TELESP HOLDING CO
Form 6-K
April 18, 2007

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

Report of Foreign Issuer

Pursuant to Rule 13a-16 or 15d-16 of

the Securities Exchange Act of 1934

For the month of April, 2007

Commission File Number: 001-14475

TELESP HOLDING COMPANY

(Translation of registrant's name into English)

Rua Martiniano de Carvalho, 851 - 21 andar

São Paulo, S.P.

Federative Republic of Brazil

(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form 20-F x Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Yes No x

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Yes No x

Indicate by check mark whether by furnishing the information contained in this Form, the Registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934:

Yes No x

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): N/A

TELESP HOLDING COMPANY

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TELECOMUNICAÇÕES DE SÃO PAULO S.A. - TELESP

Announces the Payment of Interests on Own Capital

April 18, 2007 (01 page)

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(São Paulo Brazil; December 18, 2006) The Management of Telecomunicações de São Paulo S. A. Telesp (NYSE: TSP; BOVESPA: TLPP) announces the payment of Interests on Own Capital.

In accordance with the resolutions taken by the Board of Directors at the Meeting held on April 18, 2007, *ad referendum* of the General Shareholders Meeting, Telecomunicações de São Paulo S.A. Telesp hereby informs its shareholders about the payment of Interest on Own Capital related with the fiscal year 2007 in accordance with the article 29 of the Companys Bylaws, with the article 9 of the Law #9249/95 and Instruction #207/96 of the Comissão de Valores Mobiliários. The total amount is R$221,000,000.00 (two hundred twenty one million reais) and after withholding the income tax of 15%, its net amount is R$187,850,000.00 (one hundred eighty seven million, eight hundred fifty thousand reais), according to the table below:

Amount per share: R$	**Immune or Exempt Legal Entities (gross value)**	**Withholding tax (15%)**	**Taxed Legal Entities and Individuals (net value)**
Common Shares	**0.409589433928**	**0.061438415089**	**0.348151018839**
Preferred Shares(*)	**0.450548377321**	**0.067582256598**	**0.382966120723**

(*) 10% higher than the amount granted to each common share, in accordance with article 7 of the Companys bylaws.

Also in accordance with the resolutions taken by the Board of Directors, the corresponding credit will be made in the Companys accounting records on April 30, 2007, on an individual basis for each shareholder, based on the positions in the shareholder registry book by the end of the day, on April 30, 2007. Starting on May 01, 2007, the shares will be considered as ex-Interest on Own capital. The payment will be made until December 21, 2007.

In accordance with the single paragraph of the article 29 of the Companys bylaws, said Interest on Own Capital may be charged to the mandatory minimum dividend for the fiscal year 2007.

The Immune or Exempt Legal Entities, according to the current legislation, must provide proof of such condition until May 11, 2007 to the Gerenciamento de Ações Escriturais of Banco ABN AMRO Real S.A. (Banco Real), the depositary bank, located at Av. Brigadeiro Luis Antonio, 1827 8º andar Bloco B - CEP: 01317-002 Bela Vista São Paulo SP.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

	TELESP HOLDING COMPANY	
Date: April 18, 2007	By:	/s/ Daniel de Andrade Gomes
	Name:	Daniel de Andrade Gomes
	Title:	Investor Relations Director

transparent;white-space:nowrap;">

During the Year

Life (Years)

Intrinsic Value

Issued and Outstanding as of December 31, 2011

16

759

$

25.92

Granted

-

-

-

$

-

Exercised

-

(80

)

13.96

$

846

Forfeited and/or expired

-

(3

)

33.08

Issued and Outstanding as of December 31, 2012

16

676

$

27.28

Granted

-

-

-

$

-

Exercised

-

(25

)

17.48

$

309

Forfeited and/or expired

(5

)

(5

)

37.48

Issued and Outstanding as of December 31, 2013

11

646

$

27.48

Granted

-

-

-

$

-

Exercised

-

(192

)

16.82

$

3,154

Forfeited and/or expired

(2

)

(3

)

38.75

Issued and Outstanding as of December 31, 2014

9

451

$

31.78

3.3

$

2,679

Exercisable as of December 31, 2014

9

431

$

32.23

3.2

$

2,410

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Equity Compensation Expense

The following table summarizes the amount recorded in “General and administrative” expense in our Consolidated Statement of Operations for the amortization of phantom shares, restricted stock, LTIP Units and stock options (in millions):

	For the Year Ended December 31,		
	2014	2013	2012
Phantom Shares	$0.5	$0.4	$0.4
Restricted Stock	1.5	1.2	1.0
LTIP Units	3.9	3.3	2.5
Stock Options	0.1	0.2	0.4
Total Equity Compensation Expense	6.0	5.1	4.3
Less Amount Capitalized Due to Development and Leasing Activities	(1.2)	(1.1)	(0.7)
Net Equity Compensation	$4.8	$4.0	$3.6

