QUAGGA CORP
Form S-4
May 26, 2011
Table of Contents

As filed with the Securities and Exchange Commission on May 26, 2011

Registration No. 333-

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-4

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

PAETEC Holding Corp.

(Exact name of Registrant as specified in its charter)

Delaware	**4813**	**20-5339741**
(State or other jurisdiction of incorporation or organization)	**(Primary Standard Industrial Classification Code Number)**	**(I.R.S. Employer Identification No.)**

(For Co-Registrants, see Table of Co-Registrants on the following page)

One PAETEC Plaza

600 Willowbrook Office Park

Fairport, New York 14450

(585) 340-2500

(Address, including zip code, and telephone number, including area code, of Registrant s principal executive offices)

Arunas A. Chesonis

Chairman, President and Chief Executive Officer

PAETEC Holding Corp.

One PAETEC Plaza

600 Willowbrook Office Park

Fairport, New York 14450

(585) 340-2500

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Richard J. Parrino, Esq. **Kevin K. Greenslade, Esq.**	**Mary K. O Connell, Esq.**
	Executive Vice President and General Counsel
Hogan Lovells US LLP	**PAETEC Holding Corp.**
555 Thirteenth Street, N.W.	**600 Willowbrook Office Park**
Washington, D.C. 20004	**Fairport, New York 14450**
(202) 637-5600	**(585) 340-2500**

Approximate date of commencement of proposed sale of the securities to the public: As soon as practicable after this registration statement becomes effective.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. ¨

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer ¨		Accelerated filer þ
Non-accelerated filer ¨	(Do not check if a smaller reporting company)	Smaller reporting company ¨

If applicable, place a check mark in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer)	¨
Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer)	¨

Table of Contents

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered	Proposed maximum offering price per unit[(1)]	Proposed maximum aggregate offering price[(1)]	Amount of registration fee
9 7/8 % Senior Notes due 2018[(2)]	$450,000,000	100%	$450,000,000	$52,245
Guarantees of 9 7/8% Senior Notes due 2018[(3)]	N/A	N/A	N/A	N/A

(1) Estimated pursuant to Rule 457(f) under the Securities Act of 1933, solely for purposes of calculating the registration fee.
(2) The 9 7/8% Senior Notes due 2018 will be the obligations of PAETEC Holding Corp.
(3) Represents the guarantees of the 9 7/8% Senior Notes due 2018, to be issued by the Co-Registrants. Pursuant to Rule 457(n) under the Securities Act of 1933, no additional registration fee is being paid in respect of the guarantees.

The Registrants hereby amend this registration statement on such date or dates as may be necessary to delay its effective date until the Registrants shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

TABLE OF CO-REGISTRANTS

Exact Name of Co-Registrant as Specified in its Charter	State or Other Jurisdiction of Incorporation or Organization	I.R.S. Employer Identification No.
PAETEC Corp.	Delaware	16-1551094
PAETEC Integrated Solutions Group, Inc.	Delaware	16-1585842
PAETEC iTel, L.L.C.	North Carolina	47-0903254
PaeTec Software Corp.	New York	16-1384745
US LEC LLC	Delaware	56-2065535
US LEC of Alabama LLC	North Carolina	56-2104211
US LEC of Florida LLC	North Carolina	56-2046424
US LEC of Maryland LLC	North Carolina	56-2117626
US LEC of North Carolina LLC	North Carolina	56-2091767
US LEC of South Carolina LLC	Delaware	56-2056428

US LEC of Tennessee LLC	**Delaware**	**56-2065536**
PaeTec Communications, Inc.	**Delaware**	**16-1551095**
PaeTec Communications of Virginia, Inc.	**Virginia**	**16-6486048**
US LEC Communications LLC	**North Carolina**	**56-2162051**
US LEC of Georgia LLC	**Delaware**	**56-2065537**
US LEC of Pennsylvania LLC	**North Carolina**	**56-2117625**
US LEC of Virginia L.L.C.	**Delaware**	**56-2012173**
Allworx Corp.	**Delaware**	**26-0259247**
MPX, Inc.	**Delaware**	**16-1468411**
Technology Resource Solutions, Inc.	**New York**	**51-0443765**
McLeodUSA LLC	**Delaware**	**42-1407240**
McLeodUSA Information Services LLC	**Delaware**	**76-0529757**
McLeodUSA Telecommunications Services, L.L.C.	**Iowa**	**42-1407242**
McLeodUSA Purchasing, L.L.C.	**Iowa**	**42-1501014**
U.S. Energy Partners LLC	**New York**	**14-1856903**
PAETEC Realty LLC	**New York**	**27-1866972**
Quagga Corporation	**California**	**87-0721393**
Cavalier Telephone Corporation	**Delaware**	**54-1946546**
CavTel Holdings, LLC	**Delaware**	**20-4208673**
Cavalier Telephone, L.L.C.	**Virginia**	**54-1914822**
Cavalier Telephone Mid-Atlantic, L.L.C.	**Delaware**	**54-2028580**
SM Holdings, LLC	**Delaware**	**26-0970378**
Cavalier IP TV, LLC	**Delaware**	**20-2386185**
Elantic Networks, Inc.	**Delaware**	**20-0726068**
Intellifiber Networks, Inc.	**Virginia**	**54-1861675**
Cavalier Services, LLC	**Delaware**	**20-2047841**
Talk America Holdings, Inc.	**Delaware**	**23-2827736**
Talk America Inc.	**Pennsylvania**	**23-2582790**
TC Services Holding Co., Inc.	**Pennsylvania**	**23-3036795**
LDMI Telecommunications, Inc.	**Michigan**	**38-2940840**
NT Corporation	**Delaware**	**59-3619111**
Network Telephone Corporation	**Florida**	**59-3477521**
Compco, Inc.	**Delaware**	**23-2940793**
Talk America of Virginia, Inc.	**Virginia**	**54-1871946**
Access One Communications Corp.	**New Jersey**	**22-3527935**
OmniCall, Inc.	**South Carolina**	**57-1046947**
The Other Phone Company, Inc.	**Florida**	**65-0705374**

Address, including zip code, and telephone number, including area code, of each Co-Registrant s principal executive offices and each Co-Registrant s agent for service is c/o PAETEC Holding Corp., One PAETEC Plaza, 600 Willowbrook Office Park, Fairport, New York, 14450, and the name of each Co-Registrant s agent for service is Arunas A. Chesonis, Chairman, President and Chief Executive Officer, PAETEC Holding Corp.

The Primary Standard Industrial Classification Code Number for each Co-Registrant is 4813.

Table of Contents

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to completion, dated May 26, 2011

PROSPECTUS

PAETEC Holding Corp.

Offer To Exchange Up To

$450,000,000

9 7/8% Senior Notes due 2018

which have been registered under the Securities Act of 1933

for any and all outstanding

9 7/8% Senior Notes due 2018

The Exchange Offer:

- The notes offered by this prospectus, or exchange notes, have been registered under the Securities Act of 1933, as amended, and are being offered in exchange for the outstanding, unregistered notes, or original notes, that were originally issued on December 2, 2010.

- We will exchange all original notes that are validly tendered and not withdrawn prior to the expiration of the exchange offer for an equal principal amount of exchange notes.

- The exchange offer will expire at 5:00 p.m., New York City time, on   , 2011, unless extended by us.

- You may withdraw tendered outstanding original notes at any time prior to the expiration of the exchange offer.

- The exchange of outstanding original notes for exchange notes pursuant to the exchange offer generally will not be a taxable event for U.S. federal income tax purposes.

We will not receive any proceeds from the exchange offer.

The Exchange Notes:

The terms of the exchange notes will be substantially identical to the terms of the original notes, except that the exchange notes are registered under the Securities Act, and the transfer restrictions, registration rights and related additional interest terms applicable to the original notes will not apply to the exchange notes.

The exchange notes will mature on December 1, 2018. We will pay interest on the exchange notes semi-annually on June 1 and December 1 of each year.

The exchange notes will be guaranteed on a senior unsecured basis by each of our existing and future domestic restricted subsidiaries, other than certain excluded subsidiaries.

We do not intend to list the exchange notes on any securities exchange.

Any broker-dealer that holds original notes acquired for its own account as a result of market-making activities or other trading activities, and that receives exchange notes pursuant to the exchange offer, must deliver a prospectus in connection with any resales of such exchange notes. We have agreed that, for a period beginning on the date the exchange offer is consummated and ending on the earlier of 180 days after the date of this prospectus and the date on which a broker-dealer is no longer required to deliver a prospectus in connection with market-making activities or other trading activities, we will make this prospectus, as amended or supplemented, available to any broker-dealer for use in connection with any such resale. For more information, see Plan of Distribution.

Investments in the exchange notes involve risks. See Risk Factors beginning on page 11.

Neither the Securities and Exchange Commission nor any state securities commission nor any other regulatory body has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is , 2011.

Table of Contents

TABLE OF CONTENTS

SUMMARY

This summary highlights selected information included in this prospectus. This summary is not intended to be a complete description of the matters covered in this prospectus and is subject to, and qualified in its entirety by, reference to the more detailed information and financial statements (including the notes thereto) included in this prospectus.

Unless otherwise indicated or required by the context, references in this prospectus to we, us, our and PAETEC mean PAETEC Holding Corp. and its consolidated subsidiaries as of the date of such reference. References in this prospectus to PAETEC Holding mean PAETEC Holding Corp. and none of its subsidiaries.

Our Company

We are a competitive broadband communications services and solutions provider guided by the principle that delivering superior customer service is the key to competing successfully with other communications services providers. Our primary business is providing business end-user customers in metropolitan areas with a package of integrated broadband services that encompasses data services, including Internet access services and virtual private network services, and voice services, including local telephone services and domestic and international long distance services. As of March 31, 2011, we provided services for over 54,000 business customers in a service area encompassing 86 of the top 100 metropolitan statistical areas.

We focus our network services marketing efforts on medium-sized and large businesses and institutions. By focusing our marketing efforts on these larger businesses and institutions that have significant communications needs, we believe that we achieve a competitive advantage over larger carriers that target a broad cross-section of residential, business and institutional customers. Our focus on providing superior customer service begins with the sales process. Our management emphasizes the importance of attracting, training, motivating, and retaining skilled sales professionals. When meeting with a potential customer, members of our sales force rely on our internally-developed proprietary software to tailor services packages and pricing to meet the particular needs of each customer. Our sales force is supported by sales engineers and account development representatives who facilitate the initial provisioning of services and develop customer relationships that we seek to strengthen over time. We believe that our tailored pricing and service offerings and our dedicated account development programs are significant factors in customer retention.

We emphasize network technology as an element of our business strategy to the extent that this element supports our delivery of high-quality and reliable service. We have deployed a flexible and reliable open technology network that allows us to support newer technologies, including service offerings based on Internet Protocol, or IP. In addition, this network design allows us to offer our customers flexible technological solutions, reduce our total capital investments and apply increased capital to our sales and customer service support systems.

Our Strengths

We believe that the following strengths will help us to execute our strategy:

Our focus on medium-sized and large businesses and institutions that have significant communications needs, require complex integrated services and value superior customer support. We believe that our target customers most frequently make their communications purchase decisions based on a combination of factors in which the quality of customer service is as important as service offerings and price. By focusing on these customers, we believe that we are able to use our focus on customer service

Table of Contents

and our bundled service offerings to win new business, to minimize customer turnover and to sell an increasing number of products and services to each account as the customer relationship matures. We believe that recent consolidation in the industry has resulted in these customers being underserved by many of the larger carriers. Our customer base is characterized by low turnover and high monthly recurring revenue.

Our experienced direct sales force and effective distribution channels. We market our services through our direct sales force and through independent sales agents located throughout our markets. Our direct sales force and agents work closely with potential and existing customers to design tailored services bundles that meet unique and evolving customer needs. Our technology enables our sales force to identify and acquire targeted customers rapidly and to tailor and price a variety of service choices to match a customer s specific requirements. We seek to hire experienced sales professionals, and we supplement the experience of our employees and sales agents by providing them with intensive training in our service offerings and in marketing our services in selected industry sectors. We seek to motivate and retain our sales employees, sales agents and agent support personnel with commissions and, in some circumstances, long-term equity incentives. Our employee-oriented focus helps to foster a motivated sales force that we believe is essential to providing superior customer service.

Our broad-based, asset-rich, multi-platform network. We maintain one of the largest competitive networks nationwide, with approximately 36,700 route miles of fiber, including approximately 10,600 metro route miles, as of March 31, 2011. In addition, we manage a broad-based network with both traditional analog and next generation IP-switching intelligence at the core of our network, facilitating our provision as of March 31, 2011 of a wide range of sophisticated solutions offerings in 86 of the top 100 metropolitan statistical areas nationwide. This network enables us to provide flexible and customer-specific solutions while maintaining significant control over the quality and consistency of service. We believe that the flexibility and reliability of our existing network allows us to provide a superior customer experience at a reasonable price. As part of our network strategy, we connect our customers to our network primarily by leasing special access digital T1 transmission lines that we believe facilitate very fast installation times and decreased customer outages. We lease a significant portion of these special access lines through competitively priced bulk purchase agreements with other communications companies and internally manage the service quality on those lines through our multiple network operations centers.

