



Agenda Date: 9/21/11
Agenda Item: IVA

STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

TELECOMMUNICATIONS

IN THE MATTER OF THE PETITION OF WARWICK)
VALLEY TELEPHONE COMPANY FOR AUTHORITY) ORDER
TO ISSUE STOCK) DOCKET NO. TF11070442

Parties of Record:

Geoffrey W. Castello, Kelley Drye & Warren LLP
J Scott Sommerer, Warwick Valley Telephone Company
Stefanie A. Brand, Director, New Jersey Division of Rate Counsel

BY THE BOARD:

On July 27, 2011, Warwick Valley Telephone Company ("Petitioner" or "Warwick"), a New York corporation, filed a petition with the New Jersey Board of Public Utilities ("Board"), pursuant to N.J.S.A. 48:3-9, N.J.A.C. 14:1-5.9 and N.J.A.C. 14:1-5.9A, for authority to issue approximately 270,000 shares of stock under a purchase agreement for the assets and business of Alteva, LLC ("Alteva").

Warwick furnishes local, network, network access, long distance and directory services and products through its telephone company operations and provides other non-utility services and products through itself or its affiliates in New Jersey and parts of Upstate New York. In New Jersey, Warwick operates as an incumbent local exchange carrier in Sussex and Passaic Counties. Warwick also provides competitive local exchange and interexchange services elsewhere in the State of New Jersey pursuant to authority granted by the Board in Docket No. TE98090985. Warwick's subsidiary, Hometown Online, Inc., provides franchised cable television service in Vernon Township and West Milford Township, pursuant to Certificates of Approval issued by the Board in Docket Nos. CE01110787 and CE02030211, respectively. Warwick or its subsidiaries also provide ILEC, CLEC and franchised cable television services in New York, subject to the jurisdiction of the New York Public Service Commission. Warwick is a publicly held company with its common shares of stock traded on the NASDAQ market under the symbol WWVY.

Alteva LLC is a Unified Communications (“UC”) solutions provider and North America’s largest enterprise hosted Voice over Internet Provider (“VoIP”).

Warwick proposes to issue approximately 270,000 shares of its common stock valued at approximately \$4,000,000 directly to Alteva as partial payment for Alteva. The details and conditions under which the stock would be issued are set forth in the Asset Purchase Agreement with Alteva which is attached to the petition. The anticipated stock portion of the purchase represents about 24% of the purchase price. Warwick emphasizes that it does not propose to sell the stock and pay over the proceeds to Alteva, but instead to issue common stock directly to Alteva for the assets as part of the Purchase Price. The stock will constitute less than 10% of the Petitioner’s issued and outstanding stock. Warwick notes that the issuance will have no material effect on the ownership or control of Warwick.

Warwick states that the Alteva business is related to and complements the Petitioner’s core business. Warwick will combine the Alteva business with its existing unregulated operations. It is Warwick’s belief that this combination will enable Warwick to compete in the market for UC and hosted applications for business and enterprise customers. Warwick believes that this combination will preserve jobs and create new jobs in the state of New Jersey. Warwick emphasizes this is possible because the acquisition will increase its total utility revenues by approximately 30% and increase its operating cash flow.

The proposed stock issuance and the Alteva acquisition were approved by Warwick’s Board of Directors at a meeting held on July 13, 2011.

The Division of Rate Counsel has reviewed this matter and, by letter dated August 16, 2011, stated it has no objection to the Board’s approval of this petition.

The Board, after investigation, having considered the record and exhibits submitted in this matter, **FINDS** that the actions proposed to be taken by Petitioner, as described in Warwick’s petition and in the Asset Purchase Agreement included therein, are in accordance with law, are in the public interest, and approving the purposes thereof, **HEREBY AUTHORIZES** Warwick Valley Telephone Company to issue stock consistent with the terms of the Asset Purchase Agreement with Alteva.

This Order is issued subject to the following provisions:

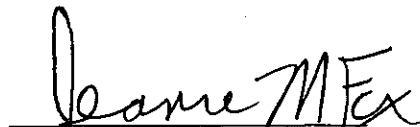
1. This Order shall not be construed as directly or indirectly fixing, for any purpose whatsoever, any value of the tangible or intangible assets now owned or hereafter to be owned by Warwick.
2. This order shall not affect or in any way limit the exercise of authority of this Board, or of the State, in any future petitions or in any proceeding with respect to rates, franchises, services, financing, accounting, capitalization, depreciation, or any other matters, affecting Warwick.
3. This Order shall not be construed as a certification that either the stock or the cash proposed to be exchanged for Alteva’s assets will represent tangible or intangible assets of commensurate value or investment costs.

4. The Petitioner shall notify the Board within ten (10) business days of any material changes in the terms of the Plan and shall provide complete details of such changes to the Board, including any anticipated effects upon service in New Jersey, and, where applicable, seek Board approval pursuant to N.J.S.A. 48:2-1 et seq.
5. Petitioner shall file semiannual statements required pursuant to N.J.A.C. 14:1-5.9(b) regarding issuance of shares of common stock pursuant to the Asset Purchase Agreement with Alteva and the Board's approval.
6. Notwithstanding anything to the contrary in the documents executed pursuant to the Asset Purchase Agreement or other supporting documents, a default or assignment under such agreement shall not constitute automatic transfer of Petitioner's assets. Board approval must be sought pursuant to N.J.S.A. 48:2-1 et seq. where applicable.
7. Warwick shall file all other regulatory items related hereto in a timely manner.
8. This Order shall become effective upon the service thereof, in accordance with N.J.S.A. 48:2-40.

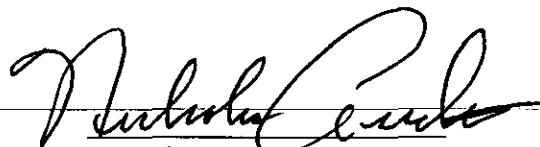
DATED: 9/22/11

BOARD OF PUBLIC UTILITIES
BY:


LEE A. SOLOMON
PRESIDENT

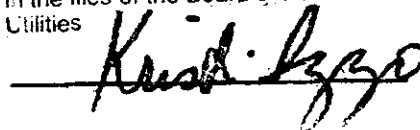

JEANNE M. FOX
COMMISSIONER


JOSEPH L. FIORDALISO
COMMISSIONER


NICHOLAS ASSELTA
COMMISSIONER

ATTEST: 
KRISTI IZZO
SECRETARY

I HEREBY CERTIFY that the within document is a true copy of the original in the files of the Board of Public Utilities



**In The Matter Of The Petition Of Warwick Valley Telephone Company For Authority To
Issue Stock
Docket TF11070442**

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