

Before the
Federal Communications Commission
Washington, DC 20554

In the Matter of)
magicJack VocalTec Ltd.,)
magicJack, LP, and)
YMax Communications Corp.)
File No.: EB-IHD-14-000148871
Acct. No.: 202032080025
FRN: 0013563077

ORDER

Adopted: June 5, 2020

Released: June 5, 2020

By the Chief, Enforcement Bureau:

1. The Enforcement Bureau (Bureau) of the Federal Communications Commission (Commission) has entered into a Consent Decree to resolve the Commission’s investigation into whether magicJack VocalTec Ltd., magicJack, LP, and YMax Communications Corp. (collectively, magicJack or Company) violated the federal regulatory reporting and contribution rules. To settle this matter, magicJack agrees to implement a three-year compliance plan and make a settlement payment to the United States Treasury in the amount of five million dollars (\$5,000,000).

2. After reviewing the terms of the Consent Decree and evaluating the facts before us, we find that the public interest would be served by adopting the Consent Decree and terminating the referenced investigation regarding magicJack’s compliance with sections 159, 225(d)(3), and 251(e) of the Communications Act of 1934, as amended (Act)2, and sections 1.1154, 1.1157, 52.17, 52.32, 54.706(a)-(b), 54.711, 64.604(c)(5)(iii)(B), 64.605, 64.1195 of the Commission’s rules.3

3. In the absence of material new evidence relating to this matter, we do not set for hearing the question of magicJack’s basic qualifications to hold or obtain any Commission license or authorization.4

4. Accordingly, IT IS ORDERED that, pursuant to section 4(i) of the Act5 and the authority delegated by sections 0.111 and 0.311 of the Rules,6 the attached Consent Decree IS ADOPTED and its terms incorporated by reference.

5. IT IS FURTHER ORDERED that the above-captioned matter IS TERMINATED in accordance with the terms of the attached Consent Decree.

1 The investigation began under EB-09-IH-0755 and was subsequently assigned File No. EB-IHD-14-00014887. Any future correspondence with the Commission concerning this matter should reflect the new case number.

2 47 U.S.C. §§ 159, 225(d)(3), 251(e), 254(d).

3 47 CFR §§ 1.1154, 1.1157, 52.17, 52.32, 54.706, 54.711, 64.604(c)(5)(iii)(B), 64.605, 64.1195.

4 See 47 CFR § 1.93(b).

5 47 U.S.C. § 154(i).

6 47 CFR §§ 0.111, 0.311.

6. **IT IS FURTHER ORDERED** that a copy of this Order and Consent Decree shall be via e-mail, to Ananth Velupillai, President, magicJack at avelupillai@brileyfin.com and ananth@magicjack.com and, and to William Maher, Counsel to magicJack, Wilkinson, Barker, Knauer, LLP, at WMaher@wbklaw.com.

FEDERAL COMMUNICATIONS COMMISSION

Rosemary C. Harold
Chief
Enforcement Bureau

Before the
Federal Communications Commission
Washington, DC 20554

In the Matter of
magicJack VocalTec Ltd.,
magicJack, LP, and
YMax Communications Corp.
File No.: EB-IHD-14-00014887
Acct. No.: 202032080025
FRN: 0013563077

CONSENT DECREE

1. The Enforcement Bureau of the Federal Communications Commission and magicJack VocalTec Ltd, magicJack, LP, and YMax Communications Corp. (collectively, magicJack or Company), hereby enter into this Consent Decree for the purpose of terminating the Enforcement Bureau’s investigation into the Company’s compliance with sections 159, 225(d)(3), and 251(e) of the Communications Act of 1934, as amended (Act)8, and sections 1.1154, 1.1157, 52.17, 52.32, 54.706(a)-(b), 54.711, 64.604(c)(5)(iii)(B), 64.605, 64.1195 of the Commission’s rules.9 The Bureau and the Company engaged in extensive discussions to settle this investigation. Thereafter, the Parties agreed to enter into this Consent Decree.

