

Form PTO-1594  
(rev 06/04)

RECORDATION FORM COVER SHEET  
TRADEMARKS ONLY

U. S. Department of Commerce  
Patent and Trademark Office

To the Director of the U.S. Patent and Trademark Office: Please record the attached documents or the new address(es) below:

1. Name of conveying party(ies)/Execution Date(s):

JPMorgan Chase Bank, N.A. (f/k/a The Chase Manhattan Bank)

Individual(s)  Association  
 General Partnership  Limited Partnership  
 Corporation  
 Other

Citizenship New York

Execution Date(s) December 16, 2005

Additional name(s) of conveying party(ies) attached?  Yes  No

2. Name and Address of receiving party(ies)

Additional name(s) & address(es) attached?  Yes  No

Name: McLeodUSA Telecommunications Services, Inc.

Internal Address: \_\_\_\_\_

Street Address: McLeodUSA Technology Park  
6400 C. Street, SW

City: Cedar Rapids

State: IA

Country: \_\_\_\_\_ Zip: 52406-3177

Association - Citizenship \_\_\_\_\_

General Partnership - Citizenship \_\_\_\_\_

Limited Partnership Citizenship \_\_\_\_\_

Corporation - Citizenship Delaware

Other \_\_\_\_\_

Citizenship \_\_\_\_\_

If assignee is not domiciled in the United States, a domestic representative designation is attached  Yes  No.

3. Nature of conveyance:

Assignment  Merger  
 Security Agreement  Change of Name  
 Government Interest Assignment

Other U.S. Bankruptcy Court Northern District of Illinois Order Releasing Security Interests at Reel/Frame: 2101/0745, Reel/Frame 2490/0904 and Reel/Frame 2505/0516

4. Application number(s) or registration number(s):

A. Trademark Application No(s).

B. Trademark Registration No(s).

2647412

Additional numbers attached?  Yes  No

5. Name and address of party to whom correspondence concerning document should be mailed:

Andrew Woodard, Esq.  
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6. Total number of applications and registrations involved:

1

7. Total fee (37 CFR 1.21(h) and 3.41) \$40

All fees and any deficiencies are authorized to be charged to Deposit Account (Our Ref. 699080/19)

8. Payment Information

Deposit Account No. 19-2385

Authorized user Name: Michael McGuire

9. Signature.



Signature

Andrew Woodard

Name of Person Signing

September 28, 2006

Date

Total number of pages including cover sheet, and documents:

38

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE NORTHERN DISTRICT OF ILLINOIS  
EASTERN DIVISION**

In re:	)	Case No. 05-63230
	)	(Jointly Administered)
MCLEODUSA INCORPORATED, et al.,	)	
	)	Chapter 11
	)	
Debtors.	)	Hon. John H. Squires
	)	

**FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER UNDER 11 U.S.C.  
§ 1126 AND 1129(a) AND (b) AND FED. R. BANKR. P. 3020 (I) APPROVING THE  
SOLICITATION PROCEDURES, (II) APPROVING THE ADEQUACY OF THE  
DISCLOSURE STATEMENT AND (III) CONFIRMING THE JOINT PREPACKAGED  
PLAN OF REORGANIZATION OF MCLEODUSA INCORPORATED  
AND ITS AFFILIATE DEBTORS**

WHEREAS, McLeodUSA Incorporated ("McLeodUSA") and certain of its subsidiaries and affiliates, debtors and debtors in possession (collectively, the "Debtors" or the "Company") caused the Disclosure Statement with Respect to the Joint Prepackaged Plan of Reorganization of McLeodUSA Incorporated and Its Affiliate Debtors (the "Disclosure Statement"), the Joint Prepackaged Plan of Reorganization of McLeodUSA Incorporated and Its Affiliate Debtors (the "Plan")<sup>1</sup> and the appropriate form of Ballot (the Disclosure Statement, the Plan and the Ballot, collectively, the "Solicitation Materials") to be distributed to holders of Class 4 Senior Prepetition Lender Claims and Class 5 Junior Prepetition Lender Claims to solicit votes to accept or reject the Plan; and

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<sup>1</sup> Unless otherwise defined herein, capitalized terms used herein shall have the meanings ascribed to such terms in the Plan, a copy of which is annexed hereto as Exhibit A. Any term used in the Plan or this Confirmation Order that is not defined in the Plan or this Confirmation Order (defined below), but that is used in the Bankruptcy Code or the Bankruptcy Rules, shall have the meaning ascribed to that term in the Bankruptcy Code or the Bankruptcy Rules.

WHEREAS, the Debtors set October 28, 2005 at 10:00 a.m. (Prevailing Central Time) as the voting deadline by which time all Holders of Class 4 Senior Prepetition Lender Claims and Class 5 Junior Prepetition Lender Claims were required to return their completed Ballots to the Company; and

WHEREAS, on October 28, 2005, the Debtors filed (i) voluntary petitions for relief under chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101-1330, as amended (the "Bankruptcy Code"), (ii) the Plan, (iii) the Disclosure Statement, (iv) the Affidavit of James E. Thompson Regarding the Methodology for the Tabulation of Ballots and Results of Voting with Respect to the Disclosure Statement Accompanying the Joint Prepackaged Plan of Reorganization of McLeodUSA Incorporated and its Affiliate Debtors (the "Thompson Affidavit") and (v) the Motion under 11 U.S.C. §§ 105(a), 1125, 1126 and 1129 and Fed. R. Bankr. P. 2002, 3017, 3018 and 3020 (i) for Order (a) Scheduling Combined Hearing on Disclosure Statement and Confirmation of Plan and Establishing Procedures for Objecting to Disclosure Statement and Plan, (b) Approving Form and Manner of Notice of Combined Hearing on Disclosure Statement and Confirmation of Plan and (c) Finding that the Debtors Not Required to Solicit Votes from Class 6, and (ii) for Order (a) Approving Adequacy of the Disclosure Statement, (b) Approving the Solicitation Procedures and (c) Confirmation of the Plan of Reorganization; and

WHEREAS, on October 31, 2005, the Court entered the Order (a) Scheduling Combined Hearing on Disclosure Statement and Confirmation of Plan and Establishing Procedures for Objecting to Disclosure Statement and Plan, (b) Approving Form and Manner of Notice of Combined Hearing on Disclosure Statement and Confirmation of Plan, and (c) Finding

that the Debtors Not Required to Solicit Votes from Class 6 (the "Solicitation Scheduling Order"); and

WHEREAS, the notices of the Confirmation Hearing were served in accordance with the Bankruptcy Rules and the Solicitation Scheduling Order, as set forth in the Certificates of Service of Kathleen M. Logan, filed on November 9, 2005; and

WHEREAS, the Debtors filed the certificates of publication of (i) Ann Nichols of The Wall Street Journal, sworn to on November 4, 2005 (ii) Glenderee Hawkins of The Chicago Tribune, sworn to on November 10, 2005, (iii) Cathy Zike of The New York Times, sworn to on November 4, 2005 and (iv) Cindy Glenn of The Cedar Rapids Gazette, sworn to on November 4, 2005, attesting to the fact that the notice of the Confirmation Hearing was published in accordance with the Solicitation Scheduling Order; and

WHEREAS, on December 9, 2005, the Debtors filed the Memorandum of Debtors in Support of Joint Prepackaged Plan of Reorganization of McLeodUSA Incorporated and its Affiliate Debtors and Other Related Relief (the "Memorandum"); and

WHEREAS, on December 9, the Debtors filed the Declaration of Stanford Springel in Support of Confirmation of Joint Prepackaged Plan of Reorganization of McLeodUSA Incorporated and its Affiliate Debtors (the "Springel Declaration") and the Declaration of Kenneth A. Buckfire in Support of Confirmation of Joint Prepackaged Plan of Reorganization of McLeodUSA Incorporated and its Affiliate Debtors (together with the Springel Declaration, the "Confirmation Declarations"); and

WHEREAS, on December 13, 2005, the Debtors filed the Supplemental Declaration of Stanford Springel in Support of Confirmation of Joint Prepackaged Plan of

Reorganization of McLeodUSA Incorporated and its Affiliate Debtors (the "Supplemental Springel Declaration"); and

WHEREAS, three objections to confirmation of the Plan were timely Filed and served (the "Objections"); and

WHEREAS, the Confirmation Hearing was held on December 15, 2005; and

WHEREAS, based upon the legal authority set forth in the Memorandum and the record of the Confirmation Hearing, the Objections that have not been consensually resolved are overruled on the merits pursuant to this order (the "Confirmation Order).

