FASB Investors Technical Advisory Committee
MINUTES OF MEETING
June 10, 2008

The FASB Investors Technical Advisory Committee (ITAC) met at the FASB offices in Norwalk, Connecticut. The following individuals participated in all or part of the meeting:

Committee Members	**Affiliation**
Neri Bukspan	Standard & Poor's
Jack Ciesielski	R.G. Associates, Inc.
Michael Gyure	FTN Midwest Securities
Mark LaMonte	Moody's Investors Service
Jeffrey Mahoney	Council of Institutional Investors
Elizabeth Mooney	Capital Management
Michael Moran	Goldman, Sachs & Co.
Rebecca McEnally	CFA Centre for Financial Market Integrity
Janet Pegg	Bear Stearns & Co.
Marc Siegel	Center for Financial Research & Analysis

FASB Board Members

Robert Herz	Chairman
George Batavick	Member
Michael Crooch	Member
Thomas Linsmeier	Member
Leslie Seidman	Member
Larry Smith	Member
Donald Young	Member

FASB Staff

Suzanne Bielstein	Director – Planning and Support
Russell Golden	Technical Director
Chandy Smith	Senior Technical Advisor
Josie Cizek	Postgraduate Technical Assistant

Introductory Remarks

1. Mr. Bukspan began the meeting at 2:30 p.m. and presented to the Board the following significant items that were discussed during the closed session of the meeting:

   a. Fair value for all financial instruments
   b. Comment letters the ITAC expects to issue
   c. Statement 140 and Interpretation 46(R) amended disclosures
   d. Liabilities and equity—basic ownership approach
   e. Leasing project scope
   f. Memorandum of Understanding—FASB and IASB

ITAC Fair Value Comment Letter

2. Ms. McEnally stated that ITAC continues to support fair value for all financial instruments. She added that fair value measurement in general had recently received public support from the G7, the US Treasury Department, and others. Mr. Bukspan added that public discussion seemed to have shifted from blaming fair value to looking to improving fair value reporting capabilities.

3. Mr. Young asked Mr. Bukspan about a recently published Standard & Poor's article that suggested that at times of market inefficiency market prices may not serve as the best yard stick for pricing illiquid assets. Mr. Bukspan replied that this problem was related to the interpretation of guidance in FASB Statement No. 157, *Fair Value Measurements*, not the guidance itself.

Statement 140 and Interpretation 46(R) Projects

4. Mr. Ciesielski stated that ITAC understood that the current project on FASB Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, and FASB Interpretation No. 46(R), *Consolidation of Variable Interest Entities*, would serve as a temporary improvement until a more comprehensive reconsideration project could be completed. Overall, most committee members felt the current project would be an improvement in financial reporting; however, they were concerned about the transition method selected and the related transition disclosures. He added that ITAC offered the staff minor suggestions and improvements to the amended disclosure proposal but supported the overall disclosures.

5. Ms. Seidman asked whether ITAC members considered the potential amendments resulting from the Interpretation 46(R) project to be improvements. Mr. Ciesielski responded that some ITAC members were concerned that the quantitative test, which is currently required in Interpretation 46(R) to determine which party is the primary beneficiary of the entity, would be retained in the proposed improvements. Even though the proposed improvements would require an entity to use the quantitative test only when a determination of the primary beneficiary could not be made using the qualitative assessment, some members expressed concern over including the

quantitative test. Mr. Siegel added that most ITAC members felt the concerns about the use of a quantitative test could be alleviated by requiring disclosures that explain why a qualitative assessment could not be utilized to determine the primary beneficiary. Mr. Herz replied that the additional disclosure requirements might encourage entities to use qualitative factors to determine the primary beneficiary. Mr. Linsmeier added that some ITAC members also requested that related footnotes cross-reference each other to improve the readability of the notes.

6. Mr. Bukspan asked for clarification about the Board's decision on reconsideration events in Interpretation 46(R). Mr. Smith responded that the guidance would not define what events should be considered reconsideration events. Instead, the guidance would require reconsideration of the entity's primary beneficiary if there are changes that would affect the conclusions reached using the qualitative assessment.

7. Mr. Bukspan listed a few challenging issues for the Board to consider including whether substantial guarantees should require the guarantor to consolidate related assets and whether history matters if the interest holder in an entity was the transferor.

