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September 24, 2010

*Via Email & Overnight Courier*

David Danner, Executive Secretary  
Washington Utilities and Transportation Commission  
1300 South Evergreen Park Drive, S.W.  
Olympia, WA 98504  
records@wutc.wa.gov

**Re: Notification Regarding the Transfer of Indirect Control of Talk America, Inc. to PAETEC Holding Corp.**

Dear Mr. Danner:

PAETEC Holding Corp. ("PAETEC") and Talk America, Inc. ("TA") (PAETEC and TA collectively, the "Parties"), by their undersigned counsel, hereby notify the Washington Utilities and Transportation Commission ("Commission") of the transfer of indirect control of TA to PAETEC, as described more fully herein.

It is the Parties' understanding that Commission approval is not required to complete the transactions described herein. Accordingly, the Parties submit this letter for informational purposes only to ensure the continuing accuracy of the Commission's records. In support, the Parties provide the following information:

**Description of the Parties**

**A. PaeTec Holding Corp.**

PAETEC is a publicly traded Delaware corporation (NASDAQ GS: PAET) with principal offices located at One PAETEC Plaza, 600 Willow Brook Office Park, Fairport, New York 14450. PAETEC, through its regulated operating subsidiaries including its subsidiaries that operate in Washington, has a presence in 84 of the nation's top 100 MSAs, delivering communications solutions to business customers in 46 states and the District of Columbia. Additional information regarding PAETEC, including its most recent SEC Form 10-Q, as filed with the Securities and Exchange Commission, is available at [www.paetec.com/investors](http://www.paetec.com/investors).

Boston  
Hartford  
Hong Kong  
London  
Los Angeles  
New York  
Orange County  
San Francisco  
Santa Monica  
Silicon Valley  
Tokyo  
Washington

Bingham McCutchen LLP  
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PAETEC has three subsidiaries that operate in Washington: PaeTec Communications, Inc. ("PCI")<sup>1</sup> and McLeodUSA Telecommunications Services, LLC d/b/a PAETEC Business Services ("PAETEC Business").<sup>2</sup> By virtue of its ownership of PCI and PAETEC Business, PAETEC has demonstrated its qualifications to own and operate telecommunications carriers in Washington.

**B. Talk America, Inc.**

TA is a wholly owned indirect subsidiary of Cavalier Telephone Corporation ("Cavalier"), a Delaware corporation. Cavalier and TA have their principal business offices at 2134 West Laburnum Avenue, Richmond, Virginia 23227. Through its various operating subsidiaries, including TA, Cavalier uses its own network, including a high-capacity fiber network, to serve customers throughout the Midwest, Southeast, Northeast, and Mid-Atlantic states. The company's fiber network contains approximately 13,000 intercity route miles and approximately 4,000 metro route miles. Cavalier provides telecommunications services and solutions to business, consumer, and government customers.

In Washington, TA is authorized to provide (1) resold and facilities-based intraexchange and interexchange telecommunications service pursuant to a registration granted by the Commission in Docket No. UT-920536 on June 30, 1992 as amended in Docket UT-970659 on August 27, 1997. TA is also authorized by the Federal Communications Commission to provide domestic and/or international telecommunications services.

**Designated Contacts**

Questions, correspondence or other communications concerning this filing should be directed to the Parties' counsel of record:

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<sup>1</sup> PCI is registered as a competitive telecommunications company pursuant to the Commission's Order Authorizing Registration and Granting Petition for Competitive Classification and Approving Price List issued in Docket UT-981301 on October 28, 1998.

<sup>2</sup> PAETEC Business is authorized to provide resold long distance service pursuant to the Commission's Order Authorizing Registration in Docket UT-961647 issued on January 22, 1997. The registration was amended to include switched intraexchange and interexchange telecommunications service as a telecommunications company pursuant to RCW 80.36.350, and it was granted classification as a competitive telecommunications company, pursuant to the Commission's First Supplemental Order Amending Registration, Competitive Classification, and Approving Price List to Include Local Exchange Services issued in Docket UT-961647 on October 13, 1999.

