ost, (R)emote, (A)dv. Fiber Comm. | S | S | S | | 7 |
| Remote Host Rate Center Name | | | | | 8 |
| Remote Host Switch CLLI Code | | | | | 9 |
| COE Generic Software Release No. | 5E15 | 5E15 | 5E15 | | 10 |
| SS7? | Yes | Yes | Yes | | 11 |
| 9-1-1? | Yes | Yes | Yes | | 12 |
| Access Lines - In Use | 0 | 0 | 0 | | 13 |
| - Equipped | 0 | 0 | 0 | | 14 |
| - Wired | 0 | 0 | 0 | | 15 |
| Trunks - In Use | 0 | 0 | 0 | | 16 |
| - Equipped | 0 | 0 | 0 | | 17 |
| - Wired | 0 | 0 | 0 | | 18 |
| ISDN Available? | Yes | Yes | Yes | | 19 |
| ISDN Lines - In Use (BRI) | 0 | 0 | 0 | | 20 |
| - In Use (PRI) | 0 | 0 | 0 | | 21 |
| xDSL Available? | No | No | No | | 22 |
| - In Use (# lines) | | | | | 23 |
| Switched 56 Service? | No | No | No | | 24 |
| Switched 56 lines in use | | | | | 25 |
| Digital Transmission Facilities: DS-1 - In Use | 0 | 0 | 0 | | 26 |
| DS-3 - In Use | 0 | 0 | 0 | | 27 |
| Advanced Data Service Available: | | | | | |
| Packet Switching? | No | No | No | | 28 |
| SMDS? | No | No | No | | 29 |
| Frame Relay? | No | No | No | | 30 |
| ATM (Asynchronous Trans. Mode)? | No | No | No | | 31 |
| Video Information - Service Available? | No | No | No | | 32 |
| - In Use (# lines) ¹ | | | | | 33 |
| Fiber Transmission Facilities: | | | | | |
| No. of fiber strands entering C.O. | 0 | 0 | 0 | | 34 |
| No. of fiber strands working (LIT) in C.O. | 0 | 0 | 0 | | 35 |
| No. of fiber strands for interoffice use | 0 | 0 | 0 | | 36 |
| Miles of fiber sheath in wire center | 0 | 0 | 0 | | 37 |
| Access Tandem Serving this C.O.: | | | | | |
| - Central Office Name | N/A | N/A | N/A | | 38 |
| - Central Office CLLI Code | N/A | N/A | N/A | | 39 |
| Does this C.O. do access tandem switching? | No | No | No | | 40 |

¹ Teleco provided end-to-end facility.

ASSESSABLE REVENUES

| Description (a) | This Year (b) |
|---|---------------------|
| Calculation of Assessable Revenues for Remainder and Telephone Relay Assessment Purposes | |
| Gross Operating Revenues--Wisconsin (including outbound interstate revenues) | 67,551,768 1 |
| Less: Inbound Interstate Revenues (exclusive of uncollectible service revenues) Included in Line 1 (if any) | 0 2 |
| Less : Current Year Write-offs of Uncollectible Revenues | 2,126,056 3 |
| Plus: Current Year Collection of Operating Revenues Previously Written Off | 0 4 |
| Less : Nonregulated Operating Revenue (included in Gross Oper. Rev. on Line 1) | 5 |
| Plus: Nonregulated Net Write Off Amount (included on Lines 3 and 4) | 6 |
| Total Assessable Revenues for Remainder and Telephone Relay Assessment Purposes | 65,425,712 7 |

Assessable Revenues for Universal Service Fund Assessment Purposes

| | |
|---|---------------------|
| Wisconsin Gross Intrastate Operating Telecommunications Service Revenue | 52,980,084 8 |
|---|---------------------|

Notes

"Gross Operating Revenues--Wisconsin" are revenues before consideration of uncollectible revenues. These revenues include revenues from inbound interstate 800 and collect calls billed to customers in Wisconsin.

"Outbound interstate revenues" are service operations revenues received from communications originating at points within Wisconsin and terminating at points outside the state.

"Inbound interstate revenues" are service operations revenues received from communications originating at points outside the State of Wisconsin and terminating at points within the state.

(NOT TO BE EXCLUDED HERE ARE INBOUND INTERSTATE 800 AND COLLECT REVENUES BILLED TO CUSTOMERS IN WISCONSIN).

"Gross" means revenue before consideration of uncollectible amounts. Access expenses may not be netted against assessable revenues.

"Intrastate" means telecommunications service originating and terminating within the State of Wisconsin. Intrastate revenue does not include interstate access revenue.

"Operating" means provision of telecommunications services.

