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MCLEODUSA INC
Form 8-K
September 30, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT PURSUANT
TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported) September 30, 2005

MCLEODUSA INCORPORATED

(Exact Name of Registrant as Specified in Its Charter)

DELAWARE

(State or Other Jurisdiction of Incorporation)

0-20763

42-1407240

(Commission File Number)

(IRS Employer Identification No.)

McLeodUSA Technology Park
4200 C. Street SW, P.O. Box 3177
Cedar Rapids, IA

52406-3177

(Address of Principal Executive Offices)

(Zip Code)

(319) 364-0000

(Registrant's Telephone Number, Including Area Code)

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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ITEM 1.01 ENTRY INTO A MATERIAL DEFINITIVE AGREEMENT

On September 30, 2005, McLeodUSA Incorporated ("the Company") issued a press release, which is hereby incorporated by reference and attached hereto as Exhibit 99.1, announcing that the Company and certain of its subsidiaries ("Subsidiary Guarantors") had entered into a Fifth Forbearance Agreement, on the same date, among the Company, the Subsidiary Guarantors, certain of the Lenders (as defined below), and JPMorgan Chase Bank, N.A. ("Agent"), as Administrative Agent (the "Fourth Forbearance Agreement"), which is hereby incorporated by reference and attached hereto as Exhibit 10.1. The Fifth Forbearance Agreement relates to (1) the Credit Agreement dated as of May 31, 2000, as amended, among the Company, the lenders party thereto and the Agent (the "Credit Agreement"), (2) the Credit Agreement dated as of April 16, 2002, as amended, among the Company, the lenders party thereto and the Agent (the "Exit Facility" and, together with the Credit Agreement, the "Credit Facilities"; and the lenders under each of the Credit Facilities, the "Lenders") and (3) the Subsidiary Guarantee Agreement dated as of May 31, 2000, as amended and restated as of April 16, 2002, among the Subsidiary Guarantors and the Agent. The Fifth Forbearance Agreement was entered into in connection with the expiration on September 30, 2005 of the Fourth Forbearance Agreement, entered into as of September 9, 2005, and extends the forbearance period to October 31, 2005.

Pursuant to the Fifth Forbearance Agreement, the Lenders have agreed to continue to forbear from exercising any remedies as a result of certain specified defaults under the Credit Facilities anticipated by the Company during the forbearance period, including, without limitation, the failure to make scheduled amortization payments under the Credit Facilities and interest payments under the Credit Agreement. In addition, certain of the Company's accounts will continue to be subject to control agreements and certain restrictions on the sale of certain assets and on the use of cash obtained through the sale of certain assets will continue to be in effect. Theodore J. Forstmann, director and stockholder of the Company, and a General Partner in certain funds affiliated with Forstmann Little & Co. which collectively hold a controlling interest in the Company's voting securities, is a lender party to the Credit Agreement.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS

Exhibit No.	Description
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10.1	Fifth Forbearance Agreement, dated as of September 30, 2005, among McLeodUSA Incorporated (the "Borrower"), each of the Subsidiaries of the Borrower listed on Schedule I thereto (the "Subsidiary Guarantors"), the financial institutions named on the signature pages thereto (together with their respective successors and assigns, the "Participant Lenders") and JPMorgan Chase Bank, N.A., as agent for the Lenders (the "Administrative Agent")
99.1	Press Release, dated September 30, 2005

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the

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undersigned hereunto duly authorized.

MCLEODUSA INCORPORATED

Dated: September 30, 2005

By: /s/ James E. Thompson

Name: James E. Thompson
Title: Group Vice President and
General Counsel and
Secretary

EXHIBIT INDEX

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