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For PAETEC:

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with a copy to:

William A. Haas  
Vice President of Public Policy & Regulatory  
PAETEC Holding Corp.  
One Martha's Way  
Hiawatha, IA 52233  
319-790-7295 (tel)  
William.haas@paetec.com

For the Talk America:

Brad E. Mutschelknaus  
Melissa S. Conway  
Kelley Drye & Warren LLP  
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with a copy to:

Frances E. McComb  
General Counsel; EVP- Law & Public Policy  
Cavalier Telephone  
2134 West Laburnum Avenue  
Richmond, VA 23227  
267-803-4349 (tel)  
femccomb@cavtel.com

**Description of the Cavalier Transfer**

Pursuant to the Agreement and Plan of Merger, dated as of September 12, 2010, by and among PAETEC, Cairo Acquisition Corp. ("MergerCo") (an indirect, wholly-owned subsidiary of PAETEC created for purposes of the transaction),<sup>3</sup> Cavalier, and the Stockholder Representative (the "Agreement"), MergerCo will merge with and into Cavalier, with Cavalier continuing as the surviving entity (the "Merger").<sup>4</sup> As a result of the Merger, TA will become a wholly owned indirect subsidiaries of PAETEC and PAETEC Corp. Thus, PAETEC will become the new ultimate parent company of Cavalier and TA. Diagrams depicting the Merger and the pre- and post-transaction corporate structures of the companies are appended hereto as Exhibit A.

The current customers of TA will remain customers of that entity following the Merger. Accordingly, the Cavalier Transfer will be virtually seamless to customers, who will continue to enjoy the same rates, terms and conditions of service as they do prior to

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<sup>3</sup> MergerCo is a direct wholly-owned subsidiary of PAETEC Corp., a Delaware corporation and direct wholly-owned subsidiary of PAETEC.

<sup>4</sup> There will be no change in the current ownership of PAETEC and its subsidiaries as a result of the Merger.

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closing. The only change resulting from the Cavalier Transfer will be that TA will be ultimately owned by PAETEC, a widely held public corporation.

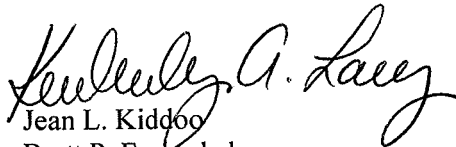
**Public Interest Considerations**

The proposed transactions described herein will serve the public interest. As part of the PAETEC family of companies, TA will continue to provide high-quality telecommunications services to consumers, while gaining access to the additional resources and operational expertise of PAETEC. TA will also benefit by being able to offer services to multi-location business customers across a much larger footprint in combination with its new PAETEC affiliates. TA's network complements PAETEC's network and the acquisition will increase PAETEC's existing fiber footprint, giving the combined companies greater market depth and breadth as a result of the Cavalier Transfer. The indirect transfer of control will therefore give TA the ability to become stronger competitors and thereby benefit consumers.

\* \* \*

An original and one (1) copy of this letter are enclosed for filing. Please date-stamp the enclosed extra copy and return it in the envelope provided. This notification has also been filed via email. Should you have any questions regarding this filing, please do not hesitate to contact us.

