## Dell Telephone Cooperative, Inc.

## Dear Chairman Hertz.

I appreciate the opportunity to submit this email on behalf of Dell Telephone Cooperative, Inc. and its' 1,100 member/owners concerning SFAS 150.

I urge the Board to reconsider the decision to make SFAS 150 applicable to telephone cooperatives. The impact it will have on Dell Telephone Cooperative could be very severe. The change in balance sheet ratios, dealing with the equity of the cooperative, will immediately put the cooperative in violation of the debt covenants of lenders to the cooperative, and severely impact the ability to obtain future loans.

Until two years ago, our cooperative did not have the latitude to create equity, other than through membership fees and patronage capital. The membership fees are refundable upon termination of the member from the cooperative. In Article VIII, "Non-Profit Operation", Section 2, "Patronage Capital In Connection with furnishing Telephone and Other Services," the Bylaws of the cooperative state that "All such amounts credited to the capital account of any patron shall have the same status as though they had been paid in cash in pursuance of a legal obligation to do so and the patron had then furnished the Cooperative corresponding amounts for capital." Later in the same article and section, the Bylaws further state "In the event of dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative shall have been paid, outstanding capital credits shall be retired without priority on a pro rata basis before any payments are made on account of property rights of members. If, at any time prior to dissolution or liquidation, the board shall determine that the financial condition of the Cooperative will not be impaired thereby, the capital credited to patrons' accounts may be retired in full or in part." I believe that this clearly indicates that patronage capital from members, who have voted on and agreed to the Bylaws, is not intended to be a date certain, or even an amount certain, of a legal debt to the member from the Cooperative. The question of payments to the estate of deceased members being a trigger to show an intent of patronage capital having debt characteristics is also covered in this same section of the Bylaws: "Notwithstanding any other provisions of these bylaws, the board at its discretion, shall have the power at any time upon the death of any patron, if the legal representatives of his estate shall request in writing that the capital credited to any such patron be retired prior to the time such capital would otherwise be retired under the provisions of these bylaws, to retire capital credited to any patron immediately upon such terms and conditions as the board and legal representatives of such patron's estate shall agree upon; provided, however, that the financial condition of the Cooperative will not be impaired thereby." This clearly does not create a legal obligation of the Cooperative to pay out capital credits upon death of a member, but does give the elected board the freedom to do so at its' discretion. The board of Dell Telephone Cooperative has decided as a policy that it will pay no more than \$50,000 per year in estate payments, regardless of the amount requested by representatives of estates.

Dell Telephone Cooperative maintains that the capital credits obtained by having net margins in the dealings with it's members is clearly defined in the Bylaws as being donated capital and that the members in no fashion consider such amounts to be a debt owed them by their cooperative. The only time that such funds are required to be returned to the members is upon the dissolution or liquidation of the cooperative. The Board of Directors of Dell Telephone Cooperative, using the discretion permitted by the Bylaws of the cooperative, annually look at the financial condition of the cooperative and determine in any amount of the accumulated capital credits can be returned, and if so how much. The Board is not obligated to pay any set amount or any certain year's accumulation of capital credits.

Thank you for consideration of this matter and how it will affect our cooperative. If I can be of any use or provide any further information in this regard, please feel free to contact me at the address or number below.

Sincerely,

Richard D. Page General Manager (915) 964-2352 rpage@dellcity.com