I. DEFINITIONS

- 2. For the purposes of this Consent Decree, the following definitions shall apply:
(a) “Act” means the Communications Act of 1934, as amended.10
(b) “Adopting Order” means an order of the Bureau adopting the terms of this Consent Decree without change, addition, deletion, or modification.
(c) “B. Riley” means B. Riley Financial, Inc.
(d) “Bureau” means the Enforcement Bureau of the Federal Communications Commission.
(e) “Commission” and “FCC” mean the Federal Communications Commission and all of its bureaus and offices.
(f) “Communications Laws” means collectively, the Act, the Rules, and the published and promulgated orders and decisions of the Commission to which the Company is subject by virtue of its business activities, including but not limited to the Federal Regulatory Reporting and Contribution Rules.

7 The investigation began under EB-09-IH-0755 and was subsequently assigned File No. EB-IHD-14-00014887. Any future correspondence with the Commission concerning this matter should reflect the new case number.

8 47 U.S.C. §§ 159, 225(d)(3), 251(e), 254(d).

9 47 CFR §§1.1157, 52.17, 52.32, 54.706, 54.711, 64.604(c)(5)(iii)(B), 64.605, 64.1195.

10 47 U.S.C. § 151 et seq.

- (g) “Compliance Plan” means the compliance obligations, program, and procedures described in this Consent Decree at Paragraph 9.
- (h) “Covered Employees” means all employees of the Company who perform, supervise, oversee, or manage the performance of, duties that relate to the Company’s responsibilities under the Communications Laws, including the Federal Regulatory Reporting and Contribution Rules.
- (i) “Effective Date” means the date by which both the Bureau and magicJack have signed the Consent Decree.
- (j) “Federal Regulatory Reporting and Contribution Rules” means sections 251(e)(2) and 254(d) of the Act, 47 C.F.R. §§ 251(e)(2), 254(d), and sections 1.1154, 1.1157, 52.17, 52.32, 54.706, 54.711, 64.604, and 64.1195 of the Rules, 47 C.F.R. §§ 1.1154, 1.1157, 52.17, 52.32, 54.706, 54.711, 64.604, 64.1195, and other provisions of the Act, the Rules, and Commission orders governing related federal regulatory reporting and contribution obligations.
- (k) “Implementation Date” means one (1) year after the Effective Date.
- (l) “Investigation” means the investigation commenced by the Bureau in EB-09-IH-0755 and subsequently assigned file number EB-IHD-14-00014887, encompassing File No. EB-IHD-18-000270007.
- (m) “magicJack Holding” means magicJack VocalTec Ltd.
- (n) “magicJack” or “Company” means magicJack Holding, and its affiliates magicJack, LP (“MJLP”), a Delaware limited partnership, and YMax Communications Corp. (“YMax”), and their subsidiaries, predecessors-in-interest, and successors-in-interest.
- (o) “Operating Procedures” means the standard internal operating procedures and compliance policies established by the Company to implement the Compliance Plan.
- (p) “Parties” means the Company and the Bureau, each of which is a “Party.”
- (q) “Public Notice” means the Public Notice in WC Docket No. 17-356 released November 6, 2018 (DA 18-1136) granting transfer of control of certain Domestic and International 214 authorizations to B. Riley.
- (r) “Rules” means the Commission’s regulations found in Title 47 of the Code of Federal Regulations.
- (s) “USAC” means the Universal Service Administrative Company.¹¹

II. TERMS OF AGREEMENT

3. **Adopting Order.** The provisions of this Consent Decree shall be incorporated by the Bureau in an Adopting Order.

4. **Jurisdiction.** The Company agrees that the Bureau has jurisdiction over it and the matters contained in this Consent Decree such that the Bureau has the authority to enter into and adopt this Consent Decree. The Company reserves its right to raise any and all defenses, including jurisdictional defenses, to any future investigation, litigation, or other proceeding.

¹¹ See 47 CFR § 54.701.

5. **Effective Date.** The Parties agree that this Consent Decree shall become effective on the Effective Date as defined herein. As of the Effective Date, the Parties agree that this Consent Decree shall have the same force and effect as any other order of the Commission.