The following table summarizes the remaining unrecognized expense and remaining period over which we expect to amortize the expense as of December 31, 2014 related to phantom shares, restricted stock, LTIP Units and stock options (dollars in millions):

	Unrecognized Expense as of December 31, 2014	Remaining Period to Recognize Expense
Phantom Shares	$ 0.2	4 months
Restricted Stock	$ 3.3	2.6 years
LTIP Units	$ 6.9	2.4 years
Stock Options	$ 0.1	1 month

Note 12 – Related Party Transactions

8th and Vineyard Consolidated Joint Venture

In May 2010 we entered into the 8th and Vineyard joint venture with Iowa Investments, LLC, an entity owned by one of our executives, to purchase 19.3 acres of land held for development in Southern California. Pursuant to the joint venture agreement, we will first receive a return of all capital along with a preferred return. Thereafter, Iowa Investments, LLC will receive a return of all capital along with a promoted interest. The land parcel acquired by 8th and Vineyard was purchased from an entity in which the same executive had a minority ownership. The total acquisition price of $4.7 million was determined to be at fair value.

During 2014, we completed the construction and disposition of two buildings. See “Note 3 – Investment in Properties” for additional information

Southern California Consolidated Ventures

We entered into four agreements, two in December 2010 and two in January 2011, whereby we acquired a weighted average ownership interest, based on square feet, of approximately 48.4% in five bulk industrial buildings located in the Southern California market. Entities controlled by one of our executives have a weighted average ownership in these properties of approximately 43.7%, based on square feet, and the remaining 7.9% is held by a third-party. Each venture partner will earn returns in accordance with their ownership interests. We have controlling rights including management of the operations of the properties and we have consolidated the properties in accordance with GAAP. The total acquisition price of $46.3 million was determined to be at fair value.

Note 13 – Income and Other Taxes

We operate and expect to continue to operate in a manner to meet all the requirements to qualify for REIT status. We have made our REIT election under Section 856 of the Code for the taxable year ended December 31, 2003 and have not revoked such election. In order for a former C corporation to elect to be a REIT, it must distribute 100% of its C corporation earnings and profits and agree to be subject to federal tax at the corporate level to the extent of any subsequently recognized built-in gains within a 10 year period. We did not have any built-in gains at the time of our conversion to REIT status. As a REIT, we generally will not be subject to federal income taxation at the corporate level to the extent we annually distribute 100% of our REIT taxable income, as defined under the Code, to our stockholders and satisfy other requirements. To continue to qualify as a REIT for federal tax purposes, we must distribute at least 90% of our REIT taxable income annually.

Summary of Current and Deferred Income Taxes

Components of the provision (benefit) for income taxes were as follows (in thousands):

	For the Year Ended December 31,		
	2014	2013	2012
Income tax expense (benefit)			
Current:			
Federal	$89	$51	$26
State	735	813	825
Foreign	105	(11)	62
Total current tax expense (benefit)	$929	$853	$913
Deferred:			
Federal	$(875)	$(755)	$(188)
State	(239)	(41)	(9)
Total deferred tax expense (benefit)	$(1,114)	$(796)	$(197)
Total income tax expense (benefit)	$(185)	$57	$716
Consolidated Statements of Operations classification			
Continuing operations expense (benefit)	$(217)	$68	$671
Discontinued operations expense (benefit)	$32	$(11)	$45

Foreign income taxes are accrued for foreign countries in which DCT operates in accordance with the applicable local laws and regulations, taking into account provisions of applicable double tax treaties. During the years ended December 31, 2014, 2013, and 2012, we incurred $105,000, $(11,000) and $62,000 of foreign income tax (benefit) expenses, respectively, resulting from our operations in Mexico, which were disposed of during 2013.

Deferred Income Taxes

Deferred income taxes represent the tax effect of temporary differences between the book and tax basis of assets and liabilities. As of December 31, 2014, we had recorded a $2.2 million deferred tax asset, net of valuation allowance of $1.7 million, included in the Consolidated Balance Sheets in “Other assets, net”, and a $0.9 million deferred tax liability, included in the Consolidated Balance Sheets in “Other liabilities”, for federal and state income taxes on our taxable REIT subsidiaries. For the year ended December 31, 2014, net deferred taxes decreased by $0.1 million. $1.1 million of income tax benefit is included in “Income tax benefit (expense) and other taxes” and $1.2 million of tax expense is included in “Development profit, net of taxes” in our Consolidated Statements of Operations. As of December 31, 2013, we had recorded a $2.3 million deferred tax asset, net of valuation allowance of $2.3 million, and a $0.8 million deferred tax liability for federal and state income taxes on our taxable REIT subsidiaries. Deferred tax assets (liabilities) were as follows (in thousands):