Our proven management team. Our management team has an established track record of accomplishments in the communications industry. Several members of our senior management team and a significant number of additional individuals whom we have employed since we commenced operations in 1998 previously worked together for several years at ACC Corp., which was the first competitive carrier to use a similar network deployment strategy to ours of leasing, rather than building, telephone and data transmission lines. Our executive officers have an average of 19 years of experience in the telecommunications industry and are experienced in the integration of acquired businesses.

Our Strategy

Our objective is to be the most customer- and employee-oriented communications services provider to medium-sized and large businesses and institutions in our markets. To accomplish this objective, we seek to:

Provide superior service and customer care through a highly motivated and committed workforce. We believe that our target customer base, which is composed primarily of medium-sized and large businesses and institutions, is often underserved by traditional telephone companies. Based on our experience, we also believe that many communications providers continue to focus primarily on the technology associated with delivering access, transport and basic voice and Internet access services, rather than on the customer service and consultative sales relationships that attract and retain customers and support the delivery of those services. We seek to gain a competitive advantage and differentiate ourselves from other carriers by building long-term customer relationships based on providing consistent and superior customer service. We believe that our dedicated employee base, employee training programs, billing and back office systems, customer service response teams and reliable network connections provide us with this competitive advantage. We seek to provide incentives to our dedicated workforce, which totaled approximately 4,500 employees at March 31, 2011, through an attractive combination of cash compensation, equity ownership, other benefits, employee recognition awards and a flexible work environment. We believe that this blend of incentives attracts committed, motivated and loyal employees who strive to deliver high levels of service to promote customer satisfaction.

Offer a broad range of advanced and traditional communications services. We offer a flexible variety of network services, including our local and long distance voice services and our integrated data services, as an integrated package that is delivered over the same digital transmission lines. In addition, our flexible network enables us to provide advanced IP-based offerings, such as Voice over Internet Protocol, or VoIP, services and MultiProtocol Label Switching Virtual Private Network, or MPLS VPN, services. We attempt to augment our network services bundle with value-added integrated solutions, such as our proprietary telecommunications management software applications and our network integration offerings, that help to differentiate our services bundle from the services of our competitors and often to attract new customers. As a result, our customers frequently are able to fulfill their communications services requirements through one point of contact and receive a monthly statement of charges for a full range of communications services on one integrated bill.

Work closely with customers to develop end-to-end communications solutions tailored to their particular needs. We believe that our sales and service approach, in which we consult with our customers to design services customized to meet their particular needs, is an effective strategy for attracting and retaining customers with complex communications needs. We have established local sales offices and hired sales personnel in each of our markets to provide an experienced, local account management team that offers face-to-face sales and personalized client care for our entire service offering. We believe that our service-driven customer relationship strategy results in high levels of customer satisfaction and will lead to an increase in demand for our services. By serving the specific needs of customers in several industries, we believe we are well-equipped to attract new customers in those industries and to sell additional services to existing customers.

Use existing customer base and industry expertise to introduce new products and services and to expand selectively into new markets. We use relationships with our customers in existing markets to introduce new products and services. We believe that our close relationships with our customers and our dedication to customer service fosters an environment for the introduction of new products and services that we believe may benefit the customer. We also seek to penetrate markets further and expand our network services business into new markets through our integrated solutions offerings. We frequently use these offerings to establish new customer relationships. Once a customer has purchased one of our offerings, our goal is to become the provider of choice for all of that customer s communications needs by providing superior customer support. As we offer and sell our integrated solutions on a stand-alone basis to customers outside of our markets when we believe it is
economically or strategically advantageous, we seek to use these customers as reference accounts to increase penetration of existing geographic markets and industries with our network services and to expand into new geographic markets and industries.

Selectively supplement internal growth through targeted acquisitions. To supplement our internal growth, we have pursued an acquisition strategy focused on acquisition candidates that fulfill one or more key objectives. The objectives include increasing our penetration of current markets, expanding into new markets, augmenting the geographic scope of our network fiber-based assets (primarily in high density markets), and enhancing our ability to sell and deliver value-added services. We continue to seek acquisition candidates that will add customers and cash flow to our existing network services business or that will enhance our operating efficiencies by lowering access costs through the provision of fiber-based assets. In accordance with this strategy, we focus our acquisition efforts on other competitive carriers, on local and long distance providers, on enhanced service providers, on network integrators and on equipment solution providers. From time to time, we may consider selective acquisitions of those types of businesses that we believe will enhance our package of service offerings, increase our customer base and bring experienced back office, technical and customer service personnel to our company.

Our Corporate Information

PAETEC Holding Corp. was incorporated in Delaware in August 2006. PAETEC Holding Corp. is a holding company that conducts its operations through wholly-owned subsidiaries. The mailing address of PAETEC Holding Corp. s principal executive offices is One PAETEC Plaza, 600 Willowbrook Office Park, Fairport, New York 14450, and its telephone number is (585) 340-2500. We maintain a corporate Internet web site at www.paetec.com. Our website is not a part of this prospectus and is included as an inactive textual reference only.

Table of Contents

The Exchange Offer

In November 2010, PAETEC Holding formed PAETEC Escrow Corporation, or the Escrow Issuer, a Delaware corporation and wholly-owned subsidiary of PAETEC Holding, solely for the purpose of issuing the 9 7/8% Senior Notes due 2018, which we refer to as the original notes. On December 2, 2010, the Escrow Issuer completed the offering of $450,000,000 aggregate principal amount of original notes, and the gross proceeds of the offering, together with certain additional amounts, were deposited into a segregated escrow account. On December 6, 2010, upon the satisfaction of the escrow conditions, PAETEC Holding assumed the Escrow Issuer s obligations and agreements under the original notes, the indenture governing the original notes and the related registration rights agreement, and the proceeds of the offering of the original notes were disbursed from the escrow account and used, together with cash on hand, to pay the merger consideration and the other costs and expenses related to PAETEC Holding s acquisition of Cavalier Telephone Corporation, or Cavalier, on that date.

The offering of the original notes was made in transactions not requiring registration under the Securities Act of 1933, as amended, or Securities Act. In connection with our assumption of the original notes, we entered into a registration rights agreement with the initial purchasers of such notes in which we agreed, among other things, to deliver this prospectus and to complete an exchange offer for the original notes. Below is a summary of the exchange offer.

The Exchange Offer	We are offering to exchange $1,000 principal amount of our 9 7/8% Senior Notes due 2018, which have been registered under the Securities Act and which we refer to as the exchange notes, for each $1,000 principal amount of our outstanding, unregistered original notes. Unless we specify otherwise or the context indicates otherwise, we refer to the exchange notes and the original notes together as the notes.
	To be exchanged, an original note must be properly tendered and accepted. All original notes that are validly tendered and not withdrawn will be exchanged. As of the date of this prospectus, there are $450,000,000 aggregate principal amount of original notes outstanding. We will issue exchange notes promptly after the expiration of the exchange offer.
Resales of Exchange Notes	Based on interpretations by the staff of the Securities and Exchange Commission, or SEC, in no-action letters issued to third parties with respect to other transactions, we believe that the exchange notes issued in the exchange offer may be offered for resale, resold or otherwise transferred by you without compliance with the registration and prospectus delivery requirements of the Securities Act as long as:
	you are acquiring the exchange notes in the ordinary course of your business;
	you have no arrangement or understanding with any person to participate in a distribution of the exchange notes; and
	you are not our affiliate within the meaning of Rule 405 under the Securities Act, which defines affiliate as a person that, directly or indirectly, controls or is controlled by, or is under common control with, a specified person.

Table of Contents

	If you do not satisfy the foregoing conditions, in the absence of an exemption, you must comply with the registration and prospectus delivery requirements of the Securities Act in connection with the resale of the exchange notes. If you fail to comply with these requirements, you may incur liabilities under the Securities Act, and we will not indemnify you for such liabilities.
	Each broker-dealer that receives exchange notes for its own account in exchange for original notes that were acquired as a result of market-making activities or other trading activities must acknowledge that it will comply with the registration and prospectus delivery requirements of the Securities Act in connection with any offer to resell, resale or other transfer of the exchange notes issued in the exchange offer. We have agreed in a registration rights agreement that, for a period beginning on the date the exchange offer is consummated and ending on the earlier of 180 days after the date of this prospectus and the date on which a broker-dealer is no longer required to deliver a prospectus in connection with market-making activities or other trading activities, we will make this prospectus, as amended or supplemented, available to any broker-dealer for use in connection with any such resale. For additional information, see Plan of Distribution.
Expiration Date	The exchange offer will expire at 5:00 p.m., New York City time, on , 2011 unless extended by us.
Withdrawal Rights	You may withdraw tenders of the original notes at any time prior to the expiration of the exchange offer. For additional information, see The Exchange Offer Terms of the Exchange Offer.
Conditions to the Exchange Offer	The exchange offer is subject to customary conditions, which we may waive in our sole discretion, subject to applicable law. For additional information, see The Exchange Offer Conditions to the Exchange Offer. The exchange offer is not conditioned upon the exchange of any minimum principal amount of original notes.
Procedures for Tendering Original Notes	If you wish to accept the exchange offer, you must (1) complete, sign and date the accompanying letter of transmittal, or a facsimile copy of such letter, in accordance with its instructions and the instructions in this prospectus, and (2) mail or otherwise deliver the executed letter of transmittal, together with the original notes and any other required documents, to the exchange agent at the address set forth in the letter of transmittal. If you are a broker, dealer, commercial bank, trust company or other nominee and you hold original notes through The Depository Trust Company, or DTC, and wish to accept the exchange offer, you must do so pursuant to DTC s procedures. For additional information, see The Exchange Offer Procedures for Tendering.

Table of Contents

	If you are a beneficial owner whose original notes are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and you wish to tender your original notes in the exchange offer, we urge you to contact promptly the person or entity in whose name your original notes are registered and instruct that person or entity to tender those notes on your behalf. If you wish to tender original notes in the exchange offer on your own behalf, you must, prior to completing and executing the letter of transmittal and delivering your original notes, either make appropriate arrangements to register ownership of your original notes in your name or obtain a properly completed bond power from the person or entity in whose name your original notes are registered. The transfer of registered ownership may take considerable time.
Guaranteed Delivery Procedures	If you wish to tender your original notes and your original notes are not immediately available or you cannot deliver your original notes, the letter of transmittal or any other required documents to the exchange agent (or comply with the procedures for book-entry transfer) prior to the expiration date, you must tender your original notes according to the guaranteed delivery procedures set forth in The Exchange Offer Guaranteed Delivery Procedures.
Consequences of Failure to Exchange	If you do not exchange your original notes, they will remain entitled to the rights and subject to the limitations contained in the indenture governing the notes. Following the exchange offer, however, all outstanding original notes will continue to be subject to the same restrictions on transfer, and we will have no obligation to register outstanding original notes under the Securities Act or to pay contingent increases in interest based on our original registration obligation.
Use of Proceeds	We will not receive any proceeds from the exchange offer.
Exchange Agent	The Bank of New York Mellon Trust Company, N.A. is serving as the exchange agent in connection with the exchange offer. The address, telephone number and facsimile number of the exchange agent are listed in The Exchange Offer Exchange Agent.

Table of Contents

The Exchange Notes

The exchange offer relates to the exchange of up to $450,000,000 aggregate principal amount of original notes for an equal principal amount of exchange notes. The terms of the exchange notes will be substantially identical to the terms of the original notes, except that the exchange notes are registered under the Securities Act and the transfer restrictions, registration rights and related additional interest terms applicable to the original notes will not apply to the exchange notes. The exchange notes will evidence the same indebtedness as the original notes which they will replace. The exchange notes will be governed by the same indenture as the original notes.

