

**BEFORE THE PUBLIC SERVICE COMMISSION  
STATE OF MISSOURI**

<b>Application of Talk America Inc. to purchase</b>	)	
<b>the stock of LDMI Telecommunications, Inc.</b>	)	
<b>dba LDMI Telecommunications and</b>	)	<b>Case No.</b> _____
<b>Long Distance of Michigan, Inc. d/b/a</b>	)	
<b>FoneTel.</b>	)	

**APPLICATION**

COMES NOW Talk America Inc., a Pennsylvania corporation, ("Talk America" or "Buyer"), and pursuant to 4CSR 240-3.525 and 4 CSR 240-3.535, hereby respectfully requests authority from the Missouri Public Service Commission ("Commission") for approval to purchase the stock of LDMI Telecommunications, Inc. d/b/a LDMI Telecommunications and Long Distance of Michigan, Inc. d/b/a FoneTel, a Michigan corporation, ("LDMI"). Through the proposed transaction ("Transaction"), LDMI will become a wholly-owned subsidiary of Buyer, but will continue to exist and operate as a separate entity.

**I. LDMI**

LDMI is a privately held Michigan corporation based in Southfield, Michigan. LDMI holds two certificates in Missouri, because of its use of two d/b/a's. LDMI Telecommunications, Inc. d/b/a LDMI Telecommunications was issued a certificate to provide intrastate interexchange service in Case No. TA-96-208. Long Distance of Michigan, Inc. d/b/a Fonetel received authority to provide intrastate interexchange and non-switched local exchange service on May 17, 2001, in Case No. TA-2001-545. These two certificates are held by the same corporate entity, LDMI Telecommunications, Inc., operating under two dba's. Certificates to transact business in Missouri as a Foreign Corporation were filed in Case Nos. TA-96-208 and TA-2001-545, respectively and are incorporated herein by reference. Upon consummation of the Transaction, LDMI will become a wholly owned subsidiary of Talk America Inc., whose parent company is Talk America Holdings, Inc., a Delaware corporation. LDMI will remain a separate operating entity, retaining its names and telecommunications operating authorities in Missouri.

In addition to its Missouri operations, LDMI is certificated to provide local and long distance services in Michigan, Ohio, Illinois, Indiana and Wisconsin, and long distance services virtually nationwide. Nationwide, LDMI serves approximately 130,000 voice equivalent lines and 27,000 data equivalent lines and has annual revenues in excess of \$120 million. LDMI is also authorized by the FCC to provide interstate and international telecommunications services.

Information concerning the technical, managerial and financial qualifications of LDMI to provide service in Missouri was submitted with the application for certification filed with the Commission in Case No. TA-96-208, and is incorporated herein by reference. LDMI will continue its operations from its current headquarters location:

LDMI Telecommunications, Inc.  
27777 Franklin Road, Suite 500  
Southfield, MI 48034

## **II. THE BUYER**

The Buyer, Talk America Inc., is a Pennsylvania corporation headquartered in New Hope, Pennsylvania. Buyer is a direct wholly owned subsidiary of Talk America Holdings, Inc. ("Talk 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. Buyer is a certificated telecommunications carrier in the Missouri, having been granted interexchange resale authority in 1992 in Case No. TA-92-308 and competitive local exchange carrier authority in 1997 in Case No. TA-97-485. A copy of Buyer's Certificate to Transact Business in Missouri As A Foreign Corporation was filed in Case No. TA-92-308 and is incorporated herein by reference. Talk America is authorized to provide competitive local and long distance service virtually nationwide and offers a bundle of these 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.

### **III. DESCRIPTION OF THE TRANSACTION**

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 Agreement is attached as *Exhibit 1*. Certified copies of the resolution of the directors of Talk Holdings authorizing the acquisition of the stock is attached as Exhibit 2 (filed under seal). In order to consummate the transaction, LDMI will merge with an acquisition subsidiary (Lion Acquisition Corp) of Talk America Inc. At the closing of the transaction, in exchange for all of the stock of LDMI, Talk America will pay \$24 million in cash and issue 1.8 million shares of 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 the repayment of LDMI's 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.

### **IV. CUSTOMER IMPACT**

The proposed 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. Immediately after completion of 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. The Transaction is not expected to result in any discontinuance of service for LDMI customers. Moreover, in addition to having access to Buyer's experienced and high-quality management team, the operations of LDMI in numerous instances will continue to be supervised by LDMI's management, technical and customer service personnel.

