

**GOVERNMENT OF THE VIRGIN ISLANDS  
OF THE  
UNITED STATES**

**Public Services Commission**

**IN RE:**

<b>Consolidated Application for Transfer of</b>	)	Docket Nos. 653
<b>Control of Virgin Islands Telephone Corp.</b>	)	Order No. <u>59</u> /2016
<b>d/b/a Innovative Telephone</b>	)	
	)	
	)	
	)	
<b>Caribbean Communications Corp. d/b/a</b>	)	
<b>Innovative Cable TV St. Thomas-St. John, and</b>	)	
	)	
<b>St. Croix Cable TV, Inc. d/b/a Innovative</b>	)	
<b>Cable TV St. Croix</b>	)	
	)	
<b>Consolidated</b>	)	
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**CONSENT ORDER**

**WHEREAS**, on November 4, 2015, National Rural Utilities Cooperative Finance Corporation (“CFC”) and ATN, International, Inc., f/k/a Atlantic Tele-Network, Inc. (“ATN”) (the Applicants) submitted a Consolidated Application for the consent of the Public Services Commission (“PSC”) to transfer control of the Virginia Islands Telephone Corporation doing business as Innovative Telephone (“Vitelco”), Caribbean Communications Corporation, doing business as Innovative Cable TV St. Thomas-St. John (“Innovative Cable STT-STJ), and St. Croix Cable TV, Inc., doing business as Innovative Cable TV St. Croix (Innovative Cable STX”, and with Innovative Cable STT-STJ the “Cable Companies”) from CFC to ATN and

**WHEREAS**, on September 30, 2015 Caribbean Asset Holdings, LLC (“CAH”), which is CFC’s holding company for its Caribbean telecommunications and cable television businesses, ATN and ATN’s wholly-owned subsidiary, ATN VI Holdings, LLC (“ATN-VI”), executed a purchase agreement whereby ATN agreed to acquire indirect control of Vitelco and the Cable Companies and affiliated cable companies in the British Virgin Islands and St. Maarten, and

**WHEREAS**, upon closing, Vitelco and the Cable Companies will become indirect subsidiaries of, and controlled by, ATN, and

**WHEREAS**, in early 2016 the Hearing Examiner conducted several conferences with the parties to develop an agreed upon list of issues to be resolved in evaluating the merits of the Consolidated Application, and

**WHEREAS**, on March 18, 2016 after considering the issues proposed by the parties and affording opportunity for public comment on those issues, entered an order setting forth those issues, and

**WHEREAS**, the Public Services Commission Staff (“PSC Staff”) submitted informal and formal discovery requests about the financial and operational merits of the Consolidated Application from March 12, 2016 to April 4, 2016, and

**WHEREAS**, ATN and CFC responded to the PSC Staff’s informal and formal discovery requests on March 31, 2016 and April 13, 2016, and

**WHEREAS**, ATN submitted pre-filed direct testimony on April 22, 2016 and the PSC Staff submitted its pre-filed testimony on May 13, 2016, and

**WHEREAS**, ATN and CFC submitted rebuttal testimony on June 3, 2016, and

**WHEREAS**, public hearings were held on June 14, 15, and 16, 2016 on St. John, St. Thomas and St. Croix, respectively, and

**WHEREAS**, extensive settlement discussions were conducted between ATN and the PSC Staff concurrently with the discovery and testimony described above, and

**WHEREAS**, the parties submitted a settlement agreement to the Hearing Examiner on June 10, 2016 which they titled “Transfer of Control Agreement” and which agreement shall be referred to herein as “2016 TOCA”, and

**WHEREAS**, the parties proposed that execution of the 2016 TOCA at closing be a condition to any approval of the requested transfer of control by the PSC and that the 2016 TOCA replace the May 5, 2010 Transfer of Control Agreement among Vitelco, the Cable Companies, Caribbean Asset Holdings, LLC, DTR Holdings, LLC and the PSC (“2010 TOCA”), and

**WHEREAS**, it appears that based on the representations of the parties in testimony, the matters set forth in the 2016 TOCA, and the entire record herein, the 2016 TOCA is a reasonable settlement of long-disputed issues between the parties, and

**WHEREAS**, it further appears that the 2016 TOCA is in the best interests of the telephone and cable television ratepayers of the United States Virgin Islands and that the proposed transfer of control is in the public interest.