"Telecommunications service revenue" for the purpose of this assessment does not include cable television service, broadcast service, rents, directory revenue, carrier billing and collection revenue, nonregulated customer premises equipment revenue, or other miscellaneous or nonregulated revenue. However, it does include video distance learning revenue and payphone revenue (the latter which was deregulated in 1997).

OTHER INFORMATION

Additional or other information concerning this annual report.

Plant and facilities are owned by McLeodUSA Network Services, Inc.

SCHEDULE AND REPORT NOTES

General Footnote

Schedule Footnotes

Cover Page Footnote. Page 1

SCHEDULE AND REPORT NOTES**Central Office Data - End of Year Footnote. Page 19**

McLeodUSA Telecommunications Services, Inc. has collocation equipment in the Wisconsin Central Offices listed below. The total number of lines being served from each McLeodUSA collocation in Wisconsin, as of December 31, 2002, is depicted below.

Central OfficeRate CenterCLLI Code Ending Lines 12/31/02

ANTGWIXAANTIGO ANTGWIXADS0 -
 APPLWI01APPLETONAPPLWI01DS0 4,309
 ASLDWI01ASHLAND ASLDWI01DSA 7
 BELTWI01SO BELOITBELTWI01DS0 2,875
 BFTWWI11MILWAUKZN2BFTWWI11RS1 19
 BGBNWI11BIG BENDBGBNWI11RS0 14
 BURLWI11BURLINGTONBURLWI11RS0 1,588
 BVDMWI01 BVDMWI01DS0 96
 BVDMWI01BEAVER DAMBVDMWI01DSA 1
 CDBGWI15THIENSVLCDBGWI15DS0 708
 CHFLWI11CHIPPEWFLSCHFLWI11DS0 1,784
 CHFLWI11 CHFLWI11DSA 2
 CLDNWI14CALEDONIACLDNWI14RS0 2
 DEPRWI11DE PERE DEPRWI11DS0 1,621
 DLVNWII1DELAVAN DLVNWII1RS0 243
 ELWOWI11ELLSWORTHELWOWI11RS0 13
 EUCLWI01EAU CLAIREEUCLWI01DS0 5,699
 EVLWI11EVANSVILLEEVLWI11RS0 3
 FDULWI01FONDDU LACFDULWI01DS0 2,654
 FTATWI11FTATKINSONFTATWI11RS0 1,359
 GNBWYI01GREEN BAYGNBYWI01DS1 1,755
 GNBWYI06GREEN BAYGNBYWI06DS0 619
 GNBWYI11GREEN BAYGNBYWI11DS0 2,879
 GNBWYI11GREEN BAYGNBYWI11RS0 2
 GNBWYI12GREEN BAYGNBYWI12DS0 1,240
 GNBWYI12GREEN BAYGNBYWI12RS0 52
 GNBWYI13GREEN BAYGNBYWI13DS0 1,539
 GNCYWI12GENOA CITYGNCYWI12RS0 1
 GNVLWI12APPLETONGNVLWI12RS0 20
 HBTSWI11HUBERTUSHBTSWI11DS0 13
 HDSNWI01HUDSON HDSNWI01DS0 5
 HDSNWI01HUDSON HDSNWI01DSA 36
 HLTNWI11HOULTON HLTNWI11RS1 1
 HRLDWI11HARTLANDHRLDWI11DS0 42
 HRLDWI11NORTH LAKEHRLDWI11DSA 16
 HRLDWI11 HRLDWI11DS0 2
 JCSNWI11JACKSON JCSNWI11DS0 7
 JCSNWI11 JCSNWI11DSA 2
 JFSNWI11JEFFERSONJFSNWI11RS0 451
 JNVLWI01JANESVILLEJNVLWI01DS0 3,610
 JUNEWI11JUNEAU JUNEWI11RS0 4
 KAUWYI11KAUKAUNAKAUWYI11RS0 1,246
 KENOWI01KENOSHA KENOWI01DS0 2,966
 KENOWI11KENOSHA KENOWI11DS0 1,109
 LDYSWI11LADYSMITHLDYSWI11RS0 3
 LKGNWI01LAKEGENEVALKGNWI01DS0 7
 MDSNWI11MADISON MDSNWI11DS0 953
 MDSNWI12MADISON MDSNWI12DS0 1,402
 MDSNWI13MADISON MDSNWI13DS0 497
 MDSNWI14MADISON MDSNWI14DS0 919