Respectfully submitted,



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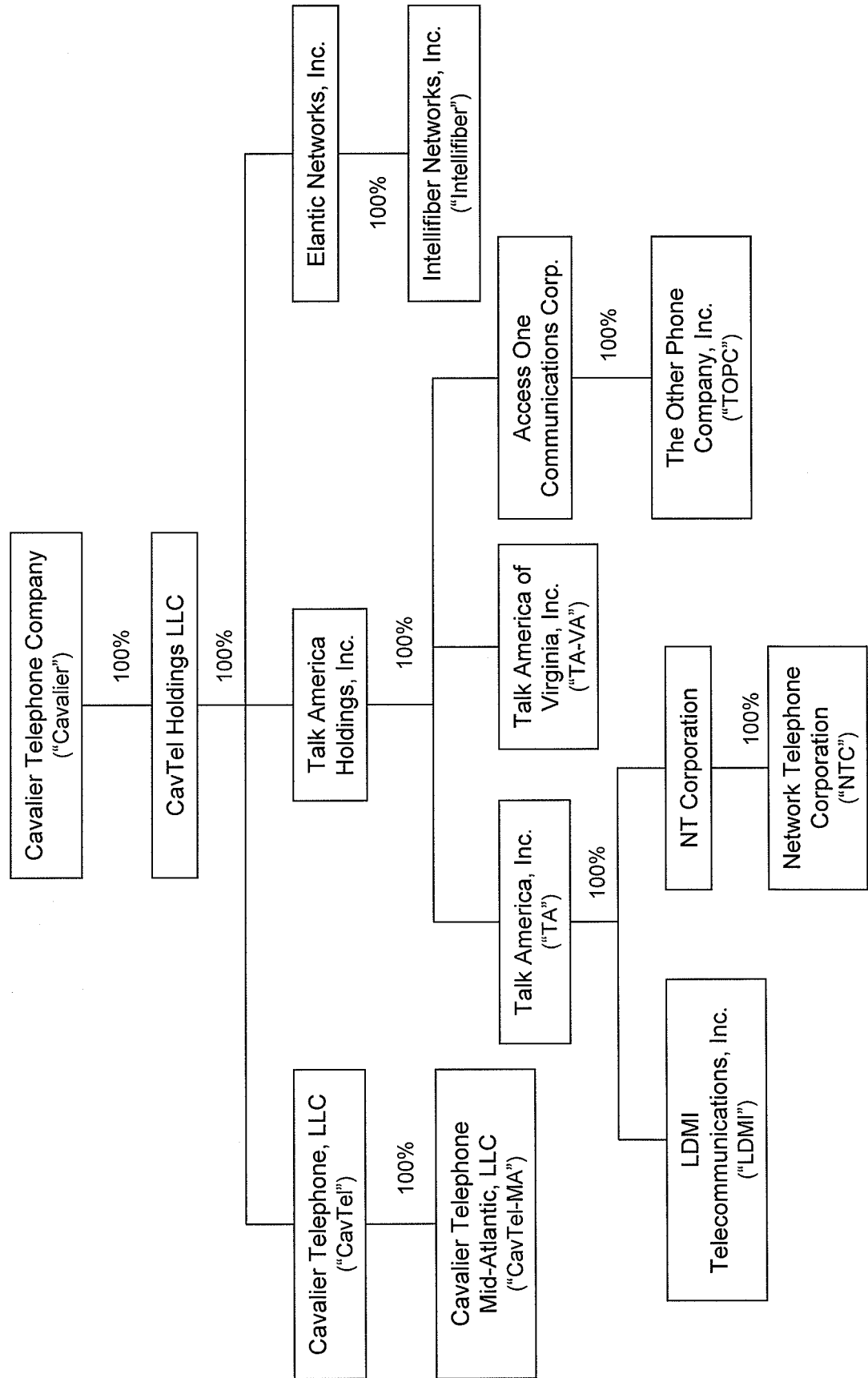
Counsel for Cavalier and Talk America, Inc.

Counsel for PAETEC Holding Corp.

