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December 2, 2009

VIA ELECTRONIC FILING

Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: CG Docket No. 09-158, CC Docket No. 98-170, WC Docket No. 04-36 – *Consumer Information and Disclosure; Truth-in-Billing and Billing Format; IP-Enabled Services*, Notice of Ex Parte Presentation

WC Docket No. 06-122 – *Request for Review by Network Enhanced Telecom, LLP of Decision of Universal Service Administrator*, Notice of Ex Parte Presentation

Dear Secretary Dortch:

On December 2, 2009, Jim Continenza, President of STi Prepaid, LLC ("STi"); Thomas D'Aurio, Chief Financial Officer of STi; David Larsen, STi Board of Director, and the undersigned met with Erica H. McMahon, Chief of the Consumer Policy Division, Consumer & Governmental Affairs Bureau, and Richard Smith of the Consumer Policy Division, Consumer & Governmental Affairs Bureau. STi reiterated its positions set forth in the above-referenced dockets regarding certain truth-in-billing disclosure standards, and the need for enforcement of existing Commission regulations to ensure effective and fair competition for all long distance service providers.

Please contact the undersigned if you have any questions regarding this matter.

Respectfully submitted,

/s/ Chérie R. Kiser

Chérie R. Kiser

Enclosure

cc: Erica H. McMahon
Richard Smith

STi Prepaid, LLC

December 2, 2009

STi Prepaid, LLC

- STi Prepaid, LLC (“STi”) is one of the largest providers of international and domestic prepaid long distance services in the U.S.

- STi sells over 200 million prepaid calling cards per year

- STi’s sells prepaid LD services in all 50 states

- Cards are primarily sold in small convenience stores and bodegas, and through national retailers such as 7-11 and Dollar General. Prepaid LD services are also available directly via STi’s website.

- STi’s prepaid rates are often less than 50% of the rates charged by the large IXCs.

Organizational Structure

- STi was formed in December 2006 and purchased the prepaid phone card assets of Telco Group, Inc. in March 2007.
- In 2008, STi purchased the prepaid calling card assets of Sprint and CVT Prepaid.
- STi is 75% owned by Leucadia National Corporation. Leucadia controls the company's board and is actively involved in day-to-day management of the company.
- Leucadia is a publicly-traded company on the NYSE with a market capitalization of over $5 billion.
- STi is SOX and SEC compliant as a subsidiary of Leucadia.
- STi is based in New York City and employs 120 people in the United States.

Business Philosophy

- STi pursues best practices in promoting its prepaid LD products. It is working to define the industry standard for prepaid calling card practices that promote easy-to-understand products. This standard includes disclosure of all rates, fees, and limitations – clearly explained and conspicuously displayed on calling cards, posters, and websites.

- STi provides an important cost-effective service to consumers. Immigrants, military families, foreign exchange students, lower income Americans, and others without alternative financially viable phone service options rely on STi's prepaid service as a low cost communications option of last resort.

Industry Participants

- Large IXCs
  - Typically sold only in large national retailers.
  - Typically provide uncompetitive international rates.
- Legitimate Providers
  - Follow basic advertising standards that are consistent with FCC and FTC guidance.
  - Comply with FCC regulations and contribution obligations, fees and surcharges.
- Aggressive Gray Providers
  - Sporadically follow basic advertising standards. Often use questionable techniques to trick customers.
  - Unlikely to comply with FCC regulations, registration or contribution obligations.
  - Often internationally based and do not own their own network. Rely on debit platforms of others.
  - Often do not identify provider of service.
  - Tailor their business models for quick profitability by maximizing customer confusion. The customer cost-per-minute for long-distance services by such providers may be up to 85% higher than customer expects

Action from the FCC is Needed

- Historically permissive enforcement of existing regulation and lack of clear guidance has spurred behavior that is anti-consumer and anti-public interest.
  - While competition is generally a powerful force for ensuring equitable service in the telecommunications market, it “can only be expected to act as an effective governor of carrier conduct if the competition is fair and being played out on a level playing field.”
  - In the fractured prepaid long distance service market there is a strong competitive advantage to non-participation in industry best practices.
  - The impact of deceptive practices is exacerbated by non-participation in the payment of regulatory fees.
- Legitimate prepaid calling card companies are paying more than their fair share of regulatory fees
  - Regulatory fees exceed operating income.
  - Petitions for relief have gone unheeded.

The Result: Customers are being harmed and legitimate providers are being driven out of business

Key Next Steps

- Increase enforcement of regulations to ensure effective and fair competition.
  - Enact truth-in-billing suggestions
  - Enforce registration requirements
  - Actively enforce fees and surcharge requirements

- Rationalize applicable USF, TRS, and other regulatory regimes to ensure they are appropriately applied to prepaid long distance service providers.

Truth-in-Billing

- A basic set of disclosure standards should be applied to the prepaid calling industry to protect consumers.
- Current practices by prepaid telecommunications service providers illustrate the need for clear disclosure rules and rigorous FCC regulatory enforcement.
- The Commission should address the problems of insufficient disclosures, difficulty in comparing options, and advertising materials remaining in place after the applicable promotional period.
- The FCC has the authority to establish and enforce truth-in-billing standards for prepaid long distance service providers under Sections 201(b) and 214 of the Communications Act.

Truth-in-Billing Disclosure Standards

1. All limitations on advertised minutes or rates should be disclosed in direct proximity to the advertised minutes or rates themselves, and should be rendered in a font size no less than 50% of that used for the advertised minutes or rates.
2. The name of the carrier providing service should be clearly indicated on the face of the advertisement, along with a customer service number rendered in a legible font.
3. Any expiration date attributed to the advertisement should be rendered in a font size no less than 30% of that used for the advertisement itself.
4. All advertised rates should be valid for at least 30 days.
5. The rate-per-minute for the first call and subsequent calls during the promotional period should be clearly disclosed.

NetworkIP

- Noncompliance with USF reporting requirements evinces the need for more active FCC enforcement of existing rules.

- The Commission has recognized that it is not in the public interest to leave prepaid long distance service providers with substantial discretion to determine whether they are subject to FCC rules and regulations.

- Reseller certification procedures must ensure that all required carriers are contributing to USF.

- When prepaid service providers flout FCC rules and regulations valuable universal service contributions are lost, customers may receive substandard service, and compliant prepaid carriers can be undercut and forced from the market by non-compliant competitors.