Issuer	PAETEC Holding Corp.
Notes Offered	$450,000,000 aggregate principal amount of 9 $^{7}/_{8}$% Senior Notes due 2018.
Maturity Date	December 1, 2018.
Interest Payment Dates	June 1 and December 1 of each year.
Guarantees	The exchange notes will be guaranteed on a senior unsecured basis by each of our existing and future domestic restricted subsidiaries, other than certain excluded subsidiaries.
Ranking	The exchange notes will be the general senior unsecured obligations of PAETEC Holding and will rank equally in right of payment with all of PAETEC Holding s existing and future senior indebtedness, including the indebtedness under its existing 9.5% Senior Notes due 2015, which we refer to as the 9.5% senior notes. As of the date of this prospectus, PAETEC Holding had outstanding $300 million aggregate principal amount of 9.5% senior notes. The exchange notes will rank senior in right of payment to all of PAETEC Holding s existing and future subordinated indebtedness. The exchange notes will be effectively subordinated in right of payment to all of PAETEC Holding s existing and future secured obligations, to the extent of the value of the collateral securing such obligations. As of March 31, 2011, PAETEC Holding s secured obligations included its senior secured credit facilities and its existing 8 $^{7}/_{8}$% Senior Secured Notes due 2017, which we refer to as the 8 $^{7}/_{8}$% senior secured notes, of which an aggregate principal amount of $650 million was outstanding. We sometimes refer to the 9.5% senior notes and the 8 $^{7}/_{8}$% senior secured notes together as the existing notes. The exchange notes will be structurally subordinated to any existing and future indebtedness and liabilities of our subsidiaries that are not subsidiary guarantors.
	The guarantee of the exchange notes by each subsidiary guarantor will be the general senior unsecured obligation of that subsidiary guarantor and will rank equally in right of payment with all of such subsidiary guarantor s existing and future senior indebtedness, including the guarantees of the 9.5% senior notes. The guarantee of each subsidiary guarantor will rank senior in right of payment to all of

	such subsidiary guarantor s existing and future subordinated indebtedness, and will be effectively subordinated in right of payment to all of such subsidiary guarantor s existing and future secured obligations, including its guarantees of PAETEC Holding s existing senior secured credit facilities and the 8 $^{7}/8$% senior secured notes, to the extent of the value of the collateral securing such obligations.
	As of March 31, 2011, following the closing of the offering of the original notes and our use of the net offering proceeds to pay the merger consideration and other costs and expenses related to our acquisition of Cavalier, we had $1,425 million aggregate principal amount of senior indebtedness outstanding, $675 million of which was senior secured indebtedness.
Optional Redemption	We may redeem some or all of the exchange notes, at any time before December 1, 2014, at a redemption price equal to 100% of their principal amount plus a make-whole premium, together with accrued and unpaid interest, if any, to, but excluding the redemption date. We may redeem some or all of the exchange notes, at any time on or after December 1, 2014, at the redemption prices described in this prospectus, together with accrued and unpaid interest, if any, to, but excluding, the redemption date.
	Before December 1, 2013, we may redeem up to 35% of the aggregate principal amount of the notes and any additional notes initially issued under the indenture that will govern the exchange notes at a redemption price equal to 109.875% of the principal amount thereof, plus accrued and unpaid interest, if any, to, but excluding, the redemption date, with the net cash proceeds of one or more equity offerings, except that at least 65% of the principal amount of the notes and any such additional notes initially issued must remain outstanding immediately after giving effect to such redemption. For additional information, see Description of the Exchange Notes Optional Redemption.
Mandatory Offers to Purchase	If we experience certain kinds of changes of control, we must offer to repurchase the exchange notes at 101% of their principal amount, plus accrued and unpaid interest. For additional information, see Description of the Exchange Notes Certain Covenants Repurchase of Notes Upon a Change of Control.
	If we sell certain of our assets and do not apply the net proceeds to repay indebtedness under our senior secured credit facilities, the 8 $^{7}/8$% senior secured notes or other indebtedness secured on a first-priority basis or to reinvest in our business, we must offer to purchase the exchange notes at 100% of their principal amount, plus accrued and unpaid interest. For additional information, see Description of the Exchange Notes Certain Covenants Limitation on Asset Sales.

Table of Contents

Certain Covenants	The indenture that will govern the exchange notes contains covenants that, among other things, limit our ability and the ability of our restricted subsidiaries to: incur or guarantee additional indebtedness; pay dividends on, redeem or repurchase our capital stock; make investments or repay subordinated indebtedness; engage in sale-leaseback transactions; enter into transactions with affiliates; sell assets; create liens; create restrictions on dividend and other payments to us from our subsidiaries; issue or sell stock of subsidiaries; and engage in a merger or consolidation, or sell, transfer or otherwise dispose of all or substantially all of our assets. All of the covenants are subject to a number of important qualifications and exceptions that are described under Description of the Exchange Notes.
Taxation	The exchange pursuant to the exchange offer generally will not be a taxable event for U.S. federal income tax purposes. Because the original notes were issued with original issue discount, or OID, for U.S. federal income tax purposes, the exchange notes will be treated as having been issued with OID. U.S. holders generally will be required to include such OID in their income as it accrues for U.S. federal income tax purposes in advance of the receipt of any payment on the exchange notes to which the income is attributable. For additional information, see U.S. Federal Income Tax Considerations Consequences to U.S. Holders.

Table of Contents

RISK FACTORS

Before you participate in the exchange offer, you should carefully consider the various risks of the investment, including the risks described below, together with all of the other information included in this prospectus. If any of these risks actually occurs, our business, financial condition or operating results could be adversely affected. These risks also could materially affect our ability to meet our obligations under the exchange notes. You could lose all or part of your investment in, and the expected return on, the exchange notes.

Risks Related to Investing in the Exchange Notes

Our significant level of debt and interest payment obligations may limit our ability to compete and prevent us from meeting our obligations under the exchange notes.

As of March 31, 2011, we had a total of approximately $1,470 million in aggregate principal amount of outstanding indebtedness. This substantial level of indebtedness could have important consequences. For example, it may:

- make it more difficult for us to satisfy our financial obligations, including those relating to the exchange notes;
- require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and other general corporate purposes;
- limit our ability to obtain additional financing to expand our business or alleviate liquidity constraints, as a result of financial and other restrictive covenants in our indebtedness;
- limit our ability to refinance all or a portion of our indebtedness on or before maturity;
- limit our ability to pursue our acquisition strategy;
- increase our vulnerability to general adverse economic and industry conditions;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate; and
- place us at a competitive disadvantage relative to companies that have proportionately less indebtedness.

Despite our significant level of debt, we may still be able to incur more debt and take other actions, including making restricted payments, which could intensify the risks described above.

We may be able to incur significant amounts of debt in the future or take other actions that may impair our ability to repay the exchange notes, subject to compliance with our existing debt agreements. Although our senior secured credit facilities, the indentures governing our existing notes and the indenture that will govern the exchange notes contain or will contain restrictions on our incurrence of additional debt, including secured debt, we could still incur substantial debt in compliance with these restrictions. For example, the indenture that will govern the exchange notes will allow us to incur additional debt if our consolidated leverage ratio, after giving effect to the incurrence, is less than 4.75 to 1.0, and to incur additional secured debt if our secured indebtedness leverage ratio, after giving effect to the incurrence, does not exceed 3.25 to 1.0. In addition, under our senior secured credit facilities, we may incur up to approximately $65 million in aggregate principal amount of incremental term loans, subject to conditions, and up to $50 million in aggregate principal amount of revolving loans. Further, the indenture that will govern the exchange notes will permit us to pay dividends on our common stock, repurchase our common stock and make other restricted payments in an amount that is based in part on the amount by which our cumulative Consolidated EBITDA has exceeded and will exceed 140% of our cumulative Consolidated Interest Expense, as defined under the indenture, since October 1, 2010. If we incur additional debt in the future, the related risks that we face would be increased.

Table of Contents

Covenants under the indenture that will govern the exchange notes and under our other debt agreements may restrict our future operations.

Our senior secured credit facilities, the indentures governing our existing notes and the indenture that will govern the exchange notes impose operating and financial restrictions that limit our discretion to take action on some business matters, which could make it more difficult for us to expand, finance our operations and engage in other business activities that may be in our interest. These restrictions include compliance with or maintenance of certain financial tests and ratios, including a maximum consolidated leverage ratio under our credit facilities, which limit our ability and that of our subsidiaries to:

- incur or guarantee additional indebtedness;
- pay dividends on, redeem or repurchase our capital stock;
- make investments or repay subordinated indebtedness;
- engage in sale-leaseback transactions;
- enter into transactions with affiliates;
- sell assets;
- create liens;
- create restrictions on dividend and other payments to us from our subsidiaries;
- issue or sell stock of subsidiaries; and
- engage in a merger or consolidation, or sell, transfer or otherwise dispose of all or substantially all of our assets.

These restrictions may prevent us from taking actions that we believe would be in the best interest of our business and may make it difficult for us successfully to execute our business strategy or effectively compete with companies that are not similarly restricted. We also may incur future debt obligations that might subject us to additional restrictive covenants that could affect our financial and operational flexibility. We may not be granted waivers or amendments under out debt agreements if for any reason we are unable to comply with the agreements, and may not be able to refinance our debt on terms acceptable to us, or at all. The breach of any of the covenants under our senior secured credit facilities, the indentures governing our existing notes or the indenture that will govern the exchange notes could result in a default under these agreements. An event of default under our debt agreements could permit our lenders or other debt holders to declare all amounts borrowed from them to become due and payable immediately.

We may not be able to repay the exchange notes and our other indebtedness if we do not generate sufficient cash from operations or financings.

Our ability to make payments on or to refinance our indebtedness, including the exchange notes, will depend on our ability in the future to generate cash flows from operations, which is subject to all the risks of our business, and to raise additional funds, including through the offering of equity securities or other debt securities. We may not be able to generate sufficient cash flows from operations for us to repay our indebtedness when such indebtedness becomes due and to meet our other cash needs. If we are unable to generate such cash flows, we may be required to adopt one or more alternatives, such as selling assets, restructuring indebtedness or obtaining additional capital on terms that may be burdensome to our company or unfavorable to the holders of the exchange notes. Our ability to refinance our indebtedness will depend on the capital markets and our financial condition at such time and will be limited by the restrictive covenants in our debt agreements. We may not be able to engage in any of these activities or engage in these activities on advantageous terms, which could cause us to default on our exchange notes and our other debt obligations.

Table of Contents

The exchange notes and the subsidiary guarantees will be effectively subordinated in right of payment to our secured debt.

The exchange notes and the subsidiary guarantees will be general, unsecured obligations of PAETEC Holding and the subsidiary guarantors and will be effectively subordinated in right of payment to all of our secured debt, including our existing senior secured credit facilities and the 8 7/8% senior secured notes, to the extent of the value of the assets securing such debt. As of March 31, 2011, we had $675 million of senior secured debt outstanding and would have had the ability to draw up to $25 million in additional principal amount of borrowings under our senior secured revolving credit facility. Immediately after this offering, we will have the ability to incur additional secured debt under our senior secured credit facilities, the indentures governing the existing notes and the indenture that will govern the exchange notes. Substantially all of our assets have been pledged as collateral to secure repayment of our obligations under our senior secured credit facilities and the 8 7/8% senior secured notes. In the event of a bankruptcy, liquidation, dissolution, reorganization or similar proceeding with respect to PAETEC Holding, such assets would be available to satisfy obligations under the secured debt before any payment could be made on the exchange notes. In addition, to the extent such assets were insufficient to satisfy in full our secured debt, the holders of such secured debt would have a claim for any shortfall that would rank equal in right of payment with the exchange notes. Accordingly, there may only be a limited amount of assets available to satisfy your claims as a holder of exchange notes upon any acceleration of payment of the exchange notes upon the occurrence of any such proceeding.

The indenture that will govern the exchange notes permits us to form a holding company that would be permitted to take actions that may not be consistent with the best interests of the holders of the exchange notes.

The indenture that will govern the exchange notes permits us to form a separate holding company that would be the parent company of PAETEC Holding and PAETEC Holding s subsidiaries. If such a holding company were formed, some of the restrictive covenants contained in the indenture would apply only to PAETEC Holding and PAETEC Holding s subsidiaries and not to the new holding company. As a result, the new holding company could take actions, such as using cash for purposes unrelated to debt service, which may not be consistent with your best interests.

We may be unable to repurchase the exchange notes in the event of a change of control of our company.

Upon the occurrence of a change of control (as defined in the indenture that will govern the exchange notes), the holders of the exchange notes will have the right to require us to repurchase their exchange notes at a price equal to 101% of the principal amount of the exchange notes, together with any accrued and unpaid interest, if any, to the date of repurchase. If a change of control occurs, we may not have sufficient funds available to meet our repurchase obligations. Accordingly, we may be unable to pay the holders of the exchange notes the change of control purchase price for their exchange notes. Our failure to pay the change of control purchase price when due would constitute a default under the indenture that will govern the exchange notes and would give the trustee thereunder and the holders of the exchange notes the rights described in Description of the Exchange Notes Events of Default and Remedies.

The holders of our existing notes have the right to require us to repurchase all of their notes at the same repurchase price upon the occurrence of the same change of control event. Under our senior secured credit facilities, a change of control is an event of default that would permit the lenders thereunder to accelerate all amounts outstanding under the facilities. If such indebtedness is not paid, such lenders may enforce their security interests in the collateral securing our secured indebtedness, thereby limiting our ability to raise cash to purchase the exchange notes and reducing the practical benefit to the holders of the exchange notes of the repurchase provisions of the indenture that will govern the exchange notes. In addition, the terms of our senior secured credit facilities prevent us, and the terms of our future indebtedness may prevent us, from paying you if there is a change of control of our company.

Table of Contents

The definition of change of control in the indenture that will govern the exchange notes will include a phrase relating to the sale, conveyance, transfer or lease of all or substantially all of our assets. There is no precise established definition of the phrase substantially all under applicable law. Accordingly, the ability of a holder of the exchange notes to require us to repurchase exchange notes as a result of a sale, conveyance, transfer or lease of less than all of our assets to another person may be uncertain.

Federal and state fraudulent conveyance laws may permit a court to void the exchange notes and the subsidiary guarantees, and, if that occurs, you may not receive any payments on the exchange notes or the subsidiary guarantees.