## **V. PUBLIC INTEREST STATEMENT**

The parties respectfully submit that the Transaction is not detrimental to the public interest. After consummation of the Transaction, LDMI will continue to operate under its same name and operating authorities as at present. Certificates of service authority will continued to be held by LDMI and Talk America Inc., respectively. The Transaction involves no change in the entity providing service to customers, the facilities used to provide such service or the services, rates, terms and conditions of such service. All existing tariffs will remain in place. The transfer of control will be generally transparent to customers and will not have any adverse impact on them; they will continue to use the same number to reach customer service. The only change will be in the ultimate ownership of LDMI. The contemplated transfer of control does not raise any slamming concerns or necessitate compliance with FCC or state procedures to notify customers prior to a carrier-to-carrier sale or transfer of a subscriber base as the Transaction does not involve any change in a customer's existing service provider. LDMI customers will continue to be served under LDMI's existing authorization and tariff.

The parties expect that the Transaction will increase competition in the telecommunications market by strengthening Talk's position as an effective and multifaceted telecommunications carrier. The Transaction will allow Talk to combine its financial, technical and market resources and expertise with that of LDMI, thereby enhancing its ability to provide reliable, competitively priced services to customers. Talk will be able to expand its product offerings by adding the offerings of LDMI to its current offerings.

Both Talk and LDMI have created strong customer service organizations that provide high levels of customer satisfaction as demonstrated by their low customer churn rates. Both organizations share similar technology platforms and LDMI's focus on the small to medium sized business customers will complement Talk's focus on the consumer and small business markets. In an era of increasing telecommunications products and services, these customers require expert assistance to find the best solution for their telecommunications requirements. The similarity of business models between Talk and LDMI means that integrating their operations will not occasion significant changes in what either company does and thus the Transaction poses little risk to customers.

## **I. CONTACT INFORMATION**

The name and address of the individual to contact regarding this filing is:

Sharon Thomas  
Technologies Management, Inc.  
210 Park Avenue North  
Winter Park, Florida 32789  
Telephone: (407) 740-3031  
Facsimile: (407) 740-0613  
email: sthomas@tminc.com

The name and address of the individual who handles regulatory affairs on behalf of LDMI is:

Jerry Finefrock, Vice President of Regulatory Affairs  
27777 Franklin Road  
Suite 500  
Southfield, MI 48034  
Phone: (248) 440-4021  
Fax: (866) 731-0450  
e-mail: jfinefro@ldmi.com

The name and address of the individual who handles regulatory affairs on behalf of Talk America is:

Francie McComb, Vice President of Regulatory Affairs  
6805 Route 202  
New Hope, PA 18938  
Phone: 215-862-1517  
Fax: 215-862-1085  
e-mail: francie@talk.com

A complete listing of officers and directors for LDMI and Buyer is attached as *Exhibit 3*.

## **VII. TAX IMPACT**

Since there will be no change in the location of any structures, facilities or equipment in Missouri, the proposed transaction will have no impact upon the tax revenues of the political subdivisions in which any structures, facilities, or equipment of the LDMI is located.

#### **VIII. NO PENDING ACTIONS INVOLVING CUSTOMER SERVICE OR RATES**

No pending actions or final unsatisfied judgments or decisions against LDMI exist from any state or federal agency or court which involve customer service or rates, which action, judgment or decision has occurred within three (3) years of the date of the application.

#### **IX. NO ANNUAL REPORTS AND REGULATORY ASSESSMENTS OVERDUE**

LDMI and Buyer do not have any annual reports or regulatory assessment fees that are overdue in Missouri.

WHEREFORE, for the reasons stated above, LDMI and Buyer submit that it would not be detrimental to the public interest, and in fact, the public interest, convenience and necessity would be furthered, by a grant of this Application and respectfully request that the Commission approve the transaction as proposed herein, including merger of LDMI with Lion Acquisition Corp. and the acquisition of the stock of LDMI by Talk America Inc.

