

Attachment 1
Application for Special Temporary Authority

Response to Item 10:

Applications were filed with the Commission's International Bureau and Wireline Competition Bureau on September 23, 2010 for Section 214 authority for a proposed transfer of control of STi Prepaid, LLC ("STi") to Vivaro Corporation ("Vivaro") (jointly, the "Applicants").¹ Special Temporary Authority ("STA") was granted October 6, 2010 and extended December 2, 2010 for a period that currently expires January 31, 2011. A 60-day extension of STA is now requested to allow additional time for "Team Telecom" to complete its review and provide input to the Commission concerning the subject transaction.² **Joanne P. Ongman, Attorney, Foreign Investment Review Staff, National Security Division, U.S. Department of Justice, has indicated no objection to extension of STA for a 60-day period.**

Extension of STA will serve the public interest, convenience and necessity because it will permit the continued provision of service by STi without interruption to customers while the Commission considers the application for approval of the transfer of control which was consummated October 14, 2010 pursuant to STA.

Applicants respectfully request that the Commission grant this STA request not later than January 31, 2011 to avoid a lapse in authorization of the transfer of control.

As explained in the 214 Application, on September 22, 2010, Vivaro entered into an agreement and plan of merger with STi whereby STi, subject to regulatory approvals, will merge into Vivaro Acquisition, LLC, (a wholly-owned subsidiary of Vivaro) with STi resulting as the surviving entity (the "Transaction").

¹ The application filed with the International Bureau was assigned File No. ITC-T/C-20100923-00385 (the "214 Application"). The Wireline Competition Bureau is processing the domestic Section 214 transfer of control application in WC Docket No. 10-205.

² A separate request for STA from the Wireline Competition Bureau is being filed this day.

STi is a non-dominant carrier. The Company provides interstate and international long distance toll services to consumers located throughout the United States. Its services are offered through the sale of prepaid phone cards. The Transaction does not involve any presubscribed local or long distance telecommunications customers.

Continuity of service by STi is extremely important to preserving and promoting competition in the prepaid card industry, especially with respect to service to Mexico that is provided by STi. Vivaro is affiliated with Marcatel, a Mexican long distance and international carrier that is in a position to price its services competitively.³ As a direct result of Vivaro's acquisition of STi, U.S. originated telecommunications traffic in the prepaid market is less dependent on the dominant carrier in Mexico for termination and U.S. consumers benefit from ongoing competition between the Mexican carriers.

On August 25, 2010, the International Bureau ("Bureau") granted STA to Progress International, LLC, the parent company of Vivaro, to acquire control of Epana Networks, Inc. ("Epana") through an acquisition of Vivaro.⁴ Like STi, Epana provides prepaid card service and, like STi, Epana was in a seriously imperiled financial condition. By consolidating the operations of Epana and STi, Vivaro is able to introduce efficiencies in operations that allow for continuity of service at competitive prices. As the Bureau reviews the Epana transfer of control it could also review the proposed STi control change as if it were "a second passenger in the same car."

³ Marcatel is a competitive long distance and international carrier in Mexico, with less than a two percent (2%) market share. As noted in the Commission's Order granting Section 214 authorization to Vivaro's affiliate, Progress International, LLC: "Marcatel has a limited market share, no market power, and a lack of control over bottleneck services or facilities." (*See* the Commission's Order granting Section 214 authorization to Progress International, LLC in File No. ITC-97-048.) This remains true today.

⁴ *See* ITC-T/C-20100723-00305. STA for the Epana transfer of control was also granted by the Wireline Competition Bureau in WC Docket No. 10-163.

Through extension of STA for the STi control change the Bureau will allow the status quo of operations to continue without disruption of service to consumers.

As indicated by the accompanying application, the Transaction provides financial stability and efficiencies that better ensure the ongoing provision of high quality telecommunications to the public by STi on a competitive basis. The transfer of control of STi does not present any eligibility or anticompetitive concerns under applicable Commission rules and policies.

