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FINANCIAL ACCOUNTING STANDARDS BOARD
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October 1, 2008

TO: MEMBERS OF THE FASB EMERGING ISSUES TASK FORCE

Included are the final minutes of the September 10, 2008 meeting of the FASB Emerging Issues Task Force and an inventory of open issues for the next EITF meeting. Also included is a confidential version of the minutes that has been marked for changes from the September 26 Fatal Flaw draft. After your review, please discard the confidential marked version of the minutes.

November Meeting
The next EITF meeting will be held on **November 13, 2008,** at the FASB offices in Norwalk, Connecticut. Please plan for the meeting to begin on Thursday, November 13, at 8:30 a.m. and conclude no later than 4:00 p.m. The meeting times are tentative and may change. Coffee will be available and lunch will be provided. On Wednesday, November 12, the FASB will host a dinner at a location to be announced later.

Minutes
We will make minutes available **after 4:00 p.m.** on the following days:

Draft minutes available November 18, 2008
Final minutes available December 3, 2008.

Please call me at 203.956.5231 if you have any questions.

Sincerely,

Shea H. Malcolm
Practice Fellow
shmalcolm@fasb.org

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MINUTES OF THE SEPTEMBER 10, 2008 MEETING OF THE FASB EMERGING ISSUES TASK FORCE

Location: FASB Offices
401 Merritt 7
Norwalk, Connecticut

Wednesday, September 10, 2008
Starting Time: 9:00 a.m.
Concluding Time: 4:10 p.m.

Task Force Members Present:
Russell G. Golden (Chairman)
Mark M. Bielstein
Mitchell A. Danaher
James G. Campbell
Jay D. Hanson[1]
Stuart H. Harden[2]
Jan R. Hauser
David L. Holman
Carl Kampel
Mark LaMonte
Matthew L. Schroeder
R. Harold Schroeder
Ashwinpaul C. (Tony) Sondhi
Robert Uhl
Lawrence E. Weinstock
James L. Kroeker (SEC Observer)

Task Force Members Absent:
None.

[1] Mr. Hanson also served as the AcSEC Observer.
[2] Mr. Harden participated by telephone.

Others at Meeting Table:
*Robert H. Herz, FASB Board Member
*Thomas J. Linsmeier, FASB Board Member
Leslie F. Seidman, FASB Board Member
Larry W. Smith, FASB Board Member
Shelly C. Luisi, SEC Senior Associate Chief Accountant
Shea H. Malcolm, FASB Practice Fellow
Kevin M. Stoklosa, FASB Assistant Director
* Kristofer E. Anderson, FASB Practice Fellow
* Kenneth B. Bement, FASB Assistant Project Manager
* Chad I. Bonn, FASB Practice Fellow
* David B. Elsbree, Jr., FASB Practice Fellow
* Bradley J. Homant, FASB Practice Fellow
* Diane C. Inzano, FASB Practice Fellow
* Ronald W. Maples, FASB Practice Fellow
* Adrian E. Mills, FASB Practice Fellow
* Denise E. Moritz, FASB Project Manager

* For certain issues only.

ADMINISTRATIVE MATTERS

- The Task Force Chairman formally introduced Mr. R. Harold Schroeder as a member of the Task Force.

- Prior EITF meeting minutes. An FASB staff member solicited objections to the final minutes of the June 12, 2008 meeting. No objections were noted.

