0607FN

MINUTES OF THE JUNE 14, 2007 MEETING
OF THE FASB EMERGING ISSUES TASK FORCE

Location: FASB Offices
401 Merritt 7
Norwalk, Connecticut

Thursday, June 14, 2007
Starting Time: 8:30 a.m.
Concluding Time: 2:41 p.m.

Task Force Members Present:
Lawrence W. Smith (Chairman)
Mark M. Bielstein
Frank H. Brod*
Jack T. Ciesielski
Mitchell A. Danaher
Joseph Graziano
Jay D. Hanson
Stuart H. Harden
Jan R. Hauser
David L. Holman
James A. Johnson
Carl Kampel[1]
Matthew L. Schroeder
Ashwinpaul C. (Tony) Sondhi
Lawrence E. Weinstock
James L. Kroeker (SEC Observer)

Task Force Members Absent:
James J. Leisenring (IASB Observer)

*For certain issues only.

[1] Mr. Kampel also served as the AcSEC Observer.

Others at Meeting Table:
Robert H. Herz, FASB Board Member
George J. Batavick, FASB Board Member
G. Michael Crooch, FASB Board Member
Leslie F. Seidman, FASB Board Member
*Edward W. Trott, FASB Board Member
Donald M. Young, FASB Board Member
Russell G. Golden, FASB Senior Technical Advisor
Susan M. Cosper, FASB Practice Fellow
Richard C. Paul, FASB Practice Fellow
Ashley Carpenter, SEC Professional Accounting Fellow
* Paul A. Beswick, FASB Practice Fellow
* Christopher P. Bolash, FASB Practice Fellow
* John L. Sarno, FASB Practice Fellow
* Brian C. Stevens, FASB Practice Fellow
* Sheri E. Wyatt, FASB Practice Fellow

* For certain issues only.

ADMINISTRATIVE MATTERS

- Prior Meeting Minutes: An FASB staff member solicited objections to the final minutes of the March 15, 2007 meeting. No objections were noted.

- The Task Force discussed the report on the EITF Agenda Committee meeting held on April 13, 2007. The Agenda Committee considered two issues and took the following actions:

a. *Accounting for a Sunset Clause in a Software Licensing Arrangement.* The Agenda Committee decided not to add this issue to the EITF agenda.

b. *The Application of the Two-Class Method to Master Limited Partnerships under FASB Statement No. 128,* Earnings per Share. The Agenda Committee decided to add this Issue to the EITF agenda. Refer to the discussion of EITF Issue No. 07-4, "Application of the Two-Class Method under FASB Statement No. 128, *Earnings per Share,* to Master Limited Partnerships," elsewhere in these minutes.

- Comment letters on the following Issue were received:

a. EITF Issue No. 07-3, "Accounting for Nonrefundable Advance Payments for Goods or Services Received for Use in Future Research and Development Activities" (Comment Letters Nos. 1 & 2 on the draft abstract).

- An FASB staff member discussed EITF Issue No. 05-4, "The Effect of a Liquidated Damages Clause on a Financial Instrument Subject to EITF Issue No. 00-19, 'Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock.'" Issue 05-4 was last discussed by the Task Force at the September 15, 2005 EITF meeting, at which time the Task Force decided to postpone further deliberations until after the Board addressed whether a separate registration rights agreement was a derivative.

In December 2006, the Board issued FSP EITF 00-19-2, "Accounting for Registration Payment Arrangements." That FSP specifies that the contingent obligation to make future payments or otherwise transfer consideration under a registration payment arrangement, whether issued as a separate agreement or included as a provision of a financial instrument or other agreement, should be separately recognized and measured in accordance with FASB Statement No. 5, *Accounting for Contingencies*. The guidance in FSP EITF 00-19-2 amends FASB Statements No. 133, *Accounting for Derivative Instruments and Hedging Activities,* and No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity,* and FASB Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others,* to include scope exceptions for registration payment arrangements.

With the issuance of FSP EITF 00-19-2, an FASB staff member reported that the FASB staff has recommended that the Task Force remove Issue 05-4 from the EITF agenda. The Task Force did not object to the FASB staff's recommendation. Therefore, Issue 05-4 has been removed from the EITF agenda.

- 2008 EITF Meeting Dates. An FASB staff member formally confirmed the following EITF meeting dates for 2008:

  January 17, 2008
  March 12–13, 2008
  June 11–12, 2008
  September 10–11, 2008
  November 12–13, 2008.

- September 2007 EITF Meeting. An FASB staff member asked Task Force members to anticipate a day-and-a-half EITF meeting to be held on September 10 and 11, 2007.

- An FASB staff member announced that any tentative conclusions reached by the Task Force at this meeting will be considered by the Board for ratification at the Board meeting on June 27, 2007, and then exposed for public comment (with the exception of Issue 07-1). Any tentative conclusion reached at a prior meeting and affirmed as a consensus at this meeting also will be considered by the Board for ratification at the June 27, 2007 Board meeting.

- The Task Force Chairman announced that following his appointment to the FASB Board effective July 2007, Russell Golden will succeed him in the role of Task Force Chairman. The Task Force Chairman also recognized and thanked Edward W. Trott, FASB Board member, for his contributions to both the EITF and the FASB. Mr. Trott will be retiring effective June 30, 2007.

- The SEC Observer announced that an amendment to *EITF Abstracts*, Topic No. D-98, "Classification and Measurement of Redeemable Securities," was made to conform to FASB Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities,* which was issued by the FASB in February 2007. Refer to the revised SEC staff announcement elsewhere in these minutes.

REVISED SEC STAFF ANNOUNCEMENT

Topic: *EITF Abstracts*, Topic D-98, "Classification and Measurement of Redeemable Securities"

Date Discussed: June 14, 2007

At the June 14, 2007 EITF meeting, the SEC Observer announced the SEC staff's position regarding certain balance sheet classification practices for financial instruments (or host contracts) that meet the conditions for temporary equity classification under Accounting Series Release No. 268, *Presentation in Financial Statements of "Redeemable Preferred Stocks,"* and Topic D-98, and the related impact on the guidance in paragraph 8(f) of FASB Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*. The following paragraphs are added to Topic D-98:

Statement 159

37. In February 2007, the FASB issued FASB Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*. Statement 159 permits entities to choose to measure many financial instruments and certain other items at fair value. Paragraph 8(f) of Statement 159 prohibits an issuer from electing the fair value option for financial instruments that are, in whole or in part, classified as a component of shareholder's equity (including "temporary equity").