The issuance of the exchange notes and the subsidiary guarantees may be subject to review under federal and state fraudulent conveyance statutes. Although the relevant laws may vary from state to state, the payment of consideration generally will be a fraudulent conveyance under such laws if:

- it was paid with the intent of hindering, delaying or defrauding creditors; or
- we or any subsidiary guarantor received less than reasonably equivalent value or fair consideration in return for issuing either the exchange notes or a subsidiary guarantee, as applicable, and either:
  - we or the subsidiary guarantor was insolvent or rendered insolvent by reason of the incurrence of the debt;
  - payment of the consideration left us or the subsidiary guarantor with an unreasonably small amount of capital to carry on our or its business; or
  - we or the subsidiary guarantor intended to, or believed that we or it would, incur debts beyond our or its ability to pay the debt.

If a court were to find that the issuance of the exchange notes or a subsidiary guarantee was a fraudulent conveyance, the court could void the payment obligations under the exchange notes or such subsidiary guarantee or subordinate the exchange notes or such subsidiary guarantee in right of payment to existing and future debt, or require the holders of the exchange notes to repay any amounts received with respect to the exchange notes or such subsidiary guarantee. In the event of a finding that a fraudulent conveyance occurred, you may not receive any repayment on the exchange notes, may not have a claim against the subsidiary guarantor and may only be a general unsecured creditor of us or our subsidiary.

The subsidiary guarantees also could be subject to the claim that, because they were incurred for our benefit (and only indirectly for the benefit of the subsidiary guarantors), the obligations of the subsidiary guarantors were incurred for less than reasonably equivalent value or fair consideration. A court could then void a subsidiary guarantor s obligation under its subsidiary guarantee, subordinate the subsidiary guarantee in right of payment to other debt of the subsidiary guarantor or take other action detrimental to your interests as a holder of exchange notes.

We are a holding company and conduct all of our operations exclusively through our subsidiaries. Our only significant assets are the capital stock of our subsidiaries. If the subsidiary guarantees are unenforceable, your interests would be effectively subordinated in right of payment to all of our subsidiaries debt and other liabilities, including liabilities to trade creditors.

There is currently no public market for the exchange notes and an active trading market may not develop for the exchange notes. The failure of a market to develop for the exchange notes could adversely affect the liquidity and value of the exchange notes.

The exchange notes will be a new issue of securities for which there is no established trading market. There can be no assurance that a trading market for the exchange notes will develop or as to the liquidity of any market that may develop. If an active trading market for the exchange notes does not develop, the market price and liquidity of the exchange notes may be adversely affected.

14

Table of Contents

The liquidity of any trading market for the exchange notes and future trading prices of the exchange notes will depend on many factors, including, among others, the number of holders of the exchange notes, prevailing interest rates, our operating results, financial performance and prospects, the interest of securities dealers in making a market in the exchange notes, and the market for similar securities and the overall securities market, and may be adversely affected by unfavorable changes in these factors. Historically, the market for non-investment grade debt securities has been subject to disruptions that have caused substantial fluctuations in the prices of such securities. Any trading market for the exchange notes may be subject to similar disruptions, which could adversely affect the value of the exchange notes.

The initial purchasers of the original notes have informed us that they intend to make a market in the exchange notes after this offering is completed. However, the initial purchasers are not obligated to do so and may cease any market-making activities at any time without notice in their sole discretion. We do not intend to apply for a listing of the exchange notes on any national securities exchange or for the inclusion of the exchange notes on any automated dealer quotation system.

Risks Related to Our Business

PAETEC s business and operations are subject to a number of risks and uncertainties, including the following:

Deterioration in the global economy has had, and may continue to have, a negative impact on PAETEC s business.

PAETEC believes that the financial and economic pressures faced by its business customers in the current environment of diminished consumer spending, corporate downsizing and tightened credit have had, and may continue to have, an adverse effect on billable minutes of use and on customer attrition rates. These pressures also have resulted in, and may continue to result in, increased customer demands for price reductions in connection with contract renewals.

If PAETEC cannot continue to interconnect with and obtain key network elements and special access services from some of its primary competitors on acceptable terms, it may not be able to offer its voice and data services on a profitable basis, if at all.

PAETEC will not be able to provide its voice and data services on a profitable basis, if at all, unless it is able to continue to interconnect with and obtain key network elements and special access services from some of PAETEC s primary competitors on acceptable terms. To offer voice and data services in a market, PAETEC must interconnect its network with the network of the incumbent carrier in that market. This relationship is governed by interconnection agreements between the incumbent carrier and PAETEC that are based on provisions of the Telecommunications Act of 1996, or the Telecom Act, obligating incumbent carriers to interconnect with competitive carriers and provide them with access to various elements of the incumbent s network on an unbundled basis at cost-based prices. In February 2011, the Federal Communications Commission, or FCC, asked in a notice of proposed rulemaking whether and how it should encourage carriers to transition to Internet Protocol, or IP, interconnection, and how IP interconnection fits within existing legal and technical frameworks. To the extent that the FCC determines that IP interconnection between PAETEC and incumbent carriers is not governed by the Telecom Act, PAETEC s ability to interconnect and exchange traffic with incumbent carriers on reasonable rates, terms, and conditions could be adversely affected.

Additional changes in law or regulation that limit PAETEC s ability to use key network elements of the incumbent carrier may have an adverse impact on the company s ability to serve its end-user customers. PAETEC must interconnect with and lease from incumbent carriers last mile facilities, which for services offered to PAETEC s business customers, include special access digital T1 transmission lines and unbundled

15

network element, or UNE, digital T1 transmission lines and other elements. To serve the consumer customers of Cavalier that purchase basic telephony services or digital subscriber line services, the last mile facilities include DS0 and 2-wire UNE loops. Access to last mile special access digital T1 transmission lines is governed by each incumbent local exchange carrier s special access tariffs or contract tariffs. These tariffs can be changed and the prices for the services increased. Interconnection agreements can be terminated or expire and thereby require renegotiation and renewal. Current FCC rules permit the regional Bell operating companies, or RBOCs, to retire unilaterally without any regulatory oversight last mile copper loop facilities that PAETEC has used historically to reach its customers and, after its acquisition of Cavalier, now also uses to reach many of its new customers served by DS0 and 2-wire UNE loops. As incumbent carriers replace copper facilities with fiber loop facilities that the FCC has declared are not subject to unbundling obligations for serving consumer and very small business customers, such carriers may be able to eliminate PAETEC s access to last mile facilities that it requires. Several competitive broadband carriers, including PAETEC, have petitioned the FCC to change the rules governing copper loop retirement to protect access to these last mile facilities, but the FCC has not yet made any decision on the petition.

Revised FCC policy or rules governing intercarrier compensation could have a material adverse effect on PAETEC s operating results.

Adoption of significant changes in policy or rules governing intercarrier compensation by the FCC and the time frame over which changes are to be implemented could have a material adverse effect on PAETEC s collection and payment of reciprocal compensation and access fees. Intercarrier compensation, including exchange access and reciprocal compensation, currently is the subject of several ongoing proceedings before the FCC that are intended to reform the way in which carriers and service providers pay other carriers and providers for the use of their respective networks. In February 2011, the FCC issued a notice of proposed rulemaking in which it proposed some initial changes to the rules governing intercarrier compensation, and more generally proposed significant reforms to intercarrier compensation over a number of years. The initial proposed reforms would clarify specific calling party information that all service providers are to attach to traffic to ensure that all existing traffic may be billed and to clarify the applicable intercarrier compensation rate for interconnected VoIP traffic. In addition, the FCC proposed rules to reduce access rates a service provider may charge when it chooses to directly or indirectly share access revenues with a third party that causes a large amount of traffic to originate or terminate through that service provider s network. The FCC has proposed in the long term to reduce or eliminate intercarrier compensation and requested comment on the timing, speed, and sequencing of how to reduce current rates for categories of traffic that are subject to different compensation rates today. Given the breadth of questions on which the FCC seeks comment, there is no clear indication as to how the FCC will modify rules governing intercarrier compensation.

PAETEC s business is subject to a variety of risks based on its dependence on regulations that continue to change.

Most of the network services and carrier services that PAETEC provides are subject to regulation and may be adversely affected by regulatory developments at the federal, state and local levels. For example, the regulations can affect the types of services PAETEC may offer, the rates PAETEC is permitted to charge for its services and for the use of its network by other carriers, the manner in which PAETEC may bill its customers and the rates PAETEC must pay others for their services and for the use of their networks. Services offered to residential customers and small business customers typically are subject to more extensive regulation than services offered to medium-sized and large business customers, and some sales techniques such as telemarketing typically used to market services to consumers and very small business customers are subject to regulations that do not apply to service provided through direct or agent sales channels. In addition, the regulations may impose specific operational or compliance requirements related to the protection of customer proprietary network information, capability to associate a physical address with a calling party s telephone number, or cooperation with law enforcement officials engaged in lawful communication interception or monitoring activities. All of these requirements may reduce the revenue PAETEC generates from its operating activities or increase its

Table of Contents

operating costs. Federal and state regulations also determine the level of contribution payments PAETEC must make to the federal Universal Service Fund and other federal and state telecommunications subsidy programs, as well as the terms under which it may use any rights-of-way necessary for the operation of its business. If PAETEC fails to comply with applicable regulations, or if the regulations change in a manner adverse to PAETEC, its business and operating results may suffer.

If PAETEC is required to reduce the prices it charges for some or all of its network services, PAETEC s profitability may be negatively affected and its ability to continue to generate positive cash flows from operations may be diminished.

PAETEC may be required to reduce the prices it charges for some or all of its network services, which could adversely affect its profit margins and its ability to generate positive cash flows from operations, for the following reasons:

- the incumbent carriers in the markets PAETEC serves already offer a bundle of local, long distance and data services that is the same as or similar to, and in some cases more robust than, the bundle of services that PAETEC offers;

- PAETEC s current and potential customers are increasingly using Voice over Internet Protocol, or VoIP, which could reduce or eliminate long distance revenues generated by those customers;

- Cavalier s residential service offering competes with consumer wireless services and providers such as Vonage Holdings Corp., magicjack, LP, Google Inc., Skype Inc. and cable companies that use IP technology, all of which offer services using either their private IP networks or the public Internet to access their customers;

- the mergers between AT&T Inc. and SBC Communications, Inc., between MCI, Inc. and Verizon Communications Inc., and between AT&T and BellSouth Corporation, as well as the proposed merger between CenturyLink, Inc. and Qwest Corporation, provide, or are expected to provide, these carriers with significant operating efficiencies and substantially greater marketing, financial and technical resources as they compete with PAETEC;

- regulatory authorities generally have decreased their oversight of incumbent carriers, including wholesale obligations of these carriers, and from time to time are asked to forbear from applying a range of regulations to incumbent carriers, which may increase the benefits these companies obtain from their longstanding customer relationships and facilitate their ability to reduce prices for local and other network services by offsetting those reductions with revenue or profits generated by unrelated businesses, products or services;

- states, or the FCC, if it elects to preempt state jurisdiction, may impose limits on intrastate access rate levels that competitive carriers such as PAETEC may charge interexchange carriers when providing switched access services on intrastate long distance traffic; and

- regulatory authorities have permitted incumbent carriers to exercise pricing flexibility in setting the rates they charge for some of the network services that PAETEC also provides, rather than requiring these incumbent carriers to charge set rates.

Industry consolidation and realignment may increase PAETEC s costs.

Before their respective mergers, AT&T and MCI offered some network services and elements in competition with the incumbent carriers, including high-speed circuits (DS1 and DS3 and OCN), interoffice transport and last mile access loops to some premises. The mergers between AT&T and SBC and between AT&T and BellSouth have increased the cost of the high-speed circuits that PAETEC leases to connect its customers to PAETEC s switching equipment. The merger between MCI and Verizon also could increase the cost of similar high-speed circuits in the Verizon region by reducing the number of providers that offer those high-speed

Table of Contents

circuits. PAETEC also may incur increased circuit costs in portions of the Qwest region, where these large incumbents may not have a significant presence. Such a development could decrease the competitive pressure on other carriers to maintain low rates for these circuits. The expansion of operations of medium-sized incumbent carriers into markets served by PAETEC, either through merger or the sale of exchanges by an RBOC to a smaller incumbent carrier, may negatively affect PAETEC s operations if the non-RBOC incumbent carrier has less sophisticated systems and more costly terms for interconnection and access to last mile facilities. As a result of its proposed acquisition of Qwest announced in April 2010, CenturyLink will become the incumbent local exchange carrier in the existing Qwest 14-state region. In its filings to secure regulatory approval of the transaction, CenturyLink has not agreed to use the legacy Qwest operational support systems after 30 months following the transaction closing date. If CenturyLink subsequently attempts to change the existing Qwest operational support systems to significantly less advanced systems, such a change would negatively affect PAETEC s ability to serve its existing customers and obtain new customers, and would increase PAETEC s operating costs.

PAETEC s operating performance will suffer if it is not offered competitive rates for the access services PAETEC needs to provide its long distance services.

