



Agenda Date: 1/18/12  
Agenda Item: IVB

**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
44 South Clinton Avenue, 9<sup>th</sup> Floor  
Post Office Box 350  
Trenton, New Jersey 08625-0350  
[www.nj.gov/bpu/](http://www.nj.gov/bpu/)

TELECOMMUNICATIONS

IN THE MATTER OF THE PETITION OF WARWICK VALLEY TELEPHONE COMPANY FOR APPROVAL TO ISSUE SHARES OF STOCK IN CONNECTION WITH AN AMENDED AND RESTATED LONG-TERM INCENTIVE PLAN )  
ORDER )  
DOCKET NO. TF11110823 )

Parties of Record

**Bradford M. Stern, Esq.**, for the Petitioner  
**Stefanie A. Brand, Esq.**, Director, New Jersey Division of Rate Counsel

BY THE BOARD:

Warwick Valley Telephone Company ("Petitioner" or "WVT"), a New York corporation, filed a petition with the New Jersey Board of Public Utilities ("Board") on November 25, 2011, pursuant to N.J.S.A. 48:3-9, N.J.S.A. 48:5A-42, and N.J.A.C. 14:1-5.9, requesting approval for WVT to issue up to 1,100,000 shares of its common stock in connection with an Amended and Restated Long-Term Incentive Plan ("Amended Plan"). By Order dated June 16, 2008 in Docket No. TF08050288, the Board approved issuance of up to 500,000 shares under WVT's original Long-Term Incentive Plan ("Original Plan"). Thus, by the instant petition WVT seeks approval to increase the number of shares that may be issued in accordance with the terms of the Amended Plan as described herein.

Petitioner is an incumbent local exchange carrier ("ILEC") providing telecommunications service in portions of Vernon Township, Sussex County and portions of West Milford Township, Passaic County. Petitioner is also a competitive local exchange carrier ("CLEC") and inter-exchange carrier ("IXC") providing such services throughout New Jersey, outside of its ILEC service territory, pursuant to authorization granted by the Board in Docket No. TE98090985. WVT'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. CE0110787 and CE02030211, respectively. WVT, or its subsidiaries, also provides ILEC, CLEC and franchised cable television services in New York, subject to the jurisdiction of the New York Public Service Commission. WVT is a publicly held company with its common shares of stock traded on the NASDAQ market under the symbol WWVY.

The Amended Plan authorizes the grant of awards of stock options, stock appreciation rights, restricted stock, restricted stock units and performance awards. Under the Amended Plan, up to

1,100,000 shares of common stock of the Petitioner will be available at a par value of \$0.01 per share. The total number of shares available for issuance is subject to nominal adjustment pursuant to the terms under Section 11(b) of the Amended Plan.

In addition to an increase in the number of shares issued, the Amended Plan, if approved by Board, would make the following changes to the Original Plan:

- a. Remove the limitation under the Original Plan on the number of shares of restricted stock and restricted stock units which may be granted;
- b. Accelerate vesting of unvested awards only upon an involuntary termination of employment without cause or a voluntary termination of employment for good reason within one year following a change of control of the company;
- c. Extend the term of the Original Plan by 3 years; and
- d. Accommodate third-party administration via electronic communication.

The Amended Plan is administered by a Compensation Committee of the Petitioner's Board of Directors ("WVT Board") or by a successor committee appointed by the WVT Board ("Committee"). The Committee selects those individuals to whom options, stock appreciation rights and/or restricted stock will be granted from among individual employees, directors, consultants or advisers providing services to the WVT or its affiliates ("Eligible Persons") and determines the terms of the grants (i.e. number of shares, vesting, acceptable forms of payment of the option exercise price, as applicable). The Petitioner plans to adopt and implement the Amended Plan to encourage Eligible Persons to join and remain with Petitioner and to further motivate them to help increase shareholder value by providing modes for them to acquire or otherwise share in the growth of an equity interest in the Petitioner.

Proceeds from the exercise of the stock options will be used for the acquisition of property, the construction, completion, extension or improvement of facilities or improvement or maintenance of its service, or for the discharge or lawful refunding of its obligations, or reimbursement of moneys actually expended from the income from any source. However, Petitioner states that the stock option and related common stock to be issued under the Amended Plan are being implemented to offer Eligible Persons another form of compensation and not as a vehicle to raise capital.

The Amended Plan was approved by the Shareholders of WVT at its Annual Shareholders Meeting on April 25, 2011. Stock options as well as other awards may be granted under the Amended Plan before regulatory approvals have been obtained. However, no stock above the amounts previously authorized by the Board under the Original Plan shall issue on account of any such stock option grants or other awards pending all such regulatory approvals.

The Division of Rate Counsel has reviewed this matter and, by letter dated December 20, 2011, recommends that the Board approve this petition.

Staff's review indicates that the common stock issuance and long-term incentive plan is in accordance with law and is not expected to directly affect rates or services of Petitioner or its operating affiliates, or result in any change in control of WVT or its operating affiliates. The issuance of stock under the Amended Plan will allow the Petitioner to continue to offer incentive compensation benefits to Eligible Persons that are competitive in the industry to maintain such individuals in critical positions of the Company.

After review, the Board FINDS that the common stock issuance and long-term incentive plan, as amended and restated, and as described herein and in further detail in the supporting documents provided with the petition, is consistent with the applicable law and in the public interest. Therefore, the Board HEREBY AUTHORIZES the Petitioner to participate in the Warwick Valley Telephone Company's 2011 Amended and Restated Long-term Incentive Plan, as described herein.


This Order is issued subject to the following provisions:

1. This Order shall not affect or in any way limit the exercise of the authority of the Board or the State of New Jersey in any future petition or in any proceeding regarding rates, costs of service, franchises, service, financing, accounting, capitalization, depreciation or any other matters affecting the Petitioner.
2. The Petitioner shall notify the Board, within ten (10) business days, of any material changes in the terms of the Amended 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.
3. 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 Amended Plan and the Board's approval.
4. Notwithstanding anything to the contrary in the documents executed pursuant to the Amended Plan 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.

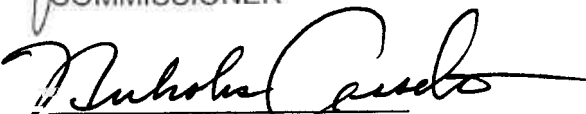
DATED: 1/18/12

BOARD OF PUBLIC UTILITIES  
BY:

  
ROBERT M. HANNA  
PRESIDENT

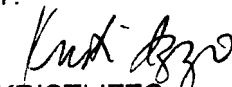
  
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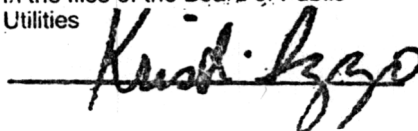
  
NICHOLAS ASSELTA  
COMMISSIONER

  
MARY-ANNA HOLDEN  
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



**Petition Of Warwick Valley Telephone Company For Approval To Issue Shares Of Stock In  
Connection With An Amended And Restated Long-Term Incentive Plan  
Docket No. TF11110823**

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