6. **Termination of Investigation.** In express reliance on the covenants and representations in this Consent Decree and to avoid further expenditure of public resources, the Bureau agrees to terminate the Investigation. In consideration for the termination of the Investigation the Company agrees to the terms, conditions, and procedures contained herein. The Bureau further agrees that, in the absence of new material evidence, it will not use the facts developed in the Investigation through the Effective Date, or the existence of this Consent Decree, to institute on its own motion, any new proceeding, formal or informal, or take any action on its own motion against the Company concerning the matters that were the subject of the Investigation. The Bureau also agrees that, in the absence of new material evidence, it will not use the facts developed in the Investigation through the Effective Date, or the existence of this Consent Decree, to institute on its own motion any proceeding, formal or informal, or take any action on its own motion against the Company with respect to the Company's basic qualifications, including its basic qualifications, to be a Commission licensee or hold Commission licenses or authorizations.¹² The Bureau acknowledges that, apart from the Investigation, there are no investigative actions pending before the Bureau as of the Effective Date concerning any alleged violations of the Communications Laws by the Company. The Bureau further acknowledges that, upon reasonable inquiry, there are no audits, examinations, or investigations pending before USAC or the Wireline Competition Bureau as of the Effective Date concerning any alleged violations of the Federal Regulatory Reporting and Contribution Rules by the Company. By signing this agreement, magicJack neither admits nor denies the Company's noncompliance with the Commission's Rules that are the subject of this Investigation and the Bureau does not make any findings of liability with respect to the Investigation.

7. **Termination of Condition Provision.** Upon the Effective Date, the condition in the Public Notice that B. Riley shall comply with and cause magicJack and its successors and assigns to comply with any and all final orders or consent decrees associated with any Commission investigation into magicJack's compliance with the Act and the Commission's rules, shall be deemed satisfied and B. Riley will have no ongoing additional obligations under such condition beyond those otherwise provided under the Act, the Commission's rules, and relevant Commission precedent. The Parties acknowledge that the forgoing provision of this Consent Decree shall have no effect with respect to the condition in the Public Notice requiring full compliance with the commitments and undertakings set forth in the August 13, 2018, Declaration and Letter of Agreement between B. Riley and the United States Department of Justice.

8. **Compliance Officer.** Within thirty (30) calendar days after the Implementation Date, the Company shall designate a senior corporate manager or officer with the requisite corporate and organizational authority and knowledge to serve as a Compliance Officer and to discharge the duties set forth below. The person designated as Compliance Officer shall be responsible for developing, implementing, and administering the Compliance Plan and overseeing efforts to ensure that the Company complies with the terms and conditions of the Compliance Plan and this Consent Decree. The Compliance Officer will use the resources of outside legal counsel, and/or rely on a compliance manager, if one is designated, to supplement his or her general knowledge of the Communications Laws necessary to discharge his or her duties under this Consent Decree. The Compliance Officer, and/or outside legal counsel or compliance manager, shall have specific knowledge of the Federal Regulatory Reporting and Contribution Rules, prior to assuming his/her duties.

¹² See 47 CFR § 1.93(b)

9. **Compliance Plan.** For purposes of settling the matters set forth herein, to the extent the Company is required to make any necessary filings or contributions pursuant to the terms of the Appendix, the Company agrees that it shall, within sixty (60) calendar days of the Implementation Date, develop and implement a Compliance Plan designed to ensure future compliance with the Federal Regulatory Reporting and Contribution Rules and the terms and conditions of this Consent Decree. With respect to the Federal Regulatory Reporting and Contribution Rules, the Company will implement, at a minimum, the following procedures:

