WHOLE FOODS COMMUNITY CO-OP, INC.

October 31, 2003

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

To Whom It May Concern:

I am writing to comment on Proposed FASB Staff Position No. FAS 150-c. I support deferring the effective date of Statement 150 for mandatorily redeemable financial instruments of nonpublic entities for at least one year. It could take cooperative businesses at least that long to make the changes in their capitalization plans and structures that this pronouncement might force them to make. I request that the FAS Board consider deferring the effective date for these instruments to fiscal periods beginning after December 15, 2005.

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.

Since there may be divergent practices among accountants on how to present member equity based on interpretation of FAS 150, the FAS Board should clarify its position and hold that member equity is not mandatorily redeemable and will be treated as equity on a cooperative's balance sheet when the board of directors retains the authority to redeem that 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.

Our cooperative, Whole Foods Community Co-op, Inc., has been in business as a retailer of natural foods since 1970. Our cooperative is 2,100 members strong, with a required equity investment of \$100 from each member. Our balance sheet lists member investment as equity. The ratios used by our Board of Directors and our lenders to assess the financial stability of our business and determine our readiness to expand are based on viewing member investment as equity, not as a liability.

I encourage you to defer the effective date of Statement 150 for mandatorily redeemable financial instruments of nonpublic entities to fiscal periods beginning after December 15, 2005. I also 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.

In my opinion, a more appropriate solution for full disclosure of the nature of equity in a cooperative would be to require a note to the balance sheet disclosing contingency that some equity may be redeemed according to terms in the by-laws and disclosing actual redemptitions in current and recent periods.

Thank you for your consideration of these comments.

Sincerely yours,

WHOLE FOODS COMMUNITY CO-OP, INC.

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