- The Task Force discussed the report on the EITF Agenda Committee meeting held on July 28, 2008. The Agenda Committee discussed three potential issues. Based on the recommendations of the Agenda Committee and input from the Board members, the FASB Chairman made the following decisions:

  a. *Consideration of the Impact of Statement 160 on Accounting for Freestanding Derivative Financial Instruments Indexed to, and Potentially Settled in, the Stock of a Consolidated Subsidiary*. This issue was added to the EITF agenda. Refer to the discussion of EITF Issue No. 08-8, "Accounting for an Instrument (or an Embedded Feature) with a Settlement Amount That Is Based on the Stock of an Entity's Consolidated Subsidiary," elsewhere in these minutes.

  b. *Accounting for Purchases and Sales of Partial Interests in a Subsidiary That Is In Substance Real Estate*. This issue was not added to the EITF agenda.

  c. *Consideration of the Impact of Statements 141(R) and 160 on Accounting for Equity Method Investments*. This issue was added to the EITF agenda. Refer to the discussion of EITF Issue No. 08-6, "Equity Method Investment Accounting Considerations," elsewhere in these minutes.

- An FASB staff member announced that the FASB Chairman removed from the Board's agenda its project on defensive intangible assets and added it to the EITF agenda. Refer to the discussion of EITF Issue No. 08-7, "Accounting for Defensive Intangible Assets," elsewhere in these minutes.

- Comment letters on the following Issues were reported as received and distributed to the Task Force:

  a. Three comment letters on EITF Issue No. 08-5, "Issuer's Accounting for Liabilities Measured at Fair Value with a Third-Party Credit Enhancement." Refer to the discussion of Issue 08-5 elsewhere in these minutes for Task Force consideration of those comment letters.

  b. One comment letter on EITF Issue No. 08-1, "Revenue Recognition for a Single Unit of Accounting." Refer to the discussion of Issue 08-1 elsewhere in these minutes for Task Force consideration of this comment letter.

- November 2008 EITF meeting. An FASB staff member asked the Task Force to anticipate a one-day EITF meeting to be held on November 13, 2008.

- 2009 EITF Extra Meeting Dates. An FASB staff member announced the following EITF extra meeting dates for 2009. Extra EITF meetings will be held on these dates if an immediate need for them arises.

  May 5, 2009
  July 30, 2009
  October 15, 2009

  Also, the EITF meeting scheduled for January 15, 2009, will now be categorized as an extra meeting date.

- An FASB staff member announced that any consensuses-for-exposure reached at this meeting will be considered by the Board for ratification and exposure for public comment at the Board meeting on Wednesday, September 24, 2008. Any consensuses-for-exposure reached at prior meetings that are affirmed as consensuses at this meeting will also be considered by the Board for ratification at the Board meeting on Wednesday, September 24, 2008.

- The SEC Observer announced revisions to *EITF Abstracts*, Topic No. D-98, "Classification and Measurement of Redeemable Securities." The revisions include the SEC staff's views regarding the interaction between Topic D-98 and FASB Staff Position No. APB 14-1, *Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)*. Refer to the revised SEC staff announcement elsewhere in these minutes.

REVISED SEC STAFF ANNOUNCEMENT

Topic: *EITF Abstracts,* Topic No. D-98, "Classification and Measurement of Redeemable Securities"

Date Discussed: September 10, 2008

At the September 10, 2008 EITF meeting, the SEC Observer announced the SEC staff's views regarding the interaction between Topic D-98 and the guidance recently issued in FASB Staff Position No. APB 14-1, *Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement).* The SEC Observer also announced a clarification to the SEC staff's views in paragraph 16A of Topic D-98 (which were made at the March 12, 2008 EITF meeting). The paragraphs being revised and those being added are included below (additions are underscored and there are no deletions).

