

Matanuska Telephone Association

October 30, 2003

Dear Chairman Hetz:

On behalf of Matanuska Telephone Association's (MTA) 35,000 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 MTA. 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 is 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 MTA has redeemed, upon request from the estate, a member's interest or capital credits in the cooperative after the member dies. Frequently, these requests represent the only means for owners of the cooperative to realize the value for their interest other than through the sale of the entity, and when the Board determines the financial condition of the Association would not be impaired by retiring in full or in part the member's capital credits.

MTA has operated successfully for 50 years without having to recognize the effects of SFAS 150 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 cooperative that allow their members to redeem their patronage capital after its members

dic or when the Board determines the financial condition of the Association would not be impaired by retiring in full or in part the member's capital credits.

MTA, as do many other cooperatives, relies on CoBank and the Rural Utility Service (RUS) to help meet our financing needs for infrastructure. As of December 31, 2002 MTA had 66.9 million in outstanding loans with CoBank and RUS with specific covenants regarding minimum levels of equity. If SFAS 150 is not changed to only apply to non public entities, then MTA will become non-compliant with its loan covenants when member's equity is reclassified as a liability. Future financing probably would not be available at least for a few years, or until the major lenders reinvent new metrics for cooperative loan approvals. Not being able to financially support our infrastructure for even a few years could be severely detrimental to MTA and other cooperatives.

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,

Desi Mayo
Chief Financial Officer
907.761.2654

A hard copy has been sent in the mail. Thank you.