**NOW THEREFORE, it is hereby ORDERED;**

1. This Order, along with the findings and conclusions concurrently submitted by the Hearing Examiner, is adopted and approved by the Commission;
2. The 2016 TOCA is a reasonable settlement of long-disputed issues between the parties;
3. The Commission approves the transfer of control of VITELCO and the Cable Companies from CFC to ATN as being in the public interest, and the 2016 TOCA is approved by the Commission; and
4. Upon closing of the purchase agreement between ATN and CFC, ATN shall cause the execution of the 2016 TOCA in the form attached hereto as Attachment A, and ATN promptly thereafter shall submit evidence of such execution to the Commission.

*So Ordered.*

For the Commission



Andrew Rutnik, Vice Chair

Dated: June 28, 2016

## ATTACHMENT A: 2016 TOCA

TRANSFER OF CONTROL AGREEMENT  
(PSC STAFF AND ATN JOINT PROPOSAL)  
Ref: PSC Docket No. 653

### **TRANSFER OF CONTROL AGREEMENT**

This Transfer of Control Agreement ("Agreement"), dated as of \_\_\_\_\_ 2016, is by and among ATN International, Inc. ("ATN"); ATN VI Holdings, LLC ("ATN-VI"); Caribbean Asset Holdings, LLC ("CAH") (together with its successors and assigns, the "Parent Company"); DTR Holdings, LLC ("DTR"); Virgin Islands Telephone Corp., doing business as Innovative Telephone ("VITELCO"); Caribbean Communications Corp., doing business as Innovative Cable TV St. Thomas-St. John ("Innovative Cable STT-STJ"); and St. Croix Cable TV, Inc., doing business as Innovative Cable TV St. Croix ("Innovative Cable STX" and together with Innovative Cable STT-STJ, the "Cable Companies"); and the United States Virgin Islands Public Services Commission (the "PSC"). DTR is a wholly owned subsidiary of CAH. VITELCO is a wholly owned subsidiary of DTR.

In connection with the PSC's approval of the sale of the stock of CAH, which will result in the transfer of control of VITELCO and the Cable Companies, from National Rural Utilities Cooperative Finance Corporation ("CFC"), to ATN as described in the Consolidated Application for Consent to Transfer Control of a Public Utility and Two Cable Television Franchisees (the "TOC Application"), PSC Docket No. 653, the parties agree to the following terms and conditions in connection with the transfer of control of VITELCO and the Cable Companies (the "TOC"). CAH will become a wholly owned subsidiary of ATN-VI following the consummation of the TOC.

This Agreement shall become effective upon consummation of the TOC (the "Effective Date"). In the event that the TOC is not consummated, and ATN notifies the PSC that the TOC will not be consummated, then this Agreement shall become null and void and of no further effect, and any consent that has been granted to the parties hereto pursuant to the TOC Application shall be deemed rescinded.

#### **1. ATN's Qualifications**

- a. The PSC agrees ATN is financially able to own and operate VITELCO and the Cable Companies (the "Operating Companies").
- b. The PSC agrees ATN is qualified to own and operate the Operating Companies and is qualified to retain and supervise experienced and able management for CAH, DTR, and the Operating Companies following the consummation of the TOC.
  1. CAH has contracted for the availability of certain existing consultants serving as senior management of the Operating Companies on an interim basis for up to six months from the Effective Date to assist with transition matters resulting from the TOC.

## **ATTACHMENT A: 2016 TOCA**

2. CAH shall submit an organizational chart for the Operating Companies within five business days of the Effective Date. For one year following the Effective Date, CAH shall also submit the professional biographies of any new members of the Operating Companies' senior management team promptly following the hiring of any such individuals.
- c. CAH and DTR are committed to the provision of quality telecommunications and cable television services to USVI consumers.