> 16A. Regardless of the accounting method applied (see paragraphs 15 and 16), for a redeemable equity instrument that is not a share-based payment arrangement, the SEC staff believes that reductions in the carrying amount of an equity security from the application of this SEC staff announcement are appropriate only to the extent that the registrant has previously recorded increases in the carrying amount of the equity security from the application of this SEC staff announcement.
>
> **FSP APB 14-1**
>
> 42. In May 2008, the FASB issued FASB Staff Position No. APB 14-1, *Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement).* FSP APB 14-1 addresses the issuer's accounting for convertible debt instruments that, by their stated terms, may be settled in cash or other assets upon conversion, including partial cash settlement, unless the embedded conversion option is required to be separately accounted for as a derivative under Statement 133. An issuer of a convertible debt instrument within the scope of FSP APB 14-1 is required to separate the convertible debt instrument into a liability-classified component and an equity-classified component. At the September 10, 2008 meeting, the SEC Observer announced the SEC staff's position relating to the interaction of the financial statement classification and measurement guidance in this SEC staff announcement with the guidance in FSP APB 14-1.
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> 43. The SEC staff believes that ASR 268 and this SEC staff announcement apply to convertible debt instruments within the scope of FSP APB 14-1 and to other situations in which a component of a convertible debt instrument is classified in stockholder's equity.[16] As noted in ASR 268, the objective of temporary equity classification is to highlight cash obligations that are attached to an equity security in order to distinguish it from permanent capital. To meet that objective the SEC staff believes that ASR 268 should be applied to convertible debt instruments with equity-classified components as follows:[17]

a. The equity-classified component of the convertible debt instrument should be considered redeemable if at the balance sheet date the issuer can be required to settle the convertible debt instrument for cash or other assets (that is, the instrument is currently redeemable or convertible for cash or other assets). Solely for purposes of this paragraph, an assessment of whether the convertible debt instrument will become redeemable or convertible for cash or other assets at a future date should not be made. For example, a convertible debt instrument that is not redeemable at the balance sheet date but could become redeemable by the holder of the instrument in the future based on the passage of time or upon the occurrence of a contingent event is not considered currently redeemable at the balance sheet date.

b. If the equity-classified component is considered redeemable, the portion of the equity-classified component that is presented in temporary equity (if any) is measured as the excess of (1) the amount of cash or other assets that would be required to be paid to the holder upon redemption or conversion over (2) the current carrying amount of the liability-classified component of the convertible debt instrument. For example, if the convertible debt instrument is currently redeemable at the option of the holder for $1,000 in cash, and the liability-classified component of the instrument is carried at $950 on the balance sheet, $50 of the equity-classified component should be presented as temporary equity.

c. There should be no incremental earnings per share accounting from the application of this SEC staff announcement. Statement 128 and its related interpretative guidance address the earnings per share accounting.[18]

44. The SEC staff views in paragraph 43 should be applied to convertible debt instruments within the scope of FSP APB 14-1 following the effective date, and using the transition provisions, described in paragraphs 34–36 and 38–39 of FSP APB 14-1. Regarding the situations described in footnote 16, the SEC staff's views in paragraph 43 should also be applied retrospectively using the effective date described in paragraph 34 of FSP APB 14-1. For the situations described in footnote 16, the retrospective application of the SEC staff's views in paragraph 43 should have no impact on previously reported net income or earnings per share.

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[16] For example, a component of a convertible debt instrument may be separately classified in stockholder's equity pursuant to the guidance in Issues No. 98-5, "Accounting for Convertible Securities with Beneficial Conversion Features or Contingently Adjustable Conversion Ratios," No. 06-6, "Debtor's Accounting for a Modification or Exchange of Convertible Debt Instruments," or No. 06-7, "Issuer's Accounting for a Previously Bifurcated Conversion Option in a Convertible Debt Instrument When the Conversion Option No Longer Meets the Bifurcation Criteria in FASB Statement No. 133."

[17] The guidance provided in this paragraph for convertible debt instruments that contain an equity-classified component should not be applied by analogy to other equity instruments that are subject to ASR 268 and this SEC staff announcement.

[18] Topic D-42 also does not apply to convertible debt instruments that contain an embedded conversion option indexed to the issuer's common stock because the application of Topic D-42 is limited to preferred stock instruments.

