

MCLEODUSA INC
Form 10-Q
November 09, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended September 30, 2004

or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period to

Commission file number 0-20763

McLEODUSA INCORPORATED

(Exact name of registrant as specified in its charter)

Delaware
(State of Incorporation)

42-1407240
(IRS Employer Identification No.)

McLeodUSA Technology Park
6400 C Street SW
P.O. Box 3177
Cedar Rapids, Iowa
(Address of principal executive office)

52406-3177
(Zip Code)

319-364-0000
(Registrant's telephone number,
including area code)

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

The number of shares outstanding of each class of the issuer's common stock as of October 29, 2004:

Common Stock Class A: (\$0.01 par value)	190,703,965 shares
Common Stock Class B: (\$0.01 par value)	78,203,135 shares
Common Stock Class C: (\$0.01 par value)	35,546,879 shares

MCLEODUSA INCORPORATED AND SUBSIDIARIES

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

MCLEODUSA INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions, except share data)

	September 30, 2004 (unaudited)	December 31, 2003
ASSETS		
Current assets		
Cash and cash equivalents	\$ 26.1	\$ 56.5
Trade receivables, net	60.3	65.6
Prepaid expenses and other	25.2	22.4
Assets held for sale	2.0	2.0
Total current assets	113.6	146.5
Property and equipment		
Land and buildings	78.0	78.6
Communications networks	1,102.1	996.3
Furniture, fixtures and equipment	202.9	196.8
Networks in progress	84.5	171.6
Total property and equipment	1,467.5	1,443.3
Less accumulated depreciation	649.4	435.6
Net property and equipment	818.1	1,007.7
Intangibles and other assets		
Goodwill		245.1
Other intangibles, net	156.0	201.8
Other	24.1	29.5
Total intangibles and other assets	180.1	476.4
TOTAL ASSETS	\$ 1,111.8	\$ 1,630.6
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities		
Current maturities of long-term debt	\$ 40.4	\$ 27.1
Accounts payable	35.1	30.5
Accrued payroll and payroll related expenses	20.4	20.6
Other accrued liabilities	79.8	100.9
Deferred revenue, current portion	6.7	6.9
Liabilities related to discontinued operations	0.3	1.1
Total current liabilities	182.7	187.1
Long-term debt, less current maturities	724.7	717.3
Deferred revenue, less current portion	17.2	15.1
Other long-term liabilities	60.8	58.3
Total liabilities	985.4	977.8
Redeemable convertible preferred stock		
McLeodUSA Preferred Series A, redeemable, convertible, \$0.01 par value; 10,000,000 authorized and issued; 4,432,741 and 7,377,149 outstanding at September 30, 2004 and December 31, 2003, respectively	80.4	131.1
Stockholders' equity		
McLeodUSA Common, Class A \$0.01 par value; 1,886,249,986 authorized, 190,664,756 and 175,527,257 issued and outstanding at September 30, 2004 and December 31, 2003, respectively	1.9	1.8

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McLeodUSA Common, Class B \$0.01 par value; 78,203,135 authorized, issued and outstanding at September 30, 2004 and December 31, 2003	0.8	0.8
McLeodUSA Common, Class C \$0.01 par value; 35,546,879 authorized, issued and outstanding at September 30, 2004 and December 31, 2003	0.3	0.3
McLeodUSA Preferred Series B, \$0.01 par value; 10 authorized, issued and outstanding at September 30, 2004 and December 31, 2003		
McLeodUSA Warrants	22.6	22.6
Additional paid-in capital	1,043.9	993.3
Accumulated deficit	(1,023.5)	(497.1)
Total stockholders' equity	46.0	521.7
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 1,111.8	\$ 1,630.6

The accompanying notes are an integral part of these condensed consolidated financial statements

McLEODUSA INCORPORATED AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions, except per share data)

	Three months ended September 30,	
	2004	2003
Revenues	\$ 168.1	\$ 211.0
Operating expenses:		
Cost of service (exclusive of depreciation and amortization shown separately below)	94.1	