38. The SEC staff has previously not objected to liability classification on the balance sheet for certain financial instruments (or host contracts) that meet the conditions for temporary equity classification under ASR 268 and Topic D-98. In these circumstances, registrants recorded dividends and changes in carrying amount currently in earnings, rather than recording such items as direct adjustments to retained earnings. At the June 14, 2007 meeting, the SEC Observer announced the SEC staff's position regarding these classification practices and the related impact on the guidance in paragraph 8(f) of Statement 159. The SEC staff will no longer accept liability classification for financial instruments (or host contracts) that meet the conditions for temporary equity classification under ASR 268 and Topic D-98. Consistent with SEC Regulation S-X, Articles 5-02, 7-03, and 9-03, these financial instruments should be classified on the balance sheet between captions for liabilities and shareholder's equity. As a consequence, the fair value option may not be applied to any financial instrument (or host contract) that meets the conditions for temporary equity classification under ASR 268 and Topic D-98. The measurement guidance in Topic D-98 applies to these financial instruments.

39. The SEC staff announcement in paragraph 38 should be applied prospectively to all affected financial instruments (or host contracts) that are entered into, modified, or otherwise subject to a remeasurement (new basis) event in the

registrant's first fiscal quarter beginning after September 15, 2007. Subsequent to initial adoption of the guidance in paragraph 38, a registrant should not initially apply hedge accounting or initially elect the fair value option for an affected financial instrument (or host contract) that continues to be classified on the balance sheet as a liability. That is, while an existing financial instrument (or host contract) that otherwise meets the conditions for classification as temporary equity may continue to be classified as a liability when the guidance in paragraph 38 is adopted prospectively, that financial instrument (or host contract) would not be eligible for initial application of the fair value option under Statement 159 or initial adoption of hedge accounting in fiscal quarters beginning after September 15, 2007. As an alternative to prospective application, a registrant may retrospectively apply the guidance in paragraph 38 to all prior financial reporting periods in accordance with paragraphs 7-10 of Statement 154. Regardless of the method of transition, the disclosures in paragraph 24 of Statement 154 should be provided. Earlier adoption is permitted.

Issue No. 06-11

Title: Accounting for Income Tax Benefits of Dividends on Share-Based Payment Awards

Dates Discussed: November 16, 2006; March 15, 2007; June 14, 2007

References: FASB Statement No. 109, *Accounting for Income Taxes*
FASB Statement No. 123 (revised 2004), *Share-Based Payment*

Introduction

1. Employees may receive, as part of a share-based payment arrangement, dividends or dividend equivalents on awards of (a) nonvested equity shares and nonvested equity share units during the vesting period or (b) equity share options until they are exercised. In some cases, the payment of dividends on nonvested equity shares, nonvested equity share units, and outstanding equity share options is treated as deductible compensation for income tax purposes, even though the payment of such dividends is charged to retained earnings for awards that vest in the employer's financial statements. Questions have arisen on the accounting for income tax benefits related to the payment of dividends on equity-classified employee share-based payment awards that are charged to retained earnings under Statement 123(R).

Issue

2. The issue is how an entity should recognize the income tax benefit received on dividends that are (a) paid to employees holding equity-classified nonvested shares, equity-classified nonvested share units, or equity-classified outstanding share options and (b) charged to retained earnings under Statement 123(R).

Scope

3. This Issue applies to share-based payment arrangements with dividend protection features that entitle employees to receive (a) dividends on equity-classified nonvested shares, (b) dividend equivalents on equity-classified nonvested share units, or (c) payments equal to the dividends paid on the underlying shares while an equity-classified share option is outstanding, when those dividends or dividend equivalents are charged to retained earnings under Statement 123(R) and result in an income tax deduction for the employer.

Prior EITF Discussion

4. At the November 16, 2006 EITF meeting, the Task Force reached a tentative conclusion that a realized income tax benefit from dividends or dividend equivalents that are charged to retained earnings and are paid to employees for equity classified nonvested equity shares, nonvested equity share units, and outstanding equity share options should be recognized as an increase in additional paid-in capital. The amount recognized in additional paid-in capital for the realized income tax benefit from dividends on those awards should be included in the pool of excess tax benefits available to absorb potential future tax deficiencies on share-based payment awards.

5. In reaching the tentative conclusion, the Task Force considered that dividends or dividend equivalents that are paid to employees for nonvested equity shares, nonvested equity share units,

and outstanding equity share options that are charged to retained earnings may result in a tax deduction prior to the actual realization of the related tax benefit because the employer, for example, has a net operating loss carryforward. Pursuant to the guidance in footnote 82 of Statement 123(R), the income tax benefit of those dividends would not be recognized until the deduction reduces income taxes payable. Unrealized income tax benefits from dividends on equity-classified employee share-based payment awards should be excluded from the pool of excess tax benefits available to absorb tax deficiencies on share-based payment awards.

6. At the March 15, 2007 EITF meeting, the Task Force discussed the tentative conclusion reached on this Issue at the November 16, 2006 EITF meeting but was not asked to reach a consensus. The Task Force also discussed whether a tax benefit from a dividend on a share-based payment award should be reclassified from additional paid-in capital to the income statement when the related award is forfeited (or is no longer expected to vest) in circumstances in which that tax benefit may have been applied against a tax deficiency on another share-based payment award. The Task Force was not asked to reach a conclusion on that issue but requested that the FASB staff provide examples illustrating the various alternatives for discussion at a future EITF meeting.

Current EITF Discussion

7. At the June 14, 2007 EITF meeting, the Task Force affirmed its tentative conclusion on this Issue as a consensus. The Task Force also discussed how the consensus on this Issue interacts with the guidance in footnote 61 of Statement 123(R), which requires dividends on equity-classified share-based payment awards to be reallocated between retained earnings (for awards expected to vest) and compensation cost (for awards not expected to vest) each reporting period to reflect current forfeiture estimates. The Task Force reached a consensus that adjustments to additional paid-in capital for reclassifications of the tax benefits from dividends on those awards in subsequent periods (that is, when the entity's estimate of forfeitures changes and the related dividends are reclassified between retained earnings and compensation expense) would increase or decrease the entity's pool of excess tax benefits available to absorb tax deficiencies (as described in paragraphs 62 and 63 of Statement 123(R)) by a corresponding amount. Additionally, the amount of tax benefits from dividends that are reclassified from additional paid-in capital to the income statement (that is, as a reduction of income tax expense or an increase of income tax benefit) when an entity's estimate of forfeitures increases (or actual forfeitures exceed the entity's estimates) should be limited to the entity's pool of excess tax benefits available to absorb tax deficiencies on the date of the reclassification.