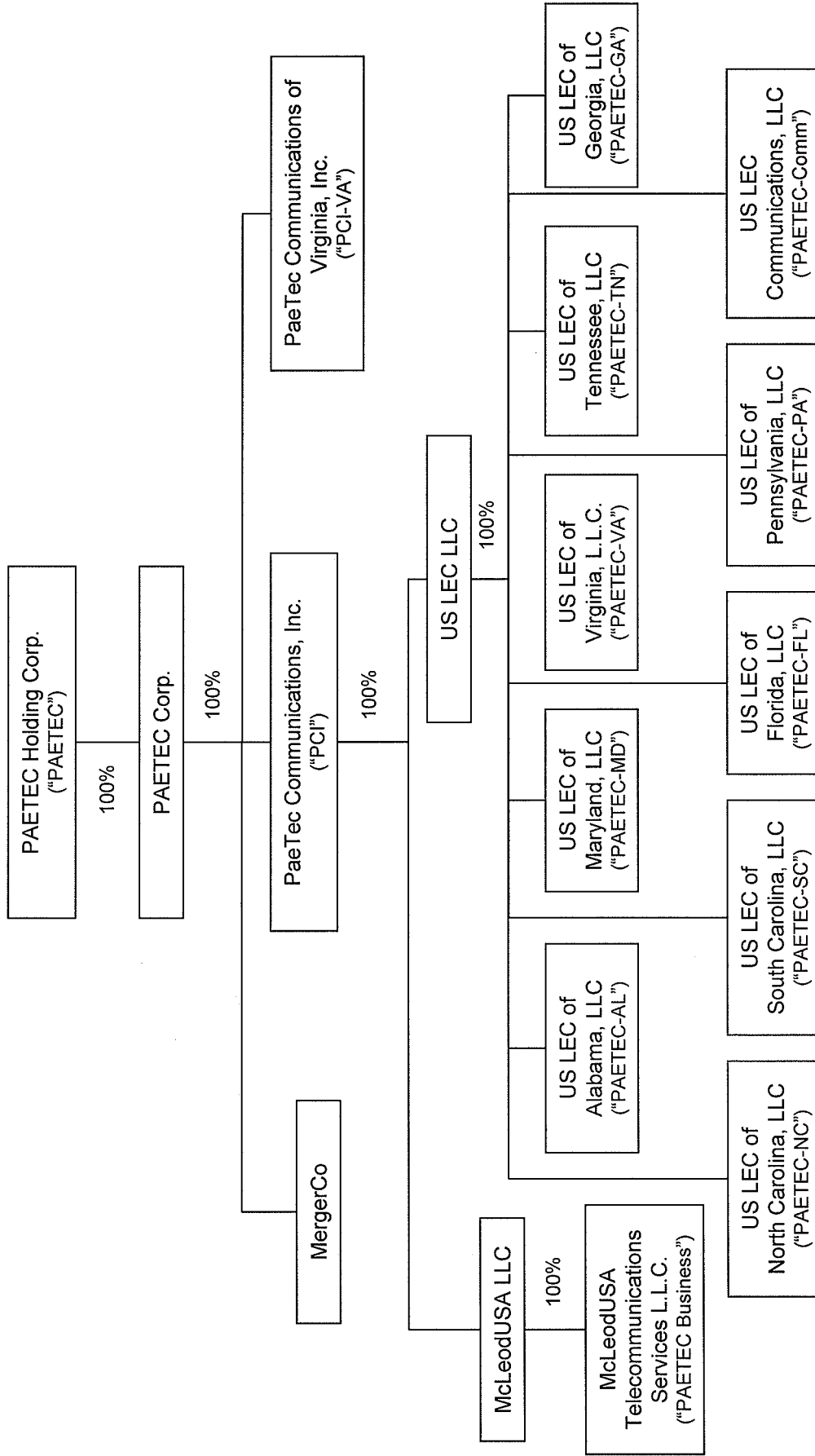
**EXHIBIT A**

**Chart of the Merger and  
the Pre- and Post-Transaction Corporate Organizational Structure**