Issue No. 08-1

Title: Revenue Recognition for a Single Unit of Accounting

Dates Discussed: March 12, 2008; June 12, 2008; September 10, 2008

References: FASB Statement No. 13, *Accounting for Leases*

FASB Statement No. 45, *Accounting for Franchise Fee Revenue*

FASB Statement No. 66, *Accounting for Sales of Real Estate*

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

FASB Statement No. 157, *Fair Value Measurements*

FASB Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Interest Guarantees of Indebtedness of Others*

FASB Technical Bulletin No. 90-1, *Accounting for Separately Priced Extended Warranty and Product Maintenance Contracts*

FASB Concepts Statement No. 5, *Recognition and Measurement in Financial Statements of Business Enterprises*

AICPA Statement of Position 81-1, *Accounting for Performance of Construction-Type and Certain Production-Type Contracts*

AICPA Statement of Position 97-2, *Software Revenue Recognition*

AICPA Statement of Position 00-2, *Accounting by Producers or Distributors of Films*

SEC Staff Accounting Bulletin No. 104, Topic 13, *Revenue Recognition*

EITF Issue No. 00-21, "Revenue Arrangements with Multiple Deliverables"

Introduction

1. Entities often enter into revenue arrangements that provide for multiple payment streams. For example, a service provider may receive an up-front payment upon signing a service contract with a customer and then receive additional payments as services are provided to that customer. Other examples can be more complex, such as in biotechnology and pharmaceutical research and development arrangements, because they may involve multiple deliverables, up-front payments, payments for specific services, and payments upon achievement of certain clinical milestones. If delivery of a single unit of accounting spans multiple accounting periods or deliverables, an entity needs to determine how to allocate the multiple payment streams (arrangement consideration) attributable to that unit of accounting to those accounting periods.

2. The ultimate objective of attributing arrangement consideration to a single unit of accounting is to determine when the arrangement consideration should be recognized as revenue. The fundamental criteria of revenue recognition are set forth in Concepts Statement 5, paragraph

83, which states that "recognition involves consideration of two factors, (a) being realized or realizable and (b) being earned, with sometimes one and sometimes the other being the more important consideration." Generally, revenue is considered both realizable and earned when each one of the following four conditions is met:

a. Persuasive evidence of an arrangement exists
b. The arrangement fee is fixed or determinable
c. Delivery or performance has occurred
d. Collectibility is reasonably assured.

3. Initially, this Issue was based on the premise that all of the conditions for revenue recognition have been met except for delivery or performance. In other words, the initial focus of this Issue was on when delivery or performance has occurred. After Task Force consideration of this Issue's Working Group recommendations, the focus is now on the determination of the unit of accounting for an arrangement with multiple deliverables and on several other practice issues encountered relating to revenue attribution.

4. Revenue recognition for a single unit of accounting depends on the nature of the deliverable(s) composing that unit of accounting, the corresponding revenue recognition criteria, and whether those criteria have been met. Current guidance does not explicitly address many of the issues encountered by entities in practice. As a result, entities have adopted various accounting methods to attribute revenue in arrangements that have multiple payment streams that are accounted for as a single unit of accounting. Those practice issues can generally be arranged into the following two categories: those impacting the determination of the unit of accounting under Issue 00-21 and those related to revenue recognition attribution methods. The following issues have been encountered in practice when entities consider the appropriate attribution model for revenue with multiple payment streams:

Unit of Accounting:

a. Whether "access or standing ready to perform" can be a deliverable
b. Whether and how contingent deliverables should impact revenue recognition
c. Whether the fair value threshold requirement of Issue 00-21 needs to be revised

Revenue Recognition Attribution Methods:

d. Whether the milestone method is an acceptable attribution method of revenue recognition
e. How the proportional performance model should be applied to a single unit of accounting composed of multiple deliverables
f. Whether recognition of revenue on a straight-line basis is acceptable when the goods or services may not be delivered ratably over the period.

