

Categories of Services for 214 Applications
(Streamline/Non-streamline)

- ASSIGNMENT OF LICENSE
- GLOBAL FACILITIES-BASED SERVICE
- GLOBAL FACILITIES-BASED/GLOBAL RESALE SERVICE
- GLOBAL RESALE SERVICE
- INDIVIDUAL FACILITIES-BASED SERVICE
- INTERCONNECTED PRIVATE LINE RESALE SERVICE
- LIMITED GLOBAL FACILITIES-BASED SERVICE/LIMITED GLOBAL RESALE SERVICE
- LIMITED GLOBAL FACILITIES-BASED SERVICE
- LIMITED GLOBAL RESALE SERVICE
- INMARSAT AND MOBILE SATELLITE SERVICE
- SWITCHED RESALE SERVICE
- TRANSFER OF CONTROL
- SUBMARINE CABLE LANDING LICENSE
- INTERNATIONAL SPECIAL PROJECT

Description of Application: _____

HOGAN & HARTSON

L.L.P.

Writer's Direct Dial
(202) 637-5546

REC/MELTON

DEC 18 1998

December 18, 1998

COLUMBIA SQUARE
555 THIRTEENTH STREET, NW
WASHINGTON, DC 20004-1109
TEL (202) 637-5600
FAX (202) 637-5910

BY HAND DELIVERY

Ms. Magalie R. Salas
Secretary
Federal Communications Commission
International Bureau, Telecommunications
P.O. Box 358115
Pittsburgh, PA 15251-5115

Re: **File No. ITC-94-394**

Dear Ms. Salas:

Enclosed are an original and two copies of an application for Commission consent to the transfer of control of Dakota Telecommunications Group, Inc. ("DTG"), a common carrier holding the Section 214 authorization referenced above, to McLeodUSA Incorporated ("McLeod").

Also enclosed are a completed Form 159 and a check made payable to the FCC in the amount of \$780.00 in payment of the filing fee.

Pursuant to Section 63.12 of the Commission's rules, the parties request streamlined processing of this application.

By means of the present application and others that are being filed simultaneously herewith, McLeod seeks Commission consent to control Dakota, which holds the Section 214 authorization referenced above and a license in the Private Mobile Radio Service, and to control its subsidiary Dakota Wireless Systems, Inc., which holds licenses in the Private Mobile Radio Service, the Commercial Mobile Radio Service and the Paging and Radiotelephone Service. The parties respectfully request that the Commission coordinate its consideration of these applications to the extent possible.

HOGAN & HARTSON L.L.P.

Magalie Roman Salas
December 18, 1998
Page 2

Please refer any questions regarding this application to the undersigned.

Respectfully submitted,



Greg Tremont
Counsel for McLeodUSA Incorporated

Enclosures

cc: Kimberly Reindl, Counsel for Dakota Telecommunications Group, Inc. and
Dakota Wireless Systems, Inc.

CHECK PAYMENT NRH:

DATE

11/19/98

5051 FCC

INVOICE DESCRIPTION

DATE

PO. NO.

GROSS AMT.

18613 DISCOUNT

NET AMOUNT

111898/
TRANSFER OF DTG RADIO LICENSE

11/18/98

780.00

0.00

780.00

INVOICE DESCRIPTION	DATE	PO. NO.	GROSS AMT.	DISCOUNT	NET AMOUNT
111898/ TRANSFER OF DTG RADIO LICENSE	11/18/98		780.00	0.00	780.00
TOTALS			780.00	0.00	780.00

MCLEODUSA CORP

6400 C STREET SW
PO BOX 3177
CEDAR RAPIDS, IA 52406-3177

FIRSTAR BANK IOWA, N.A.
DES MOINES, IOWA 50309
CEDAR RAPIDS - DOWNTOWN OFFICE
33-54-730

31

018613

AMOUNT



DATE 11/19/98

18613

\$*****780.00

PAY SEVEN HUNDRED EIGHTY AND 00/100-----

Dollars

5051

TO FCC
1919 M STREET NW
THE ROOM 222
ORDER WASHINGTON DC 20554
OF

⑈018613⑈ ⑆073000545⑆ ⑈121372 734⑈

REMITTANCE ADVICE (Continuation Sheet)

USE THIS SECTION ONLY FOR EACH ADDITIONAL APPLICANT

SECTION BB - ADDITIONAL APPLICANT INFORMATION

(11) APPLICANT NAME (if paying by credit card, enter name exactly as it appears on your card)

Dakota Telecommunications Group, Inc.

