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MCLEODUSA INC
Form 424B3
May 02, 2001

Filed pursuant to Rule 424(b)(3)
Registration No. 333-59192

INTELISPAN, INC.
1720 Windward Concourse, Suite 100
Alpharetta, Georgia 30005
MERGER PROPOSED--YOUR VOTE IS VERY IMPORTANT
[LOGO OF INTELISPAN, INC.]

April 27, 2001

Dear Shareholder:

You are cordially invited to attend a special meeting of Intelispan shareholders on May 31, 2001 at 10:00 a.m., local time, at our offices located at 1720 Windward Concourse, Suite 100, Alpharetta, Georgia 30005.

At this special meeting, we will ask you to approve the acquisition of Intelispan by McLeodUSA Incorporated. Approval of the merger requires a "FOR" vote by at least two-thirds of the outstanding shares of Intelispan common stock. Intelispan shareholders holding approximately 32% of the aggregate voting power of the Intelispan common stock have agreed to vote all of their shares in favor of the approval of the merger agreement. Only shareholders who hold shares of Intelispan common stock at the close of business on April 19, 2001 are entitled to vote at the special meeting.

If the merger is approved, you will receive a fraction of a share of McLeodUSA Class A common stock for each share of Intelispan common stock you own. The exchange ratio is described in the attached proxy statement/prospectus. As you know, Intelispan common stock is traded on the NASD's OTC Bulletin Board, or OTCBB, under the symbol "IVPN." The closing price for Intelispan common stock on April 26, 2001 was \$0.24 per share. McLeodUSA Class A common stock is quoted on The Nasdaq National Market under the symbol "MCLD." The closing price for McLeodUSA Class A common stock on April 26, 2001 was \$8.74 per share. You will receive cash for any fractional share of McLeodUSA Class A common stock that you would otherwise receive in the merger.

Your vote is very important, regardless of the number of shares you own. Please vote as soon as possible to make sure that your shares are represented at the meeting. To vote your shares, you may complete and return the enclosed proxy card or follow the enclosed voting instructions to vote by telephone or through the Internet. If you are a holder of record, you may also cast your vote in person at the special meeting. If your shares are held in an account at a brokerage firm or bank, you must instruct them on how to vote your shares. If you do not vote or do not instruct your broker how to vote, it will have the same effect as voting against the approval of the merger agreement.

After careful consideration, the Intelispan board of directors has unanimously recommended the approval of the merger agreement and determined that its terms are fair to and in the best interests of Intelispan and its shareholders. The Intelispan board of directors recommends that you vote "FOR" the approval of the merger agreement.

This document provides you with detailed information about the special meeting and the proposed merger. You can also get information from publicly

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available documents filed with the Securities and Exchange Commission. We encourage you to read this entire document carefully, including the section entitled "Risk Factors" beginning on page 14.

Sincerely,

/s/ Travis L. Provow

Travis L. Provow
Chief Executive Officer and
President

PLEASE COMPLETE, SIGN, DATE AND RETURN THE ENCLOSED PROXY CARD OR
VOTE BY TELEPHONE OR THROUGH THE INTERNET.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this proxy statement/prospectus. Any representation to the contrary is a criminal offense.

This proxy statement/prospectus is dated April 27, 2001
and is first being mailed to shareholders on or about May 1, 2001.

REFERENCES TO ADDITIONAL INFORMATION

This proxy statement/prospectus incorporates by reference certain documents of McLeodUSA which are not presented in or delivered with this proxy statement/prospectus. This information is available to you without charge upon your oral or written request. Your requests should be directed to McLeodUSA Incorporated, McLeodUSA Technology Park, 6400 C Street SW, Post Office Box 3177, Cedar Rapids, Iowa 52406-3177, Attention: General Counsel (telephone (319) 790-7775). In order to ensure delivery of the documents in advance of the special meeting, any request should be made by May 22, 2001.

INTELISPAN, INC.
1720 Windward Concourse, Suite 100
Alpharetta, Georgia 30005

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS TO BE HELD AT 10:00 A.M. ON MAY 31, 2001

We will hold a special meeting of shareholders of Intelispan, Inc., a Washington corporation, at 10:00 a.m., local time, on May 31, 2001 at our offices located at 1720 Windward Concourse, Suite 100, Alpharetta, Georgia 30005, for the following purposes:

1. to consider and vote upon a proposal to approve the Agreement and Plan of Merger, by and among McLeodUSA Incorporated, Iguana Acquisition Corporation, a wholly-owned subsidiary of McLeodUSA Incorporated, and Intelispan, Inc., dated as of March 17, 2001, as more fully described in this proxy statement/prospectus and
2. to transact other business as may properly come before the special meeting.

Only holders of record of Intelispan common stock at the close of business on April 19, 2001, which has been fixed as the record date for notice of the special meeting, are entitled to notice of, and will be entitled to vote at, the special meeting and any adjournments or postponements of the special meeting.

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Completion of the merger requires the approval of the merger agreement by at least two-thirds of the outstanding shares of Intelispan common stock. Shareholders of Intelispan holding approximately 32% of the aggregate voting power of the Intelispan common stock have agreed to vote all of their shares in favor of the approval of the merger agreement.

For more information about the merger, please read this proxy statement/prospectus and the various documents attached as appendices, including the merger agreement and the fairness opinion of C.E. Unterberg, Towbin.

Intelispan shareholders are entitled to assert dissenters' rights in connection with the merger under Chapter 23B.13 of the Washington Business Corporation Act. Chapter 23B.13 is attached to this proxy statement/prospectus as Appendix D.

A complete list of shareholders entitled to vote at the special meeting will be available at the offices of Intelispan during ordinary business hours for the 10-day period before the special meeting for examination by any shareholder. This list also will be available at the special meeting.

The Intelispan board of directors is soliciting your proxy for the special meeting. Whether or not you expect to be present at the special meeting, please submit your proxy by completing, dating, signing and returning the enclosed proxy card, or by voting by telephone or through the Internet by following the instructions set forth on the proxy card. The shares represented by the proxy will be voted according to your specified response. The proxy is revocable and will not affect your right to vote in person if you attend the meeting. Properly executed proxies that do not contain voting instructions will be voted for the approval of the merger agreement.

By Order of the Board of Directors
/s/ Travis L. Provow
Travis L. Provow
Chief Executive Officer and
President

Alpharetta, Georgia
April 27, 2001

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QUESTIONS & ANSWERS ABOUT THE MERGER

Q. Why has Intelispan entered into the merger agreement?

A. Intelispan has entered into the merger agreement because the Intelispan board of directors has determined that the terms of the merger agreement and the merger are fair to and in the best interests of Intelispan and its shareholders.

Q. What will I receive for my Intelispan shares?

A. If the merger is completed as proposed, McLeodUSA will issue up to 3,500,000 shares of McLeodUSA Class A common stock. Each outstanding share of Intelispan common stock will be converted into the right to receive a fraction of a share of McLeodUSA Class A common stock based upon an exchange ratio. The exchange ratio will be determined by dividing (x) 3,500,000 by (y) the total number of shares of Intelispan common stock issued and outstanding at the effective time of the merger on a fully diluted basis, as adjusted. Fully diluted, as adjusted, means effect is given to the conversion, exchange or exercise, as the case may be, of all securities convertible into, or exercisable or exchangeable for Intelispan common stock, including all outstanding options (other than any options with an exercise price equal to or greater than \$1.00 per share as of the effective time), warrants or other rights to acquire Intelispan common stock. You will receive cash for any fractional share that you would otherwise receive in the merger.

As of the date of this proxy statement/prospectus, there were 114,903,783 shares of Intelispan common stock issued and outstanding on a fully diluted basis, as adjusted. Accordingly, if the merger had closed on this date you would receive 0.03046 of a share of McLeodUSA Class A common stock for each share of Intelispan common stock that you own.

Based on the closing price per share of McLeodUSA Class A common stock on The Nasdaq National Market on April 26, 2001, the value of 0.03046 of a share of McLeodUSA Class A common stock was \$0.266. The market value of the shares of McLeodUSA Class A common stock that you will receive in the merger will fluctuate both before and after the merger. After the merger, Intelispan shareholders will own less than one percent of the outstanding shares of McLeodUSA Class A common stock on a fully diluted basis.

Q. What are the federal income tax consequences of the merger?

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- A. In general, it is expected that Intelispan shareholders will not be required to pay federal income tax as a result of exchanging Intelispan shares for McLeodUSA shares, except for taxes on any cash that is received in lieu of fractional shares.
- Q. What happens if Intelispan shareholders do not approve the merger?
- A. The merger agreement will be terminated. Additionally, there is substantial doubt about Intelispan's ability to continue as a going concern if the merger is not completed. See "The Merger--Recommendation of the Intelispan Board of Directors and Reasons for the Merger."
- Q. When and where will the special meeting take place?
- A. The special meeting will be held on May 31, 2001 at 10:00 a.m., local time, at the offices of Intelispan located at 1720 Windward Concourse, Suite 100, Alpharetta, Georgia 30005.

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- Q. What should I do now?
- A. You should carefully read and consider the information contained in this proxy statement/prospectus. You should then complete and sign your proxy card and return it in the enclosed return envelope or vote by telephone or through the Internet as soon as possible so that your shares will be represented at the special meeting. You may also vote in person at the special meeting if you are a shareholder of record on April 19, 2001. If you do not return your proxy card or otherwise vote at the special meeting, it will have the same effect as if you voted against the approval of the merger agreement.
- Q. Can I change my mind and revoke my proxy?
- A. Yes. You may take back your proxy up to and including the day of the special meeting by following the directions on page 25. Then you can either grant a new proxy or attend the special meeting and vote in person.
- Q. If my shares are held in "street name" by my broker, will my broker vote my shares for me?
- A. Your broker will vote your shares only if you instruct your broker on how to vote. Your broker will send you directions on how you can instruct him or her to vote. Your broker cannot vote your shares without instructions from you. Broker non-votes will have the same effect as a vote against the proposal to approve the merger agreement.
- Q. Should I send in my Intelispan stock certificate now?
- A. No, you should not send in your stock certificate with your proxy. Promptly after the merger is completed, the exchange agent designated by McLeodUSA will send written instructions to former Intelispan shareholders describing the process for exchanging their Intelispan stock certificates for McLeodUSA stock certificates.
- Q. Are Intelispan shareholders entitled to dissenters' rights?
- A. Yes. Under Washington law, Intelispan shareholders are entitled to dissenters' rights of appraisal. See "The Merger--Dissenters' Rights of Appraisal."

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Q. When do the companies expect the merger to be completed?

A. We are working to complete the merger as quickly as possible. We plan to complete the merger promptly after the special meeting.

Q. Whom should I call if I have questions?

A. If you have questions about the merger you should call the General Counsel of Intelispan at (678) 256-0300.

* * *

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SUMMARY

This document is a prospectus of McLeodUSA and a proxy statement of Intelispan. This summary highlights selected information from this proxy statement/prospectus. It does not contain all of the information that may be important to you. You should carefully read this entire proxy statement/prospectus and the other documents to which this document refers you. See "Where You Can Find More Information." In addition, you should carefully consider the factors set forth under the caption "Risk Factors."