- (a) **Operating Procedures.** To the extent the Company is required to make filings or contributions pursuant to Paragraphs 9(d) and (e), within sixty (60) calendar days of the Implementation Date, the Company shall establish Operating Procedures that all Covered Employees must follow to help ensure the Company's compliance with the Federal Regulatory Reporting and Contribution Laws. The Company's Operating Procedures shall include internal procedures and policies specifically designed to ensure that the Company shall comply with the Commission's Federal Regulatory Reporting and Contribution Rules. The Company shall also develop a Compliance Checklist that describes the steps that a Covered Employee must follow to ensure compliance with the Federal Regulatory Reporting and Contribution Rules.
- (b) **Compliance Manual.** To the extent the Company is required to make filings or contributions pursuant to Paragraphs 9(d) and (e), within sixty (60) calendar days of the Implementation Date, the Company shall develop and distribute a Compliance Manual to all Covered Employees. The Compliance Manual shall explain the Federal Regulatory Reporting and Contribution Rules and set forth the Operating Procedures that the Covered Employees shall follow to help ensure the Company's compliance with the Federal Regulatory Reporting and Contribution Rules. The Company shall periodically review and revise the Compliance Manual as necessary to ensure the information set forth therein remains current and accurate. The Company shall distribute any revisions to the Compliance Manual to all Covered Employees within 30 days.
- (c) **Compliance Training Program.** To the extent the Company is required to make filings or contributions pursuant to Paragraphs 9(d) and (e), the Company shall establish a Compliance Training Program in compliance with the Federal Regulatory Reporting and Contribution Rules and the Operating Procedures. As part of the Compliance Training Program, Covered Employees shall be advised of the Company's obligation to report any noncompliance with the Federal Regulatory Reporting and Contribution Rules under Paragraph 10 of this Consent Decree and shall be instructed on how to disclose noncompliance to the Compliance Officer. All Covered Employees shall be trained pursuant to the Compliance Training Program within thirty (30) calendar days of the adoption of the Operating Procedures, except that any person who becomes a Covered Employee at any time after the initial Compliance Training Program shall be trained within thirty (30) calendar days after the date such person becomes a Covered Employee. The Company shall repeat compliance training on an annual basis and shall periodically review and revise the Compliance Training Program as necessary to ensure that it remains current and complete and to enhance its effectiveness.
- (d) **Filing Federal Forms.** To the extent required after the Implementation Date, the Company shall begin filing Telecommunications Reporting Worksheets with respect to magicJack's operations and revenues consistent with the terms set forth in the Appendix.

- (e) **Contributions.** To the extent required after the Implementation Date, the Company shall pay, as they become due, regulatory fees and contributions to the Universal Service Fund; Telecommunications Relay Service; North American Numbering Plan administration; and Local Number Portability administration with respect to the Company's operations and revenues, including any assessable revenues identified in the forms filed as specified in 8(d) consistent with the terms set forth in the Appendix.

10. **Reporting Noncompliance.** To the extent the Company makes filings or contributions pursuant to Paragraphs 9(d) and (e), the Company shall report any noncompliance with the Federal Regulatory Reporting and Contribution Rules and with the terms and conditions of this Consent Decree within fifteen (15) calendar days after discovery of such noncompliance. Such reports shall include a detailed explanation of: (i) each instance of noncompliance; (ii) the steps that the Company has taken or will take to address such noncompliance; (iii) the schedule on which such actions will be taken; and (iv) the steps that the Company has taken or will take to prevent the recurrence of any such noncompliance. All reports of noncompliance shall be submitted to the Chief, Investigations and Hearings Division, Enforcement Bureau, Federal Communications Commission, Room 4-C330, 445 12th Street, SW, Washington, D.C. 20554, with a copy submitted electronically to Jeffrey J. Gee at Jeffrey.Gee@fcc.gov, Rizwan Chowdhry at Rizwan.Chowdhry@fcc.gov, and Pam Slipakoff at Pam.Slipakoff@fcc.gov.

11. **Compliance Reports.** The Company shall file Compliance Reports with the Commission ninety (90) calendar days, twelve (12) months, and twenty-four (24) months after the Implementation Date.