### **2. Business Plan and Capital Expenditures**

- a. CAH will provide the PSC with VITELCO's business plan (which shall include, at minimum, financial projections, planned capital expenditures, and any planned further network modernization) ("Business Plan") within six months of the Effective Date.
- b. CAH, DTR, and the Operating Companies may take any and all steps necessary or desirable to commence implementation of the Business Plan at any time following the Effective Date and no later than the date of submission of the Business Plan to the PSC.
- c. VITELCO is not seeking PSC approval of its Business Plan at the time of submission, and such submission does not bind the PSC in future rate proceedings as to the reasonableness, prudence, or propriety of such Business Plan. However, CAH acknowledges that the PSC may undertake its own review of the Business Plan.

### **3. Assets, Mortgages and Pledges of Stock**

- a. Assets. VITELCO shall not transfer any property, plant or equipment ("PPE") without due consideration and in no event shall VITELCO transfer, convey, or sell a cumulative excess of ten percent (10%) of its total PPE without the PSC's prior consent. The retirement, replacement, or upgrade of existing inventory or PPE shall not qualify as the transfer, conveyance, or sale of PPE for purposes of this Section, and Section 3(a)(1) shall not apply to the retirement, replacement, or upgrade of existing inventory or PPE. The definition of the term PPE for purposes of this Section shall be in accordance with generally accepted accounting principles ("GAAP"), but excluding any fair value adjustment.
  1. With respect to the cumulative transfer, conveyance, or sale of material PPE by VITELCO in excess of five percent (5%) of VITELCO's total PPE, VITELCO shall provide a PPE transaction report indicating: (i) identification of PPE sold and to whom sold; (ii) the book value and statement of market value of the PPE; (iii) accounting for the transfer in accordance with the FCC's Part 64 rules to the extent applicable; and (iv) the actions taken and how such sales or transfers are consistent with VITELCO's obligation to provide reasonable service at fair, just and reasonable rates.

## ATTACHMENT A: 2016 TOCA

### *b. Mortgages.*

1. Notwithstanding Section 3(a) above, VITELCO may grant mortgages and UCC liens to creditors on its assets in connection with loans made directly to and for the benefit of VITELCO and may grant guarantees in accordance with the restrictions set forth in Section 3(b)(2) below.
2. VITELCO and the Parent Company agree that any future financing (*i.e.*, any financing not now in place and disclosed to the PSC) undertaken by and for the benefit of the Parent Company or any affiliate of the Parent Company shall in no way require VITELCO to guarantee such financing or any part thereof, except that financing undertaken by and for the benefit of the Parent Company, any subsidiary of the Parent Company ("Parent Subsidiary"), ATN, and ATN-VI may be guaranteed by VITELCO provided that VITELCO is commercially advantaged, directly or indirectly, by such financing. VITELCO shall provide the PSC with not less than 45 days prior notice of any such VITELCO guarantee, and such notice shall include the amount of the guarantee, the total amount to be financed by the Parent Company, and a description of the benefit to VITELCO of the Parent Company financing. As of the date that such a guarantee of Parent Company financing is made by VITELCO, the amount of the VITELCO guarantee when combined with the VITELCO debt then outstanding shall not exceed 60% of VITELCO's total capitalization as of such date.

### **4. Debt.**

- a. An express provision of the Purchase Agreement by and between ATN, ATN-VI, CAH and CFC, dated September 30, 2015 ("Purchase Agreement"), requires CFC to cause to be satisfied the debt that has been loaned by CFC to CAH ("CAH Debt"). The proceeds of the CAH Debt have been loaned, successively, from CAH to DTR and from DTR to VITELCO. Following satisfaction of the CAH Debt and in connection with the consummation of the TOC, CAH will satisfy the debt of DTR and DTR shall satisfy the debt of VITELCO.
- b. VITELCO is to be capitalized initially with a combination of secured debt and equity, with initial debt (other than the revolving credit facilities addressed in Section 4(c)) not to exceed 60% of VITELCO's total capitalization as of the Effective Date. VITELCO's initial debt shall be for a term of 10 years, with principal amortization at the rate of 2.5% per quarter and a fixed interest rate of 5.5%.
- c. The Operating Companies will have access to secured revolving credit facilities to fund capital expenditures.
- d. CFC has represented to ATN that there is no VITELCO preferred stock outstanding on the Effective Date. ATN hereby confirms that it has no knowledge of any preferred stock of VITELCO outstanding on the Effective Date that would have an impact on any rates payable by VITELCO customers.

