Exhibit No: Issues: Business Services Witness: Sylvia Acosta Fernandez Type of Exhibit: Surrebuttal Testimony Sponsoring Party: Southwestern Bell Telephone, L.P. d/b/a SBC Missouri Case No: TO-2005-0035

Date Prepared: January 21, 2005

SOUTHWESTERN BELL TELEPHONE, L.P. D/B/A SBC MISSOURI

CASE NO. TO-2005-0035

SURREBUTTAL TESTIMONY

OF ·

SYLVIA ACOSTA FERNANDEZ

St. Louis, Missouri January 21, 2005

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Date Pres	marked Cas	No. TO	2005-	0035
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FEB 1 6 2005

Missouri Public Service Commission

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Second Investigation into the State of) Competition in the Exchanges of Southwestern Bell Telephone, L.P., d/b/a/ SBC Missouri.

) Case No. TO-2005-0035

AFFIDAVIT OF SYLVIA ACOSTA FERNANDEZ

STATE OF TEXAS

SS

CITY OF SAN ANTONIO

I, Sylvia A. Fernandez, of lawful age, being duly sworn, depose and state:

ì

- 1. My name is Sylvia Acosta Fernandez. 1 am presently Director -- Voice Packaging for SBC Operations, Inc.
- 2. Attached hereto and made a part hereof for all purposes is my surrebuttal testimony.
- 3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct to the best of my knowledge and beläuf.

EHONDA KORCZYNSKI Internet Public, Seale of Seal My Conversion States November 21, 2007

14 2 Amdu

Subscribed and sworn to before this _____ day of January, 2005

Dhonila Korozonski Notary Public

My Commission Expires: 11121107

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Schedule 7 – AT&T Announcement Of Retail Marketing Agreement With Staples. Inc.

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1	INTE	RODUCTION
2	Q.	WHAT IS YOUR NAME AND BUSINESS ADDRESS?
3	A.	My name is Sylvia Acosta Fernandez and my business address is 530 McCullough, San
4		Antonio, Texas 78215.
5		·
6	Q.	ARE YOU THE SAME SYLVIA ACOSTA FERNANDEZ THAT PREVIOUSLY
7		FILED DIRECT TESTIMONY IN THIS CASE?
8	Α.	Yes.
9 10	PUR	POSE
11	Q.	WHAT IS THE PURPOSE OF YOUR TESTIMONY?
12	Α.	The purpose of my testimony is to:
13		1) Assure the parties that I have not seen any of the highly confidential or proprietary
14		wholesale information presented in this case, and that in my position with SBC
15		Missouri, I do not have access to information about SBC's wholesale customers; and to
16		
17		2) Respond to the comments made by PSC Staff member Adam McKinnie concerning
18		the significance of the advertising expenditure data I presented in my Direct Testimony.
19		
20		1. <u>Access To Wholesale Information</u> .
21	Q.	SOCKET TELECOM WITNESS MATT KOHLY STATES IN HIS REBUTTAL
22		TESTIMONY ON PAGE 8 THAT SBC RETAIL MARKETING DIRECTORS
23		"CAN NOW FREELY REVIEW ALL OF THE HIGHLY CONFIDENTIAL

1		INFORMATION CONTAINED IN SBC'S TESTIMONY" AND THAT THEY
2		MAY "FIND THIS INFORMATION USEFUL IN FULFILLING THEIR
3		RETAIL RESPONSIBILITIES."
4		IS THIS STATEMENT CORRECT?
5	Α.	No.
6		
7	Q.	HAVE YOU BEEN GIVEN ACCESS TO THE HIGHLY CONFIDENTIAL OR
8		PROPRIETARY WHOLESALE INFORMATION FILED IN THIS CASE BY
9		SBC MISSOURI WITNESS CRAIG UNRUH?
10	А.	No.
11		
12	Q.	IN YOUR PRESENT POSITION AS AN SBC RETAIL MARKETING
13		DIRECTOR, DO YOU HAVE ACCESS TO INFORMATION ABOUT SBC'S
14		WHOLESALE CUSTOMERS?
15	A.	No.
16		·
17		2. <u>The Import Of Competitor Advertising Expenditure Data</u> .
18	Q.	STAFF WITNESS ADAM MCKINNIE IN HIS REBUTTAL TESTIMONY, AT P
19		7, STATES THAT "VERY LITTLE IF ANY FACTUAL INFORMATION
20		ABOUT THE CURRENT AMOUNT OF EFFECTIVE COMPETITION SBC IS
21		FACING CAN BE GLEANED FROM THE AMOUNT OF ADVERTISING ITS