(12) STREET ADDRESS LINE NO. 1

P.O. Box 66

(13) STREET ADDRESS LINE NO. 2

(14) CITY

Irene

(15) STATE

South Dakota

(16) ZIP CODE

57037

(17) DAYTIME TELEPHONE NUMBER (include area code)

605-263-3301

(18) COUNTRY CODE (if not in U.S.A.)

IF MORE BOXES ARE NEEDED, USE ADDITIONAL FCC 159-C CONTINUATION SHEETS TO LIST EACH SERVICE

SECTION CC - PAYMENT INFORMATION

(19A) FCC CALL SIGN/OTHER ID		(20A) PAYMENT TYPE CODE (PTC)	(21A) QUANTITY	(22A) FEE DUE FOR (PTC) IN BLOCK 20A	FCC USE ONLY
(23A) FCC CODE 1				\$	
			(24A) FCC CODE 2		
(19B) FCC CALL SIGN/OTHER ID	(20B) PAYMENT TYPE CODE (PTC)	(21B) QUANTITY	(22B) FEE DUE FOR (PTC) IN BLOCK 20B	FCC USE ONLY	
(23B) FCC CODE 1			\$		
		(24B) FCC CODE 2			
(19C) FCC CALL SIGN/OTHER ID	(20C) PAYMENT TYPE CODE (PTC)	(21C) QUANTITY	(22C) FEE DUE FOR (PTC) IN BLOCK 20C	FCC USE ONLY	
(23C) FCC CODE 1			\$		
		(24C) FCC CODE 2			
(19D) FCC CALL SIGN/OTHER ID	(20D) PAYMENT TYPE CODE (PTC)	(21D) QUANTITY	(22D) FEE DUE FOR (PTC) IN BLOCK 20D	FCC USE ONLY	
(23D) FCC CODE 1			\$		
		(24D) FCC CODE 2			

SECTION DD - TAXPAYER INFORMATION

(25) COMPLETE THIS BLOCK ONLY IF SECTION BB IS APPLICABLE

APPLICANT TIN

0	9	1	1	8	4	5	1	0	0
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**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of

McLeodUSA Incorporated
and Dakota Telecommunications
Group, Inc.

File No. _____

Application for Transfer of Control of
Common Carrier Holding Authorization
Under Section 214 of the Communications
Act of 1934, as Amended

To: Chief, International Bureau

APPLICATION

McLeodUSA Incorporated (“McLeod”) and Dakota Telecommunications Group, Inc. (jointly, the “Applicants”), hereby request authority of the Federal Communications Commission (“FCC” or “Commission”), pursuant to Section 214 of the Communications Act of 1934, 47 U.S.C. § 214, and Section 63.18(e)(5) of the Commission’s Rules, 47 C.F.R. § 63.18(e)(5), for the transfer of control of Dakota Telecommunications Group, Inc. (“Dakota”), a common carrier holding a Section 214 authorization, from Dakota to McLeod.

This transfer of control will occur as part of a transaction whereby Dakota and its subsidiaries will become the direct and indirect subsidiaries of McLeod. Under the terms of an Agreement and Plan of Merger (“Agreement”) among the parties, McLeod has formed West Group Acquisition Co. (“West Group”), a wholly-owned subsidiary incorporated in Delaware. Dakota will merge with and into West Group, with Dakota surviving. After the transaction, Dakota and its subsidiaries will be wholly-owned subsidiaries of McLeod. The efficiencies

created by this transaction will have no negative impact on the operations of Dakota, and the changed corporate structure will be transparent to customers.

Grant of this Application will serve the public interest, convenience and necessity. This transfer of control will allow the Applicants to manage their combined telecommunications operations more efficiently, permitting greater investment in facilities, customer services and technological innovation. Further, the combination of Dakota and McLeod will provide the customers of those entities with a more diverse and comprehensive selection of services from a single vendor. This transaction will ensure continued provision of international long distance services to Dakota's existing customers and should promote competition and lower prices in the international long distance services market.

