



Letter of Comment No: 90
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DAVID A. RAYMOND
PRESIDENT

October 30, 2003

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

Dear Chairman Herz:

On behalf of the American Council of Engineering Companies (ACEC), I would like to express our strong concerns over the Statement of Financial Accounting Standards 150 (FAS 150), which if implemented could artificially and unfairly eliminate the net worth of many non-public engineering firms throughout the country.

ACEC is the business association of America's engineering industry, representing 6,000 independent engineering companies throughout the United States engaged in the development of America's transportation, environmental, industrial, and other infrastructure.

FAS 150 requires non-public companies to classify as liabilities any financial instrument issued in the form of equity that is "mandatorily redeemable". A financial instrument (stock) is "mandatorily redeemable" if it requires the company or entity to buy back the assets at a specific date or time, such as retirement. Since many firms have such arrangements in place where shares are automatically repurchased when a shareholder retires, resigns or dies, the new standard is expected to impact most non-public firms.

Firms must follow FASB's standards to comply with generally accepted accounting principles. Unfortunately, by classifying as *debt* equities held by company shareholders, the effect of the new standard could be to significantly reduce, or even eliminate, the net worth of non-public engineering firms. The revisions to financial statements as required by FAS 150 will not reflect an engineering firm's real financial condition, yet they will have dire consequences on its ability to obtain new clients, loans, bonding and insurance.

Therefore, we would respectfully urge you repeal or modify this standard for non-public, non-SEC registered companies. I would be happy to discuss this matter with you in greater detail, or you may contact Steve Hall, ACEC's Director of Government Affairs, at (202) 347-7474.

Thank you for your consideration.

Sincerely,

A handwritten signature in dark ink, appearing to read "David A. Raymond", is written over a horizontal line.