- (a) Each Compliance Report shall include a detailed description of the Company's efforts during the relevant period to comply with the terms and conditions of this Consent Decree and the Federal Regulatory Reporting and Contribution Rules. In addition, each Compliance Report shall include a certification by the Compliance Officer, as an agent and on behalf of magicJack, stating that the Compliance Officer has personal knowledge that the Company: (i) has established and implemented the Compliance Plan; (ii) has utilized the Operating Procedures since the implementation of the Compliance Plan; and (iii) is not aware of any instances of noncompliance with the terms and conditions of this Consent Decree, including the reporting obligations set forth in Paragraph 10 of this Consent Decree.
- (b) The Compliance Officer's certification shall be accompanied by a statement explaining the basis for such certification and shall comply with section 1.16 of the Rules and be subscribed to as true under penalty of perjury in substantially the form set forth therein.¹³
- (c) If the Compliance Officer cannot provide the requisite certification, the Compliance Officer, as an agent and on behalf of the Company, shall provide the Commission with a detailed explanation of the reason(s) why and describe fully: (i) each instance of noncompliance; (ii) the steps that the Company has taken or will take to address such noncompliance, including the schedule on which proposed remedial actions will be taken; and (iii) the steps that the Company has taken or will take to prevent the recurrence of any such noncompliance, including the schedule on which such preventive action will be taken.

¹³ See 47 CFR § 1.16.

- (d) All Compliance Reports shall be submitted to the Chief, Investigations and Hearings Division, Enforcement Bureau, Federal Communications Commission, Room 4-C330, 445 12th Street, S.W., Washington, D.C. 20554, with a copy submitted electronically to Kalun Lee at Kalun.Lee@fcc.gov, Rizwan Chowdhry at Rizwan.Chowdhry@fcc.gov, and Pam Slipakoff at Pam.Slipakoff@fcc.gov.

12. **Termination Date.** Unless stated otherwise, the requirements set forth in Paragraphs 8 through 11 of this Consent Decree shall expire thirty-six (36) months after the Effective Date.

13. **Settlement Amount.** The Company shall make a settlement payment to the United States Treasury in the amount of five million dollars (\$5,000,000) within thirty (30) calendar days of the Effective Date. The Company shall send electronic notification of payment to the Chief, Investigations and Hearings Division, Enforcement Bureau, Federal Communications Commission, 445 12th Street, SW Room 4-C224, Washington, DC 20554, with a copy submitted electronically to Jeffrey.Gee@fcc.gov, and to Pam.Slipakoff@fcc.gov on the date said payment is made. Payment of the settlement must be made by credit card, ACH (Automated Clearing House) debit from a bank account using the Commission's Fee Filer (the Commission's online payment system),¹⁴ or by wire transfer. The Commission no longer accepts payments by check or money order. Below are instructions that payors should follow based on the form of payment selected:¹⁵

- (a) Payment by wire transfer must be made to ABA Number 021030004, receiving bank TREAS/NYC, and Account Number 27000001. A completed Form 159 must be faxed to the Federal Communications Commission at 202-418-2843 or e-mailed to RROGWireFaxes@fcc.gov on the same business day the wire transfer is initiated. Failure to provide all required information in Form 159 may result in payment not being recognized as having been received. When completing FCC Form 159, enter the Account Number in block number 23A (call sign/other ID), enter the letters "FORF" in block number 24A (payment type code), and enter in block number 11 the FRN(s) captioned above (Payor FRN).¹⁶ For additional detail and wire transfer instructions, go to <https://www.fcc.gov/licensing-databases/fees/wire-transfer>.
- (b) Payment by credit card must be made by using the Commission's Fee Filer website at <https://apps.fcc.gov/FeeFiler/login.cfm>. To pay by credit card, log-in using the FRN captioned above. If payment must be split across FRNs, complete this process for each FRN. Next, select "Pay bills" on the Fee Filer Menu, and select the bill number associated with the CD Acct. No. – the bill number is the CD Acct. No. with the first two digits excluded – and then choose the "Pay by Credit Card" option. IMPORTANT NOTE: there is a \$24,999.99 limit on credit card transactions.

¹⁴ Payments made using the Commission's Fee Filer system do not require the submission of an FCC Form 159.

¹⁵ For questions regarding payment procedures, please contact the Financial Operations Group Help Desk by phone at 1-877-480-3201 (option #6), or by e-mail at ARINQUIRIES@fcc.gov.

¹⁶ Instructions for completing the form may be obtained at <http://www.fcc.gov/Forms/Form159/159.pdf>.