PAETEC depends on other telecommunications companies to originate and terminate a significant portion of the long distance traffic initiated by PAETEC s network services customers. Access charges historically have made up a significant percentage of the overall cost associated with the provision of long distance service by PAETEC. If the volume of long distance traffic PAETEC carries remains substantial, its operating performance will suffer if it is not offered these access services at rates that are substantially equivalent to the rates charged to its competitors or that otherwise do not enable it to have profitable pricing of its long distance services.

PAETEC s customer churn rate may increase, which could have an adverse effect on PAETEC s revenues.

Higher customer churn, or attrition, rates could adversely impact PAETEC s revenue growth, while a sustained or significant growth in the churn rate could have a material adverse effect on PAETEC s financial condition. Customer churn occurs when a customer discontinues service with PAETEC either voluntarily, such as when a customer switches to a competitor, or involuntarily, such as when a customer goes out of business. Changes in the economy, increased competition from other providers, the types of customers PAETEC serves, or issues with PAETEC s service quality could increase the company s customer churn rate. PAETEC anticipates that lower prices offered by PAETEC s competitors may contribute to greater customer churn. In addition, the churn rate may increase because the rate of attrition of small business and residential customers, many of which PAETEC acquired through its acquisition of Cavalier, is traditionally higher than the attrition rate for larger enterprise customers.

If PAETEC does not compete effectively in the highly competitive market for network services, it could lose customers and revenue and may face more difficulties as it expands in existing markets and enters new markets.

The telecommunications industry is highly competitive, particularly with the advent of new technologies replacing traditional public switched telecommunications networks in favor of services transmitted over the Internet. This increased level of competition could diminish PAETEC s market share and affect PAETEC s ability to expand PAETEC s business. PAETEC will compete with current and potential market entrants, including:

- AT&T, Qwest, Verizon and CenturyLink, which are the large, former monopoly local telephone companies and their successors;
- other competitive carriers, competitive access providers, Internet service providers and stand-alone VoIP providers; and
- for consumer services offered by Cavalier, wireless services providers such as Vonage, magicjack, Google and Skype, and cable companies.

Table of Contents

Many of the competitors identified above have significantly greater market presence, engineering and marketing capabilities, and financial, technological and personnel resources than PAETEC. Additionally, some of these competitors are currently subject to substantially less regulation than competitive and incumbent carriers and claim to be exempt from a number of taxes and regulatory charges that PAETEC is required to pay. As a result, PAETEC s competitors may be able to develop and expand their network infrastructures and service offerings more efficiently or more quickly, adapt more swiftly to new or emerging technologies and changes in customer requirements, take advantage of acquisitions and other opportunities more readily, and devote greater resources to the marketing and sale of their products and services than PAETEC.

Changes in technology, service offerings and customer preferences could affect PAETEC s ability to compete in the marketplace for telecommunications and information services.

PAETEC faces rapid and significant changes in technology. PAETEC s ability to retain existing customers and attract new customers will be impaired if PAETEC is unable to deliver new technologies and services that have significant customer acceptance, to adopt those new technologies and offer those new services in a timely and effective manner, and to compete successfully against other service providers that introduce the same or similar new technologies and offer substantially similar new services. The telecommunications industry has changed significantly over the past several years and is continuing to evolve rapidly. Emerging technologies and services, such as VoIP applications, broadband services and advanced wireless offerings, are altering the economic conditions under which the telecommunications and information services industry operates. New technologies also could lead to the development of new, more convenient and cost-effective services. In addition, the preferences and requirements of customers are rapidly changing. For example, telecommunications customers are increasingly using wireless forms of communication, such as handheld Internet-access devices and mobile phones. The use of wireless communications has resulted in a decline in the volume of voice traffic carried by traditional wireline telecommunications networks and likely has resulted in a decrease in the average minutes of use generated by customers of wireline communications services providers, including PAETEC. In addition, a significant percentage of residential customers in the United States have stopped subscribing to any landline telephone service and rely exclusively on wireless services, which PAETEC currently does not offer. PAETEC expects these trends to continue.

The development and offering of new services in response to new technologies or consumer demands may require PAETEC to increase its capital expenditures significantly. For instance, PAETEC may be required to convert its existing network to a network using more advanced technology. If PAETEC is unable successfully to install or operate new network equipment or convert its network, or if the technology choices PAETEC makes prove to be incorrect, ineffective or unacceptably costly, PAETEC may not be able to compete effectively. In addition, new technologies may be protected by patents or other intellectual property laws, and, therefore, may be available only to PAETEC s competitors.

If PAETEC does not successfully implement its acquisition strategy, its acquisition of other businesses could harm PAETEC s results of operations and financial condition.

As part of PAETEC s growth strategy, PAETEC seeks to supplement internal expansion through targeted acquisitions. PAETEC is subject to various risks in connection with any acquisitions or series of acquisitions, including the risks that PAETEC:

- may be unable to realize anticipated cost savings or operating efficiencies, to retain skilled management, technical, sales and back office personnel of acquired companies, to maintain uniform standards, controls, procedures and policies throughout all of its acquired companies, or to manage successfully the risks associated with its entry into new geographical, customer or product markets in which it has little or no experience;

- may suffer adverse developments in its relationships with vendors, face brand awareness issues related to the acquired assets or customers, be forced to limit the attention it can devote to any one acquired company, and suffer disruption of its ongoing business operations as a result of its acquisition and integration activities;

- may encounter resistance by customers of acquired companies to PAETEC s marketing programs, pricing levels or services and may not successfully incorporate the services of acquired businesses into PAETEC s package of service offerings or successfully integrate the network equipment, billing and operating support systems of acquired businesses; and

- may experience difficulties in evaluating the historical or future financial performance of the acquired companies.

Even if acquired companies eventually contribute to an improvement in PAETEC s operating results or financial condition, the acquisitions may adversely affect PAETEC s operating results and financial condition in the short term. PAETEC s operating results may decrease as a result of transaction-related expenses PAETEC records for the period in which it completes an acquisition. PAETEC s operating results may be further reduced by the higher operating and administrative expenses PAETEC may incur in the periods immediately following an acquisition as PAETEC integrates the acquired business into its operations.

Any significant impairment of PAETEC s goodwill would lead to a decrease in PAETEC s assets and a reduction in its net operating performance.

At March 31, 2011, PAETEC had goodwill of approximately $443.8 million, which constituted approximately 22.1% of PAETEC s total assets at that date. If PAETEC makes changes in its business strategy or if market or other conditions adversely affect its business operations, PAETEC may be forced to record an impairment charge, which would lead to a decrease in the company s assets and reduction in net operating performance. For 2008, PAETEC recorded a goodwill impairment charge of $355.0 million. PAETEC tests goodwill for impairment annually or whenever events or changes in circumstances indicate an impairment may have occurred. If the testing performed indicates that impairment has occurred, PAETEC is required to record an impairment change for the difference between the carrying value of the goodwill and the implied fair value of the goodwill in the period in which the determination is made. The testing of goodwill for impairment requires PAETEC to make significant estimates about the future performance and cash flows of the company, as well as other assumptions. These estimates can be affected by numerous factors, including changes in economic, industry or market conditions, changes in underlying business operations, future reporting unit operating performance, existing or new product market acceptance, changes in competition, or changes in technologies. Any changes in key assumptions, or actual performance compared with those assumptions, about PAETEC s business and its future prospects or other assumptions could affect the fair value of one or more reporting units, and result in an impairment charge.

Adverse developments in the credit and capital markets may negatively affect PAETEC s ability to raise additional capital.

Adverse conditions in the debt security and syndicated loan markets, which have significantly reduced the availability of corporate credit, are continuing to affect the global financial system and equity markets. PAETEC s ability to access the debt and equity markets may be restricted at a time when it would like, or need, to access such markets. Such reduced access could have an adverse effect on PAETEC s flexibility to react to changing economic and business conditions. Further, the disruptions in the financial markets have had, and may continue to have, an adverse effect on the market value of PAETEC s common stock, which could make it more difficult or costly for the company to raise capital through an offering of its equity securities.

If PAETEC is unable to raise additional capital, its ability to expand its business and to meet its obligations will be limited.

The development and expansion of PAETEC s network will require substantial capital investment. If PAETEC chooses to accelerate the expansion of its business, PAETEC will require additional capital. PAETEC also may require additional capital to fund payments of its indebtedness as an increasing amount of such indebtedness becomes due and payable. If PAETEC cannot successfully obtain additional equity or debt financing for necessary purposes on acceptable terms, PAETEC could be at a competitive disadvantage relative to competitors with significant capital or the ability to raise significant capital for expansion. The terms of any financing PAETEC does obtain may be burdensome to PAETEC.

If PAETEC does not continue to attract and retain qualified personnel and independent sales agents or retain its key management, PAETEC may not be able to execute its business plan.

PAETEC faces competition for qualified personnel, including management, technical and sales personnel. PAETEC also relies on a large number of independent sales agents to market and sell PAETEC s services. If PAETEC is unable to attract and retain experienced and motivated personnel, including a large and effective direct sales force, a substantial number of independent sales agents, and qualified information technology and other back office personnel, PAETEC may not be able to obtain new customers or effectively service existing customers, or sell sufficient amounts of service to execute PAETEC s business plan. Additionally, the loss of key management personnel could impair PAETEC s ability to implement its acquisition integration plan and execute its business strategy, which could hinder PAETEC s ability to sustain profitable operations.

Failure to obtain and maintain necessary permits and rights-of-way could interfere with PAETEC s network infrastructure and operations.

To obtain and maintain rights-of-way and similar rights and easements needed to install, operate and maintain fiber optic cable and its other network elements, PAETEC must negotiate and manage 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 interfere with PAETEC s operations, interfere with its network infrastructure and adversely affect PAETEC s business. For example, if PAETEC loses access to a right-of-way, it may need to spend significant sums to remove and relocate its facilities.

PAETEC and other industry participants are frequently involved in disputes over issues that, if decided adversely to PAETEC, could harm PAETEC s financial and operational prospects.

PAETEC anticipates that it will continue to be subject to risks associated with the resolution of various disputes, lawsuits, arbitrations and proceedings affecting PAETEC s business. The deregulation of the telecommunications industry, the implementation of the Telecom Act, the evolution of telecommunications infrastructure from time-division multiplexing to Internet Protocol, and the financial distress of many carriers in the telecommunications industry as a result of continued competitive factors and financial pressures have resulted in the involvement of numerous industry participants, including PAETEC, in disputes, lawsuits, proceedings and arbitrations before state and federal regulatory commissions, private arbitration organizations such as the American Arbitration Association, and courts over many issues that will be important to PAETEC s financial and operational success. These issues include the interpretation and enforcement of existing interconnection agreements and tariffs, the terms of new interconnection agreements, operating performance obligations, intercarrier compensation, treatment of different categories of traffic (for example, traffic originated or terminated on wireless networks or VoIP), the jurisdiction of traffic for intercarrier compensation purposes, the wholesale services and facilities available to PAETEC, the prices PAETEC will pay for those services and facilities, and the regulatory treatment of new technologies and services.

PAETEC s business could suffer if third parties successfully claim that PAETEC has infringed their intellectual property rights.

The dependence of the telecommunications industry on proprietary technology has resulted in increasingly frequent litigation based on allegations of the infringement of patents and other intellectual property. PAETEC may be subject to litigation to defend against claimed infringement of the rights of others or to determine the scope and validity of the proprietary rights of others. Regardless of its merits, any intellectual property litigation could be time-consuming and costly and could divert management s time and attention from PAETEC s business operations.

Table of Contents

If PAETEC is unable to maintain or enhance its back office information systems, PAETEC may not be able to increase its revenue as planned or to compete effectively.

Sophisticated back office information systems are vital to PAETEC s revenue growth and PAETEC s ability to monitor costs, bill customers, initiate, implement and track customer orders, and achieve operating efficiencies. To increase revenue, PAETEC must select products and services offered by third-party vendors and efficiently integrate those products and services into PAETEC s existing back office operations. PAETEC may not successfully implement these products, services and systems on a timely basis, and PAETEC s systems may fail to perform as the company expects. A failure or delay in the expected performance of PAETEC s back office systems, or a failure or delay in effectively integrating the back office systems of acquired companies with PAETEC s back office systems, could slow the pace of PAETEC s expected revenue growth or harm PAETEC s competitiveness by adversely affecting PAETEC s service quality, which could lead to a loss of existing customers or a failure to attract and retain new customers. PAETEC s business could suffer similar harm if incumbent local exchange carriers are permitted under applicable regulation to modify or degrade substantially any existing operational support systems that are used by PAETEC s back office systems to order network elements or other services, correct service problems, and bill customers.

Network failures or system breaches could cause delays or adversely affect PAETEC s service quality, which may cause it to lose customers and revenue.