Ì

1		COMPETITORS ARE DOING" AND SHOULD NOT BE RELIED UPON. DO
2		YOU AGREE WITH HIS CONCLUSION?
3	A.	No. While I agree that one cannot draw conclusions about specific line losses from
4		such data, that was not my intent. In my Direct Testimony, I offered my perspective as
5		a marketer of SBC business telecommunications services and showed that SBC
6		Missouri faces intense competition, which has increased year over year. I provided the
7		estimate of Missouri-specific advertising expenditures by SBC Missouri's competitors
8		to show the intensity of the competitive marketplace, not just in the major metropolitan
9		areas but statewide.
10		
п		These advertising expenditures were made by a variety of CLECs of all sizes and across
12		a wide group of exchanges. It shows that competition exists across all exchanges within
13		the coverage area of the advertising. This type of advertising is very effective in
14		pointing out to SBC Missouri customers across the state that they can purchase similar
15		services from alternative providers that are functionally equivalent to or substitutable
16		for SBC Missouri's services at comparable rates, terms and conditions.
17		
18	Q.	DO YOU AGREE WITH MR. MCKINNIE THAT EFFECTIVE COMPETITION
19		FOR BASIC EXCHANGE SERVICES AND HIGH CAPACITY EXCHANGE
20		SERVICES DOES NOT EXIST?
21	Α.	No. SBC faces a very competitive market statewide for all of its business access line
22		services. As I indicated in my direct testimony, our CLEC competitors utilize

22

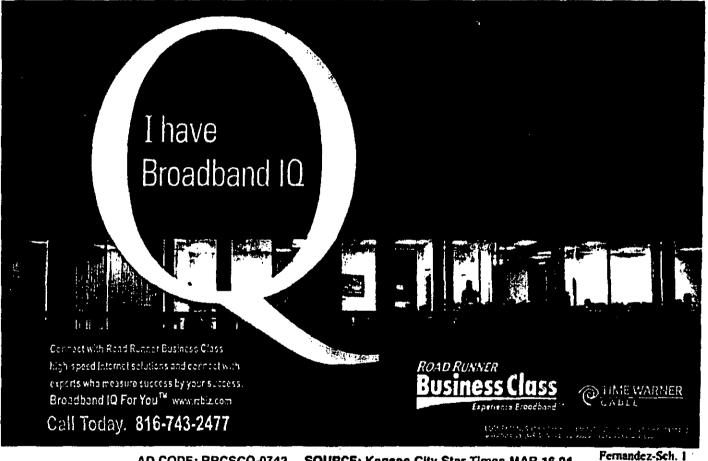
aggressive marketing strategies (bundling and very attractive monthly rates) and direct, 1 focused selling tactics such as direct mail, door to door sales and advertising. 2 For example, Time Warner has been aggressively promoting its Road Runner Business 3 Class Service in the Kansas City metro area where it is the dominant cable TV provider. (Copies of some of Time Warner's print ads are attached as Schedules 1 and 2). 5 6 Similarly, EarthLink and Covad have been jointly marketing various business offerings 7 8 with High Speed Business DSL Service. (Copies of Direct Mailing from EarthLink and Covad are attached as Schedule 3.) Covad also announced on October 7, 2004, that its 9 business VolP service is now available in the St. Louis and Kansas City markets. (A 10 copy of Covad's news release describing this announcement is attached as Schedule 4.) 11 12 13 And I see these competitive pressures increasing. For example, early this month, MCI announced that it has added high-speed cable access to its Internet Broadband portfolio 14 of business services, which allows it to provide high-speed broadband service to 15 customers in areas where DSL is not available or who have a preference for cable 16 access. To make this offering, MCI has made arrangements to use the cable facilities of 17 Charter, Cox and Time Warner (a copy of MCI's press release announcing this 18 additional offering is attached as Schedule 5). 19 20 In late December last year. McLeodUSA announced that it launched a business VoIP 21

service, which it calls Preferred Advantage Dynamic Integrated Access Service. While