NOW, THEREFORE, based upon the Court's review of the Disclosure Statement, the Plan, the Solicitation Materials, the Thompson Affidavit, the Memorandum, the Confirmation Declarations and the Supplemental Springel Declaration; and upon (a) all of the evidence proffered or adduced at, memoranda and Objections filed in connection with, and arguments of counsel made at, the Confirmation Hearing and (b) the entire record of these Chapter 11 Cases; and after due deliberation thereon and good cause appearing therefor:

#### **FINDINGS OF FACT AND CONCLUSIONS OF LAW**

IT IS HEREBY FOUND AND DETERMINED THAT:<sup>2</sup>

A. Exclusive Jurisdiction; Venue; Core Proceeding (28 U.S.C. §§ 157(b)(2) and 1334(a)). This Court has jurisdiction over the Chapter 11 Cases pursuant to 28 U.S.C. §§ 157 and 1334. Venue is proper pursuant to 28 U.S.C. §§ 1408 and 1409. Confirmation of the Plan is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(L), and this Court has exclusive

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<sup>2</sup> Pursuant to Bankruptcy Rule 7052, findings of fact shall be construed as conclusions of law and conclusions of law shall be construed as findings of fact when appropriate.

jurisdiction to determine whether the Plan complies with the applicable provisions of the Bankruptcy Code and should be confirmed.

B. Judicial Notice. This Court takes judicial notice of the docket of the Chapter 11 Cases maintained by the Clerk of the Court, including, without limitation, all pleadings and other documents filed, all orders entered, and evidence and argument made, proffered or adduced at, the hearings held before the Court during the pendency of the Chapter 11 Cases.

C. Burden of Proof. The Debtors, as proponents of the Plan, have met their burden of proving the elements of sections 1129(a) and (b) of the Bankruptcy Code by a preponderance of the evidence.

D. Adequacy of Solicitation and Disclosure Statement. Section 1126(b) of the Bankruptcy Code applies to the solicitation of acceptances and rejections of the Plan prior to the commencement of these Chapter 11 Cases. The Debtors properly relied on the exemption from the registration requirements of the Securities Act of 1933 (as amended, and including the rules and regulations promulgated thereunder, the "Securities Act"), and no other non-bankruptcy law applies to the solicitation. Accordingly, the solicitation must comply with section 1126(b)(2) of the Bankruptcy Code and the Disclosure Statement must contain "adequate information," as such term is defined in section 1125 of the Bankruptcy Code. The Disclosure Statement contains adequate information, within the meaning of and for all purposes of sections 1125 and 1126(b) of the Bankruptcy Code, and the Disclosure Statement is hereby approved. Votes for acceptance or rejection of the Plan were solicited in good faith and in compliance with sections 1125 and 1126 of the Bankruptcy Code, Bankruptcy Rules 3017 and 3018 and all other

applicable provisions of the Bankruptcy Code and all other rules, laws and regulations. All procedures used to distribute to the applicable holders of Claims and to tabulate Ballots were fair and conducted in accordance with the applicable provisions of the Bankruptcy Code, the Bankruptcy Rules, the local rules of the Bankruptcy Court, and all other applicable rules, laws and regulations.

E. Transmittal and Mailing of Materials; Notice. The notices of the Confirmation Hearing were served in compliance with the Solicitation Scheduling Order, and such service was adequate and sufficient. Adequate and sufficient notice of the Confirmation Hearing and the other deadlines described in the Solicitation Scheduling Order was given in compliance with the Bankruptcy Rules and the Solicitation Scheduling Order, and no other or further notice is or shall be required.

F. Impaired Classes that have Voted to Accept the Plan. As evidenced by the Thompson Affidavit, which certified both the method and results of the voting, Classes 4 and 5 are each impaired and have each voted to accept the Plan pursuant to the requirements of sections 1124 and 1126 of the Bankruptcy Code. Thus at least one impaired class of Claims has voted to accept the Plan.

G. Classes Deemed to have Accepted the Plan. Classes 1, 2, 3 and 7 are not impaired under the Plan and are deemed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code.

H. Classes Deemed to have Rejected the Plan. Class 6 is deemed to reject the Plan pursuant to the Solicitation Scheduling Order. Further, Classes 8 and 9 will not receive any

distribution under the Plan and are deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code.

I. Plan Compliance with Bankruptcy Code (11 U.S.C. § 1129(a)(1)). The Plan complies with the applicable provisions of the Bankruptcy Code, thereby satisfying section 1129(a)(1) of the Bankruptcy Code.

(i) Proper Classification (11 U.S.C. §§ 1122, 1123(a)(1)). In addition to Administrative Claims and Priority Tax Claims, which need not be classified, the Plan designates nine Classes of Claims and Interests. The Claims and Interests placed in each Class are substantially similar to other Claims and Interests, as the case may be, in each such Class. Valid business, factual and legal reasons exist for separately classifying the various Classes of Claims and Interests created under the Plan, and such Classes do not unfairly discriminate between holders of Claims and Interests. Thus, the Plan satisfies sections 1122 and 1123(a)(1) of the Bankruptcy Code.

(ii) Specify Unimpaired Classes (11 U.S.C. § 1123(a)(2)). Articles II and III of the Plan specify that Classes 1, 2, 3 and 7 are unimpaired under the Plan, thereby satisfying section 1123(a)(2) of the Bankruptcy Code.

(iii) Specify Treatment of Impaired Classes (11 U.S.C. § 1123(a)(3)). Articles II and III of the Plan designate Classes 4, 5, 6, 8 and 9 as impaired and specify the treatment of Claims and Interests in those Classes, thereby satisfying section 1123(a)(3) of the Bankruptcy Code.

(iv) No Discrimination (11 U.S.C. § 1123(a)(4)). The Plan provides for the same treatment by the Debtors for each Claim or Interest in each respective Class unless the holder of a particular Claim or Interest has agreed to a less



favorable treatment of such Claim or Interest, thereby satisfying section 1123(a)(4) of the Bankruptcy Code.

(v) Implementation of Plan (11 U.S.C. § 1123(a)(5)). The Plan provides adequate and proper means for its implementation, thereby satisfying section 1123(a)(5) of the Bankruptcy Code.

