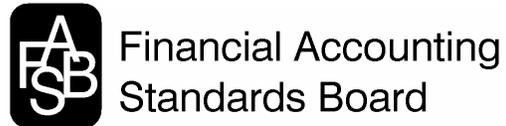


MINUTES



To: Board Members
From: Benson (ext. 446)
Subject: Minutes of the December 13, 2006 Board Meeting: Comment Letter Analysis: Proposed FSP FAS No. 141-b, 142-e, and 144-b, “Fair Value Measurements in Business Combinations and Impairment Tests” **Date:** December 20, 2006
cc: FASB: L. Smith, Bielstein, MacDonald, Fair Value Measurements Team, Business Combinations Team, Swift, McBeth, Leisenring (IASB), J. Nelson (IASB), Polley, Gabriele, Allen, Glotzer, Sutay, Carney, FASB Intranet; GASB: Attmore, Bean

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: Comment Letter Analysis: Proposed FSP FAS No. 141-b, 142-e, and 144-b, “Fair Value Measurements in Business Combinations and Impairment Tests”

Basis for Discussion: Board Memorandum dated December 1, 2006

Length of Discussion: 10:05 to 10:20 a.m.

Attendance:

Board members present: FASB: Herz, Batavick, Crooch, Linsmeier, Seidman, Trott, and Young

Board members absent: None

Staff in charge of topic: Stevens

Other staff at Board table: Smith, Bielstein, and Benson

Summary of Decisions Reached:

After considering the comment letters received during the exposure period of proposed FASB Staff Position (FSP) FAS No. 141-b, 142-e, and 144-b, "Fair Value Measurements in Business Combinations and Impairment Tests," the Board decided not to issue a final FSP and to remove this project from its agenda.

Objective of Meeting:

The objective of the meeting was for the Board to decide whether to issue a final FSP based on the analysis of comment letters received during the exposure period of the proposed FSP. The objective of the meeting was met.

Matters Discussed and Decisions Reached:

1. Mr. Stevens began the discussion by stating that the comment period for the proposed FSP on Fair Value Measurements in Business Combinations and Impairment Tests ended on November 22. Of 13 comment letters received, 9 respondents stated that a final FSP should not be issued. One respondent supported the issuance of a final FSP. Two respondents expressed concerns regarding the guidance in the proposed FSP, but did not state whether they would support the issuance of a final FSP if those concerns were addressed. One respondent indicated that the proposed FSP should be expanded to address other aspects of FASB Statement No. 157, *Fair Value Measurements*.
2. The respondents who opposed the issuance of a final FSP typically expressed their agreement with the alternative views of three Board members who believe that the proposed FSP does not represent a sufficient improvement in financial reporting prior to the application of Statement 157.
3. Some comment letters requested guidance regarding the application of specific aspects of the proposed FSP, including:
 - a. Clarification of the term defensive value, and an indication of necessary considerations when measuring defensive value.
 - b. "Day-two" accounting issues in circumstances where a market participant's expected use of an asset acquired in a business combination differs from the reporting entity's intended use of that asset.

- c. Use of risk adjustments in fair value measurements prior to the adoption of Statement 157.
 - d. Identification of market participants and judgments about their assumptions prior to the adoption of Statement 157.
 - e. Application of the “highest and best use” principle prior to the adoption of Statement 157.
 - f. Clarification of transition for a business combination that is initiated prior to adoption of the proposed FSP and consummated after the effective date of the proposed FSP.
4. Mr. Stevens asked the Board if it wishes to proceed to a final FSP. Mr. Linsmeier stated that when the proposed FSP was issued for exposure, he voted in favor of exposing the FSP because he thought that additional guidance was needed to educate constituents on some of the issues raised during redeliberations of FASB Statement 157. The comments received on the proposed FSP indicated that issuing a final FSP may require constituents to educate themselves on a measurement that reflects certain provisions of Statement 157, and then one year later re-educate themselves upon adoption of the remaining provisions of that Statement. Mr. Linsmeier stated that the costs of the re-education process seem to outweigh the benefits of issuing the proposed FSP, and as such he does not support issuing a final FSP.
5. Mr. Herz stated that the three Board members who originally wrote the alternative view in the Exposure Draft were Ms. Seidman and Messrs. Herz and Batavick. He stated that he supports his original view that the proposed FSP should not be issued and asked if Ms. Seidman and Mr. Batavick agree with their original views. Ms. Seidman and Mr. Batavick affirmed their original views that the proposed FSP should not be issued.
6. Mr. Trott stated that he thinks the proposed FSP is needed and should be issued. He noted that the issuance of the proposed FSP will cause changes in practice that are consistent with (a) the requirements explicitly set forth in standards that are currently effective, such as Statement 141, and (b) the recently issued guidance in Statement 157. The comment letters supported the fact that there is ambiguity in the current literature and he believes the issuance of the proposed FSP is necessary to

resolve that ambiguity. By not issuing the FSP, he believes the Board would be endorsing the non-use of market participant data and the non-recognition of defensive value, which would be contrary to current guidance that requires the use of market participant assumptions that are available without undue cost and effort.

7. Mr. Crooch stated that after reviewing the comment letters received, he supports issuing a final FSP. Mr. Young stated that he supports not issuing a final FSP. He noted that he supported the exposure of the proposed FSP because he thought that the clarification would benefit preparers. However, most of the preparers who submitted comment letters were against the issuance of the proposed FSP. Thus, he prefers to focus on educating constituents about Statement 157.
8. Mr. Smith stated that the staff originally decided to bring the proposed FSP to the Board for consideration because of specific constituent requests to clarify current literature regarding fair value measurements. However, it appears that constituents now have a better understanding of the existing requirements in Statements 141, 142, and 144 because of education efforts, implementation work on Statement 157, and the Exposure Draft of the proposed FSP. Rather than issuing the final FSP, the staff believes that its efforts would be better spent working with constituents throughout the coming year to resolve implementation issues relating to Statement 157. Based on feedback received in connection with the exposure process, Mr. Smith indicated that the staff believes that practice issues prior to adoption of Statement 157 can be dealt with by preparers, auditors, and regulators without the need for additional authoritative guidance.
9. The Board voted to not issue the proposed FSP (five Board members agreed; two did not (GMC and EWT)). Consequently, this project will be removed from the Board's agenda.

Follow-up Items:

None.

General Announcements:

None.