Vivaro acknowledges that grant of this STA request will not prejudice any action the Commission may take on the underlying application for Commission consent to the transfer of control of STi. Vivaro further acknowledges that STA may be revoked by the Commission upon its own motion, upon notice but without a hearing.

Accordingly, an extended grant of STA will serve the public interest, convenience and necessity because it will permit the continued provision of service by STi without interruption to customers while the Commission considers the application for approval of the transfer of control.

Responses to Items 12 and 13:

Applicants hereby provide information and certifications required by Section 63.18(i) through (m) of the Commission's rules:

- Section 63.18(i): Upon its transfer of control to Vivaro, STi for the first time became affiliated with a foreign carrier. Vivaro is wholly owned by Progress International, LLC ("Progress"). As previously approved by the Commission in File No. ITC-T/C-20011221-00651, Progress is "affiliated" with a foreign carrier in Mexico, Marcatel Com, S.A. de C.V. ("Marcatel"), which is a Mexican long distance and international carrier. Both Progress and Marcatel are under common control by virtue of the indirect

controlling ownership of both companies by IXC International, LLC and its sole owner, Telecom Overseas C.V.⁵

- Section 63.18(j): None of the statements at paragraphs (1), (2), or (4) of 63.18(j) is applicable to the circumstances at hand. Paragraph (3) is true in that Telecom Overseas C.V. now has an indirect and controlling ownership interest in STi of more than 25% and also controls a foreign carrier, Marcotel, that provides long distance and international service in Mexico where STi provides service as a destination country.
- Section 63.18(k): Mexico is named in response to paragraph (j) as a destination country. Marcotel is a competitive long distance and international carrier in Mexico, with less than a two percent market share. As noted in the Commission's Order granting Progress its Section 214 authorization: "Marcotel has a limited market share, no market power, and a lack of control over bottleneck services or facilities." (*See* the Commission's Order granting Section 214 authorization to Progress in File No. ITC-97-048.) This remains true today. Marcotel is not on the FCC's "List of Foreign Telecommunications Carriers that are Presumed to Possess Market Power in Foreign Telecommunications Markets."
- Section 63.18(l): For the reasons stated in response to Section 63.18(k), Marcotel has no market power in Mexico to affect competition adversely in the U.S. market, and STi, as an indirect subsidiary of Progress, satisfies the requirements of Section 63.10(a)(3) to be a presumptively a non-dominant carrier.
- Section 63.18(m): STi was previously classified as non-dominant. For the reasons stated in response to Sections 63.18(k) and (l), STi continues, after the transfer of control to Vivaro, to be entitled to non-dominant status according to Section 63.10 on all international routes, including affiliated routes.

⁵ Ownership interests in Telecom Overseas C.V. are shown in Attachment 2 of this application.

Response to Item 16:

With reference to Section 63.18(d) of the Commission's rules, STi holds the following international Section 214 authorization which is the subject of this STA request: ITC-214-20010220-00085, ITC-214-20020531-00293, for Global Facilities-Based Service and Global Resale Service to international points. Vivaro's parent company, Progress, currently has resale authority to provide international telecommunication services pursuant to the Commission's "Order, Authorization and Certificate" in File No. ITC-97-048, released on July 9, 1997. In addition, three transfers of control of Progress were approved under the File Numbers ITC-T/C-19990513 (July 2, 1999), ITC-T/C-19990804-00533 (October 26, 1999) and ITC-T/C-20011221-00651 (January 25, 2002).

In response to Section 63.18(e)(3) of the Commission's rules, Applicants hereby certify that they will comply with the terms and conditions contained in Sections 63.21, 63.22 and/or 63.23 as appropriate.

In response to Section 63.18(g) of the Commission's rules, the authorization of facilities is categorically excluded as defined by Section 1.1306 of the Commission's rules.