(vi) Non-Voting Equity Securities (11 U.S.C. § 1123(a)(6)). Section 5.4 of the Plan provides that the bylaws and certificates of incorporation or other organization documents of Reorganized McLeodUSA and, to the extent necessary, the bylaws and certificates of incorporation of each of the other Reorganized Debtors shall be amended as of the Effective Date to provide for the inclusion of provisions prohibiting the issuance of non-voting equity securities, subject to further amendment of such bylaws and certificates of incorporation or other organization documents as permitted by applicable law. Thus, the requirements of section 1123(a)(6) of the Bankruptcy Code are satisfied.

(vii) Selection of Officers, Directors and the trustee (11 U.S.C. § 1123(a)(7)). Prior to the Confirmation Hearing, the Debtors and the Junior Prepetition Lenders properly and adequately disclosed the procedures for determining the identity and affiliations of all individuals or entities proposed to serve on or after the Effective Date as officers or directors of the Reorganized Debtors and the manner of selection and appointment of such individuals or entities is consistent with the interests of Claim and Interest Holders and with public policy and, accordingly satisfies the requirements of section 1123(a)(7) of the Bankruptcy Code.

(viii) Additional Plan Provisions (11 U.S.C. § 1123(b)). The Plan's provisions are appropriate and not inconsistent with the applicable provisions of the Bankruptcy Code.

J. Compliance with Bankruptcy Rule 3016. The Plan is dated and identifies the entities submitting it, thereby satisfying Bankruptcy Rule 3016(a). The filing of the Disclosure Statement with the Court satisfies Bankruptcy Rule 3016(b).

K. Compliance with Bankruptcy Rule 3017. The Debtors have given notice of the hearing to approve the Disclosure Statement as required by Bankruptcy Rule 3017(a). The debtors have given notice of the Confirmation Hearing as required by Bankruptcy Rule 3017(d). The Solicitation Materials were transmitted to record holders of the Old Preferred Stock and Old Common Stock and notice by publication was given to beneficial holders, which under the circumstances of these cases the Court finds sufficient, pursuant to Bankruptcy Rule 3017(e).

L. Compliance with Bankruptcy Rule 3018. The solicitation of votes to accept or reject the Plan satisfies Bankruptcy Rule 3018. The Solicitation Materials, including the Plan, were transmitted to all creditors entitled to vote on the Plan (i.e., Holders of Class 4 Senior Prepetition Lender Claims and Class 5 Junior Prepetition Lender Claims), sufficient time was prescribed for such creditors to accept or reject the Plan, and the Solicitation Materials and related solicitation procedures comply with section 1126 of the Bankruptcy Code, thereby satisfying the requirements of Bankruptcy Rule 3018.

M. Debtors' Compliance with Bankruptcy Code (11 U.S.C. § 1129(a)(2)). The Debtors have complied with the applicable provisions of the Bankruptcy Code, thereby satisfying section 1129(a)(2) of the Bankruptcy Code. Specifically:

(i) The Debtors are proper debtors under section 109 of the Bankruptcy Code.

(ii) The Debtors have complied with applicable provisions of the Bankruptcy Code, except as otherwise provided or permitted by orders of the Court.

(iii) The Debtors have complied with the applicable provisions of the Bankruptcy Code, the Bankruptcy Rules and the Solicitation Scheduling Order in transmitting the Plan, the Disclosure Statement, the Ballots and related documents and notices and in soliciting and tabulating votes on the Plan.

N. Plan Proposed in Good Faith (11 U.S.C. § 1129(a)(3)). The Debtors have proposed the Plan in good faith and not by any means forbidden by law, thereby satisfying section 1129(a)(3) of the Bankruptcy Code. In determining that the Plan has been proposed in good faith, the Court has examined the totality of the circumstances surrounding the formulation of the Plan. The Debtors filed the Chapter 11 Cases and proposed the Plan with legitimate and honest purposes including, among other things, (a) the reorganization of the Debtors' businesses, (b) the preservation and maximization of the Debtors' business enterprise value through a rapid, efficient reorganization under Chapter 11, (c) restructuring of the Debtors' debt structure, (d) maximization of the recovery to Holders of Claims under the circumstances of these cases, and (e) preserving jobs of the Debtors' employees in connection with the Debtors' go-forward operations. Furthermore, the Plan represents extensive arms-length negotiations among the Debtors and the Majority Prepetition Lenders, as well as each groups' legal and financial advisors, and reflects the best interests of the Debtors' estates and creditors.

O. Payments for Services or Costs and Expenses (11 U.S.C. § 1129(a)(4)). Any payment made or to be made by the Debtors or by a person issuing securities or acquiring

property under the Plan, for services or for costs and expenses in or in connection with the Chapter 11 Cases, or in connection with the Plan and incident to the Chapter 11, has been approved by, or is subject to the approval of, the Court as reasonable, thereby satisfying section 1129(a)(4) of the Bankruptcy Code.

P. Directors, Officers and Insiders (11 U.S.C. § 1129(a)(5)). The Debtors have complied with section 1129(a)(5) of the Bankruptcy Code. The identify and affiliation of six (6) of the seven (7) proposed initial directors of Reorganized McLeodUSA were identified in the Plan Supplement filed on December 9, 2005. The methodology for selecting the remaining director of Reorganized McLeodUSA was disclosed to the Bankruptcy Court prior to the Confirmation Date. Existing senior officers of the Debtors will remain in place after the Effective Date. The appointment to, or continuance in, such offices of all such persons is consistent with the interests of holders of Claims against and Interests in the Debtors and with public policy. No insider (other than current officers of the Debtors) are proposed to serve as officers or directors of the Reorganized Debtors.

Q. No Rate Changes (11 U.S.C. § 1129(a)(6)). After confirmation of the Plan, the Debtors' businesses will not involve rates established or approved by, or otherwise subject to, any governmental regulatory commission. Thus section 1129(a)(6) of the Bankruptcy Code is not applicable in these Reorganization Cases.

R. Best Interests of Creditors (11 U.S.C. § 1129(a)(7)). The Plan satisfies section 1129(a)(7) of the Bankruptcy Code. The liquidation analysis attached as Appendix B to the Disclosure Statement and other evidence proffered or adduced at the Confirmation Hearing (a) are persuasive and credible, (b) have not been controverted by other evidence and (c)

establish that each holder of an Impaired Claim or Interest either has accepted the Plan or will receive or retain under the Plan, on account of such Claim or Interest, property of a value, as of the Effective Date, that is not less than the amount that such holder would receive or retain if the Debtors were liquidated under chapter 7 of the Bankruptcy Code on such date.

S. Acceptance or Rejection by Certain Classes (11 U.S.C. § 1129(a)(8)).

Classes 1, 2, 3 and 7 are conclusively presumed to have accepted the Plan under section 1126(f) of the Bankruptcy Code. Classes 4 and 5 have voted to accept the Plan in accordance with sections 1126(c) and (d) of the Bankruptcy Code. While Holders of Claims in Class 6 are being paid 100% of their Allowed Claim, pursuant to the Solicitation Scheduling Order the Debtors were not required to solicit votes from Holders of Class 6 Lease Rejection Claims and Class 6 is deemed to have rejected the Plan. Classes 8 and 9 are not entitled to receive or retain any property under the Plan and, therefore, are deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code. Although section 1129(a)(8) has not been satisfied with respect to Classes 6, 8 and 9, the Plan is confirmable because the Plan satisfies section 1129(b) of the Bankruptcy Code with respect to such Classes. See paragraph 26 below. As set forth in the Thompson Affidavit, the percentages of Holders of Claims in Classes entitled to vote that voted to accept the Plan are as follows:

Classes Entitled to Vote	Percentage Accepting (Dollar Amount)	Percentage Accepting (Number of Claims)
Class 4	100%	100%
Class 5	97.0%	97.3%

T. Treatment of Administrative, Priority and Tax Claims (11 U.S.C. §

1129(a)(9)). The treatment of Administrative Claims, Priority Tax Claims and Non-Tax Priority

Claims pursuant to Sections 3.1 and 3.2(a) of the Plan satisfies the requirements of sections 1129(a)(9)(A), (B) and (C) of the Bankruptcy Code.