I. THE PARTIES

A. Dakota Telecommunications Group, Inc.

Dakota is a public corporation organized and existing under the laws of the State of Delaware with its principal executive office in Irene, South Dakota. Dakota is a diversified telecommunications services company which directly or through its subsidiaries is engaged in the provision of telecommunications products and services. Dakota is a nondominant carrier and holds an authorization under Section 214 to resell international switched services granted in File No. ITC-94-394.

The certificate in File No. ITC-94-394 was granted to Dakota Cooperative Telecommunications, Inc., ("DCT") a corporation formed under the laws of the State of South Dakota. On July 25, 1997, DCT merged with Dakota Telecommunications Group, Inc. and was incorporated in the State of Delaware. Regulatory approval for the transfer of control from DCT

to Dakota was not obtained in 1997. This oversight was recently discovered as part of the due diligence conducted by the parties to the instant transaction. As part of this application, the parties therefore request that the Commission authorize the transfer of the Section 214 authorization from DCT to Dakota *nunc pro tunc* pursuant to Section 63.18(e)(5) of the Commission's rules.

Information concerning Dakota's legal, technical, managerial and financial qualifications to provide service was submitted with DCT's Section 214 application and is therefore already a matter of record at the Commission.

B. McLeodUSA Incorporated

McLeod is a publicly traded corporation (NASDAQ; symbol: MCLD) organized and existing under the laws of the State of Delaware. McLeod's principal offices are located in Cedar Rapids, Iowa. McLeod is a provider of a broad range of telecommunications products and services to small and medium-size business and residential customers and government agencies. McLeod's services include primarily competitive local and long distance telecommunications services, competitive access services, including special access and private line services, and maintenance and installation services of fiber optic telecommunications networks. Pursuant to a certificate issued by this Commission in File No. ITC-93-311, McLeod, through its subsidiary McLeodUSA Telecommunications Services, Inc. ("McLeodUSA"), formerly known as McLeod Telemangement, Inc., is authorized to resell international switched services.

Information concerning McLeod's legal, technical, managerial and financial qualifications to provide service was submitted with McLeodUSA's Section 214 application and is therefore a matter of record at the Commission.

II. DESCRIPTION OF THE TRANSACTION

McLeod and Dakota have determined that they will realize significant economic and marketing efficiencies through a transaction by which Dakota will merge with a wholly-owned subsidiary of McLeod. Accordingly, on October 27, 1998, McLeod and Dakota executed an Agreement and Plan of Merger ("Agreement"). Pursuant to the Agreement, McLeod has formed West Group, a wholly-owned Delaware corporation, for the purpose of consummating the proposed reorganization. Dakota will merge with and into West Group, with Dakota surviving. At the effective time of the merger, each share of Dakota common stock will be converted into the right to receive 0.4328 of a share of McLeod's Class A common stock (\$0.01 par value). The maximum number of shares of McLeod's Class A common stock issuable pursuant to the Agreement (assuming the exercise of all outstanding options to purchase Dakota common stock) is expected to be approximately 1.295 million shares. The merger will also result in McLeod's assumption of approximately \$30.9 million in debt.

As a result of the reorganization, Dakota will become a wholly owned subsidiary of McLeod. Dakota will continue operating under its current name, and will remain the Section 214 certificate holder.

III. REQUEST FOR TRANSFER OF CONTROL

Pursuant to Section 63.18(e)(5) of the Commission's Rules, the Applicants set forth the following information:

(a) The name, address and telephone number of Applicants are:

McLeodUSA Incorporated
McLeodUSA Technology Park
6400 C Street, S.W.
P.O. Box 3177
Cedar Rapids, Iowa 52406-3177
Tel: (319) 364-0000

Dakota Telecommunications Group, Inc.
P.O. Box 432
Irene, South Dakota 57037
Tel: (605) 263-3301

(b) McLeod is a corporation organized and existing under the laws of the State of Delaware. Dakota is a corporation organized and existing under the laws of the State of Delaware.