- (c) Payment by ACH must be made by using the Commission's Fee Filer website at <https://apps.fcc.gov/FeeFiler/login.cfm>. To pay by ACH, log in using the FRN captioned above. If payment must be split across FRNs, complete this process for each FRN. Next, select "Pay bills" on the Fee Filer Menu and then select the bill number associated with the CD Acct. No. – the bill number is the CD Acct. No. with the first two digits excluded (e.g., NAL 1912345678 = FCC bill Number 12345678) – and choose the "Pay from Bank Account" option. Please contact the appropriate financial institution to confirm the correct Routing Number and the correct account number from which payment will be made and verify with that financial institution that the designated account has authorization to accept ACH transactions.

14. **Event of Default.** The Company agrees that the failure by the Company to pay the full amount of the settlement payment on or before the due date specified in this Consent Decree shall be an event of default (Event of Default).

15. **Interest, Charges for Collection, and Acceleration of Maturity Date.** After an Event of Default has occurred under this Consent Decree, the then unpaid amount of the settlement payment shall accrue interest, computed using the U.S. Prime Rate in effect on the date of the Event of Default plus 4.75 percent, from the date of the Event of Default until payment in full. Upon an Event of Default, the then unpaid amount of the settlement payment, together with interest, any penalties permitted and/or required by the law, including but not limited to 31 U.S.C. § 3717 and administrative charges, plus the costs of collection, litigation, and attorneys' fees, shall become immediately due and payable, without notice, presentment, demand, protest, or notice of protest of any kind, all of which are waived by the Company.

16. **Waivers.** As of the Effective Date, the Company waives any and all rights it may have to seek administrative or judicial reconsideration, review, appeal or stay, or to otherwise challenge or contest the validity of this Consent Decree and the Adopting Order. The Company shall retain the right to challenge Commission interpretation of the Consent Decree or any terms contained herein. If either Party (or the United States on behalf of the Commission) brings a judicial action to enforce the terms of the Consent Decree or the Adopting Order, neither the Company nor the Commission shall contest the validity of the Consent Decree or the Adopting Order, and the Company shall waive any statutory right to a trial *de novo*. The Company hereby agrees to waive any claims it may otherwise have under the Equal Access to Justice Act¹⁷ relating to the matters addressed in this Consent Decree.

17. **Severability.** The Parties agree that if any of the provisions of the Consent Decree shall be held unenforceable by any court of competent jurisdiction, such unenforceability shall not render unenforceable the entire Consent Decree, but rather the entire Consent Decree shall be construed as if not containing the particular unenforceable provision or provisions, and the rights and obligations of the Parties shall be construed and enforced accordingly.

18. **Invalidity.** In the event that this Consent Decree in its entirety is rendered invalid by any court of competent jurisdiction, it shall become null and void and may not be used in any manner in any legal proceeding.

19. **Subsequent Rule or Order.** The Parties agree that if any provision of the Consent Decree conflicts with any subsequent Rule or order adopted by the Commission (except an order specifically intended to revise the terms of this Consent Decree to which the Company does not expressly consent) that provision will be superseded by such Rule or order.

20. **Successors, Assigns, and Transferees.** The Company agrees that the provisions of this Consent Decree shall be binding on its successors, assigns, and transferees for the duration of the agreement.

¹⁷ See 5 U.S.C. § 504; 47 CFR §§ 1.1501–1.1530.

21. **Final Settlement.** The Parties agree and acknowledge that this Consent Decree shall constitute a final settlement between the Parties with respect to the Investigation. The Parties further agree that this Consent Decree does not constitute and shall not be construed as either an adjudication on the merits or a factual or legal finding or determination regarding any compliance or noncompliance with the requirements of the Communications Laws, including, but not limited to, the Federal Regulatory Reporting and Contribution Rules.

22. **Modifications.** This Consent Decree cannot be modified without the advance written consent of both Parties.

23. **Paragraph Headings.** The headings of the paragraphs in this Consent Decree are inserted for convenience only and are not intended to affect the meaning or interpretation of this Consent Decree.