The Companies

McLeodUSA Incorporated
McLeodUSA Technology Park
6400 C Street SW, P.O. Box 3177
Cedar Rapids, Iowa 52406-3177
(319) 790-7800

McLeodUSA provides selected telecommunications services to customers nationwide. McLeodUSA provides integrated communications services, including local services, in Midwest, Southwest, Northwest and Rocky Mountain states and long distance and advanced data services in all 50 states. McLeodUSA is a facilities-based telecommunications provider with, as of December 31, 2000, 396 ATM switches, 50 voice switches, approximately 1.1 million local lines and more than 10,700 employees. McLeodUSA's network is capable of transmitting integrated next-generation data, Internet, video and voice services, reaching 800 cities and approximately 90% of the U.S. population. In the next 12 months, McLeodUSA plans to distribute 33 million telephone directories in 26 states, serving a population of 56 million. McLeodUSA is a Nasdaq-100 company traded under the symbol "MCLD."

McLeodUSA's integrated communication services include local, long distance, Internet access, data and voice mail from a single company on a single bill. McLeodUSA believes it is the first company in many of its markets to offer one-stop shopping for communications services tailored to customers' specific needs.

McLeodUSA's core business is providing communications services in competition with existing local telephone companies, including:

- . local and long distance services
- . dial and dedicated Internet access
- . higher bandwidth Internet access services, such as digital subscriber line (DSL) and cable modem

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- . value-added services such as virtual private networks and web hosting
- . bandwidth leasing and colocation services
- . facilities and services dedicated for a particular customer's use
- . telephone and computer sales, leasing, networking, service and installation
- . other communications services, including video, cellular, operator, payphone, mobile radio and paging services

McLeodUSA also derives revenue from the following services related to its core business:

- . sale of advertising in print and electronic telephone directories
- . traditional local telephone company services in east central Illinois and southeast South Dakota
- . telemarketing services

In most of its markets, McLeodUSA competes with the entrenched, traditional local phone company by leasing its lines and switches. In many markets McLeodUSA provides local services by using its own facilities and by leasing capacity from others. McLeodUSA provides long distance services by using its own facilities and by leasing capacity from others. McLeodUSA is actively developing fiber optic communications networks in many of its target local markets to carry additional communications traffic on its own network. McLeodUSA is actively developing enhancements to its national network and associated next-generation services.

1

Intelispan, Inc.
1720 Windward Concourse, Suite 100
Alpharetta, Georgia 30005
(678) 256-0300

Intelispan provides managed network services to customers on an outsourced basis, and specializes in providing secure and efficient business-to-business communication and complementary professional services. Intelispan divides this business into three separate groups:

- . Virtual Private Networks. Intelispan provides remote and site-to-site access through a secure, virtual private network. A virtual private network is a private network that exists within a public or shared network, including the Internet, through which access is controlled and users can communicate securely.
- . Managed Network Services. Intelispan manages the networks used by its customers. Intelispan monitors its customers' networks and responds to problems to assure the efficient flow of network traffic. Intelispan responds to security threats or problems as they are identified.
- . Professional Services. Intelispan provides consulting and electronic commerce services and solutions. These services and solutions are designed to augment and complement the existing resources of information technology managers in planning, operating and managing their network environment.

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Intelispan believes that it differentiates its services by integrating complex technologies to create its own branded network services, which enable its customers to:

- . reduce capital expenditures
- . reduce exposure to the risks of outdated technology
- . reduce time and effort expended to obtain and manage qualified technical personnel

Intelispan also attempts to differentiate its services through a comprehensive service level agreement with its customers whereby Intelispan guarantees that its services will be highly available with minimum downtime.

The Special Meeting (page 25)

The special meeting of Intelispan shareholders will be held on May 31, 2001 at 10:00 a.m., local time, at the offices of Intelispan located at 1720 Windward Concourse, Suite 100, Alpharetta, Georgia 30005. At the special meeting, you will be asked to vote to approve the merger agreement.

You can vote, or submit a proxy to vote, at the special meeting if you were a record holder of Intelispan common stock at the close of business on April 19, 2001. You can vote your shares by attending the meeting and voting in person or by marking the enclosed proxy card with your vote, signing it and mailing it in the enclosed return envelope. You can also vote by telephone or through the Internet. You can revoke your proxy at any time before it is exercised.

Vote Required (page 26)

The approval of at least two-thirds of all of the outstanding shares of Intelispan common stock is required to approve the merger agreement. There were 110,961,371 shares of Intelispan common stock outstanding as of the record date. Each holder of Intelispan common stock is entitled to one vote per share with respect to all matters on which a vote is to be taken at the special meeting.

The directors and executive officers of Intelispan and their affiliates hold 35,748,692 shares of Intelispan common stock, or approximately 32% of the outstanding shares entitled to vote at the special meeting. Moreover, in connection with the merger agreement, several Intelispan shareholders, including certain directors and executive officers, beneficially owning in the aggregate 35,380,421 shares of Intelispan common stock, representing approximately 32% of the outstanding shares of Intelispan common stock as of the record date, entered into agreements with McLeodUSA under which these Intelispan shareholders have agreed to vote in favor of the approval of the merger agreement. The form of this voting agreement is attached as Appendix B to this proxy statement/prospectus.

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The Merger (page 27)

Under the merger agreement, Iguana Acquisition Corporation, a wholly-owned subsidiary of McLeodUSA formed solely to facilitate the merger, will be merged with and into Intelispan, with Intelispan surviving as a wholly-owned subsidiary of McLeodUSA. McLeodUSA and Intelispan plan to complete the merger promptly after the special meeting.

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The merger agreement is included as Appendix A to this proxy statement/prospectus. It is the legal document that governs the merger.

What You Will Receive in the Merger (page 44)

If the merger is completed as proposed, McLeodUSA will issue up to 3,500,000 shares of McLeodUSA Class A common stock. Each outstanding share of Intelispan common stock will be converted into the right to receive a fraction of a share of McLeodUSA Class A common stock based upon an exchange ratio. The exchange ratio will be determined by dividing (x) 3,500,000 by (y) the total number of shares of Intelispan common stock issued and outstanding at the effective time of the merger on a fully diluted basis, as adjusted. Fully diluted, as adjusted, means effect is given to the conversion, exchange or exercise, as the case may be, of all securities convertible into, or exercisable or exchangeable for Intelispan common stock, including all outstanding options (other than any options with an exercise price equal to or greater than \$1.00 per share as of the effective time), warrants or other rights to acquire Intelispan common stock. You will receive cash for any fractional share that you would otherwise receive in the merger.

As of the date of this proxy statement/prospectus, there were 114,903,783 shares of Intelispan common stock issued and outstanding on a fully diluted basis, as adjusted. Accordingly, if the merger had closed on this date you would receive 0.03046 of a share of McLeodUSA Class A common stock for each share of Intelispan common stock that you own.

Based on the closing price per share of McLeodUSA Class A common stock on The Nasdaq National Market on April 26, 2001, the value of 0.03046 of a share of McLeodUSA Class A common stock was \$0.266.

Exchange of Intelispan Stock Certificates (page 46)

After the merger occurs, Wells Fargo Bank Minnesota, N.A., the exchange agent designated by McLeodUSA, will send a letter of transmittal to you that will provide instructions on the procedure for exchanging your Intelispan stock certificates for McLeodUSA stock certificates.

Please do not send any stock certificates at this time.

Dissenters' Rights of Appraisal (page 41)

If you do not wish to accept McLeodUSA Class A common stock in the merger, you have the right under Chapter 23B.13 of the Washington Business Corporation Act to dissent from the merger and to receive payment in cash for the fair value of your shares of Intelispan common stock. To preserve your rights if you wish to exercise your statutory dissenters' rights, you must:

- . deliver written notice to the Secretary of Intelispan before the special meeting of your intent to demand payment for your shares of Intelispan common stock if the merger is completed
- . not vote your shares in favor of the merger and
- . follow the statutory procedures for perfecting dissenters' rights under Washington law, which are described in the section entitled "The Merger--Dissenters' Rights of Appraisal."

Merely voting against the approval of the merger agreement will not preserve your dissenters' rights. Chapter 23B.13 of the Washington Business Corporation Act is reprinted in its entirety and attached as Appendix D to this proxy statement/prospectus. Failure to precisely comply with all procedures required

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by Washington law will result in the loss of your dissenters' rights.

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What is Needed to Complete the Merger (page 54)

McLeodUSA and Intelispan will complete the merger only if they satisfy or, if the law permits, waive, several conditions, including the following:

- . approval of the merger agreement by the Intelispan shareholders
- . holders of not more than 5% of Intelispan common stock outstanding at the effective time of the merger exercise appraisal rights under Washington law
- . delivery by Greenberg Traurig, LLP, counsel to Intelispan, of an opinion stating that the merger will qualify for United States federal income tax purposes as a tax free reorganization within the meaning of the Internal Revenue Code
- . other conditions set forth in the merger agreement

Federal Income Tax Consequences (page 39)

The merger is expected to be tax free to Intelispan shareholders for United States federal income tax purposes, except with respect to cash received in lieu of fractional shares of McLeodUSA Class A common stock.

Determining the actual tax consequences of the merger to an Intelispan shareholder can be complicated. These consequences will depend on the shareholder's specific situation and on variables not within the control of Intelispan or McLeodUSA. Intelispan shareholders should consult with their own tax advisors for a full understanding of the tax consequences of the merger to them.

Accounting Treatment (page 38)

McLeodUSA and Intelispan will account for the merger using the purchase method of accounting.

Interests of the Intelispan Directors and Executive Officers in the Merger (page 37)

Some of the Intelispan directors and executive officers have interests in the merger that are different from, or in addition to, their interests as Intelispan shareholders. These interests exist because of certain rights that the directors and executive officers of Intelispan have under the Intelispan benefit and compensation plans. Various Intelispan directors or executive officers also may enter into employment, advisory and other agreements or arrangements with McLeodUSA.

Governmental and Regulatory Approvals (page 38)

Neither McLeodUSA nor Intelispan is aware of any material governmental or regulatory approval required for completion of the merger, other than compliance with applicable laws.

Termination of the Merger Agreement; Termination Fee (page 56)

The merger agreement contains provisions addressing the circumstances under which McLeodUSA or Intelispan may terminate the merger agreement. In addition,

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the merger agreement provides that in several circumstances, Intelispan may be required to pay McLeodUSA a termination fee of \$1.2 million. See "--Stock Option Agreement."

Stock Option Agreement (page 59)

Intelispan has granted McLeodUSA a stock option to buy up to 21,723,476 shares of Intelispan common stock, which represented approximately 19.9% of the shares of Intelispan common stock outstanding on March 17, 2001, at an exercise price of \$0.36 per share. If additional shares of Intelispan common stock are issued after March 17, 2001, the number of shares of Intelispan common stock issuable pursuant to the option will be adjusted upward to equal 19.9% of the shares of Intelispan common stock then outstanding. The exercise price may also be adjusted to assure that the overall benefit to McLeodUSA under the stock option and the termination fee provided for in the merger agreement does not exceed an aggregate of \$1.6 million. The stock option is exercisable under several circumstances, including those under which Intelispan is required to pay to McLeodUSA the termination fee of \$1.2 million.

We have attached the form of this stock option agreement as Appendix C to this proxy statement/prospectus.

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Recommendation of the Intelispan Board of Directors (page 28)

The Intelispan board of directors unanimously recommends that you vote "FOR" the approval of the merger agreement.

