October 31, 2003

Mr. Robert H. Hetz, Chairman Financial Accounting Standards Board 401 Merritt 7, P. O. Box 5116 Norwalk. CT 06856-5116

Dear Chairman Herz:

On behalf of South Central Rural Telephone Cooperative and our over 26,000 members, I appreciate the opportunity to submit written comments on Statement of Financial Accounting Standards No. 150 (SFAS 150).

I wish to express my concern regarding the severe impact that I believe SFAS 150 will have upon South Central RTC. I 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.

At South Central RTC pursuant to Coop policy, a subscriber's interest is redeemed only at death or when the Board of Trustees at its discretion periodically redeems a portion of all the subscribers allocated patronage capital proratably.

South Central RTC has operated successfully for many years with these redemption policies 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.

It appears that the practical effects on 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 its owners die or terminate their employment.

In short, the implementation of SFAS 150 would reduce member equities by approximately 50%. The effect would also reduce total member equities from 68% to 34% of total assets. While RUS and other lenders require stated amounts of equity to be maintained by Cooperatives, in order to make distributions to members, this change could restrict or prevent the Cooperatives ability to make distributions to members, meet debt service coverage ratios, and finally cause many telephone Cooperatives to be in default on their current loan covenants.

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

Sincerely,

Daryl Wyatt, General Manager

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