Leasing

8. Ms. Pegg stated that most ITAC members supported the proposed changes to potentially narrow the scope of the lease project to include only the accounting for the lessee party, rather than both lessee and lessor accounting. She added that one ITAC member was concerned about that approach because of a potential lack of symmetry in the accounting treatment for the lessor and lessee.

9. Ms. Pegg further explained that most ITAC members were comfortable with accounting for leases as financing leases or as "right to use" agreements. However, most ITAC members preferred that those leases be presented in the property, plant, and equipment section of the statement of financial position. Ms. Seidman asked whether ITAC members were concerned about the amortization of those leases. Ms. Pegg responded that ITAC did not discuss this topic in depth.

10. Mr. Smith asked whether members were concerned about retaining the finance lease category. Ms. Pegg responded that members primarily preferred the IAS 17, *Leases*, categories.

11. Mr. Batavick asked whether members had concerns that the materiality box would not work for transactions, such as short-term leases or many leases of small machines or office equipment. Mr. Bukspan answered that investor concern in this area was small, due to the relative smaller sums.

12. Next, Ms. Pegg stated that some ITAC members supported including leases of intangible assets in the project. Ms. Seidman noted that the Board did not add intangible asset leases to the scope of the project because of deficiencies in the accounting for the intangible assets themselves. ITAC members gave examples of such leases: leases of IRUs (rights to use cable), licensing agreements, and advertising on public property (such as buses). Mr. Golden asked ITAC members

about their views on nonexclusive rights to assets; for example, particularly with leases of intangible assets, more than one party may have the rights to use the same asset. Ms. Pegg responded that ITAC members did not discuss this topic.

13. Mr. Golden asked whether the display of legally owned assets should be different from the display of financed assets, particularly because the lease only represents a portion of the asset. Mr. Bukspan responded that legally owned assets do include an implicit right to sell the asset at any time. Ms. Seidman commented that it may be simpler to apply plant, property, and equipment accounting with deprecation to financed assets versus an intangible model.

14. Ms. Pegg noted that ITAC members urged Board members to carefully consider the definition of effective lease term.

15. Ms. Pegg stated that the strongest concern of most ITAC members' was the accounting for contingent rental agreements. Ms. Seidman asked whether it was important for the journal entry upon initial recognition of contingent rents to balance. Ms. Pegg responded that she would expect the asset to match the liability upon initial recognition. Mr. Bukspan stated that past experience should affect the initial accounting. He believes an entity should initially recognize their expectation for the contingent rental obligation measured at present value. Then, the ongoing accounting for the asset should continue to be accounted for at historical cost, and the liability should be accounted for subsequently at fair value.

Liabilities and Equity

16. Mr. Mahoney stated that the liabilities and equity project had the potential to provide better information to investors. He added that ITAC would submit a comment letter. Mr. Smith asked for ITAC's views on including stock options in this guidance. Mr. Bukspan responded that ITAC had not yet fully discussed or formulated its view on that topic.

Memorandum of Understanding

17. Ms. Mooney stated that ITAC members almost unanimously agreed with the FASB's and IASB's general approach for completing the joint major projects and expediting or removing smaller topics from the agenda such as earnings per share and taxes. She emphasized ITAC's position that the development of a conceptual framework for disclosure and measurement would be very helpful. Mr. Bukspan also noted that it would be difficult to complete major projects without basic agreed-upon definitions of assets, liabilities, revenues, expenses, etc.

18. Mr. Batavick asked whether ITAC members specifically discussed the project plan for revenue recognition. Mr. Golden also asked whether ITAC had prioritized the long-term project list. ITAC members responded that they did not specifically discuss either point.

19. Mr. Smith asked about ITAC members' position on convergence. ITAC members generally responded that it was important for the converged standards to be improved and high-quality standards. Mr. Bukspan added that it would be ideal if there were milestones outlined that would lead up to full convergence.

20. Mr. Ciesielski added that public comments made by the SEC had not discussed the downside of convergence for investors, including a lack of comparability. He also noted it would be helpful to transition to the converged standards with a retrospective method.

21. The ITAC adjourned the meeting at approximately 3:45 p.m.