8. Appendix 06-11A reflects the changes made to the draft abstract as a result of the above decisions (additions are <u>underscored</u> and deletions are ~~struck through~~).

Transition

9. At the June 14, 2007 EITF meeting, the Task Force reached a consensus that this Issue should be applied prospectively to the income tax benefits that result from dividends on equity-classified employee share-based payment awards that are declared in fiscal years beginning after December 15, 2007, and interim periods within those fiscal years. Early application is permitted as of the beginning of a fiscal year for which interim or annual financial statements have not yet been issued. Retrospective application to previously issued financial statements is prohibited.

Entities shall disclose the nature of any change in their accounting policy for income tax benefits of dividends on share-based payment awards resulting from the adoption of this consensus.

Board Ratification

10. At its June 27, 2007 meeting, the Board ratified the consensus reached by the Task Force in this Issue.

Status

11. No further EITF discussion is planned.

Appendix 06-11A

EITF ABSTRACTS (DRAFT*)

Issue No. 06-11

Title: Accounting for Income Tax Benefits of Dividends on Share-Based Payment Awards

Dates Discussed: November 16, 2006; ~~[~~March ~~14–~~15, 2007~~]~~; June 14, 2007

References: FASB Statement No. 109, *Accounting for Income Taxes*
FASB Statement No. 123 (revised 2004), *Share-Based Payment*

ISSUE

1. Employees may receive, as part of a share-based payment arrangement, dividends or dividend equivalents on awards of (a) nonvested equity shares and nonvested equity share units during the vesting period or (b) equity share options until they are exercised. In some cases, the payment of dividends on nonvested equity shares, nonvested equity share units, and outstanding equity share options is treated as deductible compensation for income tax purposes, even though the payment of such dividends is charged to retained earnings for awards that vest in the employer's financial statements. Questions have arisen on the accounting for income tax benefits related to the payment of dividends on equity-classified employee share-based payment awards that are charged to retained earnings under Statement 123(R).

2. The issue is how an ~~company~~ entity should recognize the income tax benefit received on dividends that are (a) paid to employees holding equity-classified nonvested shares, equity-classified nonvested share units, or equity-classified outstanding share options and (b) charged to retained earnings under Statement 123(R).

Scope

3. This Issue applies to share-based payment arrangements with dividend protection features that entitle employees to receive (a) dividends on equity-classified nonvested shares, (b) dividend equivalents on equity-classified nonvested share units, or (c) payments equal to the dividends paid on the underlying shares while an equity-classified share option is outstanding, when those dividends or dividend equivalents are charged to retained earnings under Statement 123(R) and result in an income tax deduction for the employer.

---

* **This draft abstract was prepared to facilitate discussion of the guidance on which the Task Force reached its consensus and contains all substantive aspects of the consensus. The final abstract, which will be included in the next update for *EITF Abstracts*, may contain nonsubstantive editorial revisions.**

EITF DISCUSSION

4. The Task Force reached a ~~[~~consensus~~]~~ that a realized income tax benefit from dividends or dividend equivalents that are charged to retained earnings and are paid to employees for equity classified nonvested equity shares, nonvested equity share units, and outstanding equity share options should be recognized as an increase to additional paid-in capital. The amount recognized in additional paid-in capital for the realized income tax benefit from dividends on those awards should be included in the pool of excess tax benefits available to absorb tax deficiencies on share-based payment awards (as described in paragraphs 62 and 63 of Statement 123(R)).

5. In reaching the ~~tentative conclusion~~ consensus, the Task Force considered that dividends or dividend equivalents that are paid to employees for nonvested equity shares, nonvested equity share units, and outstanding equity share options that are charged to retained earnings may result in a tax deduction prior to the actual realization of the related tax benefit because the employer, for example, has a net operating loss carryforward. Pursuant to the guidance in footnote 82 of Statement 123(R), the income tax benefit of those dividends would not be recognized until the deduction reduces income taxes payable. Unrealized income tax benefits from dividends on equity-classified employee share-based payment awards should be excluded from the pool of excess tax benefits available to absorb potential future tax deficiencies on share-based payment awards.

6. Under Statement 123(R), dividends or dividend equivalents that are paid to employees for nonvested equity shares, nonvested equity share units, and outstanding equity share options are charged to retained earnings if the related award is expected to vest. When the related award is not expected to vest, the dividends or dividend equivalents are recognized as compensation costs. Dividends and dividend equivalents are reclassified between retained earnings and compensation cost in a subsequent period when the entity changes its forfeiture estimates (or actual forfeitures differ from previous estimates). Adjustments to additional paid-in capital for reclassifications of the tax benefits from dividends on those awards in subsequent periods would increase or decrease the entity's pool of excess tax benefits available to absorb tax deficiencies by a corresponding amount. Additionally, the tax benefits from dividends that are reclassified from additional paid-in capital to the income statement (that is, as a reduction of income tax expense or an increase of income tax benefit) when an entity's estimate of forfeitures increases (or actual forfeitures exceed the entity's estimates) should be limited to the entity's pool of excess tax benefits available to absorb tax deficiencies on the date of the reclassification.

Transition

7~~6~~. The ~~Task Force reached a [~~consensus~~]~~ in ~~that~~ this Issue should be applied prospectively to the income tax benefits that result from ~~of~~ dividends on equity-classified employee share-based payment awards that are declared in fiscal years beginning after ~~September~~ December 15, 2007, and interim periods within those fiscal years. Early application is permitted as of the beginning of a fiscal year for which interim or annual financial statements have not yet been issued ~~for the income tax benefits of dividends on equity-classified employee share-based payment awards that are declared in periods for which financial statements have not yet been issued~~. Retrospective application to previously issued financial statements is prohibited. Entities shall disclose the nature of any change in their accounting policy for income tax benefits of dividends on share-based payment awards resulting from the adoption of this ~~[~~consensus~~]~~.

Board Ratification

8~~7~~. At its ~~[March 28, 2007~~ June 27, 2007~~]~~ meeting, the Board ratified the ~~[~~consensus~~]~~ reached by the Task Force in this Issue.

STATUS

9~~8~~. No further EITF discussion is planned.