Opinion of Intelispan Financial Advisor (page 32)

C.E. Unterberg, Towbin, financial advisor to Intelispan, delivered an opinion to the Intelispan board of directors that, as of March 16, 2001, the exchange ratio was fair to the holders of Intelispan common stock from a financial point of view. We have attached this opinion as Appendix E to this proxy statement/prospectus.

Differences in the Rights of Stockholders (page 101)

When the merger is completed, Intelispan shareholders will become McLeodUSA stockholders. Intelispan shareholders' rights will be governed by Delaware law and by the McLeodUSA certificate of incorporation and bylaws, rather than by Washington law and the Intelispan articles of incorporation and bylaws.

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Selected Consolidated Financial Data of McLeodUSA

The information in the following unaudited table is based on historical financial information included in the prior Securities and Exchange Commission ("SEC") filings of McLeodUSA, including the McLeodUSA Annual Report on Form 10-K for the fiscal year ended December 31, 2000. The following summary financial information should be read in connection with this historical financial information including the notes that accompany such financial information. This historical financial information is considered a part of this document. See "Where You Can Find More Information." The audited historical financial

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statements of McLeodUSA as of December 31, 2000 and 1999, and for each of the three years in the period ended December 31, 2000 were audited by Arthur Andersen LLP, independent public accountants.

The information in the following table reflects financial information for the following companies McLeodUSA has acquired:

Acquired Company -----	Date Acquired -----
Ruffalo, Cody & Associates, Inc.	July 15, 1996
Telecom*USA Publishing Group, Inc.	September 20, 1996
Consolidated Communications, Inc.	September 24, 1997
Ovation Communications, Inc.	March 31, 1999
Splitrock Services, Inc.	March 30, 2000
CapRock Communications Corp.	December 7, 2000

The operations statement data and other financial data in the table include the operations of these companies beginning on the dates they were acquired. The balance sheet data in the table include the financial position of these companies at the end of the periods presented. These acquisitions affect the comparability of the financial data for the periods presented.

The pro forma information presented in the operations statement data and other financial data in the table includes the operations of Splitrock and Intelispan as if they had been acquired at the beginning of the period presented and the pro forma information in the balance sheet data in the table includes the Intelispan financial position as of the date presented.

The information in the table also reflects the following debt and equity securities that McLeodUSA has outstanding:

Description of Securities -----	Principal Amount -----	Date Issued -----
10 1/2% senior discount notes due March 1, 2007.....	\$500 million	March 4, 1997
9 1/4% senior notes due July 15, 2007.....	\$225 million	July 21, 1997
8 3/8% senior notes due March 15, 2008.....	\$300 million	March 16, 1998
9 1/2% senior notes due November 1, 2008.....	\$300 million	October 30, 1998
8 1/8% senior notes due February 15, 2009.....	\$500 million	February 22, 1999
Series A preferred stock.....	\$287 million	August 23, 1999
Series B preferred stock.....	\$687 million	September 15, 1999
Series C preferred stock.....	\$313 million	September 15, 1999
Senior Secured Credit Facilities.....	\$575 million	May 31, 2000
11 3/8% senior notes due January 1, 2009.....	\$750 million	January 16, 2001

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The following debt securities were issued in connection with the acquisition by McLeodUSA of CapRock in exchange for the cancellation of outstanding CapRock senior notes having the same principal amount and interest rate:

Description of Securities	Principal Amount	Date Issued
12% senior notes due July 15, 2008.....	\$150 million	December 14, 2000
11 1/2% senior notes due May 1, 2009.....	\$210 million	December 14, 2000

The operations statement data and other financial data in the table include the effects of the issuances beginning on the dates the securities were issued. The balance sheet data in the table include the effects of these issuances at the end of the periods presented. The pro forma information presented in the operations statement data and other financial data in the table includes the effects of the issuance of the Senior Secured Credit Facilities, 11 3/8% senior notes, 12% senior notes and 11 1/2% senior notes as if they had occurred at the beginning of 2000.

(table begins on the next page)

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Selected Consolidated Financial Data of McLeodUSA (In thousands, except per share data)

	Year Ended December 31,					Pro Forma 2000
	1996	1997	1998	1999	2000	
						(unaudited)
Operations Statement						
Data:						
Revenue.....	\$ 81,323	\$267,886	\$ 604,146	\$ 908,792	\$1,396,704	\$1,439,523
Operating expenses:						
Cost of service.....	52,624	151,190	323,208	457,085	772,751	822,103
Selling, general and administrative.....	46,044	148,158	260,931	392,687	563,189	587,053
Depreciation and amortization.....	8,485	33,275	89,107	190,695	409,623	452,572
Other.....	2,380	4,632	5,575	--	--	872
Total operating expenses.....	109,533	337,255	678,821	1,040,467	1,745,563	1,862,600
Operating loss.....	(28,210)	(69,369)	(74,675)	(131,675)	(348,859)	(423,077)
Interest income (expense), net.....	5,369	(11,967)	(52,234)	(94,244)	(103,580)	(254,732)
Other income.....	495	1,426	1,997	5,637	(425)	(322)
Income taxes.....	--	--	--	--	--	--
Net loss before extraordinary charge..	(22,346)	(79,910)	(124,912)	(220,282)	(452,864)	(678,131)

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Extraordinary charge for early extinguishment of debt.....	--	--	--	--	(24,446)	(24,446)
Net loss.....	(22,346)	(79,910)	(124,912)	(220,282)	(477,310)	(702,577)
Preferred stock dividends.....	--	--	--	(17,727)	(54,406)	(54,627)
Loss applicable to common shares.....	\$ (22,346)	\$ (79,910)	\$ (124,912)	\$ (238,009)	\$ (531,716)	\$ (757,204)
Net loss per common share:						
Loss before extraordinary charge.....	\$ (0.09)	\$ (0.24)	\$ (0.33)	\$ (0.54)	\$ (0.91)	\$ (1.24)
Extraordinary charge..	--	--	--	--	(0.04)	(0.04)
Loss per common share..	\$ (0.09)	\$ (0.24)	\$ (0.33)	\$ (0.54)	\$ (0.95)	\$ (1.28)
Weighted average common shares outstanding....	243,036	329,844	376,842	443,130	558,440	591,537

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Selected Consolidated Financial Data of McLeodUSA
(In thousands, except per share data)

	December 31,					Pro Forma
	1996	1997	1998	1999	2000	2000
	(unaudited)					
Balance Sheet Data:						
Current assets.....	\$224,401	\$ 517,869	\$ 793,192	\$1,569,473	\$ 562,820	\$1,307,732
Working capital (deficit).....	\$185,968	\$ 378,617	\$ 613,236	\$1,272,794	\$ (283,609)	\$ 455,987
Property and equipment, net.....	\$ 92,123	\$ 373,804	\$ 629,746	\$1,270,032	\$3,019,091	\$3,023,338
Total assets.....	\$452,994	\$1,345,652	\$1,925,197	\$4,203,147	\$7,365,626	\$8,159,268
Long-term debt.....	\$ 2,573	\$ 613,384	\$1,245,170	\$1,763,775	\$2,732,190	\$3,482,955
Redeemable convertible preferred stock.....	\$ --	\$ --	\$ --	\$1,000,000	\$1,000,000	\$1,000,000
Stockholders' equity...	\$403,429	\$ 559,379	\$ 462,806	\$1,108,542	\$2,756,144	\$2,793,705

	Year Ended December 31,					Pro Forma
	1996	1997	1998	1999	2000	2000
	(unaudited)					

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Other Financial Data:

Capital expenditures						
Property, plant and equipment.....	\$ 79,845	\$ 179,255	\$ 289,923	\$ 580,003	\$ 1,239,350	\$ 1,272,020
Business acquisitions.....	\$ 93,937	\$ 421,882	\$ 49,737	\$ 736,626	\$ 2,350,004	\$ 2,395,840
EBITDA(1).....	\$ (17,345)	\$ (31,462)	\$ 20,007	\$ 59,020	\$ 60,764	\$ 30,367

(1) EBITDA consists of operating loss before depreciation, amortization and other nonrecurring operating expenses. McLeodUSA has included EBITDA data because it is a measure commonly used in the communications industry. EBITDA is not a measure of financial performance under generally accepted accounting principles and should not be considered an alternative to net income as a measure of performance or to cash flows as a measure of liquidity.

Selected Consolidated Financial Data of Intelispan
(In thousands, except per share data)

The information in the following unaudited table is based on historical financial information for the period from September 15, 1997 (the inception of Intelispan) through December 31, 1997, and as of and for the years ended December 31, 1998, 1999 and 2000. The following summary financial information should be read in connection with the historical financial information including the notes that accompany such financial information. The historical financial information is included in this document beginning on page F-1. The audited historical financial statements of Intelispan as of December 31, 2000 and for each of the two years in the period ended December 31, 2000 were audited by Arthur Andersen LLP, independent public accountants.

	September 15, 1997 (Inception) through December 31, 1997	Year Ended December 31, ----- 1998 1999 2000 -----		
Operations Statement Data:				
Revenue.....	\$ 11	\$ 130	\$ 744	\$ 5,242
Operating expenses:				
Cost of service.....	16	703	1,001	5,194
Selling, general and administrative.....	634	5,094	4,731	12,945
Depreciation and amortization.....	43	261	383	1,948
Total operating expenses....	693	6,058	6,115	20,087
Operating loss.....	(682)	(5,928)	(5,371)	(14,845)
Interest income (expense), net.....	--	21	(519)	1,051
Other income.....	109	697	83	23
Income taxes.....	--	--	--	--
Net loss.....	(573)	(5,210)	(5,807)	(13,771)
Preferred stock dividends....	--	--	(96)	(221)

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Loss applicable to common shares.....	\$ (573)	\$ (5,210)	\$ (5,903)	\$ (13,992)
	=====	=====	=====	=====
Loss per common share.....	\$ (0.06)	\$ (0.32)	\$ (0.28)	\$ (0.17)
	=====	=====	=====	=====
Weighted average common shares outstanding.....	10,337	16,335	20,818	81,948
	=====	=====	=====	=====

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Selected Consolidated Financial Data of Intelispan
(In thousands, except per share data)

	December 31,			
	-----	-----	-----	-----
	1997	1998	1999	2000
	-----	-----	-----	-----
Balance Sheet Data:				
Working capital (deficit).....	\$ (844)	\$ (365)	\$ 8,145	\$ 7,171
Property, plant and equipment, net.....	10	377	348	4,247
Total assets.....	1,636	2,042	11,770	24,018
Long-term debt and capital lease obligations.....	--	189	206	765
Stockholders' equity.....	27	998	9,342	18,811

	September 15, 1997 (Inception) through December 31, 1997	Year Ended December 31,		
	-----	-----	-----	-----
	1997	1998	1999	2000
	-----	-----	-----	-----
Operating Data:				
EBITDA(1).....	\$ (639)	\$ (5,667)	\$ (4,988)	\$ (12,897)
Cash flows used in operations.....	(536)	(5,757)	(3,223)	(12,148)
Cash flows used in investing activities...	(11)	(386)	(99)	(4,037)
Cash flows provided by financing activities...	1,300	5,179	12,926	15,323
Capital expenditures, including business acquisitions.....	11	386	139	4,037

(1) EBITDA consists of operating income or loss before interest, income taxes, depreciation and amortization and other nonrecurring operating expenses. EBITDA is a measure commonly used in the communications industry. EBITDA is not a measure of financial performance under generally accepted accounting principles and should not be considered as an alternative to net income as a measure of performance nor as an alternative to cash flow as a measure of liquidity.

