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October 22, 2003

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

Re: SFAS No. 150

Dear Chairman Herz:

This letter is to provide comments on the reconsideration of SFAS No. 150, specifically as it applies to nonpublic entities. We represent ten telephone cooperatives that would be adversely affected by this statement, and on behalf of these cooperatives, we respectfully urge the Board to grant an exemption for nonpublic entities.

In accordance with their by-laws, telephone cooperatives allocate profits to their patrons (owners) based on business transacted with the cooperative. These allocated profits are classified as equity and may be paid to the patrons in some future year as determined by the cooperative's board of directors. Also, at the board's discretion, capital credits may be paid to estates at the time of death rather than being paid in the normal rotation. This is done to ease the administrative burden on the cooperative and the estate.

Telephone cooperative by-laws require the payment of outstanding capital credits (allocated profits) only at dissolution of the cooperative. According to paragraph 9 of SFAS No. 150, this provision clearly does not require that cooperatives reclassify patronage from equity to a liability. However, I have recently learned that FASB staff has indicated that the discretionary payments to estates constitute a "constructive obligation". Since death is inevitable, this interpretation would require cooperatives to reclassify essentially all of their equity to debt. This treatment would have a far reaching negative impact.

The telephone cooperative lenders have certain loan covenants based on equity. These covenants would not be met if the cooperatives are required to reclassify their equity to debt. Barring a change to the loan agreements, cooperatives would not be able to pay capital credits to estates or other members if there is noncompliance with these covenants. This causes a "Catch

22" because you would not have a constructive obligation if the estates could not be paid, therefore, the criteria of SFAS No. 150 would not be met.

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Regulators use equity ratios to monitor these regulated telephone cooperatives and applying SFAS No. 150 would totally distort the monitoring process. Also, cooperatives were founded on the principle that members would provide equity to cooperative in the form of unpaid capital credits and reclassification to debt goes against this principle.

Again, we respectfully urge that you exempt nonpublic entities, specifically cooperatives, from the requirements of SFAS No. 150. At the very least, we request that an interpretation be issued clarifying that discretionary redemption of capital, even if done consistently, does not constitute a constructive obligation requiring reclassification of equity to debt.

We appreciate your consideration in this matter.

Sincerely,

CURTIS BLAKELY & CO., P.C.



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