AMVEST Corporation

November 3, 2003

Comment on proposed FSB No. FAS 150-c

Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity.

I am Chief Financial Officer of a privately held corporation and respectively submit the following comment of the above mentioned FAS 150-c, as well as generally on Statement of Financial Accounting Standards No. 150.

It is not uncommon for privately held companies to enter into stock sale programs with employees or third parties as a means to raise capital or to provide an ownership stake for those who work with that company. It would also be expected that the company enter into some form of redemption mechanism in order to provide for liquidity capability at some future event date, and/or to maintain some discipline in the process of selling privately held shares to outsiders. It is understood that on the narrow issue of having mandatory redeeming features for stock holdings for preferred or common stock, a conclusion could be reached that these instruments have liability characteristics and could be then accounted for as such rather than equity, with corresponding earnings categorized as an expense. However, it ignores the question of the ultimate purpose of the financial statements. There are multiple readers of financial statements, some of whom include:

- 1) Shareholders who have these redeeming agreements in place
- 2) Shareholders who do not have such agreements in place.
- 3) Creditors of the company

In most cases, shareholders who have redeeming agreements in place have their shares of equity in the same amount of risk as those who do not while holding the stock. These individuals have the same amount of need to be able to review and understand the financial statements of the company they are investing in as other shareholders. However, in an effort to take a purist view on the definition of equity, a financial statement is created not for the company as a whole, but a financial statement for only "the other shareholders" of the company. The shareholders with agreements in place are left out.

The situation is even worse for creditors. They are indifferent about the varying forms of equity that are in place for the shareholders. Issuing a set of financial statements as required under this SFAS impairs the ability of many creditors to make proper credit decisions unless they are sophisticated enough to sort through the disclosure items to know where they stand, or have the company issue time consuming, and recently much maligned "pro-forma" financial statements. Simple disclosure of the repurchase

obligation and the conditions of it are sufficient to satisfy a creditors need to know the varying nuances of shareholder agreements.

Finally, with respect to the question of the ultimate mandatory redemption feature, it is inappropriate to use this as a trigger point for classification of the security. The Company can choose to offer a stock redemption program just as easy as the shareholder can initiate one, and the liability does not become effective until such time that the shares have been tendered. This set of circumstances is no different then the test for the sale of a company product, which requires the passage of title to a customer; or the purchase of equipment or supplies, which requires the acceptance of title, or delivery and acceptance of materials. Until the stock redemption transaction takes place, the shareholders of privately held stock are just that, shareholders.

My recommendation is to delay the issuance of this FASB for as long as possible, so that you may consider all the ramifications.

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