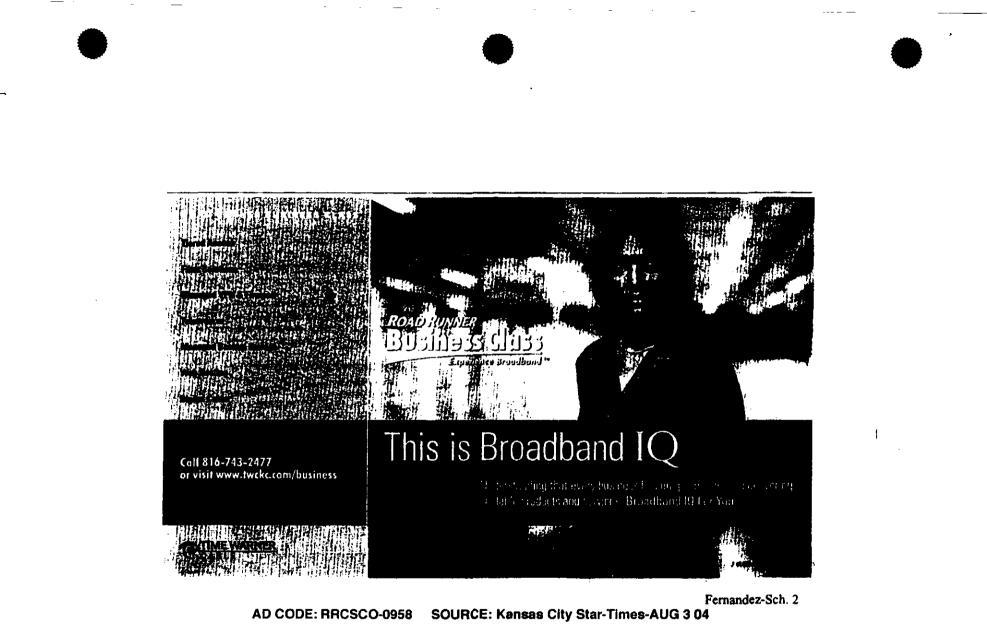
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1		the offering was initially made available to business customers in Denver, Dallas,
2		Detroit and Chicago, McLeodUSA stated that it would make the service available in 35
3		of its other markets by the end of the second quarter this year (a copy of McLeodUSA's
4		press release on this announcement is attached as Schedule 6).
5		
6		And AT&T has recently expanded the distribution base for its CallVantage VoIP
7		service through retail marketing agreement with Staples, Inc. Under this agreement,
8		Staples is now offering AT&T CallVantage Service in its 1,200 retail stores nationwide
9		and targeting small business and home office workers (a copy of AT&T's press release
10		of this announcement is attached as Schedule 7).
11		
12	Q.	DOES THIS CONCLUDE YOUR TESTIMONY?

13 A. Yes.



AD CODE: RRCSCO-0742 SOURCE: Kansas City Star-Times-MAR 16 04



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Now you can get high-speed tatement for your business. Non-accurate palified for High Speechastron DSL service!

Faster Uploads and Downloads INCREASED PRODUCTIVITY A Reliable Connection Get FREE installation and hardware (a \$624 value)!

Fernandez-Sch. 3 Page 1 of 19 Find out what EarthLink® High Speed Business DSL can do for your business.



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"You're prequalified for EarthLink "High Speed Business DSL Get FREE HARDWARE AND INSTALLATION valued at \$624.



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You may be a small business, but that doesn't mean you can't compete with big companies. Got the tools you need to be competitive with EarthLink High Speed Business DSL.

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The last thing you need is a connection that can't keep up with your needs. Every day, you either gain or loss productivity is you unlike the Internet to do business. With EarthLink High Speed Business DSL, you can perform Web research, large file transfers, videoconferencing, and e-commerce. You can also run email applications and host Web servers at speeds up to 35X times laster than dial-up (based on average speed of a 28.8K and 56K madem).* And you can tink everyone in your office to the Internet through one high-speed connection!

With FREE installation and hardware, you'll save \$624** when you order EarthLink High Speed Business DSL by July 31, 2004!