U. Acceptance By Impaired Class (11 U.S.C. § 1129(a)(10)). Classes 4 and 5 are Impaired Classes of Claims that have voted to accept the Plan with respect to all of the Debtors, and, to the Debtors' knowledge, do not contain insiders whose votes have been counted. Therefore, the requirement of section 1129(a)(10) of the Bankruptcy Code that at least one Class of Claims against or Interests in the Debtors that is impaired under the Plan has accepted the Plan, determined without including any acceptance of the Plan by any insider, has been satisfied.

V. Feasibility (11 U.S.C. § 1129(a)(11)). The Disclosure Statement, the Fazal Declaration, the Springel Declaration, the Supplemental Springel Declaration, as well as other evidence proffered or adduced at the Confirmation Hearing, with respect to feasibility (a) is persuasive and credible and (b) establishes that confirmation of the Plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the Reorganized Debtors, thus satisfying the requirements of section 1129(a)(11) of the Bankruptcy Code.

W. Payment of Fees (11 U.S.C. § 1129(a)(12)). All fees payable under section 1930 of title 28, United States Code, as determined by the Court, have been paid or will be paid on the Effective Date pursuant to Section 12.4 of the Plan, thus satisfying the requirements of section 1129(a)(12) of the Bankruptcy Code.

X. Continuation of Retiree Benefits (11 U.S.C. § 1129(a)(13)). All retiree benefits will be treated as executory contracts and assumed pursuant to Section 7.5 of the Plan. Thus, the requirements of section 1129(a)(13) of the Bankruptcy Code are satisfied.

Y. Principal Purpose (11 U.S.C. § 1129(d)). The principal purpose of the Plan is neither the avoidance of taxes nor the avoidance of section 5 of the Securities Act of 1933 (15 U.S.C. § 77e et seq.), and no governmental unit has objected to the confirmation of the Plan on any such grounds. The Plan, therefore, satisfies the requirements of section 1129(d) of the Bankruptcy Code.

Z. No Unfair Discrimination; Fair and Equitable (11 U.S.C. § 1129(b)). Class 6 is an Impaired Class of Claims that is deemed to have rejected the Plan pursuant the Solicitation Procedures Order. Further, Classes 8 and 9 are Impaired Classes of Interests and Subordinated Claims that are deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code because the Holders of such Claims or Interests will not receive or retain any property under the Plan on account of such Claims or Interests. The Debtors presented uncontroverted evidence at the Confirmation Hearing that the Plan does not discriminate unfairly and is fair and equitable with respect to Classes 6, 8 and 9 as required by section 1129(b)(1) of the Bankruptcy Code. Thus, the Plan may be confirmed notwithstanding the Debtors' failure to satisfy section 1129(a)(8) of the Bankruptcy Code. Upon confirmation and the occurrence of the Effective Date, the Plan shall be binding upon the members of Classes 6, 8 and 9.

AA. Good Faith Solicitation (11 U.S.C. § 1125(e)). Based on the record before the Court in these Chapter 11 Cases, the Debtors and each of their respective directors, officers, employees, shareholders, members, agents, advisors, accountants, investment bankers, consultants, attorneys, and other representatives have acted in good faith within the meaning of section 1125(e) of the Bankruptcy Code in compliance with the applicable provisions of the Bankruptcy Code and Bankruptcy Rules in connection with all of their respective activities relating to the solicitation of acceptances of the Plan and their participation in the activities

described in section 1125 of the Bankruptcy Code, and are entitled to the protections afforded by section 1125(e) of the Bankruptcy Code and the exculpation and injunctive provisions set forth in Article X of the Plan.

BB. No Objection to Assumed Contracts and Leases. No non-Debtor party to any executory contract or unexpired lease to be assumed pursuant to Article VII of the Plan has objected to the assumption thereof or any such objections have been withdrawn.

CC. No Liquidation. Because the Plan does not provide for the liquidation of all or substantially all of the Property of the Debtors' Estates and the Reorganized Debtors will engage in business following consummation of the Plan, section 1141(d)(3) is not applicable.

DD. Substantive Consolidation for the Purposes of Treating Impaired Claims. The Court finds that substantive consolidation of the Debtors and their Estates in these Chapter 11 Cases for the purposes of treating Classes 4, 5 and 6 under the Plan will (a) maximize and facilitate the prompt distribution to the Debtors' creditors and (b) permit the Debtors' creditors to avoid the harm that likely would result absent substantive consolidation and confirmation of the Plan embodying it. The Court further finds that such limited substantive consolidation will provide enhanced treatment to Classes 4, 5 and 6, will not unduly harm any creditor or party in interest and is in the best interest of the Debtors, their Estates and creditors.

EE. Satisfaction of Confirmation Requirements. The Plan satisfies the requirements for confirmation set forth in section 1129 of the Bankruptcy Code and Section 9.1 of the Plan.



FF. Retention of Jurisdiction. Subject to the provisions of this Order, the Court may properly retain jurisdiction over the matters set forth in Article XI of the Plan and/or section 1142 of the Bankruptcy Code.

GG. Rule 9019 Settlement; Releases and Discharges. Pursuant to Fed. R. Bankr. P. 9019 and in consideration for the distributions and other benefits provided under, described in, contemplated by, and/or implemented by the Plan, the releases and discharges described in Article X of the Plan constitute good faith compromises and settlements of the matters covered thereby. Such compromises and settlements are made in exchange for consideration and are in the best interest of the Holders of Claims, are within the range of possible litigation outcomes, are fair, equitable, reasonable and are integral elements of the restructuring and resolution of the Chapter 11 Cases in accordance with the Plan. Each of the discharge, release, indemnification and exculpation provisions set forth in the Plan:

- (i) falls within the jurisdiction of this Court under 28 U.S.C. §§ 1334(a), (b) and (d);
- (ii) is an essential means of implementing the Plan pursuant to section 1123(a)(5) of the Bankruptcy Code;
- (iii) is an integral element of the transactions incorporated into the Plan;
- (iv) confers material benefit on, and is in the best interest of, the Debtors, their Estates and creditors;
- (v) is important to the overall objectives of the Plan to finally resolve all Claims among or against the parties in interest in the Chapter 11 Cases with

respect to the Debtors, their organization, capitalization, operation and reorganization to the extent provided in the Plan; and

(vi) is consistent with sections 105, 1123, 1129 and other applicable provisions of the Bankruptcy Code.

HH. Discharge, Release, Indemnification and Exculpation. The failure to effect the discharge, release, indemnification and exculpation provisions of the Plan would seriously impair the Debtors' ability to confirm the Plan. Accordingly, the compromises and settlements embodied in the release, discharge, indemnification and exculpation provisions described in Article X of the Plan are approved.