Respectfully Submitted,

/s/ James M. Fischer

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Jefferson City, Missouri 65101  
Telephone: (573) 636-6758  
Facsimile: (573) 636-0383  
E-mail: [jfischerpc@aol.com](mailto:jfischerpc@aol.com)

Attorneys for Applicants

**CERTIFICATE OF SERVICE**

I hereby certify that copies of the foregoing have been emailed, mailed or hand-delivered this 14th day of June, 2005, to:

General Counsel  
Missouri Public Service Commission  
P.O. Box 360  
Jefferson City, MO 65102

Public Counsel  
Office of the Public Counsel  
P.O. Box 2230  
Jefferson City, MO 65102

/s/ James M. Fischer

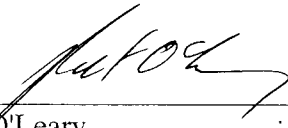
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James M. Fischer

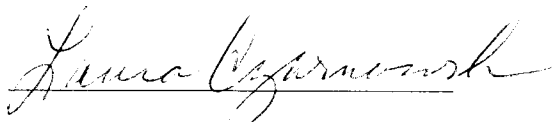
## VERIFICATION

I, Patrick O'Leary, am President and CEO of LDMI Telecommunications, Inc. and am authorized to represent it and to make this verification on its behalf. The statements in the foregoing document relating to this company, except as otherwise specifically attributed, are true and correct to the best of my knowledge and belief.

I declare under penalty of perjury that the foregoing is true and correct.

  
\_\_\_\_\_  
Patrick O'Leary  
President and Chief Executive Officer

Sworn to and subscribed before me this 3 day of June, 2005.

  
\_\_\_\_\_  
Notary Public

My Commission expires:

**LAURA CZARNOWSKI**  
Notary Public, Wayne County, MI  
My Commission Expires Dec. 28, 2005

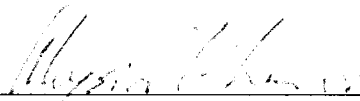
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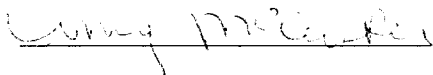
## VERIFICATION

I, Aloysius T. Lawn IV, am Executive Vice President and General Counsel of Talk America Holdings, Inc. and am authorized to represent it and its subsidiaries and to make this verification on their behalf. I have read the foregoing Notice; and the statements contained therein related to this company and its subsidiaries, except as otherwise specifically attributed, are true and correct to the best of my knowledge and belief.

I declare under penalty of perjury that the foregoing is true and correct.

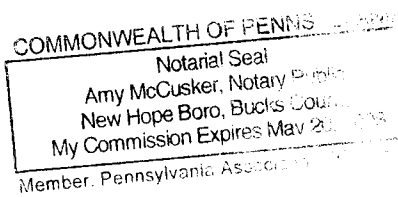
  
\_\_\_\_\_  
Aloysius T. Lawn IV  
Executive Vice President and General Counsel

Sworn to and subscribed before me this 2nd day of June, 2005.

  
\_\_\_\_\_  
Notary Public

My Commission expires:

5/20/08



**Exhibit 1**

**AGREEMENT AND PLAN OF MERGER**

**Exhibit 2**

**Talk America Holdings, Inc.'s Certified Board of Director's Resolution**

**(FILED UNDER SEAL)**

**Exhibit 3**

**OFFICERS AND DIRECTORS**

## **Officers and Directors**

### **LDMI Telecommunications, Inc.**

#### **Officers:**

Patrick O'Leary	CEO and President
Kim McDonald	Executive VP of IT & Operations
Linda Hanson	Executive VP of Customer Care & Small Business
Mark Wayne	Executive VP of Sales & Marketing
Mike Mahoney	Executive VP & Chief Financial Officer
Richard Riordan	Director of Business Planning & Asst Secretary
Thomas Vaughn	Secretary

#### **Directors:**

James Blanchard  
Thomas E. Darden, Jr.  
Dan Dennis  
David M. Hillman  
Greg Jones  
Michael A. M. Keehner  
William C. Mulligan  
Patrick O'Leary  
Kevin E. Sheehan  
Michael Skinner

## Officers and Directors (Cont'd.)

### Talk America Inc.

#### Officers:

Edward Meyercord, III	CEO and President
Aloysius T. Lawn, IV	Executive Vice President, General Counsel and Secretary
David G. Zahka	Chief Financial Officer
Thomas Walsh	Senior Vice President – Finance and Treasurer
Jeffrey Earhart	Executive Vice President – Customer Operations
Warren Brasselle	Executive Vice President – Network Operations
Timothy Leonard	Chief Information Officer
Craig Pizer	Associate General Counsel and Assistant Secretary

#### Directors:

Edward Meyercord, III  
Aloysius T. Lawn, IV  
David G. Zahka