NEWS RELEASE

FOR RELEASE: TUESDAY, JULY 6, 2004

AT&T and McLeodUSA Reach Agreement To Provide Customer Choice and Jointly Propose Rules for Continued Competition in Residential and Business Local Phone Service

Companies Strive To Promote FCC Vision of Facilities-Based Competition

MORRISTOWN, N.J./CEDAR RAPIDS, IOWA – AT&T (NYSE: T) and McLeodUSA (Nasdaq: MCLD) today announced that they have reached a long-term agreement in principle whereby AT&T would begin an orderly transition of lines off the Bells' UNE-P platform in selected states and onto McLeodUSA's UNE-L network. Finalization of the agreement requires regulatory clarity in support of facilities-based competition.

AT&T and McLeodUSA today jointly proposed to the FCC a set of principles that would support facilities-based competition and ensure that competitors to the Bell companies can continue serving consumers and businesses.

"With these proposals, the government has the opportunity to support a transformational initiative between the well established AT&T brand and a true competitive entrepreneur while underscoring that competition can drive innovation, customer choice and economic value for businesses and consumers," said David Dorman, Chairman and CEO of AT&T. "In addition, and perhaps more importantly, this should end the unhealthy stalemate that has existed over the last eight years and prevent major turmoil in the telecommunications industry."

"McLeodUSA has invested over $3 billion in support of our strategy to be a facilities-based communications services company. We provide our customers cost effective, high quality service using our own facilities and we believe the opportunity with AT&T further validates our investment," said Chris Davis, Chairman and CEO of McLeodUSA. "The principles we have proposed to the FCC are imperative to achieving the true competition that Chairman Powell has often espoused."

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The proposed principles, which the companies said must be part of any new rules the FCC proposes in its Triennial Review Order, include an orderly transition from UNE-P to UNE-L and continued access to unbundled elements necessary to provide UNE-L, including full functionality of DS0/DS1/DS3 loops and transport under fair terms and stable (TELRIC) pricing.

Access to these elements under fair and reasonable terms and pricing is the only way competitors to the Bell companies can continue to serve local residential and business markets profitably, thereby providing the basis for continued future investments in their own networks as well as in new technologies.

Highlights of the key principles the companies have proposed are:

- Continuation of competitors' current access to the Bells' DS0, DS1 and DS3 loops at stable, forward-looking cost-based rates should be encouraged and protected by the FCC.
- High Capacity Transport should continue to be made available at stable, forward-looking cost based rates.
- Competitors must have access to loop and transport combinations, without anti-competitive restrictions at cost-based rates, and, among other things, the ability to provide both voice and data functionality over these loops and transport.
- Competitors who currently use the Bells' UNE-P platforms must have the opportunity for an orderly transition to UNE-L. UNE-P prices should remain fixed through 12/31/04 with a time-phased, gradual increase going forward.
- The batch hot cuts that are required to install UNE-L must be affordable, operationally efficient and supported by federal standards to ensure consistency across markets. In the area of operational performance, the Bells must be able to switch large volumes of customers from their own service to competitive providers in a way that is timely, thorough and error-free.
- Competitors should continue to have access to the full loop functionality without restrictions resulting from actions such as the Bells replacement or decommissioning of copper loops or the installation of non-copper material such as fiber.

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The companies have already completed a successful market trial and if such principles were adopted by the FCC with an assurance of regulatory certainty over the next several years, AT&T would begin transitioning lines to McLeodUSA in the fourth quarter of 2004. AT&T currently serves over 6 million local lines across the country. McLeodUSA is one of the nation's leading facilities-based competitive telecommunications providers serving 25 Midwest, Southwest, Northwest and Rocky Mountain states.

Since the passage of the Telecom Act in 1996, almost 30 million lines, representing more than 20 million consumers and small businesses, are receiving local phone service from a non-Bell service provider. Studies have shown that all purchasers of local phone service save over $11 billion a year because competition brings better pricing and improved service offers.

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About McLeodUSA

McLeodUSA (Nasdaq: MCLD) provides integrated communications services, including local services, in 25 Midwest, Southwest, Northwest and Rocky Mountain states. The Company is a facilities-based telecommunications provider with, as of March 31, 2004, 38 ATM switches, 40 voice switches, 667 collocations, 435 DSLAMs and 2,995 employees. As of April 16, 2002, Forstmann Little & Co. became a 58% shareholder in the Company. Visit the Company's Web site at www.mcleodusa.com.

McLeodUSA 'Safe Harbor'

Some of the statements in this press release include statements about our future expectations. Statements that are not historical facts are "forward-looking statements" for the purpose of the safe harbor provided by Section 21E of the Exchange Act and Section 27A of the Securities Act. These forward-looking statements are subject to known as well as unknown risks and uncertainties that may cause actual results to differ materially from our expectations. Our expectations are based on various factors and assumptions and reflect only our predictions. Factors that could cause actual results to differ materially from the forward-looking statement include technological, regulatory, public policy or other developments in our industry, availability and adequacy of capital resources, current and future economic conditions, the existence of strategic alliances, our ability to generate cash, our ability to implement process and network improvements, our ability to attract and retain customers, our ability to migrate traffic to appropriate platforms and changes in the competitive climate in which we operate. These and other risks are described in more detail in our most recent Annual Report on Form 10-K filed with the SEC. The Company undertakes no obligation to update publicly any forward-looking statements, whether as a result of future events, new information or otherwise.