Issue No. 07-1

Title: Accounting for Collaborative Arrangements

Dates Discussed: March 15, 2007; June 14, 2007

References: FASB Statement No. 2. *Accounting for Research and Development Costs*

FASB Statement No. 68, *Research and Development Arrangements*

FASB Statement No. 94, *Consolidation of All Majority-Owned Subsidiaries*

FASB Statement No. 154, *Accounting Changes and Error Corrections*

FASB Interpretation No. 46 (revised December 2003), *Consolidation of Variable Interest Entities*

APB Opinion No. 18, *The Equity Method of Accounting for Investments in Common Stock*

APB Opinion No. 22, *Disclosure of Accounting Policies*

EITF Issue No. 88-18, "Sales of Future Revenues"

EITF Issue No. 99-19, "Reporting Revenue Gross as a Principal versus Net as an Agent"

Introduction

1. Entities may enter into an arrangement to jointly develop and commercialize intellectual property or otherwise participate in some type of joint operating activity. For example, in the biotechnology and pharmaceutical industries, because the development of a drug candidate into a commercially viable product may take many years, and because of the considerable amount of resources required to develop a product and the financial risks involved, companies often enter into arrangements to jointly develop, manufacture, distribute, and market a drug candidate. Other industries that may utilize these types of arrangements include, but are not limited to, the motion picture, software, and computer hardware industries.

2. The activities associated with these arrangements may be conducted by the arrangement's participants without the creation of a separate legal entity for the arrangement. In some arrangements, a legal entity may be utilized for specific activities or for a specific geographical location. Generally, for arrangements in which a separate legal entity is not utilized, the participants will share, based on contractually defined calculations, the profits or losses from the associated activities.

3. The types of activities conducted under a collaborative arrangement to jointly develop and commercialize intellectual property may include research and development, marketing (including promotional activities and physician detailing), general and administrative activities, manufacturing, and distribution. The arrangement may provide that one participant has sole or primary responsibility for certain activities or that one or more participants have shared responsibility for certain activities. For example, a typical collaborative arrangement may

provide for one participant to have primary responsibility to perform research and development related to the drug candidate and the other participant to have primary responsibility for commercialization of the drug candidate.

4. The activities under most collaborative arrangements are accounted for on either a gross basis or a net basis in the respective participants' income statements. Some participants report revenues generated and costs incurred with third parties on a gross basis within their respective financial statements. Other participants report the net amount of revenue and expenses in the revenue line item, for example, as "alliance revenue." There are circumstances, however, in which the participants have reported the activities of the arrangement using equity method accounting under Opinion 18 and related literature. Periodically, the participants share financial information related to product revenues generated (if any) and costs incurred to determine the amount of any required payment between the participants under the terms of the collaborative arrangement.

5. Users of financial statements have commented on the lack of comparability and transparency in the financial statements of those entities that participate in these types of arrangements. Some entities have presented research and development reimbursements from the other participant to the collaborative arrangement in revenue, while others have accounted for those payments as a contra-expense. Other entities have included research and development reimbursements as a reduction of research and development expense when there is a net debit (that is, the amount of research and development expense exceeds the amount of reimbursements) but have included research and development reimbursements on a gross basis in revenue when there is a net credit (the reimbursements exceed the research and development expense). The quality of the disclosures related to these arrangements also varies significantly among entities. Users believe that the standardization of the presentation and disclosure requirements for these types of arrangements would significantly improve financial reporting.

Issues

6. The issues are:

Issue 1— How to determine whether an arrangement constitutes a collaborative arrangement within the scope of this Issue

Issue 2— How costs incurred and revenue generated on sales to third parties should be reported by the participants in a collaborative arrangement in each of their respective income statements

Issue 3— How an entity should characterize payments made between participants in a collaborative arrangement in the income statement

Issue 4— What participants should disclose in the notes to the financial statements about a collaborative arrangement.

Scope

7. This Issue applies to collaborative arrangements that are conducted by the arrangement's participants without the creation of a separate legal entity for the arrangement. The scope of this Issue is not intended to include arrangements for which the accounting is specifically addressed within the scope of other authoritative accounting literature. To the extent that an arrangement is within the scope of other authoritative accounting literature, the arrangement should be accounted for in accordance with the relevant provisions of that literature rather than the guidance in this Issue. The scope of this Issue is not limited to specific industries, such as the biotechnology and pharmaceutical industries or arrangements that involve intellectual property.

8. If an arrangement is conducted through a legal entity in which the participants are shareholders or other interest holders, the activities conducted through the legal entity would be subject to Statement 94, Opinion 18, Interpretation 46(R), or other related accounting literature.[1]

Prior EITF Discussion

9. At the March 15, 2007 EITF meeting, the Task Force discussed Issue 1 including the Working Group's recommendation that a collaborative arrangement subject to the guidance in this Issue be defined as an arrangement in which the parties share in the risks and rewards of the arrangement's operations from the arrangement's inception through its termination. The Task Force also discussed the Working Group's recommendation of indicators that could be used to identify a collaborative arrangement, which are as follows:

a. The participants are active contributors to the arrangement. That is, the participants are not solely financial investors, but rather they make significant contributions to directing and carrying out the joint operating activities.
b. The participants are exposed to significant risks and rewards that are dependent on the ultimate commercial success of the endeavor.[2]
c. While all participants need not be present at the inception of the endeavor, the participants financially participate in the arrangement through its eventual termination or commercialization.
d. Through the arrangement the participants have a contractual or other legal right to own, access, use, or otherwise benefit from the underlying intellectual property, for example, by holding the patent or a related license.
e. There is a steering committee or other mechanism to provide the participants with participating rights.

The Working Group recommended that the indicators should not be considered individually presumptive or determinative; however, the relative strength of each indicator should be considered. The Task Force also observed that in addition to the indicators proposed by the Working Group, there may be other indicators that could identify the existence or nonexistence of a collaborative arrangement.

---

[1] A collaborative arrangement may include a legal entity in some portion of the arrangement for legal, tax, or regulatory purposes. Any consensus on this Issue does not affect the accounting for that legal entity under Statement 94, Opinion 18, Interpretation 46(R), or other related accounting literature.

[2] For example, the "endeavor" in the biotechnology or pharmaceutical industries could be a drug candidate. In the entertainment industry, it could be a motion picture.

10. The Task Force was not asked to reach a conclusion on Issue 1. The Task Force requested that the FASB staff modify and expand the indicators recommended by the Working Group to clarify the scope of the Issue and the example scenarios used to illustrate this Issue to consider additional fact patterns (see Exhibit 07-1A of Issue Summary No. 1)[3]. The Task Force also requested that the staff discuss the revised indicators and illustrative scenarios with the Working Group.