(c) Correspondence concerning this Application should be addressed to:

For the transferee:

David R. Conn
Vice President Regulatory and Law
McLeodUSA Incorporated
McLeodUSA Technology Park
6400 C Street, SW
P.O. Box 3177
Cedar Rapids, Iowa 52406-3177
Tel: (319) 364-0000

with a copy to:

Peter A. Rohrbach
Hogan & Hartson L.L.P.
555 Thirteenth Street, N.W.
Washington, D.C. 20004-1109
Tel: (202) 637-5600

For the transferor:

Thomas W. Hertz
Chief Executive Officer
P.O. Box 432
Irene, South Dakota 57037
Tel: (605) 263-3301

with a copy to:

Teresa D. Baer
Kimberly S. Reindl
Latham & Watkins
1001 Pennsylvania Ave., N.W.
Suite 1300
Washington, D.C. 20004-2200
Tel: (202) 637-2200

(d) Dakota is authorized to resell international switched services pursuant to the Section 214 authorization granted in File No. ITC-94-394.

McLeod's subsidiary McLeodUSA Telecommunications Services, Inc., formerly known as McLeod Telemanagement, Inc., is authorized to resell international switched services pursuant to the Section 214 authorization granted in File No. ITC-93-311.

(e)(5) Applicants request authority for the transfer of control of Dakota, a common carrier holding an international Section 214 authorization, pursuant to the terms and conditions of § 63.18(e)(5) of the Commission's Rules.

(f) No response required.

(g) No response required.

(h)(1) McLeod and Dakota hereby certify that neither entity has an affiliation with a foreign carrier within the meaning of § 63.18(h)(1) of the Commission's Rules.

(h)(2) Dakota will be a wholly-owned subsidiary of McLeod. Information regarding the principal shareholders of McLeod is provided in Exhibit A, attached. The primary business of New Dakota and McLeod is telecommunications services. No director of Dakota or McLeod holds an interlocking directorship.

(i) McLeod hereby certifies that it has not agreed to accept special concessions directly or indirectly from any foreign carrier or administration with respect to traffic or revenue flows between the U.S. and any foreign country which McLeod may serve under the authority granted under this part, and will not enter into such agreements in the future.

(j) The Applicants hereby certify that no party to this application, as defined in 47 C.F.R. § 1.2002(b), is subject to denial of Federal benefits pursuant to Section 5301 of the Anti-Drug Abuse Act of 1988, 21 U.S.C. § 853(a).

IV. CONCLUSION

Accordingly, the Applicants respectfully request that the Commission authorize the transfer of control described herein.

Respectfully submitted,

McLeodUSA Incorporated

By:  _____

Dakota Telecommunications Group, Inc.

By:  _____

Dated: 12-11-98

EXHIBIT A

The current ten percent or greater shareholders of McLeod are as follows:

1. IES Investments Inc., a wholly-owned subsidiary of IES Industries Inc. ("IES"), 200 1st Street, S.E., Cedar Rapids, Iowa 52401. IES and IES Investments Inc. are U.S. corporations. IES is an electric utility company.
2. MWR Investments Inc., a wholly-owned subsidiary of MidAmerican Energy Holdings Company ("MidAmerican"), 500 E. Court Ave., Des Moines, Iowa 50309. MidAmerican and MWR Investments Inc. are U.S. corporations. MidAmerican is an electric utility company.
3. Clark E. McLeod and his wife Mary E. McLeod, c/o McLeodUSA Incorporated, McLeodUSA Technology Park, 6400 C Street, S.W., P.O. Box 3177, Cedar Rapids, Iowa 52406-3177. Mr. and Mrs. McLeod are U.S. citizens. Neither Mr. McLeod nor Mrs. McLeod individually holds ten percent or more of McLeod's stock, but their combined holdings exceed ten percent.
4. Lumpkin Family Group, c/o Consolidated Communications Incorporated, 121 South 17th Street, Mantoon, Illinois 61938. The Lumpkin Family Group represent the combined ownership interest in McLeodUSA by various members of the Lumpkin family. The Lumpkin family's McLeodUSA Class A Common Stock is held in 49 separate trusts. While the combined ownership interest in McLeodUSA in the 49 separate trusts equals 13.4%, no one individual Lumpkin family member controls a 5% or greater ownership in McLeodUSA. All members of the Lumpkin Family Group are U.S. Citizens. Details regarding the various Lumpkin Family Group trusts are available upon FCC request.

As part of the transaction described herein, new shares of McLeod stock will be issued to existing holders of Dakota common stock. As a result, the interests of the above McLeod shareholders will be diluted when the merger is consummated. McLeod does not currently anticipate that the issuance of McLeod stock to Dakota shareholders will result in any new ten percent or greater shareholders of McLeod.

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