24. **Authorized Representative.** Each Party represents and warrants to the other that it has full power and authority to enter into this Consent Decree. Each person signing this Consent Decree on behalf of a Party hereby represents that he or she is fully authorized by the Party to execute this Consent Decree and to bind the Party to its terms and conditions.

25. **Counterparts.** This Consent Decree may be signed in counterpart (including electronically or by facsimile). Each counterpart, when executed and delivered, shall be an original, and all of the counterparts together shall constitute one and the same fully executed instrument.

Rosemary C. Harold
Chief
Enforcement Bureau

Date

Ananth Veluppillai
President
magicJack

Date

APPENDIX

(All terms below have the same meaning as the Definitions in the Consent Decree)

On or before the Implementation Date, the Company shall make changes to the manner in which it markets and sells its services to further separate its inbound and outbound calling offerings (collectively, "Marketing Changes"). The Company shall begin filing and making contributions pursuant to the Federal Regulatory Reporting and Contribution Rules if, after the Implementation Date, the Company has not made the Marketing Changes, and it shall file the Telecommunications Reporting Worksheets as they become due in the ordinary course thereafter, for all revenues received on or after Implementation Date. Revenues received prior to Implementation Date shall not be subject to reporting or contributions. Nothing herein shall impact YMax's obligation to comply with the Federal Regulatory Reporting and Contribution Rules to the extent required under the Communications Law.

Each Telecommunications Reporting Worksheet filed by the Company after the Implementation Date shall be subject to the following filing requirements:

1. The "Gross Billed Revenues" shall be the total of all revenues attributed or attributable to magicJack Holding, MJLP and YMax. Consistent with the Form 499-A Instructions, such revenues shall include all revenues of: non-regulated telecommunications offerings; information services; and other non-telecommunications service, whether from customers or affiliates of magicJack. For clarity, Gross Billed Revenues shall include revenues from: sales or leasing of the magicJack device; sales or leasing of the magicJack app; renewal fees; licensing or leasing of intellectual property; account set-up; connection; service restoration; service termination; the activation and provision of interstate, international, and intrastate telecommunications and non-telecommunications services; collection overages and unclaimed refunds for telecommunications and telecommunications services when not subject to escheats; surcharges on telecommunications services or interconnected Voice of Internet Protocol (VoIP) services that are billed to the customer and either retained by the filer or remitted to a non-government third party under contract; any other non-recurring charges.
2. The Company shall file its Telecommunications Reporting Worksheet as if the Gross Billed Revenues from magicJack Holding, MJLP, and YMax are from one entity offering telecommunications as that term is defined in and for purposes of the Telecommunications Reporting Worksheets.
3. The Company may exempt 50% of the revenues directly attributable to first year sales of its magicJack device to new customers from its contribution bases as non-telecommunications revenue. The remaining 50% of revenues that the Company directly attributes to the first year sales of its magicJack device shall be attributed to the provision of telecommunications in its contribution bases.
4. 100% of the revenues from the renewal of the Company's service after the first year of service shall be attributed to the provision of telecommunications in its contribution bases.

5. In connection with the first Telecommunications Reporting Worksheet it files pursuant to this Consent Decree, the Company shall file with the Commission and the USAC a traffic study that supports its reporting of interstate and international jurisdictions. Such traffic study shall be subject to review by the USAC and the Wireline Competition Bureau (WCB) of the FCC. In the event USAC or WCB objects to any element of such traffic study within 180 days of receipt of such traffic study, the Company shall provide any information requested by either USAC or WCB in order to resolve such objections and shall revise such traffic study if directed to do so by USAC and/or WCB. If USAC or WCB objects to the traffic study, magicJack shall use and abide by the VoIP Safe Harbor of 64.9% until such objections are resolved and USAC and/or WCB accepts the traffic study as revised, at which time magicJack shall have sixty (60) days to file revised Telecommunications Reporting Worksheets.
6. The Company may exempt from its contribution bases its non-telecommunications revenue, provided that the Company shall not exempt:
 - a. fifty (50) % of revenues from the sales of its magicJack device as provided in paragraph 3 herein; or
 - b. revenues that the Company attributes to intellectual property licensing, including but not limited to the software underlying its provision of telecommunications or the MagicJack app.