11. The Task Force reached a tentative conclusion on Issue 2 that transactions with third parties (that is, revenue generated and costs incurred by participants in a collaborative arrangement) should be reported gross or net on the appropriate line item in each entity's respective financial statements pursuant to the guidance in Issue 99-19. For example, a participant of a collaborative arrangement who is deemed to be the principal for a given transaction would record that transaction on a gross basis in its financial statements. In reaching that tentative conclusion, the Task Force also concluded that the equity method of accounting under Opinion 18 should not be applied to arrangements that are conducted by the participants without the creation of a separate legal entity for the arrangement.

12. The Task Force discussed Issue 3 but was not asked to reach a conclusion. The Task Force discussed the alternative views presented to address how sharing payments made to or received by a participant pursuant to a collaborative arrangement should be presented in the statement of operations but requested that the FASB staff explore an additional view for consideration. Under this additional view, all sharing payments would be recorded on a net basis within other operating income or expense in the participant's statement of operations regardless of whether the related transactions are recorded gross or net under Issue 2. In addition, the Task Force discussed potential disclosures by participants to a collaborative arrangement under this view, including summarized information for the results of the activities of the collaborative arrangement.

Current EITF Discussion

13. At the June 14, 2007 EITF meeting, the Task Force discussed Issue 1 including the revised Working Group recommendation. The Task Force reached a tentative conclusion on Issue 1 that a collaborative arrangement is a contractual arrangement in which the parties are active participants to the arrangement and are exposed to significant risks and rewards that are dependent on the ultimate commercial success of the endeavor. An entity should evaluate all relevant facts and circumstances when evaluating whether an arrangement is a collaborative arrangement. Many collaborative arrangements relate to the development and commercialization of intellectual property. However, there may also be collaborative arrangements that do not relate to intellectual property.

Active Participation

14. The Task Force observed that evidence of active participation in an arrangement may include, but is not limited to, making significant contributions to directing and carrying out the joint operating activities; participating on a steering committee or other oversight or governance

[3] Issue Summary No. 1 was distributed to Task Force members in advance of the March 15, 2007 EITF meeting and was used as the basis for discussions at that meeting.

mechanism; or holding a contractual or other legal right to the underlying intellectual property. An arrangement solely involving a financial investor is not within the scope of this Issue.

Significant Risks and Rewards

15. The Task Force observed that certain terms of an arrangement may indicate that participants to the arrangement are not exposed to significant risks and rewards including, for example, services performed for fees paid at fair market value rates; the ability of a participant to exit the arrangement without cause and recover a significant portion or all of its cumulative economic participation to date; an allocation of initial profits to only one participant; and a limitation on the reward that accrues to a participant. An arrangement in which the participants are not exposed to variable outcomes dependent on the ultimate commercial success of the endeavor may indicate that the contract is subject to other authoritative literature. Many collaborative arrangements involve licenses of intellectual property, and consideration related to the license may be exchanged at the inception of the arrangement. Such an exchange does not necessarily indicate that the participants are not exposed to significant risks and rewards dependent on the ultimate commercial success of the endeavor. An entity should use judgment in determining whether its participation in an arrangement subjects it to significant risks and rewards.

16. The Task Force also observed that a collaborative arrangement can begin at any point in the life cycle of the endeavor. The stage of the endeavor's life cycle, the terms and conditions of the arrangement, and the expected duration or extent of the participants' financial participation in the arrangement in relation to the endeavor's total expected life or total expected value are all factors to be considered in evaluating whether participants are exposed to significant risks and rewards that are dependent on the ultimate commercial success of the endeavor.

17. Additionally, the Task Force observed that the participants should evaluate whether that arrangement is a collaborative arrangement at the inception of the arrangement based on the facts and circumstances present at that time. An entity should reconsider whether an arrangement is a collaborative arrangement whenever any changes to the facts and circumstances change either the roles of the participants in the arrangement or the participants' exposure to significant risks and rewards dependent on the ultimate commercial success of the endeavor. The exercise of an option would be an example of a possible reconsideration event.

18. On Issue 3, the Task Force reached a tentative conclusion that the income statement characterization of payments between participants pursuant to a collaborative arrangement should be evaluated based on the nature and contractual terms of the arrangement, the nature of each entity's business operations, and whether these payments are within the scope of other authoritative literature regarding income statement characterization. If these payments are within the scope of other authoritative literature, then an entity should apply the relevant provisions of that literature. To the extent that these payments are not within the scope of other authoritative accounting literature, the income statement characterization for these payments should be based on analogy to authoritative accounting literature or a reasonable, rational, and consistently applied accounting policy election. For example, if one party to an arrangement is required to make payment to the other party to reimburse a portion of that party's research and development cost, that portion of the net payment may represent a research and development expense pursuant to Statement 2 in the payor's financial statements.

19. On Issue 4, the Task Force reached a tentative conclusion that a participant in a collaborative arrangement should disclose annually:

a. Information about the nature and purpose of its collaborative arrangements

b. Its rights and obligations under the collaborative arrangements

c. The stage of the underlying endeavor's life cycle

d. The accounting policy for collaborative arrangements in accordance with Opinion 22

e. The income statement classification and amounts attributable to transactions between other participants to the collaborative arrangement

f. Amounts due from or owed to other participants under the collaborative arrangements.

Information related to individually significant collaborative arrangements should be disclosed separately.

Transition

20. The Task Force reached a tentative conclusion that the [consensus] on this Issue shall be effective for annual periods beginning after December 15, 2007. Entities should report the effects of applying the [consensus] in this Issue as a change in accounting principle through retrospective application to all periods. If it is impracticable to apply the effects of a change in accounting principle retrospectively, disclosure should be made of both the reasons why reclassification was not made and the effect of the reclassification on the current period pursuant to the guidelines in paragraph 9 of Statement 154. The evaluation of whether transition through retrospective application is practicable should be made on an arrangement-by-arrangement basis.

21. Upon application of this [consensus], the following should be disclosed:

a. A description of the prior-period information that has been retrospectively adjusted, if any
b. The effect of the change on revenue and operating expenses (or other appropriate captions of changes in the applicable net assets or performance indicator) and on any other affected financial statement line item.

Board Ratification

22. The ratification of Issue 07-1 and the posting of the draft abstract for public comment have been delayed to allow the FASB staff time to develop examples to illustrate the application of Issue 3. Accordingly, the draft abstract for Issue 07-1 has been excluded from these minutes.

