

HIGHLAND TELEPHONE COOPERATIVE
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October 30, 2003

Mr. Robert H. Herz, Chairman
Financial Accounting Standards Board
401 Merritt 7
P O Box 5116
Norwalk, CT 06856

Dear Chairman Herz:

On behalf of Highland Telephone Cooperative (HTC) and the 1094 members we serve, I appreciate the opportunity to submit written comments on Statement of Financial Accounting Standards No. 150 (SFAS 150).

I wish to express my concern regarding the severe impact that I believe SFAS 150 will have upon HTC. I therefore urge that the financial Accounting Standards Board reconsider its decision to make SFAS 150 applicable to nonpublic entities.

SFAS 150 requires that issuers classify as a liability any financial instrument issued in the form of shares that is "mandatorily redeemable." A financial instrument is mandatorily redeemable if it requires the insurer to redeem it by transferring its assets at a specified or determinable date upon an event that is certain to occur. Among such events is the death of an individual patron of the entity.

For years HTC has had agreements with its patrons obligating the cooperative to redeem their interest in the cooperative when the patron dies.

Frequently, these agreements represent the only means for owners of the cooperative to realize the value for their interest other than through the sale of the entity.

HTC has operated successfully for many years with redemption agreements in place, without having to recognize the effects of these arrangements directly on its balance sheets, and without creating any disclosure or other problems as to its financial condition.

It appears that the practical effects on SFAS 150 are to wipe out the net worth of HTC. In short, while appreciating the benefit that SFAS 150 can provide in the context of public entities, I reiterate, SFAS 150 will have unduly harsh and unwarranted consequences when applied to telephone cooperatives, therefore, I respectfully urge the board to act promptly to reconsider or delay its decision to make SFAS 150 applicable to nonpublic entities.

Thank you for your consideration, and for providing the opportunity to submit this comment.

Sincerely,

Ruth Newman
Office Manager