#### DECREES

NOW, THEREFORE, IT IS HEREBY ORDERED, ADJUDGED AND DECREED THAT:

1. Disclosure Statement. The Disclosure Statement contains adequate information within the meaning of and for all purposes of sections 1125 and 1126(b) of the Bankruptcy Code, and the Disclosure Statement is hereby approved.
2. Solicitation Procedures. Votes for the acceptance or rejection of the Plan were solicited in good faith and in compliance with sections 1125 and 1126 of the Bankruptcy Code, Bankruptcy Rules 3017 and 3018, all other applicable provisions of the Bankruptcy Code and all other rules, laws and regulations, and the solicitation procedures and solicitation are hereby approved.
3. Confirmation. The Plan, attached hereto as Exhibit A, is approved and confirmed under section 1129 of the Bankruptcy Code. The terms of the Plan are incorporated by reference into and are an integral part of this Confirmation Order.

4. Objections. All Objections that have not been withdrawn, waived or settled are overruled on the merits.

5. Provisions of Plan and Order Non-Severable and Mutually Dependent. The provisions of the Plan and this Confirmation Order, including the findings of fact and conclusions of law set forth herein, are non-severable and mutually dependent.

6. Plan Classification Controlling. The classifications of Claims and Interests for purposes of the distributions to be made under the Plan shall be governed solely by the terms of the Plan.

7. Binding Effect. The Plan and its provisions shall be binding upon the Debtors, the Reorganized Debtors, any entity acquiring or receiving property or a distribution under the Plan and any holder of a Claim against or Interest in the Debtors, including all governmental entities, whether or not the Claim or Interest of such holder is impaired under the Plan and whether or not such holder or entity has accepted the Plan. Pursuant to sections 1123(a) and 1142(a) of the Bankruptcy Code and the provisions of this Confirmation Order, the Plan, and all Plan related documents shall apply and be enforceable notwithstanding any otherwise applicable non-bankruptcy law.

8. Vesting of Assets (11 U.S.C. § 1141(b) and (c)). Subject to the Restructuring Transactions defined in Section 5.2 of the Plan, after the Effective Date the Reorganized Debtors shall continue to exist as separate corporate entities in accordance with the applicable law in the respective jurisdiction in which they are incorporated and pursuant to their respective certificates or articles of incorporation and by-laws in effect prior to the Effective Date, except to the extent such certificates or articles of incorporation and by-laws are amended under the Plan. Notwithstanding anything to the contrary in the Plan, including Section 5.1 as to

substantive consolidation, the Unimpaired Claims of a particular Debtor or Reorganized Debtor shall remain the obligations solely of such Debtor or Reorganized Debtor and shall not become obligations of any other Debtor or Reorganized Debtor by virtue of the Plan, the Chapter 11 Cases, or otherwise. Except as otherwise provided in the Plan, on and after the Effective Date, all property of the Estate of the Debtors, including all claims, rights, and causes of action and any property acquired by the Debtors or the Reorganized Debtors under or in connection with the Plan, shall vest in the Reorganized Debtors free and clear of all Claims, liens, charges, other encumbrances, and Interests, subject to the Restructuring Transactions defined in Section 5.2 of the Plan. On and after the Effective Date, the Reorganized Debtors may operate their businesses and may use, acquire, and dispose of property and compromise or settle any Claims without supervision of or approval by the Bankruptcy Court and free and clear of any restrictions of the Bankruptcy Code or the Bankruptcy Rules, other than restrictions expressly imposed by the Plan or the Confirmation Order. Without limiting the foregoing, the Reorganized Debtors may pay the charges that they incur on or after the Effective Date for professionals' fees, disbursements, expenses, or related support services without application to the Bankruptcy Court.

9. Transfers of Property. The transfers of property by the Debtors (i) to the Reorganized Debtors (a) are or will be legal, valid and effective transfers of property, (b) vest or will vest the Reorganized Debtors with good title to such property free and clear of all liens, charges, Claims, encumbrances or Interests, except as expressly provided in the Plan or Confirmation Order, (c) do not and will not constitute avoidable transfers under the Bankruptcy Code or under applicable bankruptcy or non-bankruptcy law and (d) do not and will not subject the Reorganized Debtors to any liability by reason of such transfer under the Bankruptcy Code or under applicable non-bankruptcy law, including, without limitation, any laws affecting successor,

transferee or stamp or recording tax liability and (ii) to holders of Claims or Interests under the Plan are for good consideration and value.

10. Assumption of Executory Contracts and Unexpired Leases (11 U.S.C. § 1123(b)(2)). On the Effective Date, all executory contracts or unexpired leases of the Debtors will be deemed assumed in accordance with, and subject to, the provisions and requirements of sections 365 and 1123 of the Bankruptcy Code, except those executory contracts and unexpired leases that (a) have been rejected by order of the Bankruptcy Court or (b) are the subject of a motion to reject pending on the Effective Date. Entry of the Confirmation Order by the Bankruptcy Court shall constitute approval of such assumptions pursuant to sections 365(a) and 1123 of the Bankruptcy Code. Each executory contract and unexpired lease assumed pursuant to this Article VII shall vest in and be fully enforceable by the respective Reorganized Debtor in accordance with its terms, except as modified by the provisions of the Plan, or any order of the Bankruptcy Court authorizing and providing for its assumption or applicable federal law.

11. General Authorizations. Pursuant to the Plan, each of the Debtors or Reorganized Debtors are authorized to execute, deliver, file or record such contracts, instruments, releases, and other agreements or documents and take such actions as may be necessary or appropriate to effectuate, implement and further evidence the terms and conditions of the Plan and any documents, notes or securities issued pursuant to the Plan, including the Amended Certificate of Incorporation, the Restated By-laws of Reorganized McLeodUSA, the Exit Facility Credit Agreement, the Mutual Releases, the New Stockholders Agreement, the Registration Rights Agreement, the New Common Stock and the Management Stock Plan. The Debtors and the Reorganized Debtors and their respective directors, officers, members, agents and attorneys, are authorized and empowered to issue, execute, deliver, file or record any agreement, document

or security, including, without limitation, the documents referenced in the Plan, as modified, amended and supplemented, and as agreed to by the Lender Steering Committee, and to take any action necessary or appropriate to implement, effectuate and consummate the Plan in accordance with its terms, or take any or all corporate actions authorized to be taken pursuant to the Plan, including but not limited to any merger, release, amendment or restatement of any bylaws, certificates of incorporation or other organization documents of the Debtors, whether or not specifically referred to in the Plan or any exhibit thereto, without further order of the Court, and any or all such documents shall be accepted by each of the respective state filing offices and recorded in accordance with applicable state law and shall become effective in accordance with their terms and the provisions of state law.

12. Corporate Action. On the Effective Date, the adoption of the Amended Certificate of Incorporation of Reorganized McLeodUSA and the Restated By-laws of Reorganized McLeodUSA, or similar constituent documents of the Reorganized Debtors, and all other actions contemplated by the Plan shall be authorized and approved in all respects (subject to provisions of the Plan). All matters provided in the Plan involving the corporate structure of the Debtors or Reorganized Debtors, and any corporate action required by the Debtors or Reorganized Debtors in connection with the Plan, shall be deemed to have occurred and shall be in effect without any requirement of further action by the security holders, directors or management of the Debtors or Reorganized Debtors.

13. Plan Documents. There being no objections to any of the documents contained in the Plan, and any amendments, modifications and supplements thereto, and all documents and agreements introduced therein or contemplated by the Plan (including all exhibits and attachments thereto and documents referred to therein), including, but not limited to, (a)

Amended Certificate of Incorporation of Reorganized McLeodUSA, (b) the Restated By-laws of Reorganized McLeodUSA (c) the Exit Facility Credit Agreement, (d) the Mutual Releases, (e) the New Stockholders Agreement and (f) the Registration Rights Agreement, the execution, delivery and performance thereof by the Reorganized Debtors are authorized and approved, without need for further corporate action or further order or authorization of the Court. The Debtors and the Reorganized Debtors, as appropriate, are authorized and empowered to make any and all modifications to any and all documents included as part of the Plan and Plan Supplement that may be agreed to by the parties thereto and are consistent with the Plan.