Status

23. Further discussion is expected at a future meeting.

Issue No. 07-2

Title: Accounting for Convertible Debt Instruments That Are Not Subject to the Guidance in Paragraph 12 of APB Opinion No. 14, *Accounting for Convertible Debt and Debt Issued with Stock Purchase Warrants*

Dates Discussed: March 15, 2007; June 14, 2007

References: FASB Statement No. 123 (revised 2004), *Share-Based Payment*

FASB Statement No. 128, *Earnings per Share*

FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*

FASB Statement No. 155, *Accounting for Certain Hybrid Financial Instruments*

FASB Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*

APB Opinion No. 14, *Accounting for Convertible Debt and Debt Issued with Stock Purchase Warrants*

International Accounting Standard 32, *Financial Instruments: Disclosure and Presentation*

EITF Issue No. 90-19, "Convertible Bonds with Issuer Option to Settle for Cash upon Conversion"

EITF Issue No. 96-19, "Debtor's Accounting for a Modification or Exchange of Debt Instruments"

EITF Issue No. 98-5, "Accounting for Convertible Securities with Beneficial Conversion Features or Contingently Adjustable Conversion Ratios"

EITF Issue No. 00-19, "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock"

EITF Issue No. 00-27, "Application of Issue No. 98-5 to Certain Convertible Instruments"

EITF Issue No. 03-6, "Participating Securities and the Two-Class Method under FASB Statement No. 128"

EITF Issue No. 06-6, "Debtor's Accounting for a Modification (or Exchange) of Convertible Debt Instruments"

EITF Abstracts, Topic No. D-72, "Effect of Contracts That May Be Settled in Stock or Cash on the Computation of Diluted Earnings per Share"

Introduction

1. Paragraph 12 of Opinion 14 specifies that no portion of the proceeds from the issuance of the types of convertible debt instruments described in paragraph 3 of that Opinion should be

accounted for as attributable to the conversion feature. However, paragraph 18 of that Opinion specifies that it is not practicable to discuss all possible types of debt with conversion features and that instruments not explicitly discussed therein should be accounted for in accordance with the substance of the transaction.

2. Opinion 14 does not contain any discussion of debt instruments with embedded conversion options that are indexed to the issuer's own stock but provide the issuer with the ability to settle its obligation to the holder (or some portion thereof) in cash upon conversion. However, pursuant to the Task Force's consensus on Issue 90-19, as revised, convertible debt instruments that, upon conversion, would require cash settlement of the debt's accreted value and permit the issuer to settle the conversion spread in either cash or shares (referred to as "Instrument C" in Issue 90-19) are accounted for pursuant to the guidance in paragraph 12 of Opinion 14, provided that the embedded conversion option would meet the conditions for equity classification in Issue 00-19 if it were a freestanding instrument. Additionally, the consensus on Issue 90-19, as revised, specifies that the if-converted method should not be used to determine the earnings-per-share treatment of Instrument C.

3. The revised consensus in Issue 90-19 requires that Instrument C be treated as convertible debt for accounting purposes but prescribes a diluted earnings-per-share methodology that is consistent with debt issued with detachable warrants. As a result, Instrument C generally has less of a dilutive impact in the calculation of diluted earnings per share than a convertible debt instrument that requires application of the if-converted method. Prior to the revision of Issue 90-19 at the January 23–24, 2002 EITF meeting, convertible debt instruments that required or permitted cash settlement upon conversion were relatively uncommon. After observing the proliferation of such instruments in the marketplace over the past several years since the consensus in Issue 90-19 was revised, questions have been raised as to whether the accounting guidance in Issue 90-19, as revised, appropriately reflects the economics of those instruments.

Prior EITF Discussion

4. The original issue brought to the Task Force at the March 15, 2007 EITF meeting was as follows:

> How an entity should account for a convertible debt instrument that requires or permits partial cash settlement upon conversion if, at issuance, the embedded conversion option is not required to be separately accounted for as a derivative under Statement 133.

5. At the March 15, 2007 EITF meeting, the Task Force discussed this Issue but was not asked to reach a conclusion. The Task Force requested that the FASB staff form a working group to discuss (a) the scope of this Issue, (b) diluted earnings-per-share considerations, and (c) other potential short-term improvements to the accounting for convertible instruments.

Issues

6. The issues are:

Issue 1— What is the scope of the guidance in paragraph 12 of Opinion 14?

Issue 2— What is the appropriate accounting model for convertible debt instruments that are not subject to the guidance in paragraph 12 of Opinion 14?

Current EITF Discussion

7. At the June 14, 2007 EITF meeting, the Task Force discussed Issue 1 but was unable to reach a conclusion. The Task Force agreed to discontinue discussion of this Issue and, accordingly, to remove it from the EITF's agenda. FASB Board members in attendance indicated that they would consider adding a project to the Board's agenda to address the issue.

Status

8. No further EITF discussion is planned.

Issue No. 07-3

Title: Accounting for Nonrefundable Advance Payments for Goods or Services Received for Use in Future Research and Development Activities

Dates Discussed: March 15, 2007; June 14, 2007

References: FASB Statement No. 2, *Accounting for Research and Development Costs*

FASB Statement No. 154, *Accounting Changes and Error Corrections*

FASB Concepts Statement No. 6, *Elements of Financial Statements*

AICPA Statement of Position 98-1, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use*

AICPA Statement of Position 98-5, *Reporting the Costs of Start-up Activities*

International Accounting Standard 38, *Intangible Assets*

EITF Issue No. 99-16, "Accounting for Transactions with Elements of Research and Development Arrangements"

Introduction

1. Entities involved in research and development activities (R&D entities) may make advance payments for goods or services that will be used in future research and development activities. These arrangements often involve one specific research and development project (for example, the development of a drug compound), and the activities to be performed under these arrangements generally do not have an alternative future use at the time the arrangements are executed. Often times, a portion of the advance payment may be refundable; however, it is common for at least some portion of the advance payment to be nonrefundable (that is, if the R&D entity is not able to advance the project to the stage at which the goods or services paid for in advance are necessary, the R&D entity will not be reimbursed for the advance payments). Questions have arisen about how an R&D entity should account for the nonrefundable portion of an advance payment made for future research and development activities.

Issue

2. The issue is whether nonrefundable advance payments for goods or services that will be used or rendered for research and development activities should be expensed when the advance payment is made or when the research and development activity has been performed.

Scope

3. The scope of this Issue is limited to nonrefundable advance payments for goods or services that will be used or rendered for future research and development activities pursuant to an executory contractual arrangement. Nonrefundable advance payments for future research and development activities for materials, equipment, facilities, and purchased intangible assets that have an alternative future use (in research and development projects or otherwise) should be recognized in accordance with the guidance in Statement 2. Refundable advance payments for

future research and development activities are excluded from the scope of this Issue. Entities should not apply the consensus in this Issue by analogy to other types of advance payments.

