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November 4, 2003

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

Dear Chairman Herz:

On behalf of Clear Creek Mutual Telephone Company and our 2,177 members, 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 Clear Creek Mutual Telephone Company. 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 are the death or termination of employment of an individual shareholder of the entity.

SFAS 150 also requires that the issuer recognize a loss at the time of redemption of the mandatorily redeemable financial instrument in the form of shares equal to the excess of the amount of the redemption liability over the amount paid for the shares redeemed.

For years Clear Creek Mutual Telephone Company has had agreements with its shareholders obligating the cooperative to redeem a shareholder's interest in the cooperative when the shareholder dies, retires or resigns. 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. Moreover, the cooperative itself represents the only source of assets available to enable departing shareholders to realize value for their interests.

Clear Creek Mutual Telephone Company have 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.

Clear Creek Mutual Telephone Company has very limited sources of capital. For equity capital our source is limited exclusively to our members. For debt capital, we are serviced by Co-Bank but generally have only two other options, Rural Utilities Services ("RUS") (a U.S. Department of Agriculture agency), and the Rural Telephone Finance Cooperative ("RTFC"). Co-Bank places

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stringent mortgage covenants on Clear Creek Mutual Telephone Company in association with our loan.

If telephone cooperatives have to reclassify their patronage capital from equity to debt pursuant to SFAS 150, the first result will be the default of our mortgage covenants. Specifically, our current debt level of \$5.6 million will increase to \$10.3 million. This will dramatically affect two of our Mortgage covenants. Debt to Operating Cash Flow will increase to 7.22 some 2.72 points above our current covenant of 4.50. Of course equity to total assets will cease to have any meaning as our equity will be reduced to zero. Co-Bank must package their loans to sell in public markets. It seems likely that it will be more difficult and costly for Co-Bank to re-market loans made to telephone cooperatives that are financed with 100 percent debt.

It appears that the practical effects on SFAS 150 is to wipe out the net worth of the entities that are parties to agreements with their owners, obligating the entity to redeem shares when its owners die or terminate their employment.

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,

Mitchell Moore  
President