

**FRED WEBER, INC.**

September 24, 2003

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

Via e-mail (director@fasb.org)  
and Regular Mail

Re: FASB Statement No. 150, *Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity*

The purpose of this letter is to express our concern over the negative impact that FAS 150 will have on the construction industry, and in particular, the privately held construction companies that are the backbone of the industry.

Fred Weber, Inc. is a heavy-highway contractor with the majority of our work being done in Missouri. The Company is currently celebrating its 75<sup>th</sup> anniversary. Like most privately held companies, we have a restrictive stock agreement that requires the shares of a deceased shareholder be redeemed by the company. The value of the shares is determined by reference to an independent valuation performed for the company as required by its employee stock ownership plan.

In general, we object to FAS 150 as it relates to privately held construction companies for the following reasons:

- The Statement will not provide greater transparency in financial reporting, but will in fact make the financial statements more difficult to understand. The treatment of stock dividends as interest expense and changes in the value of stock being treated as an income statement item will make it difficult for the financial statement reader to discern the true results of operations.
- The Statement will make it more difficult to obtain credit and bonding.
- The Statement will tilt the playing field in highway construction in favor of larger public companies to the detriment of smaller privately held enterprises.
- In the context of the privately held company, the Statement seeks to solve a problem that does not exist. Banks, sureties and others who rely on financial statements, understand the current framework of accounting for the restricted common stock of privately held companies and this statement does nothing to enhance the accounting or related disclosures.

In addition to the general concerns expressed above, there are specific issues that the statement fails to address.

FAS 150 requires that a liability be recorded at its fair value at the balance sheet date as if the shares were to be redeemed on that date, that is, as if the shareholder had died. If we are to book a liability based on the "as if proposition" that the shareholder has died, what should be done with insurance proceeds that the company receives from corporate owned life insurance policies insuring the life of the shareholder? In the event that the insurance proceeds that would be received upon death of a shareholder exceed the obligation, how should that situation be recorded?

Highway construction is an extremely competitive industry with relatively thin margins. The result of forcing privately held companies to record its stockholders' equity as debt, will be an increase in debt to equity ratios in an already capital intensive industry. This will undoubtedly result in reductions in bonding capacity, forcing privately held companies to the sidelines on many larger bids. As a matter of principle, accounting rules should not determine these matters.

Our concerns address only those of a privately held construction company. Privately held companies in other industries will surely be negatively impacted as well. There are no "one size fits all" solutions to many problems in business, and differences between public and private companies exist at all levels. We therefore, respectfully request that the Board reconsider its position in FAS 150 with respect to the restricted common stock of privately held companies by providing an exemption from the requirements. Alternatively, the Board could decide the exempt common stock subject to redemption upon the death of a shareholder from the purview of the Statement.

Sincerely,

Thomas P. Dunne, Sr.  
Chairman of the Board and CEO

Dale C. Hoette  
Vice President and CFO