



LETTER OF COMMENT NO. 22

From: Dana Huschle [mailto:Dana@bozo.coop]
Sent: Friday, May 30, 2008 10:32 AM
To: Director - FASB
Subject: PV ref #1550-100

Mr. Robert Herz Chairman FASB
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Re: Comments to Preliminary Views Document -- Reference #1550-100

Dear Chairman Herz:

I am writing to comment on FASB's proposal to reclassify equity in its Preliminary Views document.

Our cooperative faces many challenges in today's economy including identifying new sources of capital for growth activities. Changes in generally accepted accounting principles are one of the challenges that we must address to ensure the viability of our cooperative.

Cooperatives need equity capital for the same reasons publicly traded and investor owned companies do - to fund the costs involved in starting and growing a business; to absorb losses in years without a surplus; and to leverage debt. We rely on our members for much of our equity capital.

Patronage dividends, the net margins or "profits" in our cooperative, are returned over time to the cooperative's members based on the amount or value of business the member did with the co-op.

Both the initial capital contributed by the member and the allocated capital from margins represent capital at risk. In the event of bankruptcy, our members' interest in their cooperative would be subordinate to the interests of all other creditors or investors.

As a cooperative business, it is critical that the residual interests of our cooperative's members be classified as equity. If our members' interest in our cooperative is not classified as equity, it could have an impact on how our members, creditors, vendors, and other stakeholders perceive the financial health of our cooperative.

It is our understanding that the basic ownership approach outlined in the Preliminary Views document requires equity to be the most subordinated interest in a cooperative. Further, it is our understanding that the member in a cooperative must be entitled to participate in a distribution of net assets upon a hypothetical liquidation. This final distribution may have neither a ceiling nor a floor associated with it.

Our members' shares are the most subordinated interest in our cooperative -- they do not have priority over any other claim in liquidation. Our members are entitled to a percentage of the net assets of the cooperative upon liquidation and there is typically no limit on how much they would receive except for the amount of net assets available.

We thank FASB for considering the views of our cooperative and we urge you to make clear that cooperative shares would be considered equity under this or any approach adopted by FASB.

Sincerely,

Dana Huschle
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