	As of December 31,	
	2014	2013
Deferred taxes:		

Depreciation and amortization	$1,879	$1,673
Section 163(j) interest limitations	1,376	1,835
Basis difference - investments in unconsolidated joint ventures	507	560
Net operating loss carryforwards	62	511
Other	137	(5)
Total deferred tax assets	$3,961	$4,574
Valuation allowance	(1,716)	(2,274)
Net deferred income tax assets	$2,245	$2,300
Basis difference - investment in properties	$(509)	$(509)
Basis difference - straight-line rent	(390)	(340)
Total deferred tax liabilities	$(899)	$(849)
Net deferred taxes	$1,346	$1,451

Note 14 – Segment Information

The Company's segments are based on our internal reporting of operating results used to assess performance based on our properties' geographical markets. Our markets are aggregated into three reportable regions or segments, East, Central and West, which are based on the geographical locations of our properties. Management considers rental revenues and property net operating income aggregated by segment to be the appropriate way to analyze performance. The following segment disclosures exclude the results from discontinued operations (see "Note 15 – Discontinued Operations and Assets Held for Sale" for additional information).

The following table reflects our total assets, net of accumulated depreciation and amortization, by segment, as of December 31, 2014 and 2013 (in thousands):

	December 31, 2014	December 31, 2013
Segments:		
East assets	$1,010,263	$1,026,416
Central assets	1,067,616	1,034,814
West assets	1,245,990	1,018,246
Total segment net assets	3,323,869	3,079,476
Non-segment assets:		
Non-segment cash and cash equivalents	16,653	25,671
Other non-segment assets (1)	111,012	152,620
Assets held for sale (2)	-	8,196
Total assets	$3,451,534	$3,265,963

(1) Other non-segment assets primarily consists of investments in and advances to unconsolidated joint ventures, deferred loan costs, other receivables and other assets.

(2) Represents assets held for sale that meet the definition of a discontinued operation.

The following table sets forth the rental revenues of our segments in continuing operations and a reconciliation of our segment rental revenues to our reported consolidated total revenues for the years ended December 31, 2014, 2013 and 2012 (in thousands):

	Year Ended December 31,		
	2014	2013	2012
East	$111,624	$95,682	$82,909
Central	128,567	111,017	90,037
West	94,596	79,519	63,893
Rental revenues	334,787	286,218	236,839
Institutional capital management and other fees	1,739	2,787	4,059
Total revenues	$336,526	$289,005	$240,898

The following table sets forth property net operating income of our segments in continuing operations and a reconciliation of our property NOI to our reported "Income (loss) from continuing operations" for the years ended December 31, 2014, 2013 and 2012 (in thousands):

	Year Ended December 31,		
	2014	2013	2012
East	$81,955	$69,853	$60,666
Central	87,281	76,327	61,800
West	71,241	60,013	47,983
Property NOI [1]	240,477	206,193	170,449
Institutional capital management and other fees	1,739	2,787	4,059
Gain on business combination	1,000	-	-
Gain on dispositions of real estate interests	39,671	-	-
Real estate related depreciation and amortization	(148,992)	(130,002)	(109,993)
Casualty and involuntary conversion gain	328	296	1,174
Development profit, net of taxes	2,016	268	307
General and administrative	(29,079)	(28,010)	(25,763)
Impairment losses	(5,635)	-	-
Equity in earnings of unconsolidated joint ventures, net	6,462	2,405	1,087
Interest expense	(63,236)	(63,394)	(69,274)
Interest and other income	1,563	274	85
Income tax benefit (expense) and other taxes	217	(68)	(671)
Income (loss) from continuing operations	$46,531	$(9,251)	$(28,540)

(1) Property net operating income ("property NOI") is defined as rental revenues, including reimbursements, less rental expenses and real estate taxes, which excludes institutional capital management fees, depreciation, amortization, casualty and involuntary conversion gains, impairment, general and administrative expenses, equity in earnings (loss) of unconsolidated joint ventures, interest expense, interest and other income (expense) and income tax benefit (expense) and other taxes. We consider property NOI to be an appropriate supplemental performance measure because property NOI reflects the operating performance of our properties and excludes certain items that are not considered to be controllable in connection with the management of the property such as depreciation, amortization, impairment, general and administrative expenses and interest expense. However, property NOI should not be viewed as an alternative measure of our financial performance since it excludes expenses which could materially impact our results of operations. Further, our property NOI may not be comparable to that of other real estate companies, as they may use different methodologies for calculating property NOI. Therefore, we believe net income (loss) attributable to common stockholders, as defined by GAAP, to be the most appropriate measure to evaluate our overall financial performance.

