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Valley Telephone PO Box 277 Underwood, MN 56586 218-826-6161 October 31, 2003

Mr. Robert H. Herz, Chariman Financial Accounting Standards Board 401 Merritt 7 PO Box 5116 Norwalk, CT 06856 – 5116

## Dear Chariman Herz:

On behalf of Park Region Mutual Telephone Co. and its 4,000 patrons, I appreciate the opportunity to submit written comments on Statement of Financial Standards No. 150 (SFAS 150).

Letter of Comment No: //, File Reference: 1100-LEU

Date Received: ///0//03

I wish to express my concern regarding the severe impact I believe SFAS 150 will have on Park Region Mutual Telephone Co., and 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 death 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, Park Region Mutual Telephone Co. 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.

Park Region Mutual Telephone Co. has operated successfully for nearly 100 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.

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However, should we now be forced to do so, it would significantly effect our ability to meet the debt-to-equity ratios required by our lenders to meet our loan covenants. In this situation, our company would be forced to ask the bank to redefine those ratios or face the fate of being unable to make those covenants.

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 owners die or terminate their employment.

In short, while appreciating the benefit that SFAS 150 can provide in the context of public entities, I repeat, 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 non-public entities.

Thank you for your consideration and for providing the opportunity to submit this comment.

Sincerely.

Dave Bickett General Manager