Your location is already prequiditied for business DSL. Call 1-866-576-8466 or easi www.highspend-abl.com to order High Speed Business DSL now. Mention ende 1019834 before the deadline and, with limited-time rebutes, you will save \$624. But that's not all that Earthfurs, High Speed Business DSL has to offer? You'll get.

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And EarthLink High Speed Business DSL can be less expensive than you'd think. A faster internet connection is uffordable for almost any business. And with these lamad-tume relates, why wait?

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Snicgarity,

1.

Mike Lansford 4 Executive Vice President

P.S. This is a limited-time offer! You must order by July 31, 2004, to receive \$624 in rebate savings in your high-speed connection, so call 1-\$66-576-\$466 today and mention code 1019834.

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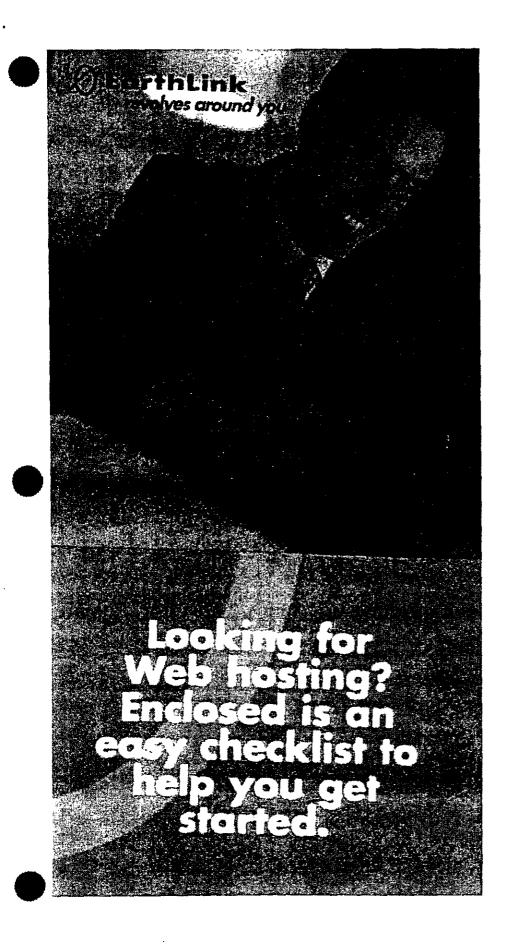
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The last thing you need is a connection that can't keep up with your needs. Every day, you either gain or lose productivity as you utilize the Internet to do business. With EarthLink High Speed Business DSL, you can perform Web research, large file transfers, videoconferencing, and e-commerce. You can also run entit applications and host Web servers at speeds up to 35X faster than dial-up (based on average speed of a 28.8K and 56K modern).* And you can link everyone in your office to the Internet through one high-speed connection!

With FREE installation and hardware, you'll save \$624" when you order EarthLink High Speed Business DSL by October 31, 2004!

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- * Instant i 1-like connection and speed
- · Built-in forwall and virtual private networking capabilities
- · Reliable connection with '6) 12 a prime service level agreement
- * Eall-office connectivity