14. Discharge. Except as otherwise provided in the Plan or in the Confirmation Order, all consideration distributed under the Plan shall be in exchange for, and in complete satisfaction, settlement, discharge, and release of, all Claims and Interests (other than those Claims that are Unimpaired under the Plan) of any nature whatsoever against the Debtors or any of their assets or properties, and regardless of whether any property shall have been distributed or retained pursuant to the Plan on account of such Claims and Interests. Upon the Effective Date, the Debtors, and each of them, shall be deemed discharged and released under section 1141(d)(1)(A) of the Bankruptcy Code from any and all Claims and Interests (other than Claims that are Unimpaired under the Plan), including, but not limited to, demands and liabilities that arose before the Confirmation Date, and all debts of the kind specified in section 502(g), 502(h), or 502(i) of the Bankruptcy Code, and the Old Preferred Stock and the Old Common Stock shall be terminated. The discharge shall be effective as to each Claim and Interest except as otherwise expressly provided in the Confirmation Order, regardless of whether:

(a) a proof of claim or interest based on such Claim, Interest, debt or liability is filed or deemed filed under section 501 of the Bankruptcy Code or is filed in the United States Bankruptcy Court;

(b) a Claim or Interest based on such Claim, Interest, debt or liability is allowed; or

(c) the holder of a Claim Interest based on such Claim, Interest, debt or liability has accepted the Plan.

15. Issuance of New Securities. Pursuant to Article V of the Plan, the issuance of the securities set forth in the Plan by the Reorganized Debtors is hereby authorized without further act or action under applicable law, regulation, order or rule including, without limitation, the issuance of the New Common Stock.

16. Cancellation of Notes, Instruments, Debentures and Common Stock. On the Effective Date, except as otherwise provided in the Plan or this Confirmation Order, (a) the Old Preferred Stock and Old Common Stock, any other notes, bonds, indentures or other instruments or documents evidencing or creating any indebtedness or obligations of a Debtor, except such notes or other instruments evidencing indebtedness or obligations of a Debtor that are reinstated, or amended and reinstated, under the Plan, shall be cancelled and deemed terminated and (b) the obligations of the Debtors under the foregoing shall be discharged. As of the Effective Date, all Old Preferred Stock and Old Common Stock that has been authorized to be issued but that has not been issued shall be deemed cancelled and extinguished without any further action of any party.

17. DIP Credit Agreement. Notwithstanding anything that may be contained herein to the contrary, liens, security interests, administrative priorities, other payment



obligations, and other rights and remedies granted to the agent under the DIP Credit Agreement, the DIP Lenders, the Prepetition Agents and the Prepetition Lenders under the DIP Credit Agreement and the Court's October 31, 2005 debtor in possession financing order (the "DIP Order"), and any actions taken pursuant thereto shall survive and shall not be modified, altered, or impaired by this Confirmation Order and shall survive the Confirmation Date. All amounts outstanding under the DIP Credit Agreement shall be paid in full on the Effective Date as provided for under Section 3.1(b) of the Plan. The terms and provisions of the DIP Order and the DIP Credit Agreement shall continue and the superpriority status of the administrative expense and payment provisions in the DIP Credit Agreement shall continue until (a) all obligations under the DIP Credit Agreement are indefeasibly satisfied and discharged, and (b) the conditions to the Effective Date occur in accordance with Section 9.2 of the Plan.

18. Exit Financing Facility and Exit Facility Credit Agreement. In conjunction with the Effective Date, the Reorganized Debtors shall enter into the Exit Facility Credit Agreement. The Exit Facility Credit Agreement will provide the Reorganized Debtors with extensions of credit of up to an aggregate of \$150,000,000, subject to the terms and conditions set forth in the Exit Facility Credit Agreement and the agreements and instruments provided for therein.

(a) On the Effective Date, all of the Liens and security interests to be created under the Exit Facility Credit Agreement shall be deemed approved. In furtherance of the foregoing, the Reorganized Debtors and the other persons granting such Liens and security interests are authorized to make all filings and recordings, and to obtain all governmental approvals and consents necessary to establish and perfect such Liens and security interests under the provisions of state, provincial, federal or other law (whether domestic or foreign) that would

be applicable in the absence of this Confirmation Order, and will thereafter cooperate to make all other filings and recordings that otherwise would be necessary under applicable law to give notice of such Liens and security interests to third parties.

(b) The Reorganized Debtors are authorized to enter into the Exit Facility Credit Agreement. The Reorganized Debtors are hereby authorized to incur loans, letters of credit and related obligations (as provided for in the Exit Facility Credit Agreement) (the "Exit Obligations") and, except as may otherwise be provided for in the Exit Facility Credit Agreement, grant the lenders under the Exit Facility Credit Agreement (the "Exit Lenders") a first priority security interest in and a Lien upon all of the Collateral (as such term is defined in the Exit Facility Credit Agreement) to secure all such Exit Obligations due the Exit Lenders. Such priorities and Liens of the Exit Lenders shall continue during any future proceeding in any or all of the Chapter 11 Cases.

(c) The Exit Facility Credit Agreement is entered into by the Exit Lenders in good faith and is in the best interests of the Debtors and their respective estates.

(d) If, after the Effective Date, this Confirmation Order is vacated and, at the time this Confirmation Order is vacated, the Exit Facility Credit Agreement is in effect, then:

(i) the vacatur of this Confirmation Order shall not adversely affect the validity or priority of the Exit Obligations incurred by the Debtors or any Liens, claims and Collateral (as such term is defined in the Exit Facility Credit Agreement) granted the Exit Lenders pursuant to the Exit Facility Credit Agreement;

(ii) the terms and conditions of the Exit Facility Credit Agreement, as in effect at the time of the vacatur of this Confirmation Order, shall be

binding on the Debtors and the Exit Lenders shall enjoy the same priority of Liens and rights as granted to them by the Exit Facility Credit Agreement; and

(iii) any Liens, claims and Collateral (as such term is defined in the Exit Facility Credit Agreement) granted the Exit Lenders pursuant to the Exit Facility Credit Agreement shall be transferred to, and become the obligations of, the predecessors in interest of the Reorganized Debtors.

19. Exemption from Certain Taxes. Pursuant to section 1146(a) of the Bankruptcy Code, (a) the issuance, transfer, or exchange of notes or equity securities under this Plan; (b) the creation of any mortgage, deed of trust, lien, pledge, or other security interest; (c) the making or assignment of any lease or sublease; or (d) the making or delivery of any deed or other instrument of transfer pursuant to this Plan, including, without limitation, any Authorized Asset Sales; merger agreements; agreements of consolidation, restructuring, disposition, liquidation, or dissolution; deeds; bills of sale; and transfers of tangible property, will not be subject to any stamp tax or other similar tax.

