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October 30, 2003

MR ROBERT H HETZ CHAIRMAN FINANCIAL ACCOUNTING STANDARDS BOARD 401 MERRITT 7 PO BOX 5116 NORWALK CT 06856-5116

## Dear Chairman Hetz:

On behalf of McDonough Telephone Cooperative and 4,000 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 McDonough Telephone Cooperative. 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 at the death of an individual sharcholder 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 McDonough Telephone Cooperative has had agreements with its shareholder members obligating the cooperative to redeem a shareholder's interest in the cooperative when the shareholder dies. 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.

McDonough Telephone Cooperative has operated successfully for many 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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Implementation of SFAS 150 will seriously impact McDonough Telephone Cooperative by wiping out the cooperative's equity. This will place McDonough Telephone Cooperative in violation of its loan covenants with Rural Utilities Services which could lead to the recall of our loans. Lack of equity could certainly impact acquisitions of future loans.

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.

In short, while appreciating the benefit that SFAS 150 can provide in the context of public entities, I reiterate, 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 nonpublic entities.

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

Sincerely,

MCDONOUGH TELEPHONE COOPERATIVE

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Norman T. Welker, President

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