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BEFORE THE ARIZONA CORPORATION COMMISSION

GARY PIERCE
Chairman
BOB STUMP
Commissioner
SANDRA D. KENNEDY
Commissioner
PAUL NEWMAN
Commissioner
BRENDA BURNS
Commissioner

Arizona Corporation Commission

DOCKETED

MAR - 9 2011

DOCKETED BY NR

IN THE MATTER OF THE APPLICATION
OF STI PREPAID, LLC. AND VIVARO
CORPORATION FOR EXPEDITED
APPROVAL TO ENCUMBER ASSETS

DOCKET NO. T-20517A-10-0426

DECISION NO. 72221

ORDER

Open Meeting
March 1 and 2, 2011
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. On October 19, 2010, STi Prepaid, LLC ("STi") and Vivaro Corporation ("Vivaro") filed an application to request expedited approval, pursuant to Arizona Revised Statutes ("A.R.S.") § 40-285 and to the extent necessary, to encumber STi's assets in connection with a transfer of control as financed through indebtedness payable over a period of 27 months.

The Transaction

2. On September 22, 2010, Vivaro entered into an agreement and plan of merger with STi whereby STi will merge into Vivaro Acquisitions LLC, a wholly-owned subsidiary of Vivaro, with STi becoming the surviving entity. As a result thereof, Vivaro will acquire all membership interests in STi and pay the current members of STi certain merger consideration in the form of cash.

3. Immediately prior to the closing of the transaction, Baldwin Enterprises, Inc. ("Baldwin"), an indirectly wholly-owned subsidiary of Leucadia National Corporation, will provide a loan to Vivaro to finance the majority of the merger consideration to be paid to the

1 current members of STi. The Loan is amortizable over a 27-month period. STi will participate in
2 the loan arrangement by acting as a guarantor and by pledging its assets.

3 Staff's Analysis

4 4. In response to a Staff email data request, STi stated that prepaid funds and deposits
5 for Arizona customers will not be encumbered as STi does not hold customer deposits and does
6 not believe it holds prepaid funds based on STi's sale of prepaid cards in bulk to retailers who
7 resell the cards to customers. STi published a notice of financing application in the Arizona
8 Republic on February 4, 2011. The corresponding affidavit was provided to Staff on February 9,
9 2011.

10 5. A.R.S. § 40-285 requires public service corporations to obtain Commission
11 authorization to encumber certain utility assets. The statute serves to protect captive customers
12 from a utility's act to dispose of any of its assets that are necessary for the provision of service;
13 thus, it serves to preempt any service impairment due to disposal of assets essential for providing
14 service. Staff concludes that a pledge of the STi's assets would not impair the availability of
15 service to customers since STi provides competitive services that are available from alternative
16 service providers.

17 6. Based on its analysis of the proposed transaction, Staff concludes that the
18 transaction would not impair the financial status of STi, would not impair its ability to attract
19 capital, nor would it impair the ability of STi to provide safe, reasonable, and adequate service.

20 7. Staff, therefore, recommends that the Commission approve STi's request to
21 encumber STi's assets in connection with a transfer of control as described in this application.

22 8. Customers may still have exposure to losses to the extent they have prepaid for
23 service or made deposits. Therefore, Staff recommends approval of the application subject to the
24 condition that all customer deposits and prepayments be excluded from encumbrance and
25 equivalent amounts be retained by STi.

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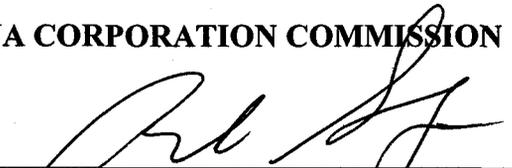
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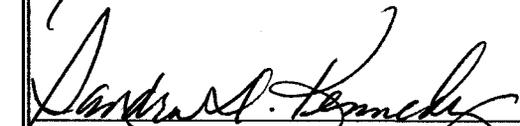
IT IS FURTHER ORDERED that one copy of executed security documents shall be filed with Docket Control, as a compliance item, within 90 days of the decision in this matter.

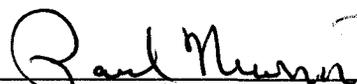
IT IS FURTHER ORDERED that this Decision shall be become effective immediately.

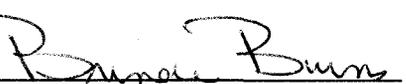
BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION


CHAIRMAN


COMMISSIONER


COMMISSIONER


COMMISSIONER


COMMISSIONER

IN WITNESS WHEREOF, I, ERNEST G. JOHNSON, Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this 14th day of March, 2011.


ERNEST G. JOHNSON
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

SMO:AFF:lh\BH

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