20. Final Fee Applications. Pursuant to Section 5.10 of the Plan, counsel for the Debtors must File an application for final allowance of Professional Fees no later than 30 days after the Effective Date. Any Professional who may receive compensation or reimbursement of expenses pursuant to that certain Order Under 11 U.S.C. §§ 327, 330 and 331 Authorizing Retention and Payment of Professionals Utilized by Debtors in Ordinary Course of Business (Docket No. 46 entered on October 31, 2005) may continue to receive such compensation and reimbursement of expenses for services rendered before the Effective Date. Objections to any Professional Fee claim must be Filed and served on the Debtors by the later of

(a) 45 days after the Effective Date, or (b) 30 days after the Filing of an application for final allowance of such Professional Fee claim.

21. Termination of Injunctions and Automatic Stay. Pursuant to Section 10.7 of the Plan, all injunctions or stays provided for in the Reorganization Cases under sections 105 or 362 of the Bankruptcy Code or otherwise, and in existence on the Confirmation Date, shall terminate upon the Effective Date.

22. Injunction. Except as otherwise expressly provided in the Plan, this Confirmation Order, or a separate order of this Court, the injunctions set forth in Section 10.6 of the Plan are approved.

23. Releases. Pursuant to section 1123(b)(3) of the Bankruptcy Code and Bankruptcy Rule 9019(a): (a) the settlements, compromises, releases, discharges, exculpations, and injunctions set forth in the Plan, including, but not limited to, the releases set forth in Section 10.2 of the Plan and implemented by this Confirmation Order shall be, and hereby are, approved as fair, equitable, reasonable and in the best interests of the Debtors, the Reorganized Debtors and their estates, creditors and equity holders; and (b) the settlement or compromise of all claims or controversies set forth in Section 10.8 of the Plan relating to the termination of all contractual, legal and equitable subordination rights that any Holder of a Claim or Interest may have with respect to any Allowed Claim or Interest, or any distribution to be made pursuant to the Plan on account of such Allowed Claim, is in the best interests of the Debtors, the Reorganized Debtors and their estates, creditors and equity holders, shall be, and hereby is, approved as fair, equitable and reasonable.

24. Compromises and Settlements. All settlements and compromises of claims and causes of action against non-Debtor entities that are embodied in the Plan, that are approved

herein as fair, equitable, reasonable and in the best interests of the Debtors, the Reorganized Debtors and their Estates, and interest holders, shall be, and hereby are, effective and binding on all persons and entities who may have had standing to assert such claims or causes of action, and no person or entity shall possess such standing to assert such claims or causes of action after the Effective Date.

25. Non-Occurrence of Effective Date. If the Effective Date has not occurred within the time period provided in Section 9.2(h) of the Plan (as may be extended by the proviso of such Section), upon notice to such parties in interest as the Bankruptcy Court may direct, the Confirmation Order will be vacated by the Bankruptcy Court. If the Confirmation Order is vacated, (a) the Plan shall be null and void in all respects, (b) any settlement of Claims or Interests provided for in the Plan shall be null and void without further order of the Bankruptcy Court and (c) the time within which the Debtors may assume and assign or reject all executory contracts and unexpired leases shall be extended for a period of thirty (30) days after the date the Confirmation Order is vacated.

26. Authorization to Consummate Plan. Notwithstanding Rule 3020(e) of the Federal Rules of Bankruptcy Procedure, the Confirmation Order shall take effect immediately upon its entry and the Debtors are authorized to consummate the Plan immediately after entry of this Confirmation Order in accordance with Section 9.2 of the Plan.

27. Notice of Entry of Confirmation Order and the Effective Date. Within five (5) Business Days of the Effective Date, the Debtors shall serve a notice (the "Confirmation and Effective Date Notice") in substantially the form attached hereto as Exhibit B (the form of which is hereby approved), pursuant to Bankruptcy Rules 2002(f)(7), 2002(k) and 3020(c) on all impaired creditors, interest holders of record and the United States Trustee by first-class mail,

postage prepaid. The Debtors shall also publish the Notice of Confirmation and Effective Date in the national edition of The Wall Street Journal, The Chicago Tribune and The Cedar Rapids Gazette. The notice described herein is adequate under the particular circumstances and no other or further notice is necessary.

28. Retention of Jurisdiction. Pursuant to sections 105(a) and 1142 of the Bankruptcy Code, and notwithstanding the entry of this Confirmation Order or the occurrence of the Effective Date, this Court, except as otherwise provided in the Plan or herein, shall retain exclusive jurisdiction over all matters arising out of, and related to, the Chapter 11 Cases and the Plan to the fullest extent permitted by law, including, but not limited to, the matters set forth in Article XI of the Plan.

29. Exemption from Securities Laws. The exemption from the requirements of Section 5 of the Securities Act of 1933, as amended, and any state or local law requiring registration for the offer, issuance, exchange or transfer of a security provided for in the Plan or registration or licensing of an issuer of, underwriter of, or broker dealer in, such security is authorized by section 1145 of the Bankruptcy Code and shall apply to the extent set forth in the Plan.

30. References to Plan Provisions. The failure specifically to include or reference any particular provision of the Plan in this Confirmation Order shall not diminish or impair the effectiveness of such provision, it being the intent of the Court that the Plan be confirmed in its entirety.

31. Reversal. If any or all of the provisions of this Confirmation Order are hereafter reversed, modified or vacated by subsequent order of this Court or any other court, such reversal, modification or vacatur shall not affect the validity of the acts or obligations

incurred or undertaken under or in connection with the Plan prior to the Debtors' receipt of written notice of any such order. Notwithstanding any such reversal, modification or vacatur of this Confirmation Order, any such act or obligation incurred or undertaken pursuant to, and in reliance on, this Confirmation Order prior to the effective date of such reversal, modification or vacatur shall be governed in all respects by the provisions of this Confirmation order and the Plan or any amendments or modifications thereto.

32. Applicable Non-Bankruptcy Law. Pursuant to section 1123(a) and 1142(a) of the Bankruptcy Code, the provisions of this Confirmation Order, the Plan or any amendments or modifications thereto shall apply and be enforceable notwithstanding any otherwise applicable non-bankruptcy law.

33. Discharge of Debts Not a Release of Tax Liability. A discharge of debts granted in this case, if any, shall not discharge the debtor or any of its subsidiaries from pre-petition or post-petition taxes, pre-petition or post-petition interest and penalties thereon, or the future determination, assessment, and/or collection of tax, interest, and penalties due from the debtor or any of its subsidiaries, assessed or unassessed, due to the United States of America, Internal Revenue Service, of any type or amount, whether or not such tax may be paid or treated otherwise under a plan of reorganization that is confirmed in this case.

34. Sale of Corporate Headquarters The Real Estate Purchase Contract and Escrow Instructions between McLeodUSA Incorporated and Life Investors Insurance Company of America, dated October 28, 2005 (the "HQ Sale Agreement")<sup>3</sup> is hereby approved and authorized pursuant to 11 U.S.C. 1123(a)(5)(D). Specifically:

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<sup>3</sup> Capitalized terms not otherwise defined in this paragraph 35 shall have the meaning ascribed to them in the HQ Sale Agreement, filed as a Plan Supplement on December 7, 2005 (Docket No. 165).

(a) Upon consummation of the HQ Sale Agreement, the assets sold shall vest in the purchaser free and clear of all liens, Claims and encumbrances (with any such liens, Claims and encumbrances to attach to the proceeds of such sale) except as specified in the applicable HQ Sale Agreement.

(b) The Debtors provided proper notice of the proposed assumption and assignment of the executory contract (the "HQ Janitorial Contract") proposed to be assumed and assigned to the purchaser under the HQ Sale Agreement. Such notice was filed with the Court (Docket No. 73). No objection to the proposed assumption and assignment of the HQ Janitorial Contract was filed. Accordingly, the assumption and assignment of the HQ Janitorial Contract is approved. Pursuant to the HQ Sale Agreement, McLeodUSA shall be solely and exclusively responsible for any cure costs associated with the assumption and assignment of the HQ Janitorial Contract.

