



## PANHANDLE TELEPHONE COOPERATIVE, INC.

**RON STRECKER**  
*Chief Executive Officer*

October 30, 2003

**Letter of Comment No: 115**  
**File Reference: 1100-LEU**  
**Date Received: 11/01/03**

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

Dear Chairman Hetz:

On behalf of Panhandle Telephone Cooperative, Inc. and its 9,418 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 Panhandle Telephone Cooperative, Inc. 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 deaths 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 Panhandle Telephone Cooperative, Inc. 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.

Panhandle Telephone Cooperative, Inc. 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.

Our telephone cooperative has served our rural communities for over 49 years under the fundamental operating principle of the member-patrons furnishing their own equity capital to provide infrastructure that will offer the same type of services that are offered to their urban neighbors. In that time period, the federal courts, the Internal Revenue Service and the Rural Utility Service have all recognized patronage capital as "equity." In an effort to generate enough capital to reinvest in facilities to provide improved services for our members, there have been periods of time in our history, at the discretion of our board members, that patronage capital was not distributed.

Panhandle Telephone Cooperative, Inc. currently has loan covenants in place with COBANK and RUS that would result in default if the provisions of SFAS 150 were applied to telephone cooperatives. The stability of our financial records would be greatly altered by an accounting change that would classify patronage capital as debt. This in turn would make it very difficult to borrow any type of funds in the future.

It appears that the practical effect of 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,

A handwritten signature in cursive script, appearing to read "Ron Strecker".

Ron Strecker, CEO

Panhandle Telephone Cooperative, Inc.