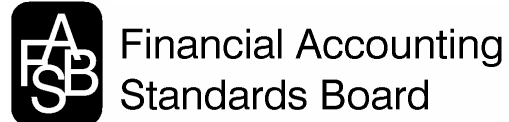


MINUTES



To: Board Members

From: Hamilton (ext. 330)

Subject: Minutes of the March 31, 2004 Board Meeting **Date:** April 1, 2004

cc: Leisenring, Bielstein, Smith, Petrone, Golden, Durbin, Westerlund, Mahoney, Gabriele, Polley, Swift, Richter, FASB Intranet (e-mail)

Topic: Board ratification of consensuses reached on EITF Issues Nos. 03-1, 03-6, 3-16, and 04-3, and Board direction to issue proposed FSP related to EITF Issue No. 04-2.

Basis for Discussion: Board memoranda dated March 23, 2004, March 25, 2004, and March 26, 2004

Length of Discussion: 2:02 p.m. to 2:37 p.m.

Attendance:

Board members present: Herz, Batavick, Crooch, Schieneman, Schipper, Seidman, and Trott

Board members absent: None

Staff in charge of topic: Durbin, Westerlund

Other staff at Board table: Smith, Golden

Outside participants: None

Summary of Decisions Reached:

The Board discussed the consensuses reached at the March 17-18, 2004 EITF meeting.

The Board ratified the Task Force's consensuses on the following Issues:

- Issue 03-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments"
- Issue 03-6, "Participating Securities and the Two-Class Method under FASB Statement No. 128, *Earnings per Share*"
- Issue 03-16, "Accounting for Investments in Limited Liability Companies"
- Issue 04-3, "Mining Assets: Impairment and Business Combinations."

The Board also ratified the consensus reach by the Task Force on Issue 04-2, "Whether Mineral Rights Are Tangible or Intangible Assets," subject to the finalization of a Board-directed FASB Staff Position (FSP) to resolve the inconsistency between the Task Force's consensus that mineral rights are tangible assets and the guidance in Statement 141, *Business Combinations*, and Statement 142, *Goodwill and Other Intangible Assets*, that characterizes mineral rights as intangible assets. The Board directed the staff to issue an FSP that would amend Statements 141 and 142 to resolve that inconsistency.

Matters Discussed and Decisions Reached:

Refer to the minutes of the March 17-18, 2004 EITF meeting for a full description of Issues 03-1, 03-6, 03-16, 04-2, and 04-3 as well as the related consensuses.

No Board members objected to the consensus reached on Issue 03-1.

The Board discussed two comment letters received for Issue 03-6. The comment letters requested clarification regarding whether certain arrangements—referred to as "variable share forwards"—are considered participating securities. The staff recommended that no change be made to the EITF minutes in response to those letters as the particular issue in question had not been discussed by the Task Force.

No Board members objected to the consensus reached on Issue 03-6.

No Board members objected to the consensus reached on Issue 03-16.

No Board members objected to the consensus reached on Issue 04-3.

The staff presented two issues related to Issue 04-2:

- Issue 1: One Board member stated his concern that the consensus in Issue 04-2 characterizes mineral rights as tangible assets, which could result in speculative mineral rights being accounted for as tangible assets.
 - The staff clarified that (1) certain speculative mineral rights are financial assets and outside the scope of the consensus, (2) non-mining entities are required to characterize mineral rights based on their substance, (3) the only accounting difference that results from the characterization of a mineral right as either a tangible or an intangible asset relates to the amortization of the asset before production begins, (4) the mineral rights are subject to a Statement 144, *Accounting for Impairment or Disposal of Long-Lived Assets*, impairment test that mitigates the effects of no amortization, and (5) speculative mineral rights do not comprise a significant portion of a mining company's net assets.

- Issue 2: The staff noted that the consensus reached by the Task Force in Issue 04-2 that mineral rights should be accounted for as tangible assets is inconsistent with the guidance in Statements 141 and 142 that characterizes mineral rights as intangible assets. The staff recommended that the Board direct the staff to issue an FSP to amend guidance provided in Statements 141 and 142.
 - Ms. Schipper clarified that the staff's recommendation was to issue an FSP that removes the parenthetical reference "(such as mineral rights to depleting assets)" in paragraph 11(b) of Statement 142 and adds a

footnote to paragraph A14(d)(7) of Statement 141 that acknowledges the consensus in Issue 04-2, which states that certain mineral rights are tangible assets.

No Board members objected to the consensus reach on Issue 04-2, subject to the finalization of the FSP to amend Statements 141 and 142, and the Board directed the staff to issue a proposed FSP for a 15-day comment period.

Follow-up Items:

None.

General Announcements:

A majority of the Board directed the staff to release the proposed FSP FAS 141-a and FSP FAS 142-a, "Interaction of FASB Statements No. 141, *Business Combinations*, and No. 142, *Goodwill and Other Intangible Assets*, and EITF Issue No. 04-2, 'Whether Mineral Rights Are Tangible or Intangible Assets,'" for a 15-day comment period. Comments are requested by April 16, 2004. The proposed FSP is available on the FASB website.