



LETTER OF COMMENT NO. 20

From: donald.maurice@gmail.com [mailto:donald.maurice@gmail.com] **On Behalf Of** Donald M. Kreis
Sent: Thursday, May 29, 2008 6:45 PM
To: Director - FASB
Subject: Ref. No. 1550-100, Comments to Preliminary Views Document

Mr. Robert Herz
Chairman, Financial Accounting Standards Board

Dear Mr. Herz:

I write in my capacity as board president of the Hanover Consumer Cooperative Society to ask that the FASB refrain from modifying the applicable accounting principles so as to require consumer cooperatives such as ours to reclassify millions of dollars in member equity as debt.

The Hanover Co-op is the nation's second largest retail food co-op, with 26,000 members, more than 300 employees and in excess of \$66 million in annual sales. The oldest co-op in the National Cooperative Grocers' Association, we have served our community since 1936 and have been able to thrive by using a form of doing business that is unique and, in particular, distinct from that of traditional business corporations.

I concur with the comments of the National Cooperative Business Association, which has technical expertise with regard to the FASB standards that I lack. I will observe, simply, that reclassifying our members' equity as debt would devastate our ability to continue our 72-year tradition of public service. We would simply have no ability to approach lenders because we would have no equity on our balance sheet -- and without access to borrowed capital, no business, not even a cooperative, can make the ongoing investments necessary to remain in existence, much less to grow.

More importantly, the reclassification in question is not necessary in order to advance the purposes of the accounting standards generally. From an accounting standpoint, there is no meaningful distinction to be made between a corporation's equity and that of a co-op organized under New Hampshire's consumer cooperative statute, N.H. Rev. Code Ann. Ch. 301-A. I respectfully direct your attention to section 15 of Chapter 301-A, which makes clear that shares held by members are not automatically redeemable by them; the repurchase of shares by the cooperative is entirely at the discretion of the board of directors. Pursuant to section 17, the cooperative is expressly prohibited from repurchasing shares if such action would impair the solvency of the cooperative.

While, as a practical matter, our cooperative has traditionally been so successful that its board has freely repurchased shares upon request, reclassifying this equity as debt in these circumstances would effectively punish our cooperative for its success. That

success is firmly grounded in the same notions of transparency and accountability that the financial accounting standards seek to promote.

I therefore respect that you proceed very cautiously on accounting rules changes that would adversely, and unnecessarily, impact our consumer cooperatives and others like us across the country. Thank you for considering my views.

Sincerely,

Donald M. Kreis
P.O. Box 1156, Norwich Vermont 05055