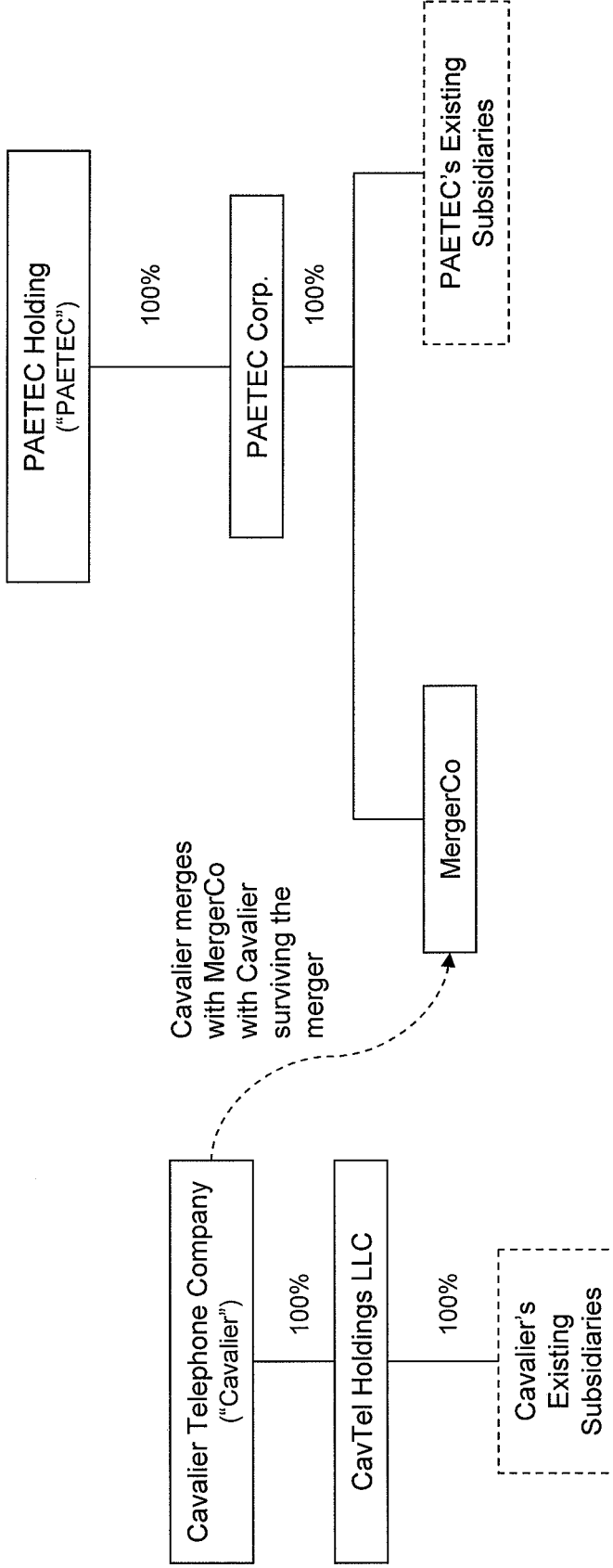
# Pre-Transaction Ownership of the Regulated Subsidiaries of Cavalier