In operating its network, PAETEC must maintain connections for, and manage, a large number of customers and a large quantity of traffic at high speeds. Any failure or perceived failure to achieve or maintain high-speed data transmission could significantly reduce demand for PAETEC s services and adversely affect PAETEC s operating results. In the past, PAETEC has experienced outages, such as temporary switch outages, that have prevented it from providing uninterrupted services to some of its customers. Such outages have resulted in lost revenue and could cause PAETEC to lose customers. In the future, PAETEC may experience similar or more severe outages or other network failures or breaches. Computer viruses, break-ins, human error, natural disasters and other problems also may disrupt PAETEC s network. The network security and stability measures PAETEC implements may be circumvented in the future or otherwise fail to prevent the disruption of PAETEC s services. The costs and resources required to eliminate computer viruses and other security problems may result in interruptions, delays or cessation of services to PAETEC s customers, which could result in reduced demand for PAETEC s services, decrease PAETEC s revenue and slow PAETEC s planned expansion.

If PAETEC s network or other ground facilities are damaged by natural catastrophes or terrorism, PAETEC s ability to provide services may be interrupted and the quality of PAETEC s services may be adversely affected.

A major earthquake, hurricane, tornado, fire, terrorist attack on the United States, or other catastrophic event could damage PAETEC s network, network operations centers, central offices or corporate headquarters. Such an event could interrupt PAETEC s services, adversely affect service quality and harm PAETEC s business. PAETEC does not have replacement or redundant facilities that it can use to provide alternative means of service to all customers or under every circumstance in the event of a catastrophic event. Any damage to PAETEC s network could result in degradation of PAETEC s service for some customers and could result in complete loss of service in affected areas.

Future sales of PAETEC s common stock in the public market could lower the price of PAETEC common stock and impair PAETEC s ability to raise funds in future securities offerings.

Future sales of a substantial number of shares of PAETEC common stock in the public market, or the perception that such sales could occur, could adversely affect the prevailing market price of PAETEC common stock and could make it more difficult for PAETEC to raise funds through a public offering of its equity securities. PAETEC stockholders with rights under existing registration rights agreements will have the benefit, subject to limitations and qualifications, to registration rights with respect to their PAETEC common stock that would permit the sale of such common stock in the public market.

Table of Contents

If PAETEC fails to maintain proper and effective internal control over financial reporting or fails to implement any required changes, PAETEC s ability to produce accurate financial statements could be impaired, which could increase its operating costs and adversely affect its ability to operate its business.

PAETEC is required to provide annual management assessments of the effectiveness of its internal control over financial reporting and to provide reports by PAETEC s independent registered public accounting firm addressing the effectiveness of internal control over financial reporting. Ensuring that PAETEC has adequate internal control over financial reporting so that PAETEC can produce accurate financial statements on a timely basis is a costly and time-consuming effort. Implementing any required changes to PAETEC s internal controls may require modifications to PAETEC s existing accounting systems or the engagement of additional accounting personnel. Any failure to maintain adequate internal controls, or the inability to produce accurate financial statements on a timely basis, could increase PAETEC s operating costs and impair PAETEC s ability to operate its business.

Table of Contents

FORWARD-LOOKING STATEMENTS

Some of the statements included in this prospectus constitute forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended, or Exchange Act. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, financial position, levels of activity, performance or achievements to be materially different from any future results, financial position, levels of activity, performance or achievements expressed or implied by such forward-looking statements. In some cases, you can identify these statements by forward-looking words such as anticipate, believe, could, estimate, expect, intend, may, plan, potential, should, will and would, or similar words. You should read statements that contain carefully because they discuss our expectations concerning our future results of operations or financial position, or state other forward-looking information. There may be events in the future, however, that we are not able to control or predict accurately. The risks described in the section entitled Risk Factors in this prospectus and in the other information included in this prospectus provide examples of risks, uncertainties and events that may cause our actual results to differ materially from the expectations that we describe in the forward-looking statements. The occurrence of the events described in such risks and other information could have a material adverse effect on our business, results of operations and financial position and could materially adversely affect our ability to meet our obligations under the exchange notes.

We cannot guarantee future results, levels of activity, performance or achievements. You should not place undue reliance on the forward-looking statements included in this prospectus, which apply only as of the date as of which such statements are made. Except as required by law, we expressly disclaim any duty to update the forward-looking statements, and the estimates and assumptions associated with them, after the date as of which such statements are made, whether to reflect changes in circumstances or our expectations, the occurrence of unanticipated events, or otherwise.

Table of Contents

USE OF PROCEEDS

We will not receive any cash proceeds from the issuance of the exchange notes in the exchange offer. In consideration for issuing the exchange notes, we will receive in exchange the original notes in the same principal amount. The terms of the exchange notes will be substantially identical to the terms of the original notes, except that the transfer restrictions, registration rights and related additional interest terms applicable to the original notes will not apply to the exchange notes. The original notes surrendered in exchange for the exchange notes will be retired and canceled and may not be reissued. Accordingly, issuance of the exchange notes will not result in any increase in our outstanding indebtedness or in the obligations of the guarantors of the notes.

Table of Contents

RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth our consolidated ratios of earnings to fixed charges for the periods indicated.

Year Ended December 31,					Three Months Ended March 31,	
2006	2007	2008	2009	2010	2010	2011
1.58	1.27	(1)	(1)	(1)	(1)	(1)

(1) Earnings were insufficient to cover fixed charges by $398.1 million for the year ended December 31, 2008, $30.0 million for the year ended December 31, 2009, $58.7 million for the year ended December 31, 2010, $10.5 million for the three months ended March 31, 2010 and $11.3 million for the three months ended March 31, 2011. As a result, the ratio of earnings to fixed charges was less than 1.0 for each of such periods.

For purposes of calculating the ratio of earnings to fixed charges for each period, earnings consists of the sum of pre-tax income (loss) from continuing operations, fixed charges, and amortization of capitalized interest, all less capitalized interest. Fixed charges for each period consist of the sum of interest expensed and capitalized, amortized premiums, discounts and capitalized expenses related to indebtedness and the estimated portion of rental expense deemed by us to be representative of the interest factor of rental payments under operating leases.

Table of Contents

SELECTED HISTORICAL CONSOLIDATED FINANCIAL AND OPERATING DATA

The selected consolidated statements of operations data, consolidated balance sheet data, other financial data and operating data reflect the financial results of PAETEC Corp., as predecessor to PAETEC Holding, and PAETEC Corp. s wholly-owned subsidiaries. After February 28, 2007, the date of completion of the merger transaction with US LEC Corp., or US LEC, the accompanying selected data include the accounts of PAETEC Holding and its wholly-owned subsidiaries, including PAETEC Corp. and PAETEC Corp. s wholly-owned subsidiaries and US LEC and US LEC s wholly-owned subsidiaries. After February 8, 2008, the date of completion of the merger transaction with McLeodUSA Incorporated, or McLeodUSA, the accompanying selected data include the foregoing accounts as well as the accounts of McLeodUSA and McLeodUSA s wholly-owned subsidiaries. As of December 6, 2010, the date of completion of the merger transaction with Cavalier, the accompanying selected data include the foregoing accounts as well as the accounts of Cavalier and Cavalier s wholly-owned subsidiaries.

The following tables show the selected consolidated statements of operations data, consolidated balance sheet data, other financial data and operating data of PAETEC Corp. as of and for the year ended December 31, 2006 and of PAETEC Holding as of and for the years ended December 31, 2007, 2008, 2009, and 2010. The selected consolidated statements of operations data and other financial data for the years ended December 31, 2008, 2009 and 2010 and the selected consolidated balance sheet data as of December 31, 2009 and 2010 are derived from PAETEC s audited consolidated financial statements prepared in accordance with generally accepted accounting principles in the United States of America, or GAAP, as included in this prospectus. The selected consolidated statements of operations data and other financial data for the years ended December 31, 2006 and 2007 and the selected consolidated balance sheet data as of December 31, 2006, 2007 and 2008 are derived from PAETEC s audited consolidated financial statements prepared in accordance with GAAP, which are not included or incorporated by reference in this prospectus. The summary financial data as of March 31, 2010 and March 31, 2011 and for the three months ended March 31, 2010 and 2011 are unaudited, but include, in the opinion of our management, all adjustments, consisting of normal, recurring adjustments, necessary for a fair presentation of such data. Our historical results are not necessarily indicative of our results for any future period.

You should read the data set forth below together with the section entitled Management s Discussion and Analysis of Financial Condition and Results of Operations and PAETEC s consolidated financial statements and the related notes thereto included in this prospectus, as well as together with the other financial information included in this prospectus.

	Year Ended December 31,					Three Months Ended March 31,	
	2006	2007(1)	2008(2)	2009	2010(3)	2010	2011
	(in thousands, except per share data)						
Consolidated Statements of Operations Data:							
Revenue:							
Network services revenue	$ 460,347	$ 855,833	$ 1,237,668	$ 1,258,489	$ 1,245,157	$ 310,474	$ 377,032
Carrier services revenue	88,284	144,924	271,279	260,023	262,749	63,043	82,212
Integrated solutions revenue	37,671	40,256	61,433	61,675	115,910	16,534	36,269
Total revenue	586,302	1,041,013	1,570,380	1,580,187	1,623,816	390,051	495,513
Cost of sales (exclusive of operating items shown separately below)	282,169	491,684	781,347	782,389	808,892	192,749	233,912
Selling, general and administrative expenses (exclusive of operating items shown separately below and inclusive of stock-based compensation)	219,516	373,715	572,180	559,541	559,673	134,260	172,692
Leveraged recapitalization related costs	15,153						
Litigation settlement	1,500						
Acquisition, integration and separation costs		3,665	12,700		14,124		2,493
Impairment charge			355,000				
Sales and use tax settlement				(7,221)			
Depreciation and amortization	34,618	75,237	174,251	184,588	196,543	47,173	63,313

Table of Contents

	Year Ended December 31,					Three Months Ended March 31,	
	2006	2007[(1)]	2008[(2)]	2009	2010[(3)]	2010	2011
	(in thousands, except per share data)						
Income (loss) from operations	33,346	96,712	(325,098)	60,890	44,584	15,869	23,103
Debt extinguishment and related costs	5,081	14,558		17,891	7,382	4,423	
Other income, net	(4,509)	(4,784)	(663)	(1,107)	(392)	(112)	(81)
Interest expense	27,319	68,373	73,663	74,149	96,339	22,037	34,464
Change in fair value of Series A convertible redeemable preferred stock conversion right	(10,778)						
Income (loss) before income taxes	16,233	18,565	(398,098)	(30,043)	(58,745)	(10,479)	(11,280)
Provision for (benefit from) income taxes	8,430	8,037	89,797	(1,354)	(1,004)	(941)	650
Net income (loss)	$ 7,803	$ 10,528	$ (487,895)	$ (28,689)	$ (57,741)	$ (9,538)	$ (11,930)
(Loss) income allocated to common stockholders[(4)]	$ (33,155)	$ 10,528	$ (487,895)	$ (28,689)	$ (57,741)	$ (9,538)	$ (11,930)
Basic net (loss) income per common share[(4)]	$ (1.05)	$ 0.12	$ (3.48)	$ (0.20)	$ (0.40)	$ (0.07)	$ (0.08)
Diluted net (loss) income per common share[(4)(5)]	$ (1.05)	$ 0.10	$ (3.48)	$ (0.20)	$ (0.40)	$ (0.07)	$ (0.08)

	As of December 31,					As of March 31,
	2006	2007[(1)]	2008[(2)]	2009	2010[(3)]	2011
	(in thousands)					
Consolidated Balance Sheet Data:						
Cash and cash equivalents	$ 46,885	$ 112,601	$ 164,528	$ 152,888	$ 95,533	$ 103,853
Property and equipment, net	167,566	312,032	638,941	619,048	860,782	863,748
Total assets	379,740	1,166,356	1,496,520	1,457,580	2,007,938	2,008,342
Long-term debt and capital lease obligations (including current portion and net of debt discount)	373,786	795,557	930,833	926,057	1,448,089	1,447,137

	Year Ended December 31,					Three Months Ended March 31,	
	2006	2007[(1)]	2008[(2)]	2009	2010[(3)]	2010	2011
	(in thousands)						
Other Financial Data:							
Net cash (used in) provided by financing activities	(8,202)	290,275	127,767	(44,061)	438,771	18,561	(3,034)
Net cash provided by operating activities	53,555	113,116	152,131	152,169	125,768	7,828	60,685
Net cash used in investing activities	(47,862)	(337,675)	(227,971)	(119,748)	(621,894)	(34,997)	(49,331)
Adjusted EBITDA[(6)]	91,798	196,178	237,725	256,933	264,931	65,543	91,355

	As of December 31,					As of March 31,	
	2006	2007[(1)]	2008[(2)]	2009	2010[(3)]	2010	2011
Operating Data:							
Geographic markets served[(7)]	29	53	80	84	86	84	86
Number of switches deployed[(8)]	13	65	118	122	166	122	166
Total employees	1,312	2,432	3,685	3,693	4,639	3,646	4,507

(1) Includes results of US LEC after the US LEC merger closing date of February 28, 2007.

(2) Includes results of McLeodUSA after the McLeodUSA merger closing date of February 8, 2008.

(3) Includes results of Cavalier as of the Cavalier merger closing date of December 6, 2010.