SCHEDULE AND REPORT NOTES

MDSNWI14MADISON MDSNWI14DS0 919
MDSNWI16MADISON MDSNWI16DS0 1,290
MDSNWI17MADISON MDSNWI17DS0 8
MDSOWILMSO BELOITMDSOWILMSO 900
MILWWI10MILWAUKZN1MILWWI10DS0 733
MILWWI12MILWAUKZN1MILWWI12DS2 1,116
MILWWI13MILWAUKZN1MILWWI13DS1 981
MILWWI16THIENSVMILWWI16DS0 815
MILWWI17MILWAUKZN1MILWWI17DS0 239
MILWWI22MILWAUKZN1MILWWI22DS0 710
MILWWI23THIENSVMILWWI23DS0 644
MILWWI25 MILWWI25CG0 6
MILWWI25MILWAUKZN3MILWWI25DS0 427
MILWWI27MILWAUKZN1MILWWI27DS0 378
MILWWI28MILWAUKZN4MILWWI28DS0 823
MILWWI30MILWAUKZN1MILWWI30DS0 734
MILWWI31MENOMONFLSMILWWI31DS0 779
MILWWI34MILWAUKZN1MILWWI34DS1 867
MILWWI38MILWAUKZN4MILWWI38RS1 17
MILWWI42MILWAUKZN1MILWWI42DS0 785
MILWWI45MILWAUKZN2MILWWI45DS0 221
MILWWI45MILWAUKZN2MILWWI45DS1 835
MILWWI48MILWAUKZN1MILWWI48DS0 281
MILWWI56MILWAUKZN5MILWWI56DS0 1,022
MILXWI14HARTFORDMILXWI14DS0 3,055
MILXWI18MILWAUKZN2MILXWI18DS0 10
MILXWIJIMUKWONAGOMILXWIJICM0 -
MKT19806 MKT19806CLI 2,744
MNFLWI32MENOMONFLSMNFWI32DS0 947
MNFLWI32 MNFLWI32DSA 2
MNMNWI11MENOMONIEMNMNWI11DS0 1,108
MNTWWI01MANITOWOCMNTWWI01DS0 3,160
MSKGWI36 MSKGWI36DS0 7
MSKGWI36MUSKEGO MSKGWI36DSA 2
MYVLWI11MAYVILLEMYVLWI11RS0 5
NENHWI11NEENAH NENHWI11DS0 1,875
NWBGW11NEWBURG NWBGW11RS0 -
NWLNW11NEW LONDONNWLNW11RS0 -
OCNMWI11 OCONOMOWOCOCNMWI11DS0 24
OMROWI11OMRO OMROWI11DS0 2
OSHKWI01OSHKOSH OSHKWI01DS0 2,688
OSHKWI01OSHKOSH OSHKWI01DSA 2
PEWKWI11WAUKESHAPEWKWI11RS1 29
PEWKWI40PEWAUKEEPEWKWI40DS0 63
PRSDWI11KENOSHA PRSDWI11DS0 689
PRSDWI11PARKSIDEPRSDWI11RS0 1
PTWAWI11PTWASHIGTNPPTWAWI11RS0 29
RACNWI01RACINE RACNWI01DS0 2,477
RACNWI11RACINE RACNWI11DS0 684
RACNWI11 RACNWI11DSA -
RBRTWI11ROBERTS RBRTWI11RS1 1
RVFLWI11RIVERFALLSRVFLWI11DS0 7
RVFLWI11 RVFLWI11DSA 9
SAXNWI11HURLEY SAXNWI11RS0 2
SGTNWI11STOUGHTONSGTNWI11DS0 776
SHBYWI01SHEBOYGANSHBYWI01DS0 4,167
SHFLWI12SHEBOGNFLSSHFLWI12DS0 352

SCHEDULE AND REPORT NOTES

SMRSWI11SOMERS SMRSWI11RS0 2
SPRRWI11SUPERIORSPRRWI11RS0 97
SPRRWI12SUPERIORSPRRWI12DS0 750
SPRRWI13SUPERIORSPRRWI13RS0 29
STBYWI11STURGEONBYSTBYWI11RS0 2,048
STE19988 STE19988CLI 1,868
STNLWI12STANLEY STNLWI12RS0 2
STPTWI01STEVENS PTSTPTWI01DS0 10
STRTWI11RACINE STRTWI11DS0 704
SUSXWI46SUSSEX SUSXWI46DS1 9
UNGVWI11UNIONGROVEUNGVWI11RS0 7
VNDNWI11VAN DYNEVNDNWI11RS1 3
WALLWIFICEDARBURGWALLWIFIDS0 15
WAPNWI11WAUPUN WAPNWI11RS0 628
WBNDWI01WEST BENDWBNDWI01DS0 527
WHWRWI11WHITEWATERWHWRWI11DS0 321
WKSHWI47WAUKESHAWKSHWI47DS0 1,130
WPCAWI11WAUPACA WPCAWI11DS0 3
WSBNWI11WASHBURNWSBNWI11RS0 1
WTTWWI01 WTTWWI01DS0 7
WTTWWI01WATERTOWNWTTWWI01DSA 259
