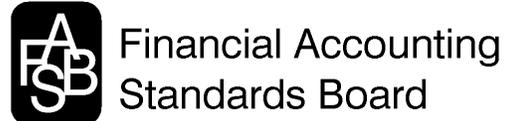


MINUTES



To: Board Members
From: Project Team (Chesney x 447)
Subject: Minutes of the February 6, 2008 Board Meeting: Proposed FSP FAS 157-a
Date: February 26, 2008
cc: Golden, MacDonald, Bielstein, Leisenring, Cosper, Nickell, Tully, Stevens, Zeyher, Roberge, Wyatt, Lott, Chookaszian, Posta, Gabriele, Klimek, Allen, FASB Intranet, GASB: Bean, Attmore

The Board meeting minutes are provided for the information and convenience of constituents who want to follow the Board's deliberations. All of the conclusions reported are tentative and may be changed at future Board meetings. Decisions become final only after a formal written ballot to issue a final Statement or Interpretation.

Topic: Proposed FSP FAS 157-a, *Application of FASB Statement No. 157 to FASB Statement 13 and Other Accounting Pronouncements that Address Fair Value Measurements for Purposes of Lease Classification or Measurement Under Statement 13*

Basis for Discussion: Memorandum No. 2

Length of Discussion: 9:00 to 9:10 a.m.

Attendance:

Board members present: Herz, Batavick, Crooch, Linsmeier (by phone), Seidman, Smith, and Young
IASB members present: Leisenring
Staff in charge of topic: Nickell
Other staff at Board table: Cosper, Tully, Stevens, Drum, and Chesney

Summary of Decisions Reached:

The Board discussed comments received on the proposed FSP FAS 157-a, *Application of FASB Statement No. 157 to FASB Statement 13 and Its Related Interpretative Accounting Pronouncements that Address Leasing Transactions*, and decided to limit the Statement 157 scope exception to Statement 13 and other accounting pronouncements that address fair value measurements for the purposes of determining lease classification or measurements in accordance with Statement 13. The scope exception will not apply to assets acquired and liabilities assumed in a business combination that are required to be measured at fair value under Statement 141 or Statement 141(R), regardless of whether such assets and liabilities are related to leases. The Board directed the staff to draft a final FSP for vote by written ballot.

Objective of Meeting:

The objective of the meeting was to discuss comments received on the proposed FSP and the staff's analysis and recommendation on one significant issue raised by respondents. The objective was also to determine whether the staff should proceed with drafting a final FSP for vote by written ballot. The objective of the meeting was met.

Matters Discussed and Decisions Reached:

1. Mr. Nickell said that the staff received ten comment letters generally supporting the proposed FSP. However, three respondents questioned whether the scope of the proposed FSP would include measurements under FASB Statements No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*, No. 141(R), *Business Combinations*, and FASB Interpretation No. 21, *Accounting for Leases in a Business Combination*. Mr. Nickell noted that one respondent was also concerned about using entity-specific tax assumptions when measuring the fair value of acquired leases, particularly leveraged leases.
2. Mr. Nickell noted that the Interpretation 21 provisions regarding lease classification, and the continuation of those provisions in Statement 141(R), generally do not require a fair value measurement for the purpose of lease classification in a business

combination (as the classification of the lease is not changed unless the provisions of the lease are modified). In developing the measurement principle in Statement 141(R), the Board concluded that fair value is the most relevant attribute for assets acquired and liabilities assumed in a business combination. While the staff did not believe the measurement of a lease acquired in a business combination should represent an exception to this principle, Mr. Nickell noted that the challenges in applying the Statement 157 fair value measurement to leases could be the same in a business combination as those for a newly originated lease accounted for under Statement 13.

Staff Recommendation

3. The staff recommended that the scope of the proposed FSP only include Statement 13 and other accounting pronouncements that address fair value measurements for the purposes of determining lease classification or measurements in accordance with Statement 13. The scope exception will not apply to assets acquired and liabilities assumed in a business combination that are required to be measured at fair value under Statement 141 or Statement 141(R), regardless of whether such assets and liabilities are related to leases.
4. The staff did not recommend issuing guidance on leases acquired in a business combination since most of the Statement 141 measurements currently required for leases are practicability exceptions to a fair value measurement or would be addressed by the partial deferral of the Statement 157 effective date for nonfinancial assets and nonfinancial liabilities. The staff also noted that issuing additional guidance for acquired leases measured under Statement 141(R) could delay the issuance of the proposed FSP, thereby delaying the guidance for the measurements currently required under Statement 13.
5. The staff noted it has considered alternatives to potential measurement issues under Statement 141(R), but it would further research and discuss the issues with constituents before determining whether to propose to the Board a project on leases acquired in a business combination. The impact of Statement 157 on acquired leases should be further researched and any changes should be made by amending Interpretation 21 or Statement 141(R).

Board Vote

6. The Board unanimously supported the staff's recommendation and agreed to proceed with drafting a final FSP.

Board Comments

7. Ms. Seidman noted that any changes resulting from Board decisions on the leveraged lease issue would need to be issued before Statement 141(R) becomes effective.
8. Mr. Nickell noted that this would also be true for any issues related to measurements of leases acquired in a business combination accounted for under Statement 141(R).

Follow-up Items:

The staff will draft a final FSP for vote by written ballot.

General Announcements:

None