Prior EITF Discussion

5. At the March 12, 2008 EITF meeting, the Task Force discussed this Issue but was not asked to reach a conclusion. The issues presented at that meeting were:

Issue 1— Whether, under certain facts and circumstances, it may be acceptable to use a multiple attribution model to account for a single unit of accounting consisting of a single deliverable

Issue 2— Whether, under certain facts and circumstances, it may be acceptable to use a multiple attribution model to account for a single unit of accounting consisting of multiple deliverables.

The Task Force requested that the FASB staff perform additional research on the transactions that give rise to the practice concern addressed by this Issue.

6. At the June 12, 2008 EITF meeting, the Task Force was informed that a Working Group had been formed to provide recommendations to the Task Force on this Issue. The Task Force discussed the initial findings of the Working Group but was not asked to reach a conclusion. The Task Force instructed the staff to continue to develop this Issue with the assistance of the Working Group for discussion at a future Task Force meeting.

Current EITF Discussion

7. At the September 10, 2008 EITF meeting, the Task Force discussed the results of the Working Group meetings held on July 15, 2008 and August 7, 2008, the Working Group's recommendations, and the specific practice issues that had been identified and discussed during those Working Group meetings. The Working Group made a recommendation that the Task Force not provide specific guidance on Issues 1 through 4 and made specific recommendations on Issues 5 and 6.

8. The issues are:

Issue 1— Whether "access or standing ready to perform" can be a deliverable

Issue 2— Whether and how contingent deliverables should impact revenue recognition

Issue 3— How the proportional performance model should be applied to a single unit of accounting composed of multiple deliverables

Issue 4— Whether recognition of revenue on a straight-line basis is acceptable when the goods or services may not be delivered ratably over the period

Issue 5— Whether to modify the objective-and-reliable-evidence-of-fair-value threshold of Issue 00-21

Issue 6— Whether to issue guidance on the application of the milestone method of revenue recognition.

9. The Task Force discussed Issues 1 through 4 and tentatively agreed not to provide guidance on them. Some members of the Task Force noted that in order to address those issues the Task

Force may need to create a definition of a deliverable, which they believed would take longer than one year. The definition of a deliverable is currently being addressed in the Board's revenue recognition project. Task Force members also noted that a change to the objective-and-reliable-evidence-of-fair-value threshold in Issue 00-21 might reduce or resolve some of those issues without requiring additional standards setting. Therefore, the Task Force tentatively agreed not to provide guidance on Issues 1 through 4.

10. The Task Force discussed the Working Group recommendation on Issue 5 and considered whether the objective-and-reliable-evidence-of-fair-value threshold in Issue 00-21 should be modified to allow the use of an estimated selling price for the undelivered unit of accounting in transactions in which vendor-specific objective evidence (VSOE) or acceptable third-party evidence of the selling price for an undelivered unit of accounting are unavailable. Task Force members noted that the absence of objective and reliable evidence of fair value of the undelivered item in an arrangement is one of the more common reasons entities are unable to separate deliverables in an arrangement under Issue 00-21 and that this often results in accounting that constituents believe does not reflect the underlying economics of a transaction.

11. The Task Force discussed a model that would amend Issue 00-21 to require an entity to estimate the selling price of the undelivered unit(s) of accounting and allocate the arrangement consideration using the residual method when the entity does not have VSOE or acceptable third-party evidence of the selling price for the undelivered unit(s) of accounting. When estimating the selling price for the undelivered unit of accounting, the Task Force discussed whether the following principle should be applied: the vendor's estimate of selling price shall be consistent with the objective of determining VSOE for the unit of accounting; that is, the price at which the entity would transact if the undelivered item(s) was sold regularly on a standalone basis. The entity must consider market conditions as well as entity-specific factors when estimating the selling price.

12. The Task Force also discussed whether Issue 00-21 should be amended to provide a principle for determining the estimated selling price of the undelivered unit of accounting and to include examples to demonstrate the application of that principle. The Task Force requested that the FASB staff update the existing examples in Issue 00-21 for discussion at the next Task Force meeting and include additional examples illustrating how an entity might develop the estimated selling price for the undelivered unit of accounting.

