



**Lord Corporation**

Corporate Headquarters  
111 Lord Drive  
P.O. Box 8012  
Cary, North Carolina 27512-8012  
Phone: (919) 468-5979  
Fax: (919) 469-5777

October 31, 2003

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

Subject: Comments on Proposed FSP 150-c: Effective Date and Transition for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities of SFAS 150

Dear Mr. Herz;

Lord Corporation ("Lord") appreciates the opportunity to provide our comments on the FASB Staff Position referenced above along with our comments on SFAS 150 in its entirety. The Board directed FASB at the August 27, 2003 meeting to issue FSP 150-c deferring the effective date of Statement 150 for mandatory redeemable financial instruments of certain nonpublic entities. According to FSP 150-c, Statement 150 shall be effective for fiscal periods beginning after December 15, 2004. It is our understanding that the Board met again on October 29<sup>th</sup> and agreed with the recommendation to extend this effective date for nonpublic companies.

We appreciate the extension of the effective date for implementation of this pronouncement for nonpublic companies due to the major impact this standard, as currently written, is likely to have on many nonpublic entities. Additional time is needed for further evaluation, clarification and modifications.

This letter sets forth the potential impact to Lord and by extension many similarly situated entities and requests certain further modification to SFAS 150.

Lord is a nonpublic entity with sales of approximately \$450 Million and current net worth or book value of approximately \$200 Million. Lord has existed as a private entity for approximately 78 years. During that time very deliberate efforts have been pursued in many directions, including capital structure and management and employee ownership, to maintain

the private nature and culture of the entity. Fifty-five percent of the issued shares of Lord are: (i) shares contributed as a matching contribution to 401(K) Savings Plans under which the corporation is the source for net liquidation as employees effect withdrawals of employer contributions and b) shares sold and redeemed in conjunction with a management ownership or nonqualified Employee Stock Purchase Plan (ESPP) with key employees, directors and officers of Lord. Lord classifies these shares as equity. As a result of potentially being forced to account for these amounts as liabilities, SFAS 150 is challenging the long-term objective of continuing as a private corporation while remaining competitive in our industry. We are confident that the FASB did not intend the impact and consequences that SFAS 150 can have on entities such as Lord.

Many communications have been submitted to the FASB enumerating the adverse impact that SFAS 150 is expected to have on nonpublic entities. Below is a summary of adverse impacts of SFAS 150 on Lord in the absence of intervention:

1. Lord must consider a fundamental reorganization of its capital structure and resulting transformation of the private nature of the corporation.
2. The opportunities of Lord employees, directors and officers to have ownership interest in the corporation may be greatly diminished if Lord is forced to modify its plans in order to remain private, yet competitive with entities not adversely impacted by the change.
3. Shareholders and other stakeholders may significantly misinterpret and be confused by the relative financial position of the corporation.
4. Lenders, rating agencies, underwriting agencies, customers and governmental agencies may improperly evaluate the financial position of the corporation.
5. Lord may face difficulties in obtaining loans and maintaining lending covenants. Lord may also face hurdles in obtaining Directors and Officers insurance and other types of financial risk instruments.
6. Lord may not be eligible for award of contracts and/or be able to comply with financial certification requirements for government programs due to the reduced financial strength reflected on financial statements after application of SFAS 150.
7. Significant differences between financial and tax reporting due to differences in accounting for dividends and changes in fair market value of mandatory redeemable shares would occur.
8. The respective legal positions between current shareholders and creditors may be confused or altered.

9. Lord's ability under state law to declare and pay dividends may be impacted.
10. Public companies will gain an unintended and inequitable advantage vis-à-vis their private counterparts as a byproduct of several of the impacts identified above. This results from the percentage of capital subject to mandatory redemptions in the public sector versus the nonpublic sector.

The potential impact to Lord would be a result of reclassification of the shares held in the 401(K) Savings Plans and ESPP referred to above. These programs are established to control the distribution of ownership of the Corporation and retain its private or nonpublic nature. Shares are redeemed as participants leave the Corporation. New and continuing participants acquire shares and the process is repeated. Shares are cycled between the Corporation and employees, directors and officers. These programs are not intended nor do they function as a financing model for the Corporation.

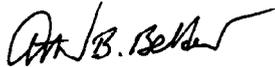
As a result of the discussions above, we request the following exceptions be considered in defining mandatory redeemable shares subject to reclassification on the balance sheet:

1. Mandatory redeemable shares held in ERISA qualified programs should not be classified as Stock Subject to Mandatory Redemption under SFAS 150 and carried as liabilities, but should be classified as a separate category of equity, with adequate footnotes in the annual report. This would place various ERISA qualified plans such as 401(K) Plans in a similar mode to ESOPs.
2. Mandatory redeemable shares purchased pursuant to an ESPP by employees, directors and officers should not be classified as Stock Subject to Mandatory Redemption under SFAS 150 and carried as liabilities, but should be classified as a separate category of equity, with adequate footnotes in the annual report.

While these type plans are commonplace with public entities, their public nature does not necessitate the need for mandatory redeemable feature for the shares. While Lord appreciates the desire of consistency in GAAP for public and non-public companies, we do not believe a financial pronouncement should dramatically change the playing field merely as a result of capital structure. The requested exceptions are consistent with exceptions already granted and maintains similar treatment for these type plans between public and nonpublic companies.

We would appreciate your consideration of the above recommendations.

Sincerely,



Arthur B. Belden  
Vice President, Finance and Treasurer