Comparative Per Share Data

The following table summarizes per share information for McLeodUSA and Intelispan on a historical, pro forma combined and equivalent pro forma basis. The earnings per share were calculated using income (loss) from continuing operations before extraordinary charges. The pro forma earnings per share amounts do not include any adjustments to reflect potential expense reductions or revenue enhancements that may result from the merger or the effect of repurchases of McLeodUSA Class A common stock or Intelispan common stock after the stated period. The pro forma data do not necessarily indicate the results of future operations or the actual results that would have occurred had the merger occurred at the beginning of the period presented. The pro forma financial data have been included in accordance with the rules of the SEC and are provided for comparative purposes only. Options and convertible preferred stock are not included in the computation of diluted earnings per share for each company because the effect is antidilutive.

The McLeodUSA pro forma earnings per share data include the adjusted operations of Intelispan for the year ended December 31, 2000 and adjustments attributable to the acquisition of Splitrock by McLeodUSA, the completion by McLeodUSA of its Senior Secured Credit Facilities and the issuance by McLeodUSA of its 11 3/8% senior notes, 12% senior notes and 11 1/2% senior notes, as if such transactions had occurred on January 1, 2000. The McLeodUSA "book value per share at period end" data give effect to the acquisition of Intelispan as if it had occurred at the end of 2000.

The Intelispan "equivalent" pro forma amounts are calculated by multiplying the unaudited McLeodUSA pro forma per share amounts by 0.03. This exchange ratio represents the number of shares of McLeodUSA Class A common stock that Intelispan shareholders would have received in exchange for each share of Intelispan common stock if the merger had been completed on March 19, 2001.

	As of or for the year ended December 31, 2000 ----- (unaudited)
McLeodUSA Class A Common Stock	
Loss applicable to shares of common stock before extraordinary charges	
Basic earnings per share	
Historical.....	\$ (0.91)
Pro forma.....	(1.24)
Diluted earnings per share	
Historical.....	(0.91)
Pro forma.....	(1.24)
Book value per share at period end	
Historical.....	4.08
Pro forma.....	4.12
Intelispan Common Stock	
Loss applicable to shares of common stock	
Basic earnings per share	
Historical.....	\$ (0.17)
Equivalent pro forma.....	(0.04)
Diluted earnings per share	
Historical.....	(0.17)

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Equivalent pro forma.....	(0.04)
Book value per share at period end	
Historical.....	0.17
Equivalent pro forma.....	0.12

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Comparative Market Data

McLeodUSA. McLeodUSA Class A common stock is, and the shares of McLeodUSA Class A common stock to be issued to Intelispan shareholders are expected to be, quoted on The Nasdaq National Market and traded under the symbol "MCLD." The following table sets forth for the periods indicated the high and low sales price per share of McLeodUSA Class A common stock as reported by The Nasdaq National Market.

Intelispan. Intelispan common stock is traded on the NASD's OTC Bulletin Board, or OTCBB, under the symbol "IVPN." Intelispan common stock has been trading on the OTCBB since August 1998. The following table sets forth for the periods indicated the high and low sales price per share of Intelispan common stock as reported by the OTCBB.

	McLeodUSA		Intelispan	
	High	Low	High	Low
1998				
First Quarter.....	\$ 7.73	\$ 5.08	\$ --	\$ --
Second Quarter.....	8.05	6.33	--	--
Third Quarter.....	6.69	3.56	14.50	2.75
Fourth Quarter.....	6.42	2.54	5.50	2.25
1999				
First Quarter.....	\$ 7.38	\$ 5.06	\$ 3.81	\$ 1.25
Second Quarter.....	10.32	7.28	2.00	0.75
Third Quarter.....	14.25	7.54	1.25	0.44
Fourth Quarter.....	21.13	12.21	4.50	0.41
2000				
First Quarter.....	\$ 35.94	\$ 16.50	\$ 7.06	\$ 2.88
Second Quarter.....	29.50	13.69	4.03	1.53
Third Quarter.....	25.13	10.50	2.50	0.94
Fourth Quarter.....	19.50	11.50	1.13	0.22
2001				
First Quarter.....	\$ 22.56	\$ 8.25	\$ 0.72	\$ 0.20
Second Quarter (through April 26, 2001).....	10.29	5.88	0.29	0.19

On March 16, 2001, the last full trading day before the public announcement of the proposed merger, the closing price of McLeodUSA Class A common stock was \$11.6875 per share and the closing price of Intelispan common stock was \$0.3594 per share. On April 26, 2001, the last trading day for which information was available prior to the date of this proxy statement/prospectus, the closing price reported for McLeodUSA Class A common stock was \$8.74 per share and the closing price reported for Intelispan common stock was \$0.24 per share.

As of March 31, 2001, there were approximately 5,173 holders of record of McLeodUSA Class A common stock and there were approximately 648 holders of record of Intelispan common stock.

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Dividends. McLeodUSA has never declared or paid a cash dividend with respect to McLeodUSA Class A common stock, and Intelispan has never declared or paid a cash dividend with respect to Intelispan common stock. McLeodUSA does not anticipate paying cash dividends on McLeodUSA Class A common stock for the foreseeable future. The terms of some debt instruments of McLeodUSA limit its ability to pay cash dividends.

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RISK FACTORS

You should carefully consider the following risk factors relating to the merger and to ownership of McLeodUSA Class A common stock. You should also consider the other information in this proxy statement/prospectus, including the SEC Reports on Forms 10-K, 10-Q and 8-K of McLeodUSA and in the other documents considered a part of this proxy statement/prospectus. See "Where You Can Find More Information."

The Value of the McLeodUSA Class A Common Stock Intelispan Shareholders Will Receive in the Merger Depends on Its Market Price at the Time of the Merger.

If the market price of McLeodUSA Class A common stock decreases before the effective time of the merger, the value of the McLeodUSA Class A common stock an Intelispan shareholder will receive as a result of the merger will also decrease. This is because the formula for converting Intelispan common stock into McLeodUSA Class A common stock uses a fixed exchange ratio calculated at the effective time of the merger. Fluctuations in the stock price of either company before the closing of the merger do not effect the exchange ratio. See "Terms of the Merger Agreement and Related Transactions--Conversion of Intelispan Common Stock; Treatment of Options and Warrants."

Intelispan Directors and Executive Officers May Have Conflicts of Interest that Influence Their Decision to Approve the Merger.

You should be aware of potential conflicts of interest of, and the benefits available to, Intelispan directors and executive officers when considering the recommendation of the Intelispan board of directors of the merger agreement. As discussed under "The Merger--Interests of the Intelispan Directors and Executive Officers in the Merger," the Intelispan directors and executive officers have interests in the merger that are in addition to, or different from, their interests as Intelispan shareholders. These interests include:

- . Options. McLeodUSA will assume Intelispan stock options or issue substitute stock options to purchase McLeodUSA Class A common stock in replacement of all unexercised Intelispan stock options outstanding at the effective time of the merger as described under "Terms of the Merger Agreement and Related Transactions--Conversion of Intelispan Common Stock; Treatment of Options and Warrants."
- . Employment Arrangements. Travis L. Provow, the Chief Executive Officer, President and a director of Intelispan, is expected to assume a senior management role at McLeodUSA upon the closing of the merger as described under "The Merger--Interests of the Intelispan Directors and Executive Officers in the Merger--Employment Arrangements."
- . Grant of Additional Options. McLeodUSA has agreed to grant to certain employees of Intelispan, including certain executive officers, stock options for the purchase of an aggregate of 1,000,000 shares of McLeodUSA Class A common stock as described under "The Merger--Interests of the Intelispan Directors and Executive Officers in the Merger--Grant

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of Additional Options" and "Terms of the Merger Agreement and Related Transactions--Employee Matters." McLeodUSA has also agreed that Intelispan may grant to certain employees of Intelispan, including certain executive officers, prior to the effective time of the merger stock options for the purchase of up to an aggregate of 2,000,000 shares of Intelispan common stock at an exercise price of \$.01 per share as described under "The Merger--Interests of the Intelispan Directors and Executive Officers in the Merger--Options."

The Termination Fee, the Stock Option Agreement and the Voting Agreements May Discourage Other Companies from Trying to Acquire Intelispan.

In the merger agreement, Intelispan agreed to pay a termination fee to McLeodUSA in specified circumstances, including where a third party acquires or seeks to acquire Intelispan. In addition, Intelispan

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entered into a stock option agreement with McLeodUSA pursuant to which McLeodUSA has the option to purchase 21,723,476 shares of Intelispan common stock. This option is exercisable under circumstances similar to the payment of the termination fee. Furthermore, Intelispan shareholders beneficially owning an aggregate of approximately 32% of the Intelispan common stock outstanding on the record date have entered into agreements with McLeodUSA whereby they have agreed to vote their shares in favor of the approval of the merger agreement and against any competing transaction. These agreements could discourage other companies from trying to acquire Intelispan even though those other companies might be willing to offer greater value to Intelispan shareholders than McLeodUSA has offered in the merger agreement. In addition, payment of the termination fee or the exercise by McLeodUSA of certain put rights in the stock option agreement could have an adverse effect on Intelispan's financial condition.

Fluctuations in the Market Price of McLeodUSA Class A Common Stock May Make It More Difficult for McLeodUSA to Raise Capital.

The market price of McLeodUSA Class A common stock is extremely volatile and has fluctuated over a wide range. These fluctuations may impair the ability of McLeodUSA to raise capital by offering equity securities. The market price may continue to fluctuate significantly in response to various factors, including:

- . market conditions in the industry
- . announcements or actions by competitors or by other companies in the competitive local exchange sector
- . sales of large amounts of McLeodUSA Class A common stock in the public market or the perception that such sales could occur
- . quarterly variations in operating results or growth rates
- . changes in estimates by securities analysts
- . regulatory and judicial actions
- . general economic conditions

McLeodUSA May Not Be Able to Successfully Integrate Acquired Companies, Including Intelispan, into Its Operations, Which Could Slow Its Growth.

The integration of acquired companies, including the proposed acquisition of

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Intelispan, into the operations of McLeodUSA involves a number of risks, including:

- . difficulty integrating operations and personnel
- . diversion of management attention
- . potential disruption of ongoing business
- . inability to retain key personnel
- . inability to successfully incorporate acquired assets and rights into the service offerings of McLeodUSA
- . inability to maintain uniform standards, controls, procedures and policies
- . impairment of relationships with employees, customers or vendors

Failure to overcome these risks or any other problems encountered in connection with the merger or other similar transactions could slow the growth of McLeodUSA or lower the quality of its services, which could reduce customer demand and have a negative impact upon the price of the McLeodUSA Class A common stock that Intelispan shareholders receive in the merger.

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Continued Rapid Growth of the McLeodUSA Network, Service Offerings and Customer Base Could Be Slowed if McLeodUSA Cannot Manage this Growth.

McLeodUSA has rapidly expanded and developed its network, service offerings and customer base. This has placed and will continue to place, in part as a result of the merger, significant demands on its management and its operational and financial systems, procedures and controls. McLeodUSA may not be able to manage its anticipated growth effectively, which would harm its business, results of operations and financial condition. Further expansion and development will depend on a number of factors, including:

- . cooperation of existing local telephone companies
- . regulatory, legislative and other governmental developments
- . changes in the competitive climate in which McLeodUSA operates
- . development of customer billing, order processing and network management systems
- . availability of financing
- . technological developments
- . availability of rights-of-way, franchises, building access and antenna sites
- . existence of strategic alliances or relationships
- . emergence of future opportunities

McLeodUSA will need to continue to improve its operational and financial systems and its procedures and controls as it grows. McLeodUSA must also develop, train and manage its employees.