(4) Basic and diluted net (loss) income per common share for the year ended December 31, 2006 was calculated using the two-class method in accordance with Accounting Standards Codification, or ASC, Topic 260, *Earnings Per Share,* by dividing undistributed (loss) income allocated to common stockholders by the weighted average number of common shares and potential common shares outstanding during the period, after giving effect to the participating security, which was PAETEC Corp. s convertible redeemable preferred stock that was outstanding during the period. During the second

quarter of 2006, as part of a leveraged recapitalization, PAETEC Corp. converted or repurchased all of its outstanding preferred stock. At and after June 30, 2006, there were no participating securities outstanding and, therefore, the two-class method of calculating basic and diluted (loss) income per share does not apply to those periods.

(5) Potential common shares, which under the treasury stock method consist of stock options, warrants, and restricted stock units, and preferred stock assuming the full conversion of such preferred stock, are excluded from the diluted net loss per common share calculations for the years ended December 31, 2006, 2008, 2009 and 2010 and for the three months ended March 31, 2010 and 2011 because the effect of their inclusion would have been anti-dilutive. At December 31, 2006, and thereafter, there were no shares of convertible redeemable preferred stock outstanding.

Table of Contents

(6) Adjusted EBITDA is not a financial measurement prepared in accordance with GAAP. See Management s Discussion and Analysis of Financial Condition and Results of Operations Overview Adjusted EBITDA Presentation for PAETEC s reasons for including adjusted EBITDA data in this prospectus and for material limitations with respect to the usefulness of this measurement. The following table sets forth, for the periods indicated, a reconciliation of adjusted EBITDA to net income (loss), as net income (loss) is calculated in accordance with GAAP:

	Year Ended December 31,					Three Months Ended March 31,	
	2006	2007(1)	2008(2)	2009	2010(3)	2010	2011
				(in thousands)			
Net income (loss)	$ 7,803	$ 10,528	$ (487,895)	$ (28,689)	$ (57,741)	$ (9,538)	$ (11,930)
Add back non-EBITDA items included in net income (loss):							
Depreciation and amortization	34,618	75,237	174,251	184,588	196,543	47,173	63,313
Interest expense, net of interest income	24,995	63,607	71,857	73,188	95,911	21,964	34,413
Provision for (benefit from) income taxes	8,430	8,037	89,797	(1,354)	(1,004)	(941)	650
EBITDA	75,846	157,409	(151,990)	227,733	233,709	58,658	86,446
Stock-based compensation	6,496	20,546	22,015	18,772	9,716	2,462	2,416
Leveraged recapitalization related costs	15,153						
Change in fair value of Series A convertible redeemable preferred stock conversion right	(10,778)						
Debt extinguishment and related costs	5,081	14,558		17,891	7,382	4,423	
Acquisition, integration and separation costs		3,665	12,700		14,124		2,493
Impairment charge			355,000				
Sales and use tax settlement				(7,221)			
Gain on non-monetary transaction				(242)			
Adjusted EBITDA	$ 91,798	$ 196,178	$ 237,725	$ 256,933	$ 264,931	$ 65,543	$ 91,355

(7) Each market represents a geographic area within one of the top 100 U.S. metropolitan statistical areas in which PAETEC offers its network services.

(8) Switches are computers that connect customers to PAETEC s network and transmit voice and data communications over the network.

Table of Contents

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

The following unaudited pro forma condensed combined statement of operations has been prepared to reflect:

- the effect of PAETEC s $300 million senior secured notes offering and related debt refinancing completed on January 12, 2010;
- the effect of PAETEC s $450 million senior notes offering completed on December 2, 2010 and the application of the proceeds therefrom, together with the cash on hand of PAETEC and Cavalier Telephone Corporation, or Cavalier, to pay the merger consideration and other costs and expenses related to PAETEC s acquisition of Cavalier by merger on December 6, 2010, including repayment of substantially all outstanding Cavalier indebtedness; and
- PAETEC s acquisition of Cavalier by merger on December 6, 2010.

You should read this unaudited pro forma condensed combined statement of operations in conjunction with the:

- accompanying notes to the unaudited pro forma condensed combined statement of operations; and
- separate audited historical consolidated financial statements of PAETEC as of and for the year ended December 31, 2010 and related notes as included in PAETEC s Annual Report on Form 10-K for the year ended December 31, 2010 and incorporated by reference in this prospectus.

The historical financial information of PAETEC for the year ended December 31, 2010 presented in the unaudited pro forma condensed combined statement of operations is derived from the audited consolidated financial statements of PAETEC and the unaudited historical consolidated financial information of Cavalier for the period from January 1, 2010 through December 6, 2010, respectively, but does not include all disclosures required by United States generally accepted accounting principles, or GAAP.

The unaudited pro forma condensed combined statement of operations is provided for informational purposes only. The pro forma information is not necessarily indicative of what the combined companies results of operations actually would have been if the events set forth above had been completed at the date indicated. In addition, the unaudited pro forma condensed combined statement of operations does not purport to project the future financial position or operating results of PAETEC.

The unaudited pro forma condensed combined statement of operations for the year ended December 31, 2010 combines the historical consolidated statements of operations for PAETEC and Cavalier to give effect to PAETEC s acquisition of Cavalier, PAETEC s $300 million senior secured notes offering completed on January 12, 2010, and PAETEC s $450 million senior notes offering completed on December 2, 2010 and the application of the proceeds therefrom, together with PAETEC and Cavalier cash on hand, to pay the merger consideration and other costs and expenses related to PAETEC s acquisition of Cavalier, including repayment of substantially all outstanding Cavalier indebtedness, as if they had occurred on January 1, 2010.

Issuance and Sale of 8 ^{7}/8% Senior Secured Notes. On January 12, 2010, PAETEC issued and sold $300 million in aggregate principal amount of 8 ^{7}/8% senior secured notes due 2017. PAETEC sold the senior secured notes at an offering price of 100.528% of their principal amount, plus accrued interest from December 31, 2009, and applied a portion of the proceeds of the offering to repay $240.2 million principal amount of term loans and $30.0 million principal amount of revolving loans outstanding under its senior secured credit facilities and to pay related fees and expenses. The $300 million of senior secured notes accrue interest at a rate of 8 ^{7}/8% per year. Interest is payable semi-annually in cash in arrears on June 30 and December 31 of each year. The 8 ^{7}/8% senior secured notes will mature on June 30, 2017.

The January 12, 2010 offering of PAETEC s 8 ^{7}/8% senior secured notes and the use of the proceeds of such offering was accounted for under the guidance in Accounting Standards Codification, or ASC, Topic 470,

30

Table of Contents

Debt, as an extinguishment. The historical condensed consolidated statement of operations for the year ended December 31, 2010 reflects $4.4 million of debt extinguishment and related costs recognized by PAETEC in connection with the January 12, 2010 issuance and sale of the $300 million of 8 7/8% senior secured notes and related repayment of loans outstanding under its senior secured credit facilities.

Issuance and Sale of 9 7/8% Senior Notes and Acquisition of Cavalier. On December 2, 2010, PAETEC Escrow Corporation, or PAETEC Escrow, a wholly-owned subsidiary of PAETEC Holding Corp., issued and sold $450 million in aggregate principal amount of its 9 7/8% senior notes due 2018. On December 2, 2010, the gross proceeds of approximately $435 million received from the offering of the 9 7/8% senior notes were deposited into a segregated escrow account.

On December 6, 2010, PAETEC Holding completed its acquisition of Cavalier by merger. Upon the effectiveness of the merger and the satisfaction of other conditions, PAETEC Holding assumed PAETEC Escrow s obligations and agreements in respect of the 9 7/8% senior notes and under the indenture governing such notes, and the escrow arrangements were terminated and the proceeds of the offering of the 9 7/8% senior notes were disbursed from the escrow account and used, together with cash on hand of PAETEC Holding and Cavalier, to pay the consideration and other costs and expenses related to the merger.

PAETEC s acquisition of Cavalier by merger on December 6, 2010 was accounted for using the acquisition method in accordance with ASC Topic 805, *Business Combinations*, or ASC 805. The purchase price allocation for the Cavalier merger is reflected in the historical consolidated balance sheet of PAETEC as of December 31, 2010, as included in PAETEC s Annual Report or Form 10-K for the year ended December 31, 2010. In accordance with ASC 805, the purchase price of the Cavalier merger was allocated to the assets acquired and liabilities assumed based on their fair values as of the merger closing date, with the amounts exceeding the fair value of the assets acquired being recorded as goodwill.

The unaudited pro forma condensed combined statement of operations for the year ended December 31, 2010 has been adjusted for the decreased depreciation expense resulting from the acquired property and equipment, as well as the increased amortization expense resulting from the acquired intangible assets.

This unaudited pro forma financial information is based on PAETEC management s estimates of fair values of acquired property and equipment and intangible assets. Definitive allocations will be finalized based upon valuations and other studies that were performed following the closing date of the merger. Accordingly, the depreciation and amortization adjustments are preliminary and have been made solely for the purpose of providing unaudited pro forma condensed combined financial information and are subject to revision based on a final determination of fair value. Final determinations of fair value may differ materially from those presented. The unaudited pro forma condensed combined statement of operations also includes certain purchase accounting adjustments, including items expected to have a continuing impact on the combined results, such as interest expense on PAETEC s $450 million offering of the 9 7/8% senior notes completed on December 2, 2010.

The unaudited pro forma condensed combined statement of operations does not include the effects of any revenue, cost or other operating efficiencies that may result from the Cavalier merger, nor does it reflect any other changes that might occur regarding the PAETEC and Cavalier combined portfolios of businesses.

The unaudited pro forma condensed consolidated statement of operations does not reflect any nonrecurring charges expected to result from the Cavalier merger, other than those actually realized and reflected in the historical consolidated statements of operations for PAETEC. The majority of nonrecurring charges resulting from the merger include employee termination, exit costs and other integration-related costs, as well as transaction costs such as investment banker, advisory, legal, and other professional fees.

Table of Contents

Unaudited Pro Forma Condensed Consolidated Statement of Operations

For the Year Ended December 31, 2010

(in thousands, except share and per share data)

	PAETEC Holding Historical(a)	8 7/8% Senior Secured Notes Pro Forma Adjustments	Subtotal	Cavalier Historical(b)	Cavalier Merger Pro Forma Adjustments and Pro Forma Adjustments for 9 7/8% Senior Notes	Pro Forma as Adjusted
Revenue	$ 1,623,816	$	$ 1,623,816	$ 354,959	$ (12,962)(f)	$ 1,965,813
Cost of sales (exclusive of operating items shown separately below)	808,892		808,892	159,673	(12,962)(f)	955,603
Selling, general and administrative expenses (exclusive of operating items shown separately below and inclusive of stock-based compensation)	559,673		559,673	112,901		672,574
Acquisition, integration and separation costs	14,124		14,124	12,683	(20,164)(g)	6,643
Depreciation and amortization	196,543		196,543	46,421	20,294(h)	263,258
Income from operations	44,584		44,584	23,281	(130)	67,735
Debt extinguishment and related costs	7,382	(4,423)(c)	2,959			2,959
Other income, net	(392)		(392)	(74)		(466)
Interest expense	96,339	635(d)	96,974	39,874	4,172(i)	141,020
(Loss) income from continuing operations before income taxes	(58,745)	3,788	(54,957)	(16,519)	(4,302)	(75,778)
(Benefit from) provision for income taxes	(1,004)	(e)	(1,004)	319	(319)(j)	(1,004)
Loss from continuing operations	$ (57,741)	$ 3,788	$ (53,953)	$ (16,838)	$ (3,983)	$ (74,774)
Loss per common share from continuing operations basic and diluted	$ (0.40)		$ (0.37)			$ (0.51)
Basic and diluted weighted average common shares outstanding	145,345,301		145,345,301			145,345,301

Table of Contents

Notes to Unaudited Pro Forma Condensed Combined Statement of Operations for the Year Ended December 31, 2010

(a) Includes results of Cavalier as of the Cavalier merger closing date of December 6, 2010.

(b) Represents results from January 1, 2010 through the Cavalier merger closing date of December 6, 2010.

(c) The decrease in debt extinguishment and related costs of $4.4 million represents the elimination of historical PAETEC costs recognized in connection with the January 12, 2010 issuance and sale of $300 million in aggregate principal amount of 8 7/8% senior secured notes and related repayment of loans outstanding under PAETEC s senior secured credit facilities. These historical costs are directly attributable to the issuance and sale of the 8 7/8% senior secured notes, and are not expected to have a continuing impact.

(d) The increase in interest expense of $0.6 million represents the following:

- an increase of $0.9 million related to the interest expense on the 8 7/8% senior secured notes; and
- a decrease of $0.3 million related to the elimination of historical PAETEC interest expense on PAETEC s indebtedness repaid with the proceeds of the offering of the 8 7/8% senior secured notes in January 2010.

(e) During the year ended December 31, 2010, PAETEC maintained a full valuation allowance for deferred tax assets. Accordingly, no pro forma adjustments to the provision for income taxes were recorded related to the adjustments in expenses described in notes (c) and (d) above.

