

East Buchanan Telephone Cooperative

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

October 31, 2003

Dear Chairman Hetz:

On behalf of East Buchanan Telephone Cooperative (EBTC), 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 EBTC. I therefore urge that the financial Accounting Standards Board reconsider its decision to make SFAS 150 applicable to non public entities.

SFAS 150 requires that issuers classify as a liability and financial instrument issued in the form of shares that is 'mandatorily redeemable'. A financial instrument is mandatorily redeemable if it requires the issuer to redeem it by transferring its assets at a specified or determinable date upon an event that is certain to occur. Such an event would be the death of an individual shareholder of EBTC.

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 EBTC has had agreements with its shareholders obligating the cooperative to redeem a shareholder's interest in the cooperative when the shareholder 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. Moreover, the cooperative itself represents the only source of assets available to enable departed shareholders to realize value for their interests.

EBTC 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.

As of 12/31/02 EBTC had approx. \$12,452,000 in total liabilities and stockholders liability. SFAS 150 would require us to transfer approx. \$4,526,000 from equity to liabilities. I am concerned that a change of this magnitude would place me in violation of numerous loan covenants and result in significant renegotiations. I am also concerned that SFAS 150 will make it increasingly difficult for Cooperatives to obtain future financing.

Although patronage allocations are reserved within the equity section of our balance sheets, there is no liability to pay this amount until the Board of Directors officially declares a dividend.

I appears that the practical effect of SFAS 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.

In short, while appreciating the benefit that SFAS 150 can provide in the context of public entities, I reiterate, SFAS 150 ill 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,

E.A. 'Butch' Rorabaugh
General Manager