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McLeodUSA Expects to Incur Significant Losses Over the Next Several Years.

If McLeodUSA does not become profitable in the future, it could have difficulty obtaining funds to continue its operations. McLeodUSA has incurred net losses every year since it began operations. Since January 1, 1996, McLeodUSA net losses applicable to common stock have been as follows:

Period -----	Amount -----
1996.....	\$ 22.3 million
1997.....	\$ 79.9 million
1998.....	\$124.9 million
1999.....	\$238.0 million
2000.....	\$531.7 million

McLeodUSA expects to incur significant operating losses during the next several years while it develops its business and expands its fiber optic communications network.

Failure to Raise Necessary Capital Could Restrict the Ability of McLeodUSA to Develop Its Network and Services and Engage in Strategic Acquisitions.

McLeodUSA needs significant capital to continue to expand its operations, facilities, network and services including, following the merger, the expansion and operation of Intelispan. McLeodUSA cannot assure you that its capital resources will permit it to fund its planned network deployment and operations or achieve operating profitability. Failure to generate or raise sufficient funds may require McLeodUSA to delay or abandon some of its expansion plans or expenditures, which could harm its business and competitive position.

As of March 31, 2001, based on the McLeodUSA business plan, capital requirements and growth projections as of that date, McLeodUSA estimated that it would require approximately \$1.2 billion through 2002 to fund its planned capital expenditures. McLeodUSA expects to meet these funding needs through

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various sources, including existing cash balances, net proceeds from the sale of McLeodUSA 11 3/8% senior notes issued in January 2001, the existing McLeodUSA lines of credit, prospective sales of selected assets, exercises of outstanding options and cash flow from future operations. The estimated aggregate capital expenditure requirements of McLeodUSA include the projected costs of:

- . expanding its fiber optic communications network, including national and intra-city fiber optic networks
- . adding voice and data switches
- . constructing, acquiring, developing or improving telecommunications assets in existing and new markets

The McLeodUSA estimate of its future requirements for planned capital expenditures is a "forward-looking statement" within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The actual amount and timing of the future requirements for planned capital

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expenditures of McLeodUSA may differ substantially from its estimate as a result of factors such as:

- . strategic acquisition costs and effects of acquisitions on its business plan, capital requirements and growth projections
- . unforeseen delays
- . cost overruns
- . engineering design changes
- . changes in demand for its services
- . regulatory, technological or competitive developments
- . new opportunities

McLeodUSA also expects to evaluate potential acquisitions, joint ventures and strategic alliances on an ongoing basis. McLeodUSA may require additional financing if it pursues any of these opportunities. McLeodUSA also requires substantial funds for general corporate and other expenses and may require additional funds for working capital fluctuations.

McLeodUSA may meet any additional financial needs by issuing additional debt or equity securities or borrowing funds from one or more lenders. In addition, in the event vendor financing arrangements are available on terms that allow rates of return comparable to current capital projects and are otherwise favorable to McLeodUSA, it may use such financing to accelerate or increment the development of its network. McLeodUSA cannot assure you that it will have timely access to additional financing sources on acceptable terms. If it does not, McLeodUSA may not be able to expand its markets, operations, facilities, network and services as it intends.

The High Level of Debt of McLeodUSA Could Limit Its Flexibility in Responding to Business Developments and Put It at a Competitive Disadvantage.

McLeodUSA has substantial debt, which could adversely affect it in a number of ways, including:

- . limiting its ability to obtain necessary financing in the future
- . limiting its flexibility to plan for, or react to, changes in its business
- . requiring it to use a substantial portion of its cash flow from operations to pay debt rather than for other purposes, such as working capital or capital expenditures

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- . making it more highly leveraged than some of its competitors, which may place it at a competitive disadvantage
- . making it more vulnerable to a downturn in its business

As of December 31, 2000, McLeodUSA had \$2.7 billion of long-term debt, including \$2.1 billion of debt under its senior notes and \$575 million under its senior secured credit facilities with a syndicate of lenders ("Senior Secured Credit Facilities"). It also had \$1.0 billion of redeemable convertible preferred stock and \$2.8 billion of stockholders' equity. In January 2001,

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McLeodUSA added \$750 million of debt with the issuance of the McLeodUSA 11 3/8% senior notes. As a result, McLeodUSA expects its fixed charges to exceed its earnings for the foreseeable future.

Covenants in Debt Instruments Restrict the Capacity of McLeodUSA to Borrow and Invest, Which Could Impair Its Ability to Expand or Finance Its Operations.

The indentures governing the terms of the long-term debt of McLeodUSA impose operating and financial restrictions. In addition, under the terms of its Senior Secured Credit Facilities, McLeodUSA has granted a security interest in substantially all the assets of McLeodUSA and its subsidiaries. These restrictions and encumbrances limit the discretion of McLeodUSA in some business matters, which could make it more difficult for McLeodUSA to expand, finance its operations or engage in other business activities that may be in its interest. These restrictions limit or prohibit the ability of McLeodUSA to:

- . incur additional debt
- . pay dividends or make other distributions
- . make investments or other restricted payments
- . enter into sale and leaseback transactions
- . pledge, mortgage or permit liens upon assets
- . enter into transactions with affiliates
- . sell assets
- . consolidate, merge or sell all or substantially all of its assets

If McLeodUSA fails to comply with these restrictions, all of its long-term debt could become immediately due and payable.

The Ability of McLeodUSA to Pay Cash Dividends Is Restricted.

McLeodUSA has never paid any cash dividends on shares of its Class A common stock and it does not anticipate doing so for the foreseeable future. The indentures governing the debt of McLeodUSA and its Senior Secured Credit Facilities restrict the ability of McLeodUSA to pay cash dividends. You should therefore not expect that cash dividends will be paid on the shares of McLeodUSA Class A common stock you will receive in the merger. In addition, you should be aware that the shares of Series A preferred stock and Series B preferred stock of McLeodUSA carry rights to receive a cumulative dividend before any cash dividend may be paid on the McLeodUSA Class A common stock.

The Dependence of McLeodUSA on the MegaBells to Provide Most of Its Communications Services Could Make it Harder for McLeodUSA to Offer Its Services at a Profit.

The original seven regional Bell operating companies that resulted from the divestiture by AT&T in 1984 of its local telephone systems are now concentrated into four large incumbent "MegaBells." McLeodUSA depends on these MegaBells to provide most of its core local and some of its long distance services. Today,

without using the communications facilities of these companies, McLeodUSA could not provide bundled local and long distance services to most of its customers. Because of this dependence, McLeodUSA communications services are highly

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susceptible to changes in the conditions for access to these facilities and to inadequate service quality provided by the MegaBells. Therefore, McLeodUSA may have difficulty offering its services on a profitable and competitive basis.

Qwest Communications International, Inc. (successor to U S WEST Communications, Inc.) and SBC Communications Inc. (including its wholly-owned subsidiary Ameritech Corporation) are the primary suppliers to McLeodUSA of local lines to its customers and communications services that allow it to transfer and connect calls. The communications facilities of its suppliers allow McLeodUSA to provide local service, long distance service and private lines dedicated to its customers' use. If these MegaBells or other companies deny or limit access by McLeodUSA to their communications network elements or wholesale services, McLeodUSA may not be able to offer its communications services at profitable rates.

The McLeodUSA plan to provide local service using its own communications network equipment also depends on the MegaBells. In order to interconnect its network equipment and other communications facilities to network elements controlled by the MegaBells, McLeodUSA must first negotiate and enter into interconnection agreements with them. Interconnection obligations imposed on the MegaBells by the Telecommunications Act of 1996 have been and continue to be subject to a variety of legal proceedings, the outcomes of which could affect the ability of McLeodUSA to obtain interconnection agreements on acceptable terms. McLeodUSA cannot assure Intelispan shareholders that it will succeed in obtaining interconnection agreements on terms that would permit it to offer local services using its own communications network facilities at profitable and competitive rates.

Actions by the MegaBells May Make it More Difficult for McLeodUSA to Offer Its Communications Services.

The MegaBells have pursued several measures that may make it more difficult for McLeodUSA to offer its communications services. For example, in 1998 and 1999 SBC/Ameritech assessed special construction charges to install service for customers when McLeodUSA leased a line from them. SBC/Ameritech did not assess comparable charges to retail customers that ordered service directly from SBC/Ameritech, which put McLeodUSA at a disadvantage.

In addition, during 2000 Qwest filed proposals with the Iowa Utilities Board to reduce the retail prices charged by Qwest for various business services without a corresponding wholesale price reduction. If the Qwest proposals are approved, it could cause McLeodUSA to reduce prices and have the effect of reducing the margins of McLeodUSA on competitive local business services in Iowa.

McLeodUSA has challenged or is challenging these actions before the FCC or applicable state public utility commissions. McLeodUSA cannot assure you it will succeed in its challenges to these or other actions by the MegaBells that would prevent or deter McLeodUSA from using their services or communications network elements. If the MegaBells successfully withdraw, limit access by McLeodUSA to services or successfully charge McLeodUSA extraordinary costs in any location, McLeodUSA may not be able to offer communications services in those locations, which would harm its business.

McLeodUSA anticipates that the MegaBells will continue to pursue legislation in states within the McLeodUSA target market area to reduce state regulatory oversight over its rates and operations. If adopted, these initiatives could make it more difficult for McLeodUSA to challenge MegaBell actions in the future which could harm McLeodUSA's business.

The MegaBells are also pursuing federal legislative and regulatory initiatives to undermine the Telecommunications Act of 1996 requirement to open

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local networks. If successful, these initiatives could make it more difficult for McLeodUSA to offer services on a profitable and competitive basis.

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Competition in the Communications Services Industry Could Cause McLeodUSA to Lose Customers and Revenue and Could Make it More Difficult for McLeodUSA to Enter New Markets.

McLeodUSA faces intense competition in all of its markets. This competition could result in loss of customers and lower revenue for McLeodUSA. It could also make it more difficult for McLeodUSA to enter new markets. Entrenched, traditional local telephone companies, including Qwest, SBC, BellSouth and Verizon, currently dominate their local telecommunications markets. Three major competitors, AT&T, WorldCom and Sprint, dominate the long distance market. Hundreds of other companies also compete in the long distance marketplace. Many other companies, including AT&T, WorldCom and Sprint also compete in the local and long distance marketplace.

Other competitors may include cable television companies, providers of communications network facilities dedicated to particular customers, microwave and satellite carriers, wireless telecommunications providers, private networks owned by large end-users, and telecommunications management companies.

These and other firms may enter the markets where McLeodUSA focuses its sales efforts, which may create downward pressure on the prices for its services and negatively affect its returns. Many of the existing and potential competitors of McLeodUSA have financial and other resources far greater than those of McLeodUSA. In addition, the trend toward mergers and strategic alliances in the communications industry may strengthen some of the competitors of McLeodUSA and could put McLeodUSA at a significant competitive disadvantage.

If the MegaBells Are Allowed to Offer Bundled Local and Long Distance Services in McLeodUSA Markets It Could Cause McLeodUSA to Lose Customers and Revenues and Could Make It More Difficult for McLeodUSA to Enter New Markets.

