

SECRETARY'S RECORD, NEBRASKA PUBLIC SERVICE COMMISSION

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the Matter of the Application ) Application No. C-3435  
of LDMI Telecommunications, Inc. )  
dba LDMI Long Distance, )  
Southfield, Michigan, seeking ) GRANTED  
approval of transfer of control )  
to Talk America, Inc., New Hope, )  
Pennsylvania. ) Entered: July 19, 2005

BY THE COMMISSION:

On June 8, 2005, an application was filed by LDMI Telecommunications, Inc. dba LDMI Long Distance (LDMI), Southfield Michigan, and Talk America, Inc. (Talk America) of New Hope, Pennsylvania, seeking approval of a transfer of control. Notice of the application was published in The Daily Record, Omaha, Nebraska, on June 10, 2005. No protests were filed; therefore, this application is processed pursuant to the Commission's Rule of Modified Procedure.

O P I N I O N   A N D   F I N D I N G S

The Parties:

Talk America, Inc. is a Pennsylvania corporation headquarters in New Hope, Pennsylvania. Talk America is a wholly owned subsidiary of Talk America Holdings, Inc. (Holdings), a publicly held Delaware corporation located at the same address. No entity or individual directly or indirectly owns 10% or more of the equity of Talk Holdings. Talk America is a certified telecommunications carrier in Nebraska, having been granted interexchange resale authority in 1995 pursuant to Application C-1155. Further, Talk America, Inc. received competitive local exchange authority in 2004 pursuant to Application No. C-3246. A copy of Talk America's articles of incorporation is included as Exhibit 1.

Talk America states that it is authorized to provide competitive local and long distance service virtually nationwide and offers a bundle of phone services to residential and small business customers. Talk America has approximately 591,000 billed bundled lines in 33 states and 100,000 billed long distance customers across the United States and has annual revenues in excess of \$470 million.

LDMI is a Michigan Corporation with its principle place of business in Southfield, Michigan. LDMI seeks to become a wholly owned subsidiary of Talk America, but seeks to continue as an independent entity. LDMI currently is certified to provide

resold interexchange services in the state of Nebraska pursuant to Application No. C-1672.

Description of the Transaction:

The Applicants state that on May 23, 2005, the parties signed an Agreement and Plan of Merger (the "Agreement") providing for Talk America's acquisition of all of the issued and outstanding capital stock of LDMI (the "Transaction"). A copy of the press release announcing the Agreement was attached to the application. At the closing of the transaction, in exchange for all the stock of LDMI, Talk America will pay \$24 million in cash and issue 1.8 million shares for its common stock, with an estimated value of \$16 million based on the closing price as of May 20, 2005. As of April 30, 2005, LDMI had total debt, net of cash, of \$8.1 million. The purchase price for LDMI's equity together with LDMI's current debt, net of cash, totals \$48 million. The cash portion of the purchase price, as well as repayment of the debt at closing, will be funded by Buyer out of cash on hand. Following completion of the Transaction, LDMI will be a direct, wholly owned subsidiary of Talk America, which itself will remain a direct, wholly owned subsidiary of Talk Holdings. Closing of the Transaction is contingent upon, among other things, receipt of necessary regulatory approvals.

The applicants assert that the Transaction will be generally transparent to customers of LDMI. In particular, because the transaction is a stock transaction, the transfer of control of LDMI will not result in a change of carrier for any of LDMI's customers. The applicants further state that immediately after the transaction, LDMI will continue to provide the same services at the same rates, terms and conditions as at present and any future changes in rates, terms and conditions will be made consistent with applicable law and Commission rules.

With regard to the transaction serving the public interest, the applicants state that there will be no alterations in service and no confusion to the public. Moreover, the applicants state that the Transaction will increase competition when Talk America becomes more effective and multifaceted upon completion. The increased resources and experience for both companies will provide customers with more reliable, competitively priced services.

Based on the evidence, we find the application to be fair and reasonable and in the public interest. The application should be granted.

## O R D E R

IT IS THEREFORE ORDERED by the Nebraska Public Service Commission that Application No. C-3435 be, and it is hereby, granted.

IT IS FURTHER ORDERED that the applicant shall file, in accordance with the applicable statutes on or before April 30th of each year, an annual report with this Commission consisting of: (a) a copy of any report filed with the Federal Communications Commission; (b) a copy of any annual report to stockholders; and (c) a copy of the latest Form 10-K filed with the Securities and Exchange Commission. If these are not available, applicant shall submit a balance sheet and income statement for the previous year of operation, as well as the investment made in telephone plant and equipment located within the state, accumulated depreciation thereon, operating revenues and expenses, and taxes.

IT IS FURTHER ORDERED that, to the extent applicable, the applicant shall comply with all laws pertaining to, and all rules and regulations promulgated under, the Telecommunications Relay System Act (Neb. Rev. Stat. §§ 86-1302 to 86-1307) and the Nebraska Telecommunications Universal Service Fund Act (Neb. Rev. Stat. §§ 86-1402 to 86-1410).

IT IS FURTHER ORDERED that applicant file its current tariff prior to offering service pursuant to the certificate granted in this order.

IT IS FINALLY ORDERED that this order be, and it is hereby made, the Commission's official certificate of authority to furnish the service authorized herein as a common carrier.

MADE AND ENTERED at Lincoln, Nebraska, this 19th day of July, 2005.

NEBRASKA PUBLIC SERVICE COMMISSION

COMMISSIONERS CONCURRING:



//s// Frank E. Landis

//s// Gerald L. Vap

Chairman



ATTEST:



Executive Director