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Note 15 – Discontinued Operations and Assets Held for Sale

Assets Held for Sale

As of December 31, 2014, there were no properties classified as held for sale.

Discontinued Operations

We report results of operations from real estate assets that meet the definition of a component of an entity, have been sold or meet the criteria to be classified as held for sale, for which the disposal or expected disposal represents a strategic shift in operations, as discontinued operations. Real estate assets that meet the definition of a component of an entity and were disposed of or held for sale prior to January 1, 2014 are reported as discontinued operations. See "Note 2 – Summary of Significant Accounting Policies" for additional information regarding discontinued operations and our January 1, 2014 adoption of ASU 2014-08.

As of December 31, 2013, we had one operating property in our Central operating segment classified as held for sale that was subsequently sold in May 2014 and reported as a discontinued operation for the year ended December 31, 2014.

During the year ended December 31, 2014, we sold 37 consolidated operating properties to unrelated third-parties. Twelve of these properties were in the East operating segment and 25 were in the Central operating segment, together totaling approximately 6.4 million square feet. We recognized gains of approximately $43.9 million on the disposition of 33 properties and recognized impairment losses of approximately $5.4 million on the disposition of 4 properties. The estimated fair values of the impaired properties were based upon the contractual sales price, a Level 2 fair value measurement.

During the year ended December 31, 2013, we sold 51 consolidated operating properties to unrelated third-parties. Three of these properties were in the East operating segment, 47 were in the Central operating segment and one was in the West operating segment, together totaling approximately 6.8 million square feet. We recognized gains of approximately $33.6 million on the disposition of 36 properties and recognized impairment losses of approximately $13.3 million on the disposition of a portfolio of 15 properties in Dallas. The estimated fair values of the impaired properties were based upon the contractual sales price, a Level 2 fair value measurement.

During the year ended December 31, 2012, we sold 36 operating properties to unrelated third-parties. Sixteen of these properties were in the Central operating segment and 20 were in the East operating segment, together totaling approximately 4.1 million square feet. These sales resulted in gains of approximately $13.4 million and impairment losses totaling approximately $11.4 million. The impairment losses were recorded on a portfolio of 13 properties in Atlanta as the assets' carrying value exceeded their estimated fair value less costs to sell. The estimated fair value of these properties was based upon the contractual sales price, a Level 2 fair value measurement.

The following is a summary of the components of income from discontinued operations for the years ended December 31, 2014, 2013 and 2012 (in thousands):

	For the Year Ended December 31,		
	2014	2013	2012
Rental revenues	$429	$17,234	$34,061
Rental expenses and real estate taxes	(19)	(3,538)	(7,735)
Real estate related depreciation and amortization	-	(7,118)	(16,694)

General and administrative	(38)	(157)	(301)
Operating income	372	6,421	9,331
Casualty and involuntary conversion gain	-	-	450
Interest expense	-	-	(129)
Interest and other income (expense)	(19)	(49)	232
Income tax benefit (expense) and other taxes	(32)	11	(45)
Operating income and other income	321	6,383	9,839
Gain on dispositions of real estate interests	5,528	33,619	13,383
Impairment losses	(132)	(13,279)	(11,422)
Income from discontinued operations	$5,717	$26,723	$11,800

Note 16 – Quarterly Results (Unaudited)

DCT

The following tables presents selected unaudited quarterly financial data for each quarter during the years ended December 31, 2014 and 2013 (in thousands except per share information):

	For the Quarter Ended				For the Year Ended
	March 31, 2014	June 30, 2014	September 30, 2014	December 31, 2014	December 31, 2014
Total revenues	$83,383	$83,610	$ 84,607	$ 84,926	$336,526
Total operating expenses	$73,225	$67,948	$ 68,443	$ 68,072	$277,688
Operating income	$10,158	$15,662	$ 16,164	$ 16,854	$58,838
Income from continuing operations	$459	$2,055	$ 12,858	$ 31,159	$46,531
Income from discontinued operations	$9	$5,215	$ 352	$ 141	$5,717
Net income attributable to common stockholders	$317	$6,801	$ 12,409	$ 29,637	$49,164
Earnings per common share – basic:					
Income from continuing operations	$0.00	$0.03	$ 0.15	$ 0.34	$0.52
Income from discontinued operations	$0.00	$0.06	$ 0.00	$ 0.00	$0.06
Net income attributable to common stockholders	$				