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From: Sally [mailto:support@ptfoodcoop.coop]
Sent: Friday, May 30, 2008 4:11 PM
To: Director - FASB
Subject: file reference # 1550-100

LETTER OF COMMENT NO. 42

Dear Technical Director,
Thank you for the work of the FASB Board to clarify and unify the accounting principles, and thank you for the opportunity to comment on the proposed rules. While I did not read the entire document, I did focus on the section regarding basic ownership, and considered how it would apply to our co-op.
This also gave me an opportunity to carefully consider our by-laws as written, and to determine whether to recommend by-law changes to our Board of Directors.

While I can appreciate the effort in arriving at the underlying principle of the basic ownership approach, I am troubled that it does not reflect our economic or legal reality. The principles as you outline them are clear and would simplify accounting, but I believe they are fundamentally inappropriate for a cooperative business structure. It would effectively require us to either change our by-laws or classify all our member stock as liabilities instead of equity. When asked the legal question "Who owns our co-op?" the answer is obviously our members who have paid in Capital Investment (purchased common stock according to the payment plan outlined in our by-laws). Economically and legally our member-owners collectively own a percentage of the co-op's assets. However your proposed rules would require us to record that ownership as a liability on our balance sheet, putting us at a tremendous competitive disadvantage. Which brings me to paragraph 44 (page 14) regarding substance. The very issue of substance (as I understand it -- and I may not be understanding it correctly) in our case would argue against the basic ownership principle outlined in paragraphs 18 through 21.

In addition, I have an operational concern about changing perpetual preferred stock in a cooperative business from equity to liability. Again, your proposed definitions would simplify things across the nation, but they do not reflect the economic or legal reality of our cooperative member-owned business, and consequently put us at the competitive disadvantage of having to explain our changed balance sheet to outside entities.

When I think of cooperative ownership and the international cooperative principles (one member, one vote), and then consider cooperatives issuing different types of common stock or issuing perpetual preferred stock, I believe these instruments belong in the entities equity section, even if not all the instruments qualify as basic ownership under your currently proposed rules. Would there be an option of having these instruments broken out as differentiated equity, rather than moving them to liability? Surely true legal ownership and economic substance must have their effect on your proposed rules? If they remain in equity, but are separated from the lowest priority of common stock, doesn't this achieve your goal of having stakeholders of any class be able to see what is attributable to them or not?

Thank you for your consideration,

Sally Lovell -Treasurer and
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