



## **CRAW-KAN TELEPHONE COOPERATIVE INC.**

**200 N. Ozark • P. O. Box 100 • Girard KS. 66743**

**620-724-8235 • Fax 620-724-4099**

**JERRY R. JAMES**

**•GENERAL MANAGER•**

October 31, 2003

**Letter of Comment No:** 109  
**File Reference:** 1100-LEU  
**Date Received:** 11/01/03

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

Dear Chairman Herz:

On behalf of Craw-Kan Telephone Cooperative, Inc. and 13,001 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 Craw-Kan Telephone Cooperative, Inc. 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.

For years Craw-Kan Telephone Cooperative, Inc. have 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.



Page 2

Craw-Kan Telephone Cooperative, Inc. have 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.

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, 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,

CRAW-KAN TELEPHONE  
COOPERATIVE, INC.

A handwritten signature in cursive script that reads "Jerry James".

Jerry James  
General Manager

JJ/af