## ATTACHMENT A: 2016 TOCA

### **5. Equity, Capital Stock and Dividends**

#### **a. Capital Stock**

1. The issuance of any further VITELCO stock shall be subject to applicable law, including the rules and regulations administered by the PSC.
2. DTR (or any successor to DTR's direct ownership interest in VITELCO) may pledge any of the issued and outstanding stock of VITELCO to a lender as collateral for a loan. DTR (or any affiliate of DTR that lends funds to VITELCO) may pledge the debt of VITELCO to a lender as collateral for a loan. Should a default in such a loan occur resulting in seizure of or foreclosure upon a majority of the voting stock of VITELCO, any proposed sale of such stock shall first be submitted to the PSC for approval before consummation, which approval shall not be unreasonably withheld, conditioned, or delayed if the proposed sale will not materially adversely affect VITELCO's operations or rates, or unduly restrict VITELCO's access to the capital markets. Provided this condition is met, it is understood and agreed that in the event of a loan default, a secured lender may foreclose its lien or pledge upon the VITELCO stock.

b. Equity. VITELCO shall endeavor to achieve positive earnings and a positive equity position. The PSC recognizes that the TOC will restore VITELCO to financial viability as of the Effective Date.

c. Dividends. VITELCO is permitted to pay dividends from earnings in accordance with normal utility industry practice. The Commission is to receive regular and prompt notice of VITELCO dividend declarations and payments. Dividends may be declared and paid up to 70% of earnings with no condition. Dividends may be declared and paid up to 100% of earnings with 30-day prior notice to the PSC. Subject to the 30-day notice requirement, in any event VITELCO is permitted to pay a dividend annually of up to \$1.25 million. However, the cumulative payment of dividends in excess of cumulative earnings from the Effective Date through the fifth anniversary thereof cannot exceed \$6.25 million without prior PSC review and approval. For the purpose of this Section 5(c), earnings shall be defined as net income or deficit, as the case may be, excluding gains or losses on the sale of assets and extraordinary (non-recurring, one-time) gains and losses.

### **6. Transfers of Control**

- a. The cumulative sale, transfer, or conveyance of more than 50 percent of the stock of an Operating Company to a non-affiliated person shall be subject to applicable law, including the rules and regulations administered by the PSC. Affiliated person shall be defined as ATN, ATN-VI, CAH, DTR, the Operating Companies or any subsidiary controlled by ATN, ATN-VI, CAH, DTR or the Operating Companies.

## ATTACHMENT A: 2016 TOCA

- b. The cumulative sale, transfer, or conveyance of a voting interest in excess of 50 percent in ATN-VI, CAH or DTR to a non-affiliated person, and the sale, transfer, or conveyance of a voting interest in any affiliate of ATN to a non-affiliated person that would cause a transfer of control of an Operating Company, shall be subject to applicable law, including the rules and regulations administered by the PSC.
- c. ATN and ATN-VI shall cease to be a party to this Agreement upon a transfer of control of VITELCO to a successor owner of the Operating Companies in accordance with applicable law, including the rules and regulations administered by the PSC.

### **7. Quality of Service, Rates and Income Tax Expense**

- a. CAH shall cause the Operating Companies to comply with all final Orders of the PSC applicable to the Operating Companies, including but not limited to PSC Order 18/2013 in Docket No. 549 as modified by PSC Order 40/2013 in Docket Nos. 549 & 610 (*i.e.*, the VITELCO Quality of Service proceeding) and the final PSC Order in the VITELCO rate case, Dockets No. 626 & 628.
- b. VITELCO does not anticipate any customer disruption as a result of the TOC. In the unlikely event of customer disruption, VITELCO will address that disruption as quickly as possible.
- c. VITELCO's revenue requirement shall be determined based on the stand-alone operations of VITELCO and shall *not* include tax expenses that are based on a consolidated tax return of the Parent Company or other affiliates or are in excess of VITELCO's stand alone tax liabilities.
- d. Provided all parties hereto are in substantial compliance with the terms of this Agreement, no party may request or initiate a general rate proceeding any earlier than the first anniversary of the Effective Date.
  - 1. Subject to Section 7(d), the parties hereto acknowledge that the PSC has the authority to address VITELCO's rates, rate base, and related matters in future rate proceedings and that VITELCO is free to request adjustments in rate base, changes to rates, and similar or related actions in future rate proceedings.