Prior EITF Discussion

4. At the March 15, 2007 EITF meeting, the Task Force reached a tentative conclusion that nonrefundable advance payments for goods or services that will be used or rendered for future research and development activities should be deferred and capitalized. Such amounts should be recognized as an expense as the goods are delivered or the related services are performed. Entities should continue to evaluate whether they expect the goods to be delivered or services to be rendered. If an entity does not expect the goods to be delivered or services to be rendered, the capitalized advance payment should be charged to expense.

Current EITF Discussion

5. At the June 14, 2007 EITF meeting, the Task Force considered the comment letters on the draft abstract and approved as a consensus the tentative conclusion reached at the March 15, 2007 EITF meeting.

Transition

6. At the June 14, 2007 EITF meeting, the Task Force reached a consensus that this Issue is effective for financial statements issued for fiscal years beginning after December 15, 2007, and interim periods within those fiscal years. Earlier application is not permitted. Entities should report the effects of applying the consensus in this Issue prospectively for new contracts entered into on or after the effective date of this Issue.

7. Appendix 07-3A reflects changes made to the draft abstract as a result of the above decisions (additions are underscored and deletions are ~~struck through~~).

Board Ratification

8. At its June 27, 2007 meeting, the Board ratified the consensus reached by the Task Force in this Issue.

Status

9. No further EITF discussion is planned.

Appendix 07-3A

***EITF ABSTRACTS* (DRAFT[*])**

Issue No. 07-3

Title: Accounting for Nonrefundable Advance Payments for Goods or Services Received for ~~to Be~~ Use~~d~~ in Future Research and Development Activities

Dates Discussed: March 15, 2007; ~~[~~June ~~13~~ 14, 2007~~]~~

References: FASB Statement No. 2, *Accounting for Research and Development Costs*

FASB Statement No. 154, *Accounting Changes and Error Corrections*

FASB Concepts Statement No. 6, *Elements of Financial Statements*

AICPA Statement of Position 98-1, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use*

ACIPA Statement of Position 98-5, *Reporting the Costs of Start-up Activities*

International Accounting Standard 38, *Intangible Assets*

EITF Issue No. 99-16, "Accounting for Transactions with Elements of Research and Development Arrangements"

ISSUE

1. Entities involved in research and development activities (R&D entities) may make advance payments for goods or services that will be used in future research and development activities. These arrangements often involve one specific research and development project (for example, the development of a drug compound), and the activities to be performed under these arrangements generally do not have an alternative future use at the time the arrangements are executed. Often times, a portion of the advance payment may be refundable; however, it is common for at least some portion of the advance payment to be nonrefundable (that is, if the R&D entity is not able to advance the project to the stage at which the goods or services paid for in advance are necessary, the R&D entity will not be reimbursed for the advance payments). Questions have arisen about how an R&D entity should account for the nonrefundable portion of an advance payment made for future research and development activities.

2. The issue is whether nonrefundable advance payments for goods or services that will be used or rendered for research and development activities should be expensed when the advance payment is made or when the research and development activity has been performed.

[*] **This draft abstract was prepared to facilitate discussion of the guidance on which the Task Force reached its consensus and contains all substantive aspects of the consensus. The final abstract, which will be included in the next update for *EITF Abstracts*, may contain nonsubstantive editorial revisions.**

Scope

3. The scope of this Issue is limited to nonrefundable advance payments for goods and services to be used or rendered in future research and development activities pursuant to an executory contractual arrangement. Nonrefundable advance payments for future research and development activities for materials, equipment, facilities, and purchased intangible assets that have an alternative future use (in research and development projects or otherwise) should be recognized in accordance with the guidance in Statement 2. Refundable advance payments for ~~goods and services to be used in~~ future research and development activities are excluded from the scope of this Issue. Entities should not apply the ~~[~~consensus~~]~~ in this Issue by analogy to other types of advance payments.

EITF DISCUSSION

4. The Task Force reached a ~~[~~consensus~~]~~ that nonrefundable advance payments for goods or services that will be used or rendered for future research and development activities should be deferred and capitalized. Such amounts should be recognized as an expense as the related goods are delivered or the related services are performed. Entities should continue to evaluate whether they expect the goods to be delivered or services to be rendered. If an entity does not expect the goods to be delivered or services to be rendered, the capitalized advance payment should be charged to expense.

Transition

5. The ~~[~~consensus~~]~~ in this Issue is ~~should be~~ effective for financial statements issued for fiscal years beginning after December 15, 2007, and ~~including~~ interim periods within those fiscal years. Earlier application is not permitted. Entities should report the effects of applying the ~~[~~consensus~~]~~ in this Issue prospectively for new contracts entered into on or after the effective date of this Issue ~~as a change in accounting principle through a cumulative-effect adjustment to retained earnings or to other components of equity or net assets in the statement of financial position as of the beginning of the year of adoption. An entity should disclose the cumulative effect of the change on retained earnings or on other components of equity or net assets in the statement of financial position~~. ~~Earlier application is not permitted~~.

Board Ratification

6. At its ~~[~~June 27, 2007~~]~~ meeting, the Board ratified the ~~[~~consensus~~]~~ reached by the Task Force in this Issue.

STATUS

7. No further EITF discussion is planned.

Issue No. 07-4

Title: Application of the Two-Class Method under FASB Statement No. 128, *Earnings per Share*, to Master Limited Partnerships

Date Discussed: June 14, 2007

References: FASB Statement No. 128, *Earnings per Share*

FASB Statement No. 129, *Disclosure of Information about Capital Structure*

International Accounting Standard 33, *Earnings per Share*

EITF Issue No. 03-6, "Participating Securities and the Two-Class Method under FASB Statement No. 128"

EITF Issue No. 04-8, "The Effect of Contingently Convertible Instruments on Diluted Earnings per Share"

EITF Abstracts, Topic No. D-72, "Effect of Contracts That May Be Settled in Stock or Cash on the Computation of Diluted Earnings per Share"

EITF Abstracts, Topic No. D-82, "Effect of Preferred Stock Dividends Payable in Common Shares on Computation of Income Available to Common Stockholders"

Introduction

1. Publicly traded master limited partnerships (MLPs) often issue multiple classes of securities that may participate in partnership distributions according to a formula specified in the partnership agreement. A typical MLP consists of publicly-traded common units (common units) held by limited partners (LPs), interest held by the general partner (GP), and incentive distribution rights (IDRs) held by the GP. IDRs represent a separate class of non-voting limited partner interests that the GP initially holds but may transfer or sell separately from its overall interest under certain circumstances.