Presently the MegaBells are prohibited from offering interLATA long distance services to customers in their regions until they have shown compliance with the Telecommunications Act of 1996. The MegaBells are attempting to show compliance and are seeking authority to offer in-region interLATA long distance service. SBC has obtained such authority in Texas, Oklahoma and Kansas and has requests pending at the FCC for Missouri and Arkansas. Qwest has indicated its intention to seek authority in all 14 states where it provides local service.

The MegaBells are also seeking policy changes to reduce or eliminate the requirement that they open their networks prior to offering interLATA services.

If the MegaBells, which have resources far greater than those of McLeodUSA, are authorized to bundle interLATA long distance service and local service in McLeodUSA markets before the MegaBells' local markets are effectively open to competition, such an offering by the MegaBells could cause McLeodUSA to lose customers and revenues and make it more difficult for it to compete in those markets.

McLeodUSA May Not Develop or Make a Profit from Wireless Services.

Developing wireless services involves a high degree of risk and would impose significant demands on the management and financial resources of McLeodUSA. Developing wireless services could require McLeodUSA to, among other things, spend substantial time and money to acquire, build and test a wireless infrastructure and enter into roaming arrangements with wireless operators in

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other markets or enter into other sophisticated long-term agreements. The McLeodUSA business plan does not currently include funds for the development of wireless services. To offer wireless services on a widespread basis, McLeodUSA would need to obtain additional funding by issuing additional debt or equity securities or by borrowing funds from one or more lenders. McLeodUSA's PCS licenses are subject to revocation if it fails to provide substantial services with them by April 2002. McLeodUSA may decide not to include wireless services in its package of integrated communications services. McLeodUSA is in the process of selling some of its PCS licenses and may decide to

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sell all of its remaining wireless licenses. Even if McLeodUSA does offer wireless services, it may not develop wireless services itself. Even if McLeodUSA spends substantial amounts to develop wireless services, it may not make a profit from wireless operations.

The ability of McLeodUSA to offer wireless services successfully will also depend on a number of factors beyond its control, including:

- . changes in communications service rates charged by other companies
- . changes in the supply and demand for wireless services due to competition with other wireline and wireless operators in the same geographic area
- . changes in the federal, state or local regulatory requirements affecting the operation of wireless systems
- . changes in wireless technologies that could render obsolete the technology and equipment McLeodUSA chooses for its wireless services

The Success of the Communications Services of McLeodUSA Will Depend on the Ability of McLeodUSA to Keep Pace with Rapid Technological Changes in Its Industry.

Communications technology is changing rapidly. These changes influence the demand for the services of McLeodUSA. McLeodUSA needs to be able to anticipate these changes and to develop new and enhanced products and services quickly enough for the changing market. This will determine whether McLeodUSA can continue to increase its revenue and number of subscribers and remain competitive.

The Loss of Key Personnel Could Weaken the Technical and Operational Expertise of McLeodUSA, Delay Its Introduction of New Services or Entry into New Markets and Lower the Quality of Its Services.

McLeodUSA may not be able to attract, develop, motivate and retain experienced and innovative personnel. There is intense competition for qualified personnel in the McLeodUSA lines of business. The loss of the services of key personnel, or the inability to attract additional qualified personnel, could cause McLeodUSA to make less successful strategic decisions, which could hinder the introduction of new services or the entry into new markets. McLeodUSA could also be less prepared for technological or marketing problems, which could reduce its ability to serve its customers and lower the quality of its services. As a result, the financial condition of McLeodUSA could be adversely affected.

The future success of McLeodUSA depends on the continued employment of its senior management team, particularly Clark E. McLeod, the Chairman and Co-Chief Executive Officer of McLeodUSA, and Stephen C. Gray, the President and Co-Chief

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Executive Officer of McLeodUSA.

Failure to Obtain and Maintain Necessary Permits and Rights-of-Way Could Delay Installation of McLeodUSA Networks and Interfere with Its Operations.

To obtain access to rights-of-way needed to install its fiber optic cable, McLeodUSA must reach agreements with state highway authorities, local governments, transit authorities, local telephone companies and other utilities, railroads, long distance carriers and other parties. The failure to obtain or maintain any rights-of-way could delay planned McLeodUSA network expansion, interfere with its operations and harm its business. For example, if McLeodUSA loses access to a right-of-way, it may need to spend significant sums to remove and relocate its facilities.

Government Regulation May Increase the Cost to McLeodUSA of Providing Services, Slow Its Expansion into New Markets and Subject Its Services to Additional Competitive Pressures.

McLeodUSA facilities and services are subject to federal, state and local regulations. The time and expense of complying with these regulations could slow down the expansion by McLeodUSA into new

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markets, increase its costs of providing services and subject it to additional competitive pressures. One of the primary purposes of the Telecommunications Act of 1996 was to open the local telephone services market to competition. While this has presented McLeodUSA with opportunities to enter local telephone markets, it also provides important benefits to the existing local telephone companies, such as the ability, under specified conditions, to provide long distance service to customers in their respective regions. In addition, McLeodUSA needs to obtain and maintain licenses, permits and other regulatory approvals in connection with some of its services. Any of the following could harm the business of McLeodUSA:

- . failure to comply with federal and state tariff requirements
- . failure to maintain proper federal, state and municipal certifications or authorizations
- . failure to comply with federal, state or local laws and regulations
- . failure to obtain and maintain required licenses and permits
- . burdensome license or permit requirements to operate in public rights-of-way
- . burdensome or adverse regulatory requirements
- . delays in obtaining or maintaining required authorizations

Management and Principal Stockholders of McLeodUSA Have Significant Ownership of McLeodUSA and May Have Different Interests Than Those of Other McLeodUSA Stockholders.

As of December 31, 2000, Alliant Energy Corporation, M/C Investors L.L.C., Media/Communications Partners III Limited Partnership, Richard Lumpkin and various trusts for the benefit of his family, Clark and Mary McLeod, and the directors and executive officers of McLeodUSA beneficially owned approximately 25% of the outstanding McLeodUSA Class A common stock. These McLeodUSA stockholders may have substantial influence over management policy and many

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corporate actions requiring a stockholder vote, including election of the board of directors. Conflicts of interest may arise between the interests of these stockholders and other stockholders of McLeodUSA. For example, the fact that these stockholders hold such a significant percentage of McLeodUSA Class A common stock could make it more difficult for a third party to acquire McLeodUSA. You should expect these stockholders to resolve any conflicts in their favor.

Preferred Stockholders May Have Interests That Compete with the Interests of Other Security Holders.

Holders of McLeodUSA preferred stock have the ability to convert their shares into approximately 112 million shares of McLeodUSA Class A common stock. Potential conflicts of interest may arise between holders of McLeodUSA Class A common stock and holders of McLeodUSA preferred stock with respect to, among other things, the payment of dividends, conversion rights, asset dispositions or liquidation matters and operation and financial decisions of the McLeodUSA board of directors. In addition, the holders of McLeodUSA preferred stock have class voting rights on specified actions requiring McLeodUSA stockholder approval.

Holders of Series B preferred stock are entitled to receive, if declared by the McLeodUSA board of directors, cumulative dividends at an annual rate of \$127.273 per share. Furthermore, during the 180-day period commencing on September 15, 2009, the holders of Series B preferred stock and Series C preferred stock have the right to cause McLeodUSA to redeem, in whole or in part, the outstanding shares of Series B preferred stock and Series C preferred stock. In addition, an agreement relating to these securities imposes certain conditions on the incurrence of indebtedness by McLeodUSA and its subsidiaries. Based on these rights, these preferred stockholders may have interests that compete with the interests of other security holders.

Secondary Sales of McLeodUSA Class A Common Stock in the Public Market Could Adversely Affect Its Stock Price.

The market price of McLeodUSA Class A common stock may fluctuate or decline significantly in the future as a consequence of sales by either existing holders of McLeodUSA Class A common stock or existing

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holders of McLeodUSA preferred stock who convert their shares into shares of McLeodUSA Class A common stock.

As of December 31, 2000, there were outstanding:

- . 606,596,945 shares of McLeodUSA Class A common stock
- . 1,149,400 shares of McLeodUSA Series A preferred stock convertible into 29,654,279 shares of McLeodUSA Class A common stock
- . 400,000 shares of McLeodUSA Series B and Series C preferred stock convertible into 82,191,777 shares of McLeodUSA Class A common stock, all of which shares of Series B and Series C preferred stock are held by three partnerships affiliated with Forstmann Little & Co.
- . options to purchase 128,810,103 shares of McLeodUSA Class A common stock
- . 144,012,216 shares of McLeodUSA Class A common stock beneficially owned by Alliant Energy, M/C Investors, Media/Communications Partners III, Richard Lumpkin and various trusts for the benefit of his family, Clark

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and Mary McLeod, and the directors and executive officers of McLeodUSA, all of which shares were eligible for sale in the public market either in accordance with Rule 144 under the Securities Act or otherwise

- . options held by Alliant Energy to purchase 4,687,500 shares of McLeodUSA Class B common stock convertible into 4,687,500 shares of McLeodUSA Class A common stock

After the merger, up to 3.5 million additional shares of McLeodUSA Class A common stock issued to the former shareholders of Intelispan will be outstanding.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This proxy statement/prospectus and the information incorporated by reference in it include "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act. McLeodUSA and Intelispan intend the forward-looking statements to be covered by the safe harbor provisions for forward-looking statements in these sections. All statements regarding our expected financial position and operating results, our business strategy, our financing plans, our future capital requirements, forecasted demographic and economic trends relating to our industry, our ability to complete acquisitions, including the merger of Intelispan with a subsidiary of McLeodUSA, to realize anticipated cost savings and other benefits from acquisitions and to recover acquisition-related costs, and similar matters are forward-looking statements. These statements are subject to known and unknown risks, uncertainties and other factors that could cause events or our actual results to differ materially from the statements. The forward-looking information is based on various factors and was derived using numerous assumptions. In some cases, you can identify these statements by our use of forward-looking words such as "may," "will," "should," "anticipate," "estimate," "expect," "plan," "believe," "predict," "potential" or "intend." You should be aware that these statements only reflect our predictions. Actual events or results may differ substantially. Important factors that could cause events or our actual results to be materially different from our expectations include those discussed in this proxy statement/prospectus under the caption "Risk Factors" and those discussed in documents incorporated by reference in this proxy statement/prospectus. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

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THE SPECIAL MEETING

This proxy statement/prospectus is first being mailed or delivered by Intelispan to its shareholders on or about May 1, 2001 in connection with the solicitation of proxies by the Intelispan board of directors for use at the special meeting and at any adjournments or postponements of the special meeting. This document is also a prospectus for the McLeodUSA Class A common stock to be issued in the merger. You should read this document carefully before voting your shares.

Date, Time and Place; Matters to be Considered

The special meeting will be held on May 31, 2001 at 10:00 a.m., local time, at the offices of Intelispan located at 1720 Windward Concourse, Suite 100, Alpharetta, Georgia 30005. At the special meeting, Intelispan shareholders will

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be asked to consider and vote on a proposal to approve the Agreement and Plan of Merger, by and among McLeodUSA Incorporated, Iguana Acquisition Corporation, a wholly-owned subsidiary of McLeodUSA Incorporated, and Intelispan, Inc., dated as of March 17, 2001.

The approval of this proposal is required in order for Intelispan to complete the merger.