### **8. Management Fees and Intercompany Payables and Receivables**

- a. VITELCO shall be permitted to pay a management fee to Parent Company or Parent Subsidiary in an amount that is identifiable and attributable to the cost of managing VITELCO based on market values or cost, whichever is lower, using the direct allocation method pursuant to FCC Parts 32 and 64 and, to the extent it is not inconsistent with or contrary to FCC Parts 32 and 64, GAAP.

### **9. Employees**



## **ATTACHMENT A: 2016 TOCA**

- a. CAH, DTR, and the Operating Companies agree that they shall not cause any significant changes in the total number of employees, including management other than as provided in Section 1(b)(1), of the Operating Companies prior to the one (1) year anniversary date of the Effective Date. This provision shall not prohibit the Operating Companies from instituting a voluntary early retirement program for existing employees, including Operating Company management, or from taking the actions set forth in Section 1(b)(1) herein.
- b. On the Effective Date, DTR will continue to be the sponsor of the Virgin Island Telephone Corporation Pension Plan for Hourly Employees. This pension plan will be funded at or prior to the Effective Date as required by the purchase agreement governing the TOC.

### **10. Reporting Requirements**

- a. The PSC accepts and agrees to the modification of VITELCO's fiscal year end from May 31 to December 31 will become effective immediately upon closing on the TOC. This modification shall not impact VITELCO's rates.
- b. VITELCO shall provide to the PSC the items set forth in this Section 10(b).
  1. Unaudited balance sheet and income statement prepared by management, within 60 days of the close of each fiscal quarter, prepared in accordance with the FCC's Part 32 Class B level of accounts;
  2. Annual reports on the company's revenue requirements and rate base prepared in accordance with the FCC's Part 32 Class B level of accounts;
  3. On a quarterly basis, a statistical report that includes information for the quarter on VITELCO's access lines, employee headcount, plant additions and plant retirements, within 60 days of the close of each fiscal quarter; and
  4. An annual summary of payments, income, and receipts from or made to any affiliated company, Parent Company, operating divisions thereof, or, on an aggregated basis, any affiliated individuals. This report shall not include payments, income and receipts from or made to any employee in the normal course of his or her employment.
- c. VITELCO shall provide the following to the PSC on an annual basis:
  1. VITELCO's audited financial statements with the auditor's opinion and management letters, provided such materials are accorded confidential treatment, within 120 days after the end of ATN's fiscal year;
  2. An annual statistical report that includes information for the year on VITELCO's access lines, employee headcount, plant additions and plant retirements; and

## **ATTACHMENT A: 2016 TOCA**

3. An annual report showing the revenues, expenses, and assets originally booked to VITELCO; the amount assigned or allocated to nonregulated affiliates and nonregulated VITELCO services through Part 64; and the amount subject to separations.
- d. VITELCO shall provide the PSC with applications for certification of eligibility to receive federal Universal Service Fund distributions in form and substance acceptable to the PSC no later than 60 days in advance of required PSC action.
- e. For all reports and information provided to the PSC pursuant to this Agreement, if an Operating Company wishes to assert any claim of confidentiality of some portion of the information submitted, the Operating Company shall file no later than the due date:
  1. A complete copy of the required information, marked as subject to a claim of confidentiality;
  2. A redacted copy of the required information, showing where information has been withheld. Such redacted copy shall be immediately available to the public; and
  3. A motion specifically identifying the information claimed to be confidential and the basis of each claim.