13. The Task Force also discussed whether the current fair value terminology in Issue 00-21 is intended to be representative of a fair value measurement consistent with the requirements of Statement 157. The Task Force agreed that the objective of that measurement is not a Statement 157 fair value measurement. The FASB staff notes that Statement 157, paragraph 3(a), excludes from its scope accounting pronouncements that permit measurements that are based on, or otherwise use, VSOE of fair value. Such pronouncements include Issue 00-21 and SOP 97-2, as noted in footnote 3 of Statement 157. The Task Force tentatively concluded that if a consensus on this Issue were to revise Issue 00-21, references to "fair value" should be replaced with references to "selling price" to avoid confusion with Statement 157. The Task Force noted that amendments that refer to selling price are not intended to have an impact on the determination of VSOE and third-party evidence of fair value.

14. The Task Force discussed the Working Group recommendation that the scope of this Issue be limited to the proposed amendments to the fair value threshold of Issue 00-21 and not expanded to include other revenue recognition guidance that contains similar concepts (for example, SOP 97-2). The Task Force tentatively agreed with the Working Group recommendation but requested that the FASB staff seek user input on whether the scope of the proposed amendments to the fair value threshold of Issue 00-21 should be expanded to other revenue recognition guidance. In addition, the Task Force requested that the staff also seek user input on what, if any, additional disclosures should be required as a result of the proposed change in the fair value threshold.

15. The Task Force discussed the Working Group's recommendations on Issue 6 and the application of the milestone method as one type of proportional performance model of revenue recognition. As part of its discussion, the Task Force reached a tentative conclusion on the following definition of a milestone:

> An event that, under the terms of the arrangement, if achieved, may entitle the vendor to additional compensation based on either the vendor's performance or a specific outcome resulting from the vendor's performance.

16. Because the Task Force views the milestone payment amount as additional compensation that (a) becomes fixed and determinable when the milestone is reached and (b) is earned based on either the level of the vendor's performance or a specific outcome resulting from the vendor's performance, the Task Force agreed that the milestone payment may relate to past performance and may be an appropriate indicator of the value provided to the customer by way of the vendor's performance for that aspect of that arrangement.

17. The Task Force reached a tentative conclusion that because the objective of the milestone method is to determine whether a milestone payment amount is indicative of value transferred to a customer, the milestone method may be a valid application of the proportional performance model, when the milestone is substantive. Determining whether a milestone is substantive is a matter of judgment. The Task Force tentatively concluded that the following principle should be applied to each milestone in making a determination as to whether the milestone is substantive:

> The amount of the payment associated with the milestone is commensurate with either the effort required to achieve the milestone or the enhancement of the value of the delivered item(s) in a unit of accounting as a result of the achievement of the milestone. The payment associated with the milestone relates solely to past performance, and is reasonable when considering the deliverables and payment terms (including other potential milestone payments) within the arrangement.

18. The Task Force also tentatively concluded that a milestone shall not be considered substantive if any portion of the associated milestone payment relates to the remaining deliverables in the unit of accounting. Furthermore, in order to recognize revenue for a milestone payment in the period that the milestone is achieved, that milestone payment must be substantive in its entirety. It is not appropriate to bifurcate a milestone payment into substantive and non-

substantive components. The Task Force tentatively concluded that if an individual milestone is not considered to be substantive, the entity would not be precluded from using the milestone method for other milestones in the arrangement.

19. The Task Force also tentatively agreed that while the milestone method is an acceptable revenue attribution model, it is not necessarily the only acceptable revenue attribution model available, even when an arrangement contains substantive milestones.

20. The Task Force discussed whether the proposed guidance should include factors that would assist entities in assessing whether a milestone payment is substantive or whether the application of the milestone method could be illustrated through examples. The Task Force requested that the FASB staff develop examples for discussion at a future meeting that illustrate how an entity might determine when a milestone payment is substantive. In addition, the Task Force requested that the FASB staff seek user input on whether the proposed guidance should include additional disclosure requirements.