Proxies

The enclosed proxy card is for the use of Intelispan shareholders to allow them to vote at the special meeting if they cannot or do not wish to attend and vote in person. An Intelispan shareholder also may vote by telephone or through the Internet by following the instructions set forth on the proxy card. Any proxy given may be revoked at any time before it is exercised, by submitting to the Corporate Secretary of Intelispan written notice of revocation or a properly executed proxy with a later date, or by attending the special meeting and voting in person.

Written notices of revocation and other communications with respect to the revocation of proxies should be addressed to Intelispan, Inc., 1720 Windward Concourse, Suite 100, Alpharetta, Georgia 30005, Attention: Corporate Secretary. All shares represented by valid proxies received and not revoked before they are exercised will be voted in the manner specified in such proxies. If no specification is made, such shares will be voted in favor of the proposal to approve the merger agreement.

The Intelispan board of directors is not currently aware of any other matters that will come before the special meeting. If any other matter is presented at the special meeting for action, the persons named in the accompanying proxy card will vote the proxy in their own discretion.

Solicitation of Proxies

McLeodUSA and Intelispan have agreed to share equally all expenses incurred in connection with the filing, printing and mailing of this proxy statement/prospectus. Other than these expenses, Intelispan will bear the entire cost of soliciting proxies from Intelispan shareholders. In addition to soliciting proxies by mail, Intelispan will request banks, brokers and other record holders to send proxies and proxy material to the beneficial owners of Intelispan common stock and to secure their voting instructions. Intelispan will reimburse those record holders for their reasonable expenses in so doing. At the direction of Intelispan, officers and regular employees of Intelispan, who will not be specially compensated, may solicit proxies from shareholders, either personally or by telephone, telegram, facsimile, or electronic or United States mail.

Record Date and Voting Rights

The Intelispan board of directors has selected the close of business on April 19, 2001 as the record date for the special meeting. Under Washington law and the bylaws of Intelispan, only holders of record of

shares of Intelispan common stock on the record date will be entitled to notice of and to vote at the special meeting. A total of 110,961,371 shares of Intelispan common stock is entitled to vote at the special meeting. On the record date, there were approximately 660 record holders of Intelispan common stock.

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Each share of Intelispan common stock entitles its holder to one vote. The affirmative vote of at least two-thirds of the outstanding shares of Intelispan common stock is required to approve the merger agreement. The approval of the merger agreement is required in order for Intelispan to complete the merger.

Under Washington law, once a share is represented for any purpose at the meeting other than solely to object to holding the meeting or transacting business at the meeting, it is deemed present for quorum purposes for the remainder of the meeting and for any adjournment of that meeting. Accordingly, Intelispan will count abstentions for purposes of determining the presence or absence of a quorum for the transaction of business. Brokers that hold shares of Intelispan common stock in nominee or street name for customers that are the beneficial owners of such shares are prohibited from giving a proxy to vote shares held for these customers with respect to the matters to be voted upon at the special meeting without specific instructions from these customers. Broker non-votes will be counted for purposes of determining the presence or absence of a quorum for the transaction of business. Because the affirmative vote of at least two-thirds of the outstanding shares of Intelispan common stock is required to approve the merger agreement, abstentions and broker non-votes will have the same effect as a vote against the proposal to approve the merger agreement.

Several directors, executive officers and shareholders of Intelispan entered into agreements by which they have agreed to vote their shares in favor of the approval of the merger agreement. The 35,380,421 shares of Intelispan common stock subject to these agreements represent approximately 32% of the outstanding shares entitled to vote at the special meeting.

Recommendation of the Intelispan Board of Directors

The Intelispan board of directors has unanimously determined that the merger agreement and the merger are fair and in the best interests of Intelispan and its shareholders. The Intelispan board of directors recommends that the Intelispan shareholders vote "FOR" the approval of the merger agreement. See "The Merger--Recommendation of the Intelispan Board of Directors and Reasons for the Merger."

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THE MERGER

Background of the Merger

Both McLeodUSA and Intelispan regularly evaluate different strategies to improve their competitive positions and enhance their respective stockholder values, including opportunities for acquisitions of other companies or their assets, possible partnerships or alliances and other significant transactions.

Mr. Travis L. Provow, Chief Executive Officer and President of Intelispan, and Mr. Roy Wilkens, President and Chief Executive Officer of McLeodUSA Network Services, a wholly-owned subsidiary of McLeodUSA, have maintained a business relationship for a number of years. Mr. Provow and Mr. Wilkens from time to time discussed various business matters, including Intelispan and its operations. In the fall of 2000, Mr. Provow suggested to Mr. Wilkens that Intelispan and McLeodUSA explore business opportunities between the two companies.

McLeodUSA and Intelispan negotiated certain network services arrangements beginning in the fall of 2000 and, in November and December 2000, entered into a series of agreements through which Intelispan obtains colocation and dial port access services on the McLeodUSA network. Intelispan uses this access as a

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method through which it provides Inteligate I and Inteligate II services. These agreements are effective through the end of 2003.

Mr. Wilkens arranged an introductory meeting held on December 22, 2000 between Mr. Provow and Mr. Stephen C. Gray, President and Co-Chief Executive Officer of McLeodUSA, and other key members of the McLeodUSA management team. Mr. Provow provided an overview of Intelispan's operations to the McLeodUSA team. During this meeting, Messrs. Gray, Wilkens and Provow discussed whether a business combination between McLeodUSA and Intelispan might be mutually beneficial and agreed to schedule a follow-up meeting for certain members of the McLeodUSA management team to visit the Intelispan offices. A confidentiality agreement between McLeodUSA and Intelispan was executed on January 8, 2001.

On January 11, 2001, Ms. Tracy A. Millard, Vice President, Mergers and Acquisitions for McLeodUSA, along with six other members of the McLeodUSA management team, traveled to the Intelispan corporate headquarters in Alpharetta, Georgia. Throughout the day, the McLeodUSA management team met with members of the Intelispan management team to gain a better understanding of the Intelispan operations.

On January 17, 2001, Ms. Millard forwarded to Mr. Provow an outline of the general terms of a potential transaction. This outline included the general price and structure terms of a potential business combination, including the form of consideration to be received by the Intelispan shareholders. In late January 2001, Mr. Provow discussed the general terms of the proposal with individual members of the Intelispan board of directors.

Over the next several weeks, Mr. Provow and internal legal counsel on behalf of Intelispan, and Ms. Millard, Mr. Wilkens and internal legal counsel on behalf of McLeodUSA, continued to discuss general price and structure terms for the potential acquisition. On February 9, 2001, representatives of McLeodUSA traveled to Alpharetta to commence a due diligence review. On February 12, 2001, the Intelispan board of directors authorized Mr. Provow to continue discussions with McLeodUSA.

On February 26, 2001, Ms. Millard and Mr. Vaughn Klopfenstein, Vice President and Deputy General Counsel of McLeodUSA, along with certain other members of the McLeodUSA management team, began meetings in Alpharetta with Intelispan senior management, including Mr. Provow and Mr. James D. Shook, Vice President and General Counsel of Intelispan, to discuss the issues that required resolution in order to complete the definitive documents for the transaction and to conduct an extensive due diligence review of the operations, business, accounting, financial position and legal matters of each company. This process continued in Alpharetta until March 1, 2001.

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McLeodUSA's legal counsel provided to Intelispan's legal counsel on March 1, 2001 an initial draft of a merger agreement and on March 2, 2001 drafts of stock option, voting, affiliate and stockholders' agreements.

Throughout the period from March 1, 2001 to the signing of the definitive merger agreement on March 17, 2001, Ms. Millard and Mr. Provow, together with their respective legal advisors, held numerous conversations, reviewed and revised drafts of the merger agreement and related agreements and negotiated various terms of the transaction and provisions of the agreements. This process involved representatives of the law firms of Shuttleworth & Ingersoll, P.L.C. on behalf of McLeodUSA and Greenberg Traurig, LLP on behalf of Intelispan and included discussions at the offices of Shuttleworth & Ingersoll, P.L.C. on March 8 and 9, 2001.

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During the morning of March 16, 2001, McLeodUSA senior management made a presentation to the McLeodUSA board of directors regarding the material terms and conditions of the proposed merger agreement, the voting agreements, the stock option agreement and the term loan agreement and the other matters contemplated by these agreements. After discussion and due consideration, the McLeodUSA board approved the Intelispan transaction and authorized its management team to enter into the merger agreement upon negotiation of its final terms.

During the afternoon of March 16, 2001, the Intelispan board of directors reviewed with its senior management and Greenberg Traurig, LLP, Intelispan's legal counsel, the material terms and conditions of the merger agreement, the voting agreements, the stock option agreement and the term loan agreement and the other matters contemplated by these agreements. Mr. Shook made a presentation to the Intelispan board of directors regarding the fiduciary duties and responsibilities of the board of directors and, along with representatives of Greenberg Traurig, LLP, updated the board on how the key remaining legal issues had been resolved, including the term loan agreement. In addition, representatives of C.E. Unterberg, Towbin presented its financial analysis of the proposed transaction. Representatives of C.E. Unterberg, Towbin delivered its oral opinion, later confirmed in writing, that as of March 16, 2001, the exchange ratio was fair, from a financial point of view, to the holders of Intelispan common stock and, assuming that each holder of Intelispan preferred stock duly converted its shares into Intelispan common stock prior to the effective time of the merger, the exchange ratio was fair, from a financial point of view, to such holder, solely in respect of such holder's status as a common shareholder of Intelispan at the effective time of the merger. The Intelispan board of directors discussed the information presented by senior management and by its financial and legal advisors. After discussion and due consideration, the Intelispan board of directors unanimously approved the merger agreement, stock option agreement, term loan agreement and other matters contemplated by these agreements, unanimously recommended that the merger agreement be approved by the Intelispan shareholders and directed that the merger agreement be submitted to the Intelispan shareholders for approval.

After The Nasdaq National Market closed on March 16, 2001, the McLeodUSA executive management team approved the merger transaction in accordance with the guidelines previously established by the McLeodUSA board of directors. The merger agreement and related agreements were finalized and signed on March 17, 2001.

McLeodUSA and Intelispan issued a joint press release to announce the execution of the definitive merger agreement and the related agreements prior to the opening of The Nasdaq National Market on the morning of March 19, 2001.

Recommendation of the Intelispan Board of Directors and Reasons for the Merger

The Intelispan board of directors has unanimously determined that the terms of the merger agreement and the merger are fair to and in the best interests of Intelispan and its shareholders. The Intelispan board of directors has unanimously approved the merger agreement, recommended that the merger agreement be approved by the Intelispan shareholders and directed that the merger agreement be submitted to the Intelispan shareholders for approval. The Intelispan board of directors recommends that Intelispan shareholders vote "FOR" the approval of the merger agreement.

In reaching its determination to approve the transaction and to recommend that the Intelispan shareholders vote to approve the merger agreement, the

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Intelispan board of directors identified several potential benefits for Intelispan and its shareholders, including the following:

Increased stability. McLeodUSA is significantly larger and has a more established customer base and more diversified sources of revenue than Intelispan. In the highly competitive telecommunications industry, these factors should provide Intelispan shareholders with a more stable investment.

Potential for growth. The combination of Intelispan with McLeodUSA is expected to strengthen and expand the data product offerings to McLeodUSA customers. Intelispan shareholders will have the opportunity to participate in the potential growth that the combined company may experience after the merger.