### **11. Access to Information**

- a. The Operating Companies will provide the PSC with access to information related to the regulated activities of the Operating Companies upon PSC request. Such access shall include access to the Operating Companies' (i) financial books and records, (ii) operational data such as numbers of subscribers by class of service or numbers of access lines, and (iii) tax returns.
- b. CAH and DTR agree to provide the PSC with all information that is reasonably related to the regulated activities of the Operating Companies.
- c. CAH, DTR, and/or the Operating Companies may request confidential treatment of information provided to the PSC. CAH, DTR, and/or the Operating Companies will provide information to the PSC under an appropriate protective order pending resolution of such requests.

### **12. PSC Authority**

- a. Except insofar as their activities, personnel or assets involve or affect the Operating Companies, are otherwise expressly addressed in this Agreement, or involve activities and/or assets which the PSC has the discretion to take into account to determine local revenue requirements as permitted by law, the PSC expressly recognizes that ATN, ATN-VI, CAH, and DTR are not subject to PSC jurisdiction.

## **ATTACHMENT A: 2016 TOCA**

- b. The Purchase Agreement requires that any Closing Pension/OPEB Shortfall shall be funded in accordance with the Purchase Agreement from proceeds of the Purchase Price. It also specifies a purchase price adjustment to reflect a Target Net Working Capital Amount of \$0. The Commission's approval of this Agreement is contingent upon those requirements being met substantially in accordance with the terms of the Purchase Agreement and that there be no material change in the Purchase Agreement since the date that the Purchase Agreement initially was executed. ATN shall notify the PSC promptly at any time after PSC approval of this Agreement of any change to the Purchase Agreement since the date of its execution. Promptly following the Effective Date, ATN shall notify the PSC (i) of the amount funded in accordance with the Purchase Agreement in satisfaction of the Closing Pension /OPEB Shortfall and (ii) the Net Working Capital Amount payment. Capitalized terms used and not defined in this Section shall have the meanings ascribed to them in the Purchase Agreement.

### **13. Assessments**

- a. Each Operating Company will pay all future assessments within 30 days of receipt of an order from the PSC imposing an assessment, even if VITELCO expects or intends to appeal such assessment. Concurrently with the imposition of future assessments, the PSC will notify the Operating Company of the docket or dockets to which such assessment(s) will be allocated and will provide the Operating Company on request with copies of any and all bills and invoices received by the PSC in any existing docket.

### **14. Prior Agreement and Governing Law**

- a. The Transfer of Control Agreement and any amendments thereto between CAH, DTR, VITELCO, Innovative Cable STT-STJ, Innovative Cable STX and the PSC, dated May 5, 2010, is terminated as of the Effective Date and shall on the Effective Date be of no further force or effect and all claims and provisions thereunder shall on the Effective Date be released.
- b. This Agreement shall be governed by and construed in accordance with the laws of the U.S. Virgin Islands without regard to U.S. Virgin Islands conflict-of-law provisions.

*[Signatures on next page.]*

Dated: \_\_\_\_\_

**ATN INTERNATIONAL, INC.**

\_\_\_\_\_  
By:  
Title:

Dated: \_\_\_\_\_

**ATN VI HOLDINGS, LLC.**

\_\_\_\_\_  
By:  
Title:

Dated: \_\_\_\_\_

**CARIBBEAN ASSET HOLDINGS, LLC**

\_\_\_\_\_  
By:  
Title:

Dated: \_\_\_\_\_

**DTR HOLDINGS, LLC**

\_\_\_\_\_  
By:  
Title:

Dated: \_\_\_\_\_

**VIRGIN ISLANDS TELEPHONE CORPORATION**

\_\_\_\_\_  
By:  
Title:

Dated: \_\_\_\_\_

**CARIBBEAN COMMUNICATIONS CORP.**

\_\_\_\_\_  
By:  
Title:

Dated: \_\_\_\_\_

**ST. CROIX CABLE TV, INC.**

\_\_\_\_\_  
By:  
Title:

Dated: \_\_\_\_\_

**UNITED STATES VIRGIN ISLANDS PUBLIC  
SERVICES COMMISSION**

\_\_\_\_\_  
By:  
Title: