

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

In re:	)	Case No. 05-63229
	)	through 05-63234
MCLEODUSA INCORPORATED,	)	
<u>et al.</u> ,	)	Chapter 11
	)	
Debtors.	)	Hon. John H. Squires
	)	

**ORDER PURSUANT TO 11 U.S.C. §§ 327(a) AND 329 AUTHORIZING THE  
EMPLOYMENT AND RETENTION OF SKADDEN, ARPS, SLATE,  
MEAGHER & FLOM LLP AND AFFILIATED LAW PRACTICE ENTITIES  
AS ATTORNEYS FOR THE DEBTORS-IN-POSSESSION**

Upon the application, dated October 28, 2005 (the "Application"),<sup>1</sup> wherein McLeodUSA Incorporated ("McLeodUSA") and certain of its subsidiaries (the "Subsidiary Debtors") debtors and debtors-in-possession in the above-captioned cases (collectively the "Debtors"), applied to this Court for entry of an order, pursuant to 11 U.S.C. §§ 327(a) and 329, authorizing, each of the Debtors to employ and retain the law firm of Skadden, Arps, Slate, Meagher & Flom LLP and its affiliated law practice entities (collectively, "Skadden" or the "Firm") under a general

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<sup>1</sup> Unless otherwise defined herein, capitalized terms used herein shall have the meanings ascribed to them in the Application.

retainer as their attorneys; and the Court having reviewed the Application, the Declaration of Timothy R. Pohl (the "Pohl Declaration"), a member of Skadden, Arps, Slate, Meagher & Flom LLP, and the Declaration of Stanford Springel in Support of Chapter 11 Petitions and First Day Orders; and the court being satisfied with the representations made in the Application and the Pohl Declaration that Skadden represents no interest adverse to any of the Debtors' estates, that it is a disinterested person as that term is defined under section 101(14) of the Bankruptcy Code, as modified by section 1107(b) of the Bankruptcy Code, that its employment is necessary and in the best interests of the Debtors' estates, creditors, and other parties-in-interest; and it appearing that proper and adequate notice has been given and that no other or further notice is necessary; and upon the record herein; and after due deliberation thereon; and good and sufficient cause appearing therefor, it is hereby

ORDERED, ADJUDGED AND DECREED THAT:

1. The Application is Granted.
2. Pursuant to sections 327(a) and 329 of the Bankruptcy Code, the Debtors, as debtors and debtors-in-possession, are authorized to employ and retain Skadden as their attorneys under a general retainer as of the Petition Date to perform the services set forth in the Application and Engagement Agreement, a copy of which is attached to the Pohl Declaration as Exhibit A.

3. Skadden shall be compensated as delineated in the Engagement Agreement and in accordance with the procedures set forth in sections 330 and 331 of the Bankruptcy Code and such Bankruptcy Rules and Local Rules as may then be applicable, from time to time, and such procedures as may be fixed by order of this Court.

4. Skadden is authorized to apply the Initial Retainer to pay any fees, charges, and disbursements that relate to services rendered to the Debtors prior to the Petition Date that remain unpaid as of such date and shall add and hold the remaining portion of the Initial Retainer as the Final Retainer for application of fees, charges and disbursements relating to services rendered subsequent to the Petition Date as may further be ordered by the Court.

5. During the course of these cases, Skadden shall invoice the Debtors on or before the last day of the month following the month for which compensation is sought (the "Monthly Statement Date") for services rendered and charges and disbursements incurred (the "Monthly Statement"). Skadden shall serve such Monthly Statement on (i) McLeodUSA Incorporated, 6400 C Street SW, P.O. Box 3177, Cedar Rapids, IA, 52406 (Attn: James E. Thomopson, Esq.), (ii) the United State Trustee, 227 West Monroe Street, Suite 3350, Chicago, Illinois, 60606 and (iii) counsel to the Agent for the Prepetition Lenders, Davis, Polk & Wardwell,

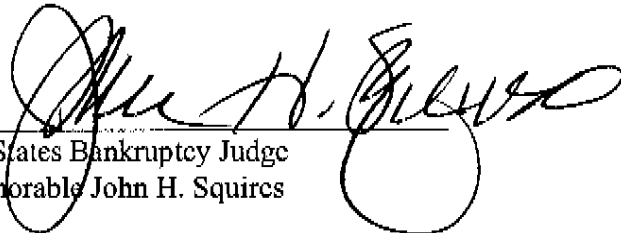
450 Lexington Avenue, New York, New York 10017 (Attn: Donald S. Bernstein, Esq.).

6. The Debtors, the United States Trustee and counsel to the Prepetition Lenders shall have twenty (20) days after the Monthly Statement Date to review the statement. At the expiration of the twenty (20) day period, the Debtors shall promptly pay ninety percent (90%) of the fees and one hundred percent (100%) of the disbursements requested in the Monthly Statement, except such fees or disbursements as to which an objection has been served. In the event that the Debtors, the United States Trustee or counsel to the Prepetition Lenders has an objection to the compensation or reimbursement sought in a particular Monthly Statement, such party shall, within twenty (20) days of the Monthly Statement Date, serve upon Skadden and the other persons designated to receive the Monthly Statements, a written "Notice of Objection to Fee Statement" setting forth the precise nature and the amount at issue. Thereafter, the objecting party and Skadden shall attempt to reach an agreement regarding the correct payment to be made. If the parties are unable to reach an agreement on the objection within twenty (20) days after receipt of such objection, the objecting party may file its objection with the Court and such objection will be resolved at the Final Fee Application Hearing (defined below).

7. Pursuant to section 5.10 of the Plan, within thirty (30) days of the Effective Date, Skadden shall file a final application for compensation and reimbursement for services rendered in connection with the chapter 11 cases and set such matter for hearing before the Court (the "Final Fee Application Hearing").

Dated: Chicago, Illinois  
10/31 2005

OCT 31 2005

  
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United States Bankruptcy Judge  
The Honorable John H. Squires