Shareholder liquidity. Intelispan common stock is traded on the OTCBB, typically with a low transactional volume and significant fluctuations in price. Shares of McLeodUSA Class A common stock are traded on the more respected Nasdaq National Market with a much higher volume, which should provide Intelispan shareholders with a more liquid market for their investment.

Customer benefits. The combination of McLeodUSA and Intelispan will give customers of each company access to additional products and services, providing customers with the ability to bundle basic local and long distance telephone services with advanced broadband voice, video and enhanced data communications services.

Synergies in management and operations. The combination should create the opportunity to realize cost savings through synergies in management and leveraging the McLeodUSA network to reduce costs in providing reduced local access charges and operating costs while adding data traffic, a significant percentage of which is daytime traffic, that will not require increased capacity on the McLeodUSA network.

Execution of business strategy. The strength of the McLeodUSA name and brand, with the financial resources and access to capital available to McLeodUSA and its greater customer base, sales and marketing resources, will significantly enhance Intelispan's ability to execute its business plan.

Tax free exchange. The merger is expected to be tax free to Intelispan's shareholders for United States federal income tax purposes, except with respect to cash received for fractional shares of McLeodUSA Class A common stock.

The Intelispan board of directors consulted with Intelispan senior management, as well as its financial advisor, independent accountants and legal counsel, in reaching its decision to approve the merger agreement. Among the factors the Intelispan board of directors considered in its deliberations were the following:

- . the benefits described above
- . Intelispan's cash position, difficulties in accessing capital without substantial dilution to existing shareholders, the business and prospects of Intelispan, including the opportunities and acquisition alternatives available to Intelispan if the proposed merger did not occur
- . the exchange ratio negotiated with McLeodUSA and the recent and historical market prices of Intelispan common stock, as well as how this exchange ratio compared to the other opportunities available to Intelispan and the value achievable upon a liquidation of Intelispan
- . the opinion of C.E. Unterberg, Towbin that, as of March 16, 2001, the exchange ratio was fair, from a financial point of view, to the

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Intelispan common shareholders (this opinion is attached as Appendix E to this proxy statement/prospectus)

- . information and presentations by Intelispan management and its advisors concerning the business, technology, products, operations, financial condition, organizational structure and industry position of Intelispan and McLeodUSA, on both a historical and prospective basis

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- . current financial market conditions and historical market prices, volatility and trading information about Intelispan common stock and McLeodUSA Class A common stock
- . the terms and conditions of the merger agreement
- . the terms and conditions of the voting agreements between McLeodUSA and various shareholders of Intelispan that own approximately 32% of the outstanding Intelispan common stock, which requires them to vote such shares in favor of the approval of the merger agreement
- . the completion by McLeodUSA of its due diligence and its willingness to execute a definitive merger agreement and to commit to the completion of the merger on an expedited basis

The Intelispan board of directors also identified and considered a variety of potentially negative factors in its deliberations concerning the merger agreement, including the following:

- . the risk that the per share value of the consideration to be received in the merger could decline significantly from the value immediately prior to the announcement of the merger, because the exchange ratio will not be adjusted for changes in the market price of Intelispan common stock or McLeodUSA Class A common stock
- . the merger may not be consummated as a result of either party's failure to satisfy the conditions to closing, including the numerous conditions applicable to Intelispan, such as that holders of Intelispan warrants consent to amendments to the existing Intelispan warrant agreements and holders of Intelispan preferred stock agree to convert their shares to Intelispan common stock
- . the potential adverse effects of the failure to consummate the merger on Intelispan's operating results, the ability of Intelispan to implement its business plan and the overall competitive position and prospects of Intelispan
- . the inability of Intelispan to obtain equity financing while the merger agreement is pending
- . there is no provision in the merger agreement for the payment by McLeodUSA of a termination or breakup fee if the merger is not consummated
- . the terms and conditions of the stock option agreement granting McLeodUSA an option to purchase up to approximately 19.9% of the outstanding Intelispan common stock under specified circumstances
- . the risk that Intelispan would be required to pay a breakup fee and that McLeodUSA would exercise its stock option to acquire up to 19.9% of Intelispan's common stock

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- . the difficulty and potential for significant dilution in quickly obtaining necessary private equity to fund Intelispan's operations if the merger agreement is not completed
- . the potential inability for a third-party acquisition proposal to become effective because of the stock option and voting agreements described above and the termination provisions of the merger agreement
- . the limitations on the ability of, and cost to, Intelispan terminating the merger agreement for a superior proposal
- . the risk that the potential benefits of the merger may not be realized
- . other applicable risks described in this proxy statement/prospectus under "Risk Factors"

Prior to reaching a decision to recommend that the merger agreement be approved by the shareholders of Intelispan, the Intelispan board of directors considered a number of strategic alternatives, including (1) the sale of a significant minority equity investment to a strategic investor, (2) the sale of a significant minority equity

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investment to a limited number of private investors, (3) a combination with a private entity that would have resulted in the privatization of Intelispan, (4) potential combinations with other third parties and (5) the likelihood of obtaining additional alternatives.

The Intelispan board of directors believed that the proposed merger with McLeodUSA provided the highest level of return on a risk-reward analysis of the possible alternatives. Any sale of equity, even if available, was likely to cause substantial dilution to existing Intelispan shareholders given the current status of the capital markets. Additionally, Intelispan could require additional rounds of equity sales if it did not meet its financial forecasts under its business plan, which would in turn cause more dilution to Intelispan shareholders. Privatization of Intelispan was similarly likely to cause significant dilution, with the added risk of a loss of liquidity to Intelispan shareholders. Intelispan's near-term cash needs made the exploration of other alternatives, which take time to identify and negotiate, a very significant risk. An overriding factor in each of these scenarios was the risk that Intelispan's per share price would not increase, at least in the near-term, given its operating results and the general downturn in the stock market. Overall, the consideration offered by McLeodUSA pursuant to the merger agreement, the speed in which McLeodUSA was willing to complete the transaction and the potential for additional return by participating in the potential growth of the combined companies provided, in the judgement of the Intelispan board of directors, the best opportunity for the maximization of value for Intelispan shareholders.

After due consideration, the Intelispan board of directors concluded that the potential benefits of the merger to Intelispan and its shareholders outweighed the risks associated with the merger.

This discussion is not exhaustive of all the factors considered by the Intelispan board of directors. In view of the wide variety of factors considered in connection with the board's evaluation of the merger and the complexity of these matters, the Intelispan board of directors did not quantify or otherwise assign relative weights to the factors described above. Rather, the Intelispan board of directors made its determination based on the totality

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of the information it considered. The members of the board were aware that, as described below under "--Interests of the Intelispan Directors and Executive Officers in the Merger," directors and executive officers of Intelispan have interests in the merger in addition to, or different from, their interests as shareholders in Intelispan, and the board considered this in deciding to recommend the transaction.

Intelispan cannot assure you that any of the expected results, synergies, opportunities or other benefits described in this section will be achieved as a result of the merger.

McLeodUSA's Reasons for the Merger

Over the past several months, as the communications industry has continued to experience consolidation and expansion, McLeodUSA has examined its own opportunities to expand. In this regard, the McLeodUSA board of directors has identified the acquisition of Intelispan as an attractive opportunity that offers McLeodUSA both an incremental step into markets where McLeodUSA has considered expanding its operations and a transaction that is consistent with the prior strategic actions of McLeodUSA.

McLeodUSA believes the merger will create a stronger company and will provide significant value for its stockholders, employees and customers. The principal reasons for this belief are the following:

- . The acquisition of Intelispan brings a strong set of new assets to McLeodUSA. McLeodUSA believes it will obtain a superior suite of virtual private network (VPN) products and services. McLeodUSA considers the Intelispan VPN product portfolio to be "best in class." McLeodUSA believes that two differentiating features of the VPN product portfolio, the "Automated Diagnostic Tool" and the "One Button Dialer," which reduce set-up and ongoing telecommunications costs should be particularly attractive to business customers. These VPN products and services provide secure e-mobility to business customers.

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- . McLeodUSA believes the addition of new sales people focusing on business and wholesale customers and the additional technical expertise within Intelispan will accelerate expansion by McLeodUSA in the VPN market in a wide geographic area.
- . McLeodUSA will migrate additional Intelispan traffic onto the McLeodUSA network thereby reducing existing Intelispan costs.
- . McLeodUSA believes it will be able to leverage its proven management expertise in the areas of sales and marketing, product development and customer service.

McLeodUSA cannot assure you, however, that any of the potential savings, synergies or opportunities considered by McLeodUSA will be achieved through the completion of the merger. See "Risk Factors" and "Cautionary Note Regarding Forward-Looking Statements."

Opinion of the Intelispan Financial Advisor

Pursuant to a letter agreement dated as of March 6, 2001, C.E. Unterberg, Towbin was retained to render a fairness opinion to the Intelispan board of directors in connection with a potential transaction with McLeodUSA. C.E. Unterberg, Towbin, is generally engaged in the provision of investment banking and financial advisory services in connection with mergers and acquisitions,

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negotiated underwritings, secondary distributions of listed and unlisted securities and private placements. At the meeting of the Intelispan board of directors on March 16, 2001, C.E. Unterberg, Towbin rendered its opinion that as of that date, based upon and subject to the various factors and assumptions described in the C.E. Unterberg, Towbin opinion, the exchange ratio provided in the merger agreement was fair, from a financial point of view, to the holders of Intelispan common stock.

C.E. Unterberg, Towbin's opinion, which describes the assumptions made, matters considered and limitations on the review undertaken by C.E. Unterberg, Towbin is attached as Appendix E to this proxy statement/prospectus. Intelispan shareholders are urged to, and should, read the C.E. Unterberg, Towbin opinion carefully and in its entirety. The C.E. Unterberg, Towbin opinion is directed to the Intelispan board of directors and addresses only the fairness of the exchange ratio, as of the date of the opinion, from a financial point of view to the holders of shares of Intelispan common stock and, assuming each holder of Intelispan preferred stock duly converts such stock into Intelispan common stock prior to the effective time of the merger, to such holders of Intelispan preferred stock solely in respect to each such holder's status as a holder of Intelispan common stock at the effective time of the merger. The C.E. Unterberg, Towbin opinion does not address any other aspect of the merger or any strategic alternative thereto and does not constitute a recommendation to any holder of Intelispan common stock as to how to vote at the Intelispan special meeting. The summary of the C.E. Unterberg, Towbin opinion set forth in this proxy statement/prospectus is qualified in its entirety by reference to the full text of such opinion.

In connection with rendering its opinion, C.E. Unterberg, Towbin reviewed the merger agreement; analyzed certain publicly available financial statements and other information of Intelispan and McLeodUSA; analyzed certain internal financial statements and other financial and operating data and financial forecasts for Intelispan, in each case, prepared by Intelispan's management; and analyzed certain internal financial statements and other financial and operating data and financial forecasts for McLeodUSA, in each case prepared by McLeodUSA management. C.E. Unterberg, Towbin held discussions with members of the senior management of Intelispan and McLeodUSA regarding the financial information referred to above as well as the strategic rationale for, and the potential benefits of, the merger and the past and current business operations, financial condition and future prospects of Intelispan and McLeodUSA. C.E. Unterberg, Towbin reviewed the reported price and trading activity for both Intelispan common stock and McLeodUSA Class A common stock, reviewed certain historic o