2. The partnership agreement obligates the GP to distribute 100 percent of the partnership's available cash[1] at the end of each quarter to the LPs, GP, and, when certain cash thresholds are met, holders of IDRs (IDR holders) via a distribution waterfall (that is, a schedule that prescribes distributions to the LPs, GP, and IDR holders at each threshold). The partnership agreement further states that IDR holders are not entitled to distributions other than what is provided in the distribution waterfall for available cash. The net income (or loss) of the partnership is allocated to the capital accounts of the LPs and GP based on their ownership percentages, but only after

[1] Available cash is typically defined in the partnership agreement as all cash on hand at the end of each quarter less cash retained by the partnership as capital to (a) operate the business (for example, future capital expenditures), (b) comply with applicable law, debt, and other agreements, and (c) provide funds for distribution to the common units, GP, and IDR holders for any one or more of the next four quarters.

taking into account any priority income allocations to IDR holders[2] and losses previously allocated to the partners.

3. Because of the capital structure of MLPs, the partnership is required to apply the two-class method of computing earnings per unit (EPU). Paragraph 61 of Statement 128 describes the two-class method as an earnings allocation formula that determines earnings per share for each class of common stock and participating security according to dividends declared (or accumulated) and participation rights in undistributed earnings. When applying the two-class method to the LPs and GP interests in MLPs, questions have been raised about the impact of IDRs on the computation of EPU.

Issue

4. The issue is whether current-period earnings (or losses) of an MLP should be allocated to IDR holders when applying the two-class method under Statement 128.

Current EITF Discussion

5. At the June 14, 2007 EITF meeting, the Task Force discussed this Issue but was not asked to reach a conclusion. The Task Force requested that the staff provide additional examples illustrating the application of the various alternatives for discussion at a future EITF meeting. In addition, the Task Force requested that the staff obtain additional information about IDRs and the nature of the GP's involvement with the MLP.

Status

6. Further discussion is expected at a future meeting.

[2] The priority allocation to the IDR holders is the allocation of net income equal to the amount of the cash distribution to the IDR holders in a given period to such holders' "capital accounts" (effectively, maintaining such accounts at a zero balance over the life of the partnership).

Status of Open Issues and Agenda Committee Items

The following represents the FASB staff's assessment of the status and immediate plans with respect to the open Issues on the Task Force's agenda. The Issues on the proposed agenda for the September 10–11, 2007 meeting are considered either high priority issues or issues on which meaningful progress can be made within the staff's given complement of resources. The staff's prioritization of issues is based primarily on the FASB staff's understanding of the level of diversity in practice created by each respective Issue, the financial reporting implications of that diversity, the current interaction, if any, of the Issues with active Board projects, and current resource availability among the staff (with respect to both time and relevant technical expertise).

Issue No.	Description	Date Added	Date(s) Discussed	Next Meeting	EITF Liaison	FASB Staff	Immediate Plans	Due Date - Next Deliverable
06-12	Accounting for Physical Commodity Inventories for Entities within the Scope of the AICPA Audit and Accounting Guide, *Brokers and Dealers in Securities*	8/06	11/06	Not scheduled	Johnson	Fanzini/ Jacobs	The FASB staff will prepare an Issue Summary Supplement for a future meeting.	TBD
07-1	Accounting for Collaborative Arrangements	8/06	3/07, 6/07	8/07	Schroeder	Bolash/ TBD	The FASB staff will prepare an Issue Summary Supplement for a future meeting.	September 10-11, 2007 EITF meeting
07-4	Application of the Two-Class Method under FASB Statement No. 128, *Earnings per Share*, to Master Limited Partnerships	4/07	6/07	9/07	Bielstein	Wyatt/ Sarno	The FASB staff will prepare an Issue Summary Supplement for a future meeting.	September 10-11, EITF meeting

Other EITF Issues including Inactive Issues Pending Developments in Board Projects							
Issue No.	**Description**	**Date Added**	**Date(s) Discussed**	**Next Meeting**	**FASB Staff**	**Immediate Plans**	**Due Date - Next Deliverable**
00-27	Application of EITF Issue No. 98-5, "Accounting for Convertible Securities with Beneficial Conversion Features or Contingently Adjustable Conversion Ratios," to Certain Convertible Instruments	5/00	11/00, 1/01	Not scheduled	TBD	Pending further progress on Phase II of the Board's liabilities and equity project.	N/A
02-D	The Effect of Dual-Indexation both to a Company's Own Stock and to Interest Rates and the Company's Credit Risk in Evaluating the Exception under Paragraph 11(a)(1) of FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*	3/02	N/A	Not scheduled	Jacobs	Pending further progress on Phase II of the Board's liabilities and equity project.	N/A

Other EITF Issues including Inactive Issues Pending Developments in Board Projects							
Issue No.	**Description**	**Date Added**	**Date(s) Discussed**	**Next Meeting**	**FASB Staff**	**Immediate Plans**	**Due Date - Next Deliverable**
03-15	Interpretation of Constraining Conditions of a Transferee in a Collateralized Bond Obligation Structure	11/02	N/A	Not scheduled	Lusniak	The Board's project on QSPE's is not expected to address this Issue and, therefore, the FASB staff will bring this Issue to the Agenda Committee at a future meeting to determine whether to begin discussions on this Issue or to request that the Task Force remove this Issue from the agenda.	Future Agenda Committee or EITF Meeting

Issues Pending Further Consideration by the Agenda Committee							
Issue No.	**Description**	**Date Added**	**Date(s) Discussed**	**Next Meeting**	**FASB Staff**	**Immediate Plans**	**Due Date - Next Deliverable**
N/A	Application of EITF Issue No. 99-20, "Recognition of Interest Income and Impairment on Purchased and Retained Beneficial Interests in Securitized Financial Assets," When a Special-Purpose Entity Holds Equity Securities and Whether an Investment That Is Redeemable at the Option of the Investor Should Be Considered an Equity Security or Debt Security	9/00	N/A	Not scheduled	Jacobs	Statement 155 did not address this Issue. Therefore, the FASB staff will bring this Issue either to the Agenda Committee at a future meeting to determine whether to begin discussions on this Issue or to a future EITF meeting to request that the Task Force remove this Issue from the agenda.	Future Agenda Committee or EITF Meeting