# Pre-Transaction Ownership of the Regulated Subsidiaries of PAETEC

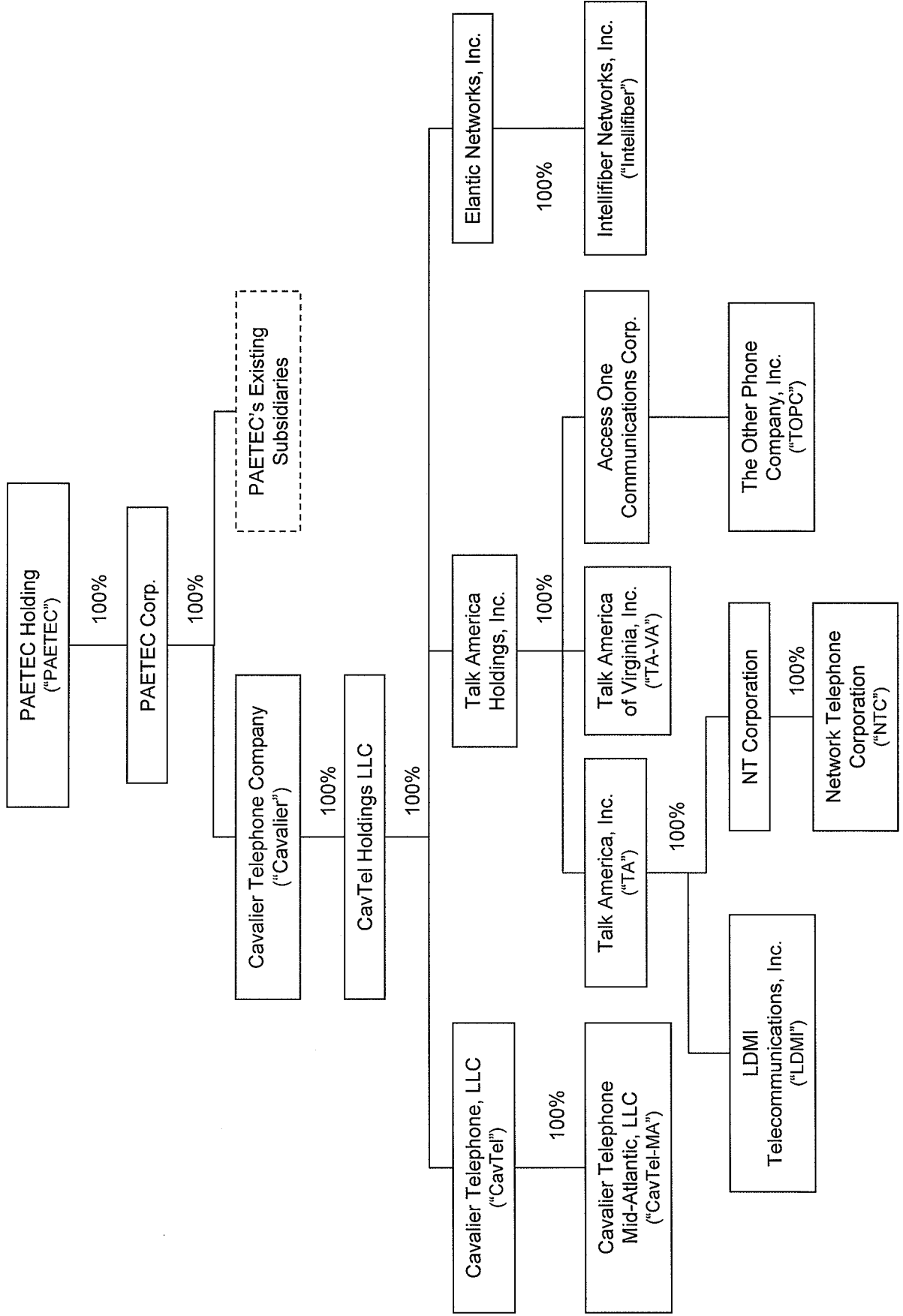


## Illustration of the Merger





# Post-Transaction Ownership of the Regulated Subsidiaries of PAETEC and Cavalier



## Verifications

**VERIFICATION**

STATE OF IOWA                   §  
  §  
COUNTY OF LINN               §

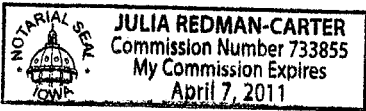
I, William A. Haas, state that I am Vice President Regulatory and Public Policy of PAETEC Holding Corp.; that I am authorized to make this Verification on behalf of PAETEC Holding Corp.; that the foregoing filing was prepared under my direction and supervision; and that the statements with respect to PAETEC Holding Corp and its subsidiaries in the foregoing document are true and correct to the best of my knowledge, information, and belief.

William A. Haas  
Name: Williams A. Haas  
Title: Vice President Regulatory and Public Policy  
PAETEC Holding Corp.

SWORN TO AND SUBSCRIBED before me on the 12 day of September, 2010.

Julia Redman-Carter  
Notary Public

My commission expires: April 7, 2011



**VERIFICATION**

COMMONWEALTH OF VIRGINIA     §  
  §  
COUNTY OF HENRICO           §

I, Sarah L. Murphy, state that I am Vice President of Cavalier Telephone Corporation, the ultimate parent company of Talk America, Inc. (together, the “Company”); that I am authorized to make this Verification on behalf of the Company; that the foregoing filing was prepared under my direction and supervision; and that the statements with respect to the Company in the foregoing document are true and correct to the best of my knowledge, information, and belief.

*Sarah L. Murphy*  
Name: Sarah L. Murphy  
Title: Vice President  
Cavalier Telephone Corporation

SWORN TO AND SUBSCRIBED before me on the 13 day of September, 2010.

*Cheryl C. Jones #310873*  
Notary Public

My commission expires: Sept. 30, 2013

