

ORIGINAL

Decision No. 63535

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
WESTERN CALIFORNIA TELEPHONE COMPANY,
a California corporation, for an
order authorizing it to grant options
for the sale of not more than 12,500
shares of its common stock.

Application No. 44282
Filed March 21, 1962

O P I N I O N

This is an application for an order of the Commission authorizing Western California Telephone Company, a corporation, applicant herein, to issue and sell not to exceed 12,500 shares of its common stock of the aggregate par value of \$125,000, under the terms of a restricted stock option plan.

Applicant is a California corporation engaged in furnishing local and toll telephone service in portions of the Counties of Santa Clara, Santa Cruz, Shasta, Siskiyou, Sonoma and Marin. It proposes to grant options to its present and future officers and employees which will enable the optionees to purchase up to 12,500 shares of its \$10 par value common stock at a price at or above the fair market value of such stock on the date the option is granted. Applicant's common stock is not actively traded. An indication of prevailing market price, however, is disclosed by a prospectus dated February 15, 1962, wherein the company shows an offering of

shares of its common stock to its employees and shareholders at \$25 per share. Such prospectus shows, also, that on February 9, 1962, the low bid price and high ask price for shares of such stock were \$29 and \$31, respectively, as reported by the National Quotation Bureau, Inc.

The Employees' Restricted Stock Option Plan under which said options are to be granted provides, among other things, that the term of each option shall not exceed seven years, that the options will not be transferable during the optionee's lifetime, and will be terminated upon the optionee's termination of employment. In consideration of granting an option the optionee must agree to remain in applicant's employ for a period of at least two years after the option is granted.

The application shows that the purpose of such plan is to advance the interests of applicant and its shareholders by affording the participating employees, upon whose judgment, initiative and efforts it is largely dependent for the successful conduct of its business, an opportunity for investment in the company. Applicant anticipates that the acquisition of a proprietary interest in the company will provide such employees with a further incentive for remaining with the company and increasing their efforts on its behalf. In this connection the plan provides that all present and future officers and other employees of the company who are, or give promise of becoming, of exceptional importance to the company because of their experience and ability, shall be eligible to receive options granted

under the plan; however, no director who is not otherwise actively employed by the company shall be eligible.

The offering of common shares to officers and employees of a company under a restricted stock offering plan is not uncommon in corporate financing. The present plan appears to follow along conventional lines and, if the directors of the utility in the exercise of managerial judgment conclude to adopt an option plan and if the present shareholders approve the same, there appears to be no reason for the Commission to withhold its approval. Information filed with the Commission indicates the company will have need for additional equity funds from time to time.

We have considered this application and, based upon the information before us, we find and conclude that (1) applicant's Employees' Restricted Stock Option Plan is not adverse to the public interest; (2) applicant will have need for externally generated funds for the purposes authorized in the following order; (3) the money, property or labor to be procured or paid for by the issue of the shares of common stock herein authorized is reasonably required by applicant for the purposes specified herein; (4) such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income; and (5) the application should be granted.

In entering our order granting this application, however, we place applicant on notice that we will not regard the dividends it pays on its common stock as determining the rate of return which it should be allowed to earn nor the price at which it sells its shares as measuring the value of such shares or of its properties. The authorization herein granted is for the issue of stock only and is not to be construed as indicative of amounts to be included in a future rate base for the purpose of determining just and reasonable rates.

O R D E R

The Commission having considered the above-entitled matter and being of the opinion that a public hearing is not necessary, and that the application should be granted, therefore,

IT IS ORDERED that -

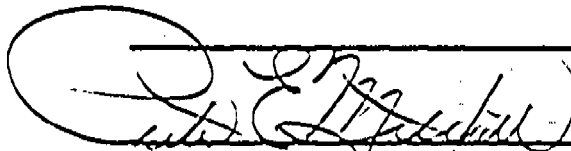
1. Western California Telephone Company, a corporation, may issue and sell not to exceed 12,500 shares of its common stock, or such number of shares as may be required upon adjustments of capitalization, under and pursuant to the terms of its Employees' Restricted Stock Option Plan, a copy of which is on file in this proceeding as Exhibit A.


2. Western California Telephone Company, a corporation, shall use the proceeds from the sale of such shares for such corporate purposes as its Board of Directors may determine subject to Section 817 of the Public Utilities Code.


3. Western California Telephone Company, a corporation, shall file with the Commission a report, or reports, as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

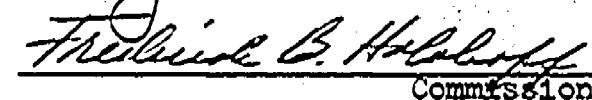
4. This order shall become effective when Western California Telephone Company, a corporation, has filed with this Commission evidence that its shareholders have approved said Employees' Restricted Stock Option Plan.

Dated at San Francisco, California,
this 10th day of APRIL, 1962.



President






Commissioners

Commissioner Everett C. McKeage, being necessarily absent, did not participate in the disposition of this proceeding.