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- · 24/7 award-winning, toll-free customer service and support
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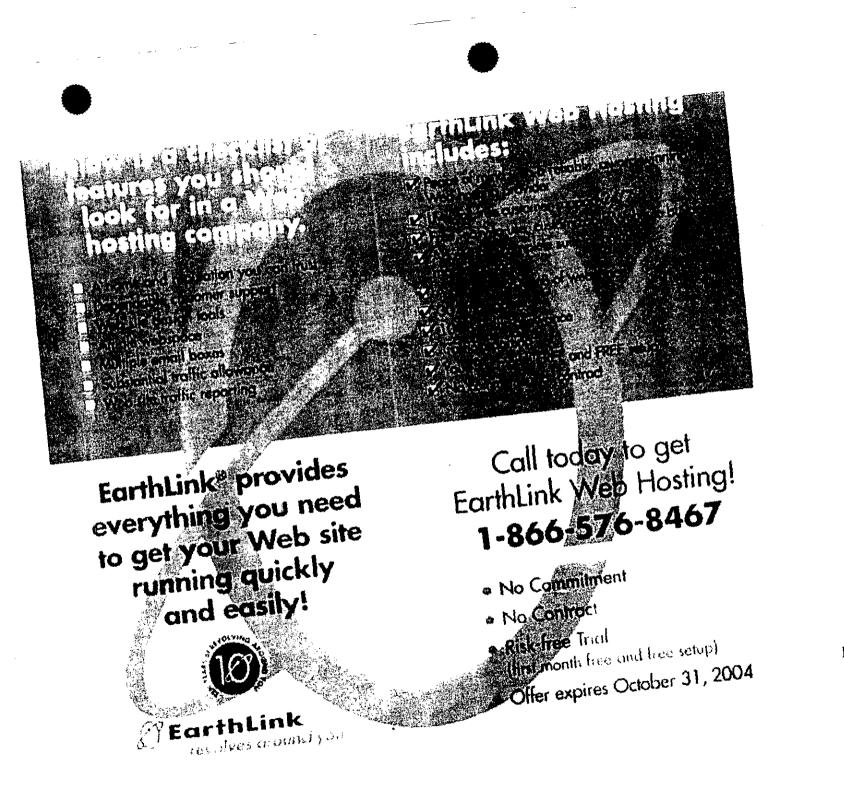
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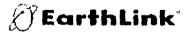
New you'll get relates for FREE installation and hardware valued at \$624° when you up for EarthLink High Speed Business DSL before October 31, 2004, plus

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Fernandez-Sch. 3 Page 19 of 19 Covad - About Covad - Press Release

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Transforming Communications though Broadband Innovation

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Covad Gives Voice to Small Business In Charlotte, Cincinnati, Columbus, Indianapolis, Kansas City, Milwaukee, Nashville, Pittsburgh, St. Louis, St. Petersburg and Tampa

Contact:

Media Contact Kathleen Greene Covad Communications 408-952-7434 kgreene@covad.com

Investor Relations Mark Brandt **Covad Communications** 408-434-2130 investorrelations@covad.com Covad VoIP Truly Integrates Telephone and High-Speed Internet Service

San Jose, Calif. (October 6, 2004) - Covad Communications Group, Inc. (OTCBB: COVD), a leading national provider of integrated voice and data communications, today announced the availability of business-class Covad VoIP (Voice over Internet Protocol) in 11 new markets: Charlotte, Cincinnati, Columbus, Indianapolis, Kansas City, Milwaukee, Nashville, Pittsburgh, St. Louis, St. Petersburg and Tampa. Now launching nationwide, Covad VoIP is managed end-to-end, offering small and medium businesses an unparalleled sulte of services and voice quality that businesses can rely on.

Covad VoIP will be available in all 113 major metropolitan areas served by Covad's nationwide broadband network by the end of 2004.

"VoIP is the most significant alternative ever to traditional phone service, and Covad VoIP is a high quality, reliable communications service with features that, until now, have not been available at affordable prices for small businesses," said Charles Hoffman, president and chief executive officer of Covad. "Covad VoIP offers small businesses the opportunity to work with one provider for their voice and data needs on a national scale."

Patrick Hurley, Director of Research at telecommunications research firm, TeleChoice, Inc., said: "When businesses are considering Voice over IP services they shouldn't expect today's consumer VoIP services to keep up with their needs. However, when a provider like Covad adds Voice over IP onto its nationwide broadband network, they can provide these business customers a truly integrated voice and data service that offers customers

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the quality and reliability they need."

Covad VoIP works by delivering volce information in digital electronic packets. This allows businesses to manage calls with a single broadband connection.

Covad currently offers two VoIP products custom-tailored for small- to medium-sized businesses, and for enterprises needing a virtual Private Branch Exchange (PBX). Covad vPBX is designed as a full PBX alternative. Covad PBXI is designed to work seamlessly with existing PBX equipment. Covad and Covad's dealer network install the service, train users and provide complete customer support. Covad vPBX features the Covad Dashboard, which brings an array of capabilities into one common Webbased user interface, including: local and long-distance services, visual fax and voice mail, Instant Messaging, audio and web conferencing, call logs, directory services, "Find me/Follow me", and other features, all managed from one place using one phone number.

Features of Covad VoIP Include:

- Nationwide coverage
- Local and Long Distance telephone service
- Automated provisioning capabilities
- Service backed by comprehensive service level agreements (SLAs)
- Covad Dashboard, an easy-to-use, award-winning Web-based user interface for users to manage and customize their service
- Call logs for instant access to incoming and outgoing call information
- Find Me/Follow Me functionality that allows the user to stay in touch from anywhere at any time
- Unified visual voice and fax mall
- Voice and Web conferencing
- Automated Attendant

Covad VoIP can be ordered directly by calling 1-866-462-3269. For more information on Covad VoIP visit Covad's website and schedule a free volce assessment with a Covad consultant at: http://www.covad.com/voip/howtoorder/index.shtml.

About Covad

Covad is a leading nationwide provider of Integrated voice and data communications. The company offers DSL, Voice Over IP, T1, Web hosting, managed security, IP and dial-up, and bundled voice and data services directly through Covad's network and through Internet Service Providers, value-added resellers, telecommunications carriers and affinity groups to small and medium-sized businesses and home users. Covad broadband services are currently available across the nation in 44 states and 235 Metropolitan Statistical Areas (MSAs) and can be purchased by more than 57 million homes and businesses, which represent over 50 percent of all US homes and businesses. Corporate headquarters is located at 110 Rio Robles San Jose, CA 95134. Telephone: 1-888-GO-COVAD. Web Site: www.covad.com.

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995:

The foregoing contains "forward-looking statements", such as the number of metropolitan areas where Covad VoIP will be available, which are based on management's current information and beliefs as well as on a number of assumptions concerning future events made by 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 Covad's control that could cause actual results to differ materially from such statements. These risk factors include the impact of increasing competition, pricing pressures, consolidation in the telecommunications industry, uncertainty in telecommunications regulations and changes in technologies, among other risks. For a more detailed description of the risk factors that could cause such a difference, please see Covad's 10-K, 10-Q, 8-K and other filings with the Securities and Exchange Commission. Covad 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 Covad.

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j Home - Internet service provider for online data services and Internet broadband | Products & Services - T1 and digital subscriber lines as well network products and Web and email hosting services | Business Products & Services - Voice over IP (VoIP), T1 lines, DSL/ADSL, Web and en with domain registration & network security with VPN and firewalt protection | Business Solutions - Broedband solutions and services tailored to e of your business | Business Quality Volce over IP Services - Ful service Voice over IP products utilizing VoIP technology | Residential ADSL, speed Internet access connections and DSL access lines to replace your old dial-up internet access | Customer Service & Support - 24x7x365 for Covad's high speed access isp services and Web and email hosting | Alliance Partnerships - Join other business service providers and broit in selling Covad high speed access | About Covad - Corporate Information | Customer Stories - Stories of how Covad's broadband networks succede | Site Map - Easily find the information on Covad broadband access, hosting and security services | Rebates - Discourits, rebates qualitying Covad Broadband DSL & T1 and Voice (VoIP) services | Glossary - Definitions on Internet broadband terms |

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Press Release				Source: MCI, Inc.

MCI Adds Cable to Internet Broadband Mix

Tuesday January 11, 7:01 am ET

Companies Can Utilize One Provider to Reach 90 Percent of U.S. Business Locations

ASHBURN, Va., Jan. 11 /PRNewswire-FirstCall/ -- MCI, Inc. (Nasdaq: MCIP - News) today announced it is expanding its Internet Broadband portfolio to include high-speed cable access, enabling MCI customers to reach an estimated 90 percent of all U.S. business locations with its business-class DSL and now Internet Cable Services.

With its expanded footprint, MCI customers can supplement Digital Subscriber Line (DSL), and other forms of Internet access such as satellite and WiFi, with MCI's new Internet Cable service, which is ideal for reaching locations where DSL is not available or where customers have a preference for cable access.

"With MCI's expanded broadband portfolio, businesses can turn to MCI for nationwide uniform service across access options, without the complexity of managing multiple solutions from different providers," said Nancy Gofus, MCI senior vice president of Product Management. "MCI's new cable service is another example of how MCI is continuing to deliver cost-effective IP products and services that offer businesses greater value and simplicity."

MCI's Internet Cable Service is targeted at businesses like retailers, service companies and other organizations with multiple locations, requiring cost effective, "always on" connectivity to the Internet. The new cable service is also wellsuited for teleworkers needing the same high-speed, business-grade connectivity as their office counterparts to corporate resources and the Internet.

Leveraging its relationship with New Edge Networks, MCI is making available asymmetric cable service from Charter. Cox Communications and Time Warner Cable. MCI's solution gives customers speeds of 768 Kpbs and greater for information received and speeds of 256 kbps and higher for information sent. Providing a one-stop resource, MCI backs the service with 24/7 technical service and support as well as consolidated billing.

With reliable, high-speed remote access to corporate resources, company employees in local offices and retail locations can now quickly access company information, process transactions and share files with associates around the globe.

For customers wanting to enhance their Internet DSL and cable security, MCI offers IP VPN Broadband, a managed solution that encrypts the traffic between remote locations and corporate headquarters over MCI's newest broadband addition. Targeted to customers with retail store and small office applications, this solution is ideal for large scale deployments and is delivered to customer sites pre-configured and ready for immediate installation, allowing remote company locations to get online quickly and easily.

In June 2004, MCI and New Edge Networks, a national provider of multi-site broadband networks for business and carrier customers, announced the companies had extended their strategic relationship to deliver additional DSL services to more MCI business customers nationwide. Through New Edge's expanded broadband reach called "Bigfoot," MCI now offers and supports DSL services in 300 metro areas in the U.S.

About MCI

MCI. Inc. (Nasdag: MCIP - News) is a leading global communications provider, delivering innovative, cost-effective, advanced communications connectivity to businesses, governments and consumers. With the industry's most expansive global IP backbone, based on the number of company-owned points of presence, and wholly-owned data

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MCI Adds Cable to Internet Broadband Mix

networks, MCI develops the converged communications products and services that are the foundation for commerce and communications in today's market. For more information, go to <u>http://www.mci.com</u>.

Source: MCI, Inc.

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FOR IMMEDIATE RELEASE

McLeodUSA Now Offering Voice Over IP (VoIP) Integrated Access Services for Businesses

- Company successfully completes customer trials in four major markets
- Preferred Advantage[®] Dynamic Integrated Access generally available for sale
- Expansion to a total of 35 markets planned by the end of second quarter 2005

CEDAR RAPIDS, Iowa - December 20, 2004 - McLeodUSA Incorporated (Nasdaq: MCLD), one of the nation's largest independent competitive telecommunications services providers, today announced that its Preferred Advantage[®] Dynamic Integrated Access, which utilizes the next generation Voice-over-Internet Protocol (VoIP) switching architecture, is now generally available for sale to business customers in Denver, Dallas, Detroit and Chicago, with planned expansion to a total of 35 markets within the Company's 25-state footprint by the end of second quarter 2005.

"McLeodUSA continues to deliver products and services to our customers that improve business efficiencies and reduce costs while providing a world-class service experience," said Chris A. Davis, Chairman and CEO of McLeodUSA. "In addition to lower cost, Dynamic Integrated Access offers our business customers enhanced features, productivity improvements, increased flexibility and control over the administration of their communications services through a web-based control panel."

Preferred Advantage Dynamic Integrated Access uses Voice-over-Internet Protocol (VoIP) on McLeodUSA's secure IP network to offer integrated voice and data communications services, over one single T-1 facility to customer locations. Customers receive up to 1.544 Mbps Internet access, high quality voice service, 17 local calling features, the convenience of an easy-to-use web-based control panel, and the ability to add or change features and generate reports. Multi-location customers will enjoy the benefits of abbreviated dialing and free site-to-site calling between all of their Dynamic Integrated Access served locations.

"Pells Insurance chose Dynamic Integrated Access because of the competitive price, the faster Internet speed and the customer service provided," said Mark Pells, President of Pells Insurance. "As a result, we have been able to lower our telecommunications costs and improve the operating efficiencies for our voice and data operations."



"We are pleased with the performance of McLeodUSA and its Dynamic Integrated Access product. By moving from dial-up to a T-1, we have experienced greater flexibility, efficiency and scalability with our communications services," said Mike Obert, VP/Manager, Western Steel & Boiler. "Now, we have real-time control over our voice and data services by using the web-based Control Panel to administer features. Our Internet is faster, much more accessible and we have the latest technology at our disposal."

In addition to Denver, Dallas, Detroit and Chicago, McLeodUSA will be expanding VoIP services for business customers to 31 new markets in its 25-state footprint by the end of second quarter 2005.