Status

21. Further discussion is expected at a future meeting. The Task Force agreed with the FASB staff recommendation that Issues 5 and 6 be split into two separate EITF Issues for discussion at a future EITF meeting since each of those issues has a separate scope. The Task Force will be asked to reach a consensus-for-exposure at the November 13, 2008 EITF meeting, after considering the additional user input and the illustrative examples. The FASB staff indicated that it will provide a draft abstract with the discussion materials for the November meeting for Task Force consideration.

Issue No. 08-5

Title: Issuer's Accounting for Liabilities Measured at Fair Value with a Third-Party Credit Enhancement

Dates discussed: June 12, 2008; September 10, 2008

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

FASB Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*

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

FASB Statement No. 157, *Fair Value Measurements*

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

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

Proposed FSP FAS 157-c, *Measuring Liabilities under FASB Statement No. 157*

APB Opinion No. 21, *Interest on Receivables and Payables*

IASB Discussion Paper, *Reducing Complexity in Reporting Financial Instruments*

Statement 133 Implementation Issue No. B3, "Investor's Accounting for a Put or Call Option Attached to a Debt Instrument Contemporaneously with or Subsequent to Its Issuance"

Statement 133 Implementation Issue No. K3, "Determination of Whether Combinations of Options with the Same Terms Must Be Viewed as Separate Option Contracts or as a Single Forward Contract"

Introduction

1. Liabilities are often issued with credit enhancements obtained from a third party. For example, debt may be issued with a financial guarantee of the issuer's payment obligations from a third party. In this example, if the issuer of the liability fails to meet its payment obligations to the investor, the guarantor becomes obligated to make the payments on the issuer's behalf, and the issuer becomes obligated to the guarantor. The guarantee is generally purchased by the issuer who then combines it with the debt and issues the combined security to an investor. By issuing debt with the guarantee, the issuer is able to more easily market its debt and either reduce the interest rate paid to the investor or receive higher proceeds at issuance.

Issue

2. The issue is whether the issuer of a liability with an inseparable third-party credit enhancement should be treated as one unit of accounting or two units of accounting when the liability is measured or disclosed at fair value.

Scope

3. This Issue applies to a liability with an inseparable third-party credit enhancement (for example, debt issued with a contractual third-party guarantee) when the liability is measured or disclosed at fair value on a recurring basis.

4. This Issue does not apply to a credit enhancement provided by the government or government agencies (for example, deposit insurance). This Issue does not apply to a credit enhancement provided between a parent and its subsidiary or between corporations under common control. This Issue does not apply to the holder of the issuer's credit-enhanced liability.

Previous EITF Discussion

5. At the June 12, 2008 EITF meeting, the Task Force reached a consensus-for-exposure that the scope of this Issue should apply to an issuer's accounting for all third-party credit enhancements that are issued with and are inseparable from a debt instrument that is measured at fair value. The Task Force clarified that this Issue should be considered when an issuer is required to disclose the fair value of a liability (such as by Statement 107) even if it is measured on a different basis in the financial statements.

6. The Task Force also reached a consensus-for-exposure that the issuer of a liability with an inseparable third-party credit enhancement should not include the effect of the third-party credit enhancement in the fair value measurement of the liability. Thus, the fair value measurement is determined considering the issuer's credit standing (without regard to the third-party guarantor's credit standing). The Task Force concluded that the unit of accounting for the debt does not include the guarantee (or other third-party credit enhancement), and that the guarantee does not represent an asset of the issuer while the liability is outstanding. That guarantee is obtained for the benefit of the investor.