(f) The decreases in both revenue and in cost of sales of $13.0 million represent the following:

- a decrease of approximately $5.1 million in both revenue and in cost of sales to eliminate the impact of intercompany transactions between PAETEC and Cavalier for the period; and
- a decrease of approximately $7.9 million in both revenue and in cost of sales to conform the historical results of Cavalier to the historical results of PAETEC with respect to the presentation of Universal Service Fund, or USF, taxes. Cavalier historically reported taxes collected from customers for the USF on a gross basis as revenue, and included the amounts remitted to the tax authorities for the USF in cost of sales. PAETEC presents USF taxes on a net basis.

(g) The decrease in acquisition, integration and separation costs of $20.2 million represents the following:

- a decrease of approximately $8.0 million due to the elimination of historical PAETEC transaction costs directly related to the acquisition of Cavalier by PAETEC; and
- a decrease of approximately $12.2 million due to the elimination of historical Cavalier transaction costs directly related to the acquisition of Cavalier by PAETEC.

(h) The increase in depreciation and amortization expense of $20.3 million represents the following:

- an increase in amortization expense of approximately $20.8 million for the year ended December 31, 2010 based on an acquired fair value of Cavalier s intangible assets of $160.2 million with estimated useful lives of approximately 1-14 years, and utilizing an accelerated amortization method; and a decrease in depreciation expense of approximately $0.5 million for the year ended December 31, 2010 based on an acquired fair value of Cavalier s depreciable property and equipment of $229.0 million with a weighted average expected useful life of approximately 6.7 years.

As the fair values assigned to the property and equipment and intangible assets acquired from Cavalier are preliminary in nature, actual depreciation and amortization expense in future periods may differ materially from the depreciation and amortization expense presented.

A change of $10 million in the fair value of the intangible assets acquired from Cavalier presented would result in a fluctuation of approximately $1.6 million in amortization expense during the year ended December 31, 2010.

A change of $10 million in the fair value of the property and equipment acquired from Cavalier presented would result in a fluctuation of approximately $1.5 million in depreciation expense during the year ended December 31, 2010.

(i) The increase in interest expense of $4.2 million represents the following:

an increase of $43.8 million (of which $1.7 million represents amortization of debt discount and $1.3 million represents amortization of debt issue costs) related to the interest expense on the $450 million in aggregate principal amount of 9 $^{7}/8$% senior notes completed on December 2, 2010; and

a decrease of $39.6 million (of which $2.2 million represents amortization of debt issue costs) related to the elimination of substantially all historical Cavalier interest expense on Cavalier s pre-merger indebtedness.

Pro forma interest expense was calculated based on the stated interest rate of the 9 $^{7}/8$% senior notes due 2018.

(j) During the year ended December 31, 2010, PAETEC maintained a full valuation allowance for deferred tax assets. Accordingly, Cavalier s historical benefit from income taxes was eliminated on a pro forma basis. In addition, no pro forma adjustments to the provision of income taxes were recorded related to Cavalier s historical net loss from continuing operations or the adjustments in expenses described in notes (f), (g), (h) and (i) above.

Table of Contents

MANAGEMENT S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following management s discussion and analysis together with the consolidated financial statements and related notes and the other financial information that appear elsewhere in this prospectus.

Overview

PAETEC is a competitive broadband communications services and solutions provider guided by the principle that delivering superior customer service is the key to competing successfully with other communications services providers. PAETEC s primary business is providing business end-user customers in metropolitan areas with a package of integrated broadband services that encompasses data services, including Internet access services and virtual private network services, and voice services, including local telephone services and domestic and international long distance services. As of March 31, 2011, PAETEC provided services for over 54,000 business customers in a service area encompassing 86 of the top 100 metropolitan statistical areas.

Business Acquisitions

PAETEC pursues an acquisition strategy to supplement its internal growth. Pursuant to this strategy and as discussed elsewhere in this prospectus, on December 6, 2010, PAETEC completed its acquisition by merger of Cavalier Telephone Corporation, which became a wholly-owned subsidiary of PAETEC Holding upon completion of the merger. Cavalier is a facilities-based competitive communications services provider that delivers traditional circuit-switched telephony services and Internet Protocol-based communications services to customers in 16 states in the Mid-Atlantic, Southeast and Midwest regions of the United States, as well as in the District of Columbia. Cavalier provides commercial, consumer and government customers and other communications providers with high-quality voice and data communications services that include high-speed and dial-up Internet services, local and long distance telephone services, and transport services. Cavalier maintains one of the most extensive competitive networks in the Eastern United States, with approximately 16,600 route miles of fiber.

On February 8, 2011, PAETEC Holding entered into a merger agreement, by and among PAETEC Holding, XETA Technologies, Inc., which we refer to as XETA, and an indirect, wholly-owned subsidiary of PAETEC Holding, pursuant to which XETA will become a wholly-owned subsidiary of PAETEC Holding at the effective time of the merger. Under the merger agreement, XETA s security holders have the right to receive total merger consideration of approximately $61 million. The merger agreement has been approved unanimously by the board of directors of each of PAETEC Holding and XETA. The consummation of the merger is subject to customary conditions.

Indebtedness

To fund its expansion through acquisitions, which began in February 2007 with the combination of PAETEC Corp. and US LEC and included the acquisition of McLeodUSA in February 2008 and Cavalier in December 2010, PAETEC has increased its borrowings under a variety of debt arrangements. In connection with its acquisition of US LEC in 2007, PAETEC obtained $850 million aggregate principal amount of new senior secured credit facilities on February 28, 2007 and applied the proceeds of the facilities primarily to refinance or retire substantially all of the indebtedness of the two companies and to repurchase US LEC s outstanding preferred stock. In July 2007, PAETEC amended its senior secured credit facilities and prepaid $300 million aggregate principal amount of borrowings under those facilities with the proceeds of an offering of $300 million aggregate principal amount of its 9.5% senior notes and cash on hand. In January 2008, PAETEC obtained $100 million principal amount of additional term loans under an incremental facility extended pursuant to its existing credit facilities agreement and applied a portion of the borrowings under that facility toward the redemption of all of McLeodUSA s outstanding senior secured notes in connection with PAETEC s acquisition of McLeodUSA.

In June 2009, to strengthen its financial position, PAETEC prepaid $330.5 aggregate million principal amount of borrowings under its senior secured credit facilities with the proceeds of an offering of $350 million aggregate principal amount of PAETEC Holding s 8 7/8% senior secured notes and cash on hand. In January 2010, PAETEC prepaid the remaining $270.2 million principal amount of borrowings under its senior secured credit facilities with the proceeds of an offering of $300 million aggregate principal amount of additional 8 7/8% senior secured notes. As a result of the two offerings, PAETEC eliminated its outstanding borrowings under its senior secured credit facilities and extended its debt maturities to 2015 and 2017 with limited impact to its cash flow generation capabilities.

In December 2010, PAETEC issued $450 million aggregate principal amount of the 9 7/8% senior notes subject to the exchange offer covered by this prospectus and applied the proceeds to pay the merger consideration and other costs and expenses related to PAETEC s acquisition of Cavalier, including repayment of substantially all outstanding Cavalier indebtedness.

Trends Affecting Our Business

General Economic Slowdown. Adverse conditions in the global economy in recent years have reduced the availability of corporate credit, negatively affected employment levels and curtailed corporate growth and expansion. These conditions and other factors have contributed to a slowdown of business activity across a broad range of industries. PAETEC believes that the financial and economic pressures faced by its business customers in this environment of diminished consumer spending, corporate downsizing and tightened credit have had, and may continue to have, an adverse effect on billable minutes of use and on customer attrition rates, and have resulted in and may continue to result in increased customer demands for price reductions in connection with contract renewals. In addition, as a result of the current conditions, PAETEC s ability to access further the debt and equity markets may be restricted at a time when it would like, or need, to access such markets, which could have an adverse effect on PAETEC s flexibility to react to changing economic and business conditions. The disruptions in the financial markets have had, and may continue to have, an adverse effect on the market value of PAETEC s common stock, which could make it more difficult or costly for the company to raise capital through an offering of its equity securities.

Shifting Patterns of Use and Convergence of Technology. As telecommunications customers increasingly use wireless forms of communication, such as hand-held Internet access devices and cell phones, the volume of traffic carried by traditional wireline telecommunications networks has declined and is expected to continue to decline. Although PAETEC believes this trend is most pronounced in the residential marketplace, wireless substitution also has had an adverse effect on the wireline usage patterns of the medium-sized and large businesses and institutions PAETEC targets. PAETEC believes that wireless substitution has led to a decrease in the average minutes of use generated by its customers. To date, PAETEC has been able partially to offset this loss of revenue from existing customers through sales of services to new customers. PAETEC believes that the transition to wireless-based forms of communication will continue in the foreseeable future. PAETEC seeks to respond to this trend by offering service levels and product packages that are not currently available using wireless alternatives.

Voice and data traffic historically have traveled over telecommunications networks using incompatible transmission formats. This means that a telecommunications transmission circuit had to be designated to carry either data traffic or voice traffic. As a result, excess capacity on a voice circuit could not be made available to reduce demand on a data circuit. VoIP technology, which allows voice and data traffic to travel interchangeably over the same network, enables more efficient use of the telecommunications networks. Because PAETEC leases the majority of its transmission capacity, the increased efficiency has the potential to reduce significantly PAETEC s cost of providing services to its customers. PAETEC continues to install equipment and transition its

Table of Contents

network to take advantage of these new technologies. PAETEC believes that, in operating a network using both traditional voice and newer VoIP technology, it is one of the leading competitive carriers in pursuing the benefits of technological convergence.

As PAETEC s customers migrate their traditional voice services to VoIP technology, PAETEC is experiencing a decline in usage-based revenues. In addition, the combination of shifting patterns of use and increasing convergence of voice and data traffic could make it harder for PAETEC to sustain and improve its operating margins over the next several years. PAETEC believes that the challenges these trends may present will be offset in part by the efficiencies of operating a data network to which it will increasingly transition its traditional voice services.

Competition; Evolving Regulatory Environment; Industry Consolidation. The telecommunications industry has remained highly competitive in an environment marked by increased deregulation. Market forces and changes in government regulations have required, and may continue to require, PAETEC to reduce rates for some of the services it provides. These trends may reduce PAETEC s historical rate of revenue growth and continue to exert pressure on its operating margins. PAETEC believes that the relatively long-term nature of its agreements with customers of its network services, which as of March 31, 2011 have an average initial term of 36 months, should reduce the likelihood that it will experience significant, rapid decreases in the rates it charges for its services.

Mergers involving the RBOCs and deregulatory activity favoring RBOCs at both federal and state levels over the past several years have made it more difficult to compete against these larger, financially stronger competitors. Additional regulatory changes that would permit incumbent carriers to materially increase rates charged for interconnecting networks and accessing last mile connections or to reduce PAETEC s rates for certain network services could make it more difficult for our company to remain competitive.

PAETEC s industry has experienced a significant amount of consolidation in recent periods. Merger and acquisition transactions have created more significant competitors for PAETEC and have reduced the number of vendors from which PAETEC may purchase network elements it leverages to operate its business. PAETEC expects this trend to continue in the near future. To compete more effectively in its industry, PAETEC plans to continue pursuing its historical acquisition strategy to increase its operating leverage, achieve economies of scale and broaden its name recognition.

Financial Difficulties Faced by Many Competitive Communications Carriers. Over the last decade, many competitive communications services providers have experienced financial difficulties. These difficulties have led to the general perception that the competitive carrier sector of PAETEC s industry is marred by instability and financial weakness. This perception makes it harder for PAETEC to gain new customers, raise additional capital and negotiate with vendors. PAETEC has addressed this perception by maintaining cash balances that are generally in excess of its current needs and by managing its growth activities so that its short-term cash flow is not impaired.

Revenue

PAETEC derives revenue from sales of its network services, carrier services and integrated solutions services. PAETEC derives most of its revenue from monthly recurring fees and usage-based fees that are generated principally by sales of its network services.

Monthly recurring fees include the fees paid by PAETEC s customers for lines in service and additional features on those lines. PAETEC primarily bills monthly recurring fees in advance.

Usage-based fees consist of fees paid by PAETEC s network services customers for each call made, fees paid by the incumbent carriers in PAETEC s markets as reciprocal compensation when PAETEC terminates local calls made by their customers, and access fees paid by other carriers for long distance calls PAETEC originates or terminates for those carriers.

Table of Contents

The monthly recurring fees and usage-based fees generated by sales of PAETEC s network services to end users and carrier services to any customer tend to be relatively consistent from month to month, subject to changes in the calling patterns of the customer s business.

Network Services. PAETEC delivers integrated communications services, including data and Internet services, local services and long distance services, to end users on a retail basis, which the company refers to as its network services.

PAETEC s network services revenue consists primarily of monthly recurring fees and usage-based fees. In addition to usage-based fees invoiced directly to the end-user customers, usage-based fees for PAETEC s network services include the interstate and intrastate access fees the company receives from other communications providers when it originates or terminates long-distance calls for those other providers to or from PAETEC s network services customers, and the reciprocal compensation fees PAETEC receives from some other local carriers when it terminates non-toll calls originated by customers of other carriers. PAETEC recognizes revenue during the period in which the revenue is earned. PAETEC s network services also generate non-recurring service activation and installation fee revenues, which it receives upon initiation of service. PAETEC defer