For general information on Dynamic Integrated Access and other McLeodUSA Preferred Advantage services, please contact a McLeodUSA Customer Care Representative at 1-800-593-1177 or visit the Company's website at www.mcleodusa.com.

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 socalled "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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Contact:

McLeodUSA Incorporated, Cedar Rapids, IA Investor Contact: Bryce E. Nemitz Press Contact: Bruce A. Tiemann Phone: 319-790-7800 mcleodusa in@mcleodusa.com Staples to Offer AT&T CallVantage Service

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Press Release				Source: AT&T

Staples to Offer AT&T CallVantage Service

Thursday January 6, 9:02 am ET

New Retail Agreement Greatly Expands AT&T's Distribution Base

BEDMINSTER, N.J., Jan. 6 /PRNewswire/ – AT&T (NYSE: \underline{T} - News) today announced that Staples, Inc. (Nasdaq: <u>SPLS</u> - <u>News</u>) is offering AT&T CallVantage(SM) Service, the company's residential Voice over Internet Protocol (VoIP) broadband phone service in its 1,200 stores nationwide.

Staples is selling an AT&T CallVantage Service Starter Kit that includes a Linksys wireless router with an Integrated analog telephone adapter, which will enable phones to work over high-speed Internet connections instead of traditional circuit-switched phone networks. Customers then sign up for service with AT&T directly over the Internet with instructions found Inside the Starter Kit box.

"Small office and home office workers depend on Staples to offer them innovative solutions to make their work life easier. VolP is rapidly changing the way people communicate and do business," said Bruce Bresser, Staples vice president of technology. "AT&T CallVantage Service is clearly a service that will offer our customers exciting new communication capabilities and savings."

AT&T CallVantage Service is a nationwide service generally available to consumers wanting local area codes and numbers in 39 states and Washington, D.C.

AT&T CallVantage Service is different than traditional phone services because, through the use of IP-based networks, it can offer customers typical features such as call waiting, three-way calling, and call forwarding, as well as innovative features providing unprecedented convenience, cost savings and control such as:

"Call Logs," to track incoming and outgoing calls; "Do Not Disturb," to receive calls only when wanted; "Locate Me," which rings up to five phones, all at once, or sequentially; "Voicemail with eFeatures," to listen to messages from any phone or PC and forward them to anyone on the Web; "Simple Reach(SM) Number," which enables ATET CallVantage Service customers to add up to nine telephone numbers with area codes anywhere in the country where ATET offers residential VoIP service for \$4.99 each; and "Conference Calling," to set up meetings with up to nine additional callers.

"Two decades ago, Staples founded the office supplies superstore concept and hatched a new industry," said Cathy Martine, AT&T senior vice president for Internet Telephony. "Today, we're looking to Staples to help expand the distribution channel for AT&T CallVantage Service. Our strategy is to make the service available to as many consumers as possible."

AT&T also offers a "Home Wiring Do-It-Yourself Guide" that provides customers step-by-step instructions for connecting the service to multiple home phones to replicate the traditional home calling environment and make the most efficient use of their existing telephone equipment. Staples to Offer AT&T CallVantage Service

To learn more about AT&T CallVantage Service, consumers can visit a Staples store or online at http://www.staples.com, visit AT&T at http://www.CallVantage.com/Staples, or call 1-866-816-3815, extension 70339.

About Staples

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Staples, Inc. invented the office superstore concept in 1986 and today is the world's largest office products retailer. With 60,000 talented associates, the company is committed to making it easy to buy a wide range of office products, including supplies, technology, furniture, and business services. With 2003 sales of \$13 billion, Staples serves consumers and businesses ranging from home-based businesses to Fortune 500 companies in 19 countries throughout North America, Europe and Asia. Headquartered outside of Boston, Staples operates approximately 1,600 office superstores and also serves its customers through mail order catalog, e-commerce and contract businesses. More information about the company is available at http://www.staples.com.

About AT&T

For more than 125 years, AT&T (NYSE: <u>1</u> - <u>News</u>) 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 contain '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. For a more detailed description of the factors that could cause such a difference, please see AT&T's fillings 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.

(Logo: http://www.newscom.com/coi-bin/pmh/19991018/ATT)

Source: AT&T

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