7. The Task Force reached a consensus-for-exposure that an entity that has an outstanding liability within the scope of this Issue should disclose the existence of the credit enhancement. At the Task Force's request, the FASB staff confirmed that such a disclosure is not already required by other accounting pronouncements (such as Statements 107, 157, and 159). The Task Force also reached a consensus-for-exposure that in the period of adoption an entity should disclose the valuation techniques used to measure liabilities within the scope of this Issue and include a discussion of changes, if any, from the valuation techniques used to measure those liabilities in prior periods.

Current EITF Discussion

8. At the September 10, 2008 EITF meeting, the Task Force discussed (a) comment letters and informal comments received on the draft abstract and (b) proposed revisions to the draft abstract that were intended to clarify the basis of the Task Force's consensus-for-exposure. The Task Force observed that the proceeds received for liabilities within the scope of this Issue represent consideration for the liability and the guarantee premium purchased on the investor's behalf, and therefore the proceeds should be allocated to both the premium for the guarantee, which was purchased by the issuer on behalf of the investor, and to the issued liability. The Task Force noted that the scope of this Issue includes all liabilities (other than those specifically excluded

from the scope) issued with third-party credit enhancements. The Task Force affirmed as a consensus the consensus-for-exposure reached at the June 12, 2008 EITF meeting subject to certain additional revisions.

9. The Task Force noted that this Issue does not address the accounting for a guarantee premium related to credit-enhanced liabilities that are not measured at fair value on a recurring basis, for example, if the issuer recognizes a credit-enhanced liability at amortized cost. However, this Issue does apply to the issuer's disclosure of fair value for that credit-enhanced liability.

10. Appendix 08-5A reflects changes made to the draft abstract as a result of the above decisions. [Added text is <u>underlined</u> and deleted text is ~~struck out~~.]

Effective Date and Transition

11. The Task Force reached a consensus to change the effective date of this Issue to require it to be effective on a prospective basis in the first reporting period beginning on or after December 15, 2008. The effect of initially applying the guidance in this Issue shall be included in the change in fair value in the period of adoption. Earlier application is permitted.

12. The Task Force also reached a consensus that in the period of adoption an entity shall disclose the valuation technique(s) used to measure the fair value of liabilities in the scope of this Issue and include a discussion of changes, if any, in the valuation techniques used to measure those liabilities in prior periods.

Board Ratification

13. At its September 24, 2008 meeting, the Board ratified the consensus reached by the Task Force in this Issue.

Status

14. No further EITF discussion is planned.

Appendix 08-5A

EITF ABSTRACTS ~~**(DRAFT)**~~~~[1]~~

Issue No. 08-5

Title: Issuer's Accounting for Liabilities Measured at Fair Value with a Third-Party Credit Enhancement

Dates Discussed: June 12, 2008; ~~[~~September 10, 2008~~]~~

References: FASB Statement No. 107, *Disclosures about Fair Value of Financial Instruments*

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

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

FASB Statement No. 157, *Fair Value Measurements*

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

APB Opinion No. 21, *Interest on Receivables and Payables*

Objective

1. **The objective of this Issue is to determine an issuer's unit of accounting for a liability ~~debt~~ issued with an inseparable third-party credit enhancement when it~~that~~ is measured or disclosed at fair value on a recurring basis.**

All paragraphs in this Issue have equal authority. **Paragraphs in bold set out the main principles.**

Background

2. ~~Debt securities~~ Liabilities are often issued with credit enhancements obtained from a~~an unrelated~~ third_-party. For example, debt may be issued with a financial guarantee from a~~an unrelated~~ third_-party that guarantees the issuer's payment obligations. In this example, if the issuer of the liability fails to meet its payment obligations to the investor, the guarantor becomes obligated to make the payments on the issuer's behalf and the issuer becomes obligated to the

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~~[1] **This draft abstract is being exposed for a public comment period that will end on August 4, 2008.**~~

guarantor. That guarantee is generally purchased by the issuer who then combines it with, for example, ~~the~~ debt and then issues the combined security to an investor. By issuing