

March 22, 2005

Mr. Steve Hansen  
Vice President – Carrier Relations  
Qwest Communications  
1801 California Street  
Suite 2400  
Denver, CO 80202

Re: Deposit Demand Letter – Arizona, Colorado, Idaho, Washington, Oregon,  
Montana, New Mexico, Utah, ~~Colorado~~

Dear Mr. Hansen:

This letter responds to your letter dated March 21, 2005, addressed to McLeodUSA Telecommunications Services, Inc., attention J.J. LeBlanc and Lauraine Harding, in which Qwest demands security deposit in the form of an irrevocable letter of credit or a wire transfer of immediately available funds, and threatens suspension of order activity, disconnection or other remedies. In support of Qwest's deposit demand, your letter cites, among other items, a "history of late payments, outstanding balances under the Interconnection Agreement and other agreements, tariffs, or accounts."

As Qwest has been informed on several prior occasions, McLeodUSA withheld payments from Qwest (a) for non-interconnection agreement charges, and (b) only in direct response to the impermissible and unlawful self-help that Qwest and its affiliates have first undertaken in 2004 with respect to access charges assessed by McLeodUSA. Self-help is an unjust and unlawful practice in violation of Section 201(b) of the Act, and the FCC has consistently declared that if an interexchange carrier disputes a CLEC's presumptively reasonable charges, then the IXC must pay the charges first and protest second. Qwest failed to follow the law, leaving McLeodUSA no practical alternative but to defensively set off against Qwest's non-interconnection agreement invoices to McLeodUSA amounts properly due and owing to Qwest.

To the contrary, the McLeodUSA payment record with Qwest is stellar, with the only exception involving this access charge dispute where we were forced to withhold in direct response to your unjust and unlawful actions.

Accordingly, McLeodUSA disagrees with critical factual representations that form the basis for Qwest's deposit demand. Second, your demand deposit for the States of Arizona, Colorado, Idaho, Washington, Oregon, Montana, New Mexico and Utah is inconsistent with the terms of our interconnection agreement ("ICA"). A deposit may

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only be required if McLeodUSA has not established a satisfactory credit or is repeatedly delinquent in making payments, neither of which basis is satisfied in this case. Unless Qwest can identify with specificity the facts that satisfy the permissible basis for its demand deposit pursuant to the terms of the controlling ICA, McLeodUSA rejects your deposit demand. If Qwest attempts to enforce its impermissible demand deposit inconsistent with the terms of our interconnection agreement, McLeodUSA reserves any and all rights and remedies available to it under law or equity for Qwest's intentional violation of the ICA.

Please contact me to discuss the deposit demand at your earliest convenience.

Sincerely,

Ken Burckhardt  
Executive Vice President and  
Chief Financial Officer

cc: Roland Thornton