About AT&T

For more than 125 years, AT&T (NYSE: T) has been known for unparalleled quality and reliability in communications. Backed by the research and development capabilities of AT&T Labs, the company is a global leader in local, long-distance, Internet and transaction-based voice and data services.

AT&T 'Safe Harbor'

The foregoing contains "forward-looking statements" which are based on management's beliefs as well as on a number of assumptions concerning future events made by and information currently available to management. Readers are cautioned not to put undue reliance on such forward-looking statements, which are not a guarantee of performance and are subject to a number of uncertainties and other factors, many of which are outside AT&T's control, that could cause actual results to differ materially from such statements. These risk factors include the impact of increasing competition, continued capacity oversupply, regulatory uncertainty and the effects of technological substitution, among other risks. For a more detailed description of the factors that could cause such a difference, please see AT&T's 10-K, 10-Q, 8-K and other filings with the Securities and Exchange Commission. AT&T disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. This information is presented solely to provide additional information to further understand the results of AT&T.

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FOR IMMEDIATE RELEASE

MCLEODUSA ENTERS MULTI-YEAR AGREEMENT WITH MCI TO PROVIDE LOCAL SERVICE ON THE MCLEODUSA NETWORK

Transition of Initial 200,000 Local Lines to Begin in First Quarter 2005

CEDAR RAPIDS, Iowa – December 16, 2004 – McLeodUSA (Nasdaq: MCLD), one of the nation's largest independent competitive telecommunications services providers, today announced that it has reached a three-year renewable wholesale agreement with MCI (Nasdaq: MCIP) whereby McLeodUSA will enable MCI to provide local telephone services to its residential customers using McLeodUSA facilities. In the first quarter of 2005, MCI and McLeodUSA will begin migrating a minimum of 200,000 local lines onto the McLeodUSA UNE-L network with a goal to complete the transition by the third quarter.

"This opportunity with MCI evidences the operational excellence and cost efficiencies that we have achieved over the past few years as we successfully executed on our strategy to be a world-class facilities-based communications services provider," said Chris Davis, Chairman and CEO of McLeodUSA. "We are committed to providing both our retail and our wholesale customers with cost effective, high quality services and a great customer experience. We look forward to working with MCI to that end."

"This agreement is designed to help us reach customers in the McLeodUSA service area through a facilities-based approach," said Wayne Huyard, MCI President of U.S. Sales & Service. "As the regulatory environment becomes more difficult and we continue to seek alternatives to UNE-P, this kind of relationship can be mutually beneficial."

MCI is a leading global communications provider, delivering innovative, cost-effective, advanced communications connectivity to businesses, governments and consumers. McLeodUSA is one of the nation's leading facilities-based competitive telecommunications providers serving 25 Midwest, Southwest, Northwest and Rocky Mountain states.

Since the passage of the Telecom Act in 1996, almost 30 million lines, representing more than 20 million consumers and small businesses, are receiving local phone service from a non-RBOC service provider. Studies have shown that purchasers of local phone service save over $11 billion a year because competition brings better pricing and improved service offerings.

About McLeodUSA

McLeodUSA provides integrated communications services, including local services, in 25 Midwest, Southwest, Northwest and Rocky Mountain states. The Company is a facilities-based telecommunications provider with, as of September 30, 2004, 38 ATM switches, 39 voice switches, 696 collocations, 435 DSLAMs and 2,474 employees. As of April 16, 2002, Forstmann Little & Co. became a 58% shareholder in the Company. Visit the Company's Web site at www.mcleodusa.com

Some of the statements in this press release include statements about our future expectations. Statements that are not historical facts are "forward-looking statements" for the purpose of the safe harbor provided by Section 21E of the Exchange Act and Section 27A of the Securities Act. Such statements may include projections of financial and operational results and goals, including revenue, EBITDA, Adjusted EBITDA, profitability, savings and cash. In some cases, you can identify these so-called "forward-looking statements" by our use of words such as "may," "will," "should," "expect," "plan," "anticipate," "believe," "estimate," "predict," "project," "intend" or "potential" or the negative of those words and other comparable words. These forward-looking statements are subject to known as well as unknown risks and uncertainties that may cause actual results to differ materially from our expectations. Our expectations are based on various factors and assumptions and reflect only our predictions. Factors that could cause actual results to differ materially from the forward-looking statement include technological, regulatory, public policy or other developments in our industry, availability and adequacy of capital resources, current and future economic conditions, the existence of strategic alliances, our ability to generate cash, our ability to implement process and network improvements, our ability to attract and retain customers, our ability to migrate traffic to appropriate platforms and changes in the competitive climate in which we operate. These and other risks are described in more detail in our most recent Annual Report on Form 10-K filed with the SEC. The Company undertakes no obligation to update publicly any forward-looking statements, whether as a result of future events, new information or otherwise.

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