(c) The Leases and the security deposits required thereunder are hereby approved. The Debtors shall have no legal, equitable or residual interest in such security deposits during the pendency of the Chapter 11 Cases, and the Buyer shall have an administrative expense claim pursuant to section 503(b)(1) of the Bankruptcy Code for any obligations under the Leases.

(d) The Buyer shall have additional administrative expense claims pursuant to section 503(b)(1) of the Bankruptcy Code for any claims it may have against the Debtors for any damages it may suffer as a result of McLeodUSA's breach of the HQ Sale Agreement. The HQ Sale Agreement and all of the McLeodUSA's representations and other obligations to the Buyer thereunder shall be fully enforceable against McLeodUSA (including



McLeodUSA as a Reorganized Debtor) and shall otherwise survive the Debtors' Chapter 11 Cases.

35. Sale of Corporate Aircraft. The Aircraft Purchase Agreement, dated as of November 29, 2005, made and entered into by and between McLeodUSA Network Services, Inc. and Hunt Lindsey, LLC (the "Corporate Aircraft Sale Agreement"), is hereby approved pursuant to 11 U.S.C. § 1123(a)(5)(D). The applicable Debtors or Reorganized Debtors are hereby authorized, without further corporate action, to consummate the Corporate Aircraft Sale Agreement, and the officers of the applicable Debtors or Reorganized Debtors are hereby authorized to execute and deliver any agreements, instruments or other documents necessary or appropriate to effectuate such transactions. Upon consummation of the Corporate Aircraft Sale Agreement, the assets sold shall vest in the purchaser free and clear of all liens, Claims and encumbrances (with any such liens, Claims and encumbrances to attach to the proceeds of such sale) except as specified in the Corporate Aircraft Sale Agreement.

36. Claims of SBC Entities. Notwithstanding anything in the Plan to the contrary, on the Effective Date, all claims of the SBC Entities<sup>4</sup> shall be reinstated without restriction.

37. Assumption of Contracts with SBC Entities. Notwithstanding anything in the Plan to the contrary, the assumption of the Debtors' executory contracts with the SBC Entities (the "SBC Entities' Contracts") as provided in Section 7.1 of the Plan shall not impair or modify the SBC Entities' contractual and legal rights under the SBC Entities' Contracts; provided,

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<sup>4</sup> "SBC Entities" shall include Illinois Bell Telephone Company d/b/a SBC Illinois, Indiana Bell Telephone Company Incorporated d/b/a SBC Indiana, Michigan Bell Telephone Company d/b/a SBC Michigan, Wisconsin Bell, Inc. d/b/a SBC Wisconsin, The Ohio Bell Telephone Company d/b/a SBC Ohio, and Southwestern Bell Telephone L.P. d/b/a SBC Arkansas, SBC Kansas, SBC Missouri, SBC Oklahoma and SBC Texas.

however, that any provisions in the SBC Entities' Contracts which are unenforceable under section 365(e) of the Bankruptcy Code shall remain unenforceable.

38. Open Proceedings with SBC Entities. Notwithstanding anything in the Plan to the contrary, any open proceedings involving the Debtors and the SBC Entities shall continue in their current forum without impact from these Chapter 11 Cases.

39. Iowa and Illinois Departments of Revenue. Notwithstanding anything in the Plan to the contrary, the Priority Tax Claims of the Iowa Department of Revenue and the Illinois Department of Revenue will continue to accrue interest at the statutory rate after the Petition Date, to the extent required by applicable law or required to "reinstate" the claim within the meaning of paragraphs 1.87 and 3.1(c) of the Plan.

40. Claims Under Section 1141(d)(6) of the Bankruptcy Code. Notwithstanding anything in the Plan to the contrary, the discharge set forth in section 10.3 of the Plan does not discharge the Debtors from any Claim of the type set forth in section 1141(d)(6) of the Bankruptcy Code.

41. Yellow Book USA, Inc. Nothing herein or in the Plan, including but not limited to the assumption rights of the Debtors set forth in Section 7.1 of the Plan and the revesting of executory contracts in the Reorganized Debtors, shall in any way limit, modify, waive, amend, alter or otherwise affect the rights, obligations and remedies of Yellow Book USA, Inc. and the McLeodUSA Entities<sup>5</sup> that were the parties to the Amended and Restated Publishing, Branding and Operating Agreement dated April 29, 2003 (the "Yellow Book Agreement"), as such rights, obligations and remedies existed upon entry of the Yellow Book

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<sup>5</sup> "McLeodUSA Entities" shall include McLeodUSA Publishing Company, McLeodUSA Incorporated and McLeodUSA Telecommunications Services, Inc.

Agreement; provided, however, that any provision in the Yellow Book Agreement which is unenforceable under section 365(c) of the Bankruptcy Code shall remain unenforceable as against the Debtors or Reorganized Debtors; provided, further, that Yellow Book, Debtors and Reorganized Debtors reserve all rights regarding the applicability of section 365 of the Bankruptcy Code to any provisions of the Yellow Book Agreement.

42. Settlement Agreement with Qwest. The Settlement Agreement made as of December 14, 2005 by and among: (a) Qwest Communications Corporation (b) Qwest Corporation and (c) the Debtors dated December 14, 2005 submitted to the Court at the Confirmation Hearing is hereby approved in all respects.

43. Limitation to Application of Injunction. Notwithstanding anything in the Plan to the contrary, section 10.6 of the Plan is hereby modified to provide that the injunction set forth therein does not apply to the holders of nondischargeable, Reinstated or Unimpaired Claims.

44. Deadline to File Schedules and Statement of Financial Affairs. The deadline (the "Deadline") by which the Debtors are required to file with the Court their (a) schedules of assets and liabilities, (b) statements of financial affairs, (c) schedule of current income and expenditures, (d) statements of executory contracts and unexpired leases, (e) list of equity security holders, (f) any other schedule or statement required under Bankruptcy Rule 1007 shall be extended to January 31, 2006, such Deadline to be extended further only by order of this Court.

45. New Section 12.3 of the Plan. Section 12.3 of the Plan is replaced with the following:

Pursuant to section 1146(a) of the Bankruptcy Code, (a) the issuance, transfer, or exchange of notes or equity securities under this Plan; (b) the creation of any mortgage, deed of trust, lien, pledge, or other security interest; (c) the making or assignment of any lease or sublease; or (d) the making or delivery of any deed or

other instrument of transfer pursuant to this Plan, including, without limitation, any Authorized Asset Sales; merger agreements; agreements of consolidation, restructuring, disposition, liquidation, or dissolution; deeds; bills of sale; and transfers of tangible property, will not be subject to any stamp tax or other similar tax.

Dated: December *16*, 2005  
Chicago, Illinois

  
United States Bankruptcy Judge

**EXHIBIT A**

**JOINT PREPACKAGED PLAN OF REORGANIZATION OF  
MCLEODUSA INCORPORATED AND ITS AFFILIATE DEBTORS**

[Intentionally Omitted]

[Filed with the Bankruptcy Court on October 28, 2005]

**TRADEMARK**

**REEL: 003401 FRAME: 0122**

**EXHIBIT B**

**FORM OF CONFIRMATION AND EFFECTIVE DATE NOTICE**