

Mid-Rivers
TELEPHONE COOPERATIVE, INC.

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October 27, 2003

Director, TA&I-FSP Financial Accounting Standards Board 401 Merrit 7 PO Box 5116 Norwalk, CT 06856-5116

To Whom It May Concern:

I am writing to comment on Proposed FASB Staff Position No. FAS 150-c. I support deferring the effective date of Statement 150 for mandatorily redeemable financial instruments of nonpublic entities for at least one year.

Even though the Proposed FASB staff Position only addresses the effective date for applying the requirements of SFAS 150, I would submit that the greater issue is for the Board to clarify that member equity in a cooperative business is not mandatorily redeemable when the board of directors retains the authority to redeem the equity.

Our first concern is that reclassifying our member equity to a liability on the balance sheet may have an unintended effect of changing the character of our assigned patronage margins (in the view of those not familiar with the intricacies of SFAS 150) to that of a traditional liability in the "normal" sense. The purpose of these retained margins is to retain patrons' revenues in excess of the cooperative's costs as equity. That equity will be paid back to the member, but only when the cooperative's financial position merits repayment as determined by the board of directors. This repayment occurs after many years, because as a utility, we have a huge need for plant, property and equipment. We don't want our members or others thinking this is an ordinary liability.

Our other concern is that this rule, if not clarified as not applying, will significantly reduce or even eliminate the cooperative's equity. The following will result:

- We will be viewed as a weak company by our members and other readers of our financial statements
- It will reduce our ability to obtain credit and increase our borrowing costs

- We will be in violations of existing debt covenants
- It will limit our growth and investment in rural development and other projects
- It will limit our capital credit retirement distributions to members because of our loan covenants and because it will be viewed that we do not have sufficient equity to make distributions.

I appreciate your consideration of this critical issue as the implementation of SFAS 150 significantly impacts the cooperative business model.

Sincerely,

Gerry Anderson General Manager