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**From:** Dana Huschle [mailto:cfo@bozo.coop]  
**Sent:** Thursday, October 23, 2003 9:26 AM  
**To:** Director – FASB  
**Subject:** fas150

Director, TA&I-FSP  
Financial Accounting Standards Board  
401 Merritt 7  
P.O. Box 5116  
Norwalk, CT 06856-5116

As controller for a small food coop in rural Montana I urge you to defer the effective date of Statement 150. Small cooperative such as ours have limited resources to enact such changes and it could take up to two years for it to happen. Our reason is that accountants familiar with cooperative law and regulations are few and far between in small communities such as ours and it will take some time for ours to be familiar with these changes.

While the Proposed FASB Staff Position only addressed the effective date for these instruments, I further request that the Board clarify that member equity in a cooperative business is not mandatorily redeemable when the board of directors retains the authority to redeem that equity.

Members of a cooperative join primarily to receive the benefit from patronizing the business, not to receive a return on their investment. Members provide equity capital to the cooperative to finance its business operations, but they recognize that this equity is risk capital. The board of directors of a cooperative may choose to redeem equity to deceased members or others no longer doing business with them in order to keep ownership in the hands of members actively doing business with the cooperative. However, attempts to align ownership of the cooperative with its use by members are always subject to the fiduciary duty of the board of directors to the financial well-being of the entire cooperative.

Member equity, though, always retains the character of equity and the board of directors has the discretion to redeem or not to redeem it. Courts have affirmed that the board of a cooperative can "exercise the discretion it has been granted to determine when the cooperative is financially able to redeem patronage equity," *Great Rivers Cooperative v. Farmland Industries*, 198 F.3d 685 (1999). The board does not have this discretion for debt owed by the cooperative. When a cooperative finds itself in bankruptcy, all of the creditors are paid before any of the equity held by members is redeemed.

We have always presented member shares as equity on our balance sheet and our accountants have continued to show it that way on compiled statements. It is common sense, of course, that shares purchased by the public be represented as equity.

Reclassifying member equity in a cooperative as a liability on its balance sheet could also result in a legal obligation to redeem that equity. The authority of the cooperative's board of directors, now recognized by law, will be compromised and member equity would truly become mandatory

obligations of the cooperative. This would seriously impair the ability of cooperatives to raise and retain capital for their business operations.

It has taken years for our cooperative to educate our members to the fact that their membership is a share purchase and FAS150 would undermine our efforts to have our membership understand their position as stock holders

Sincerely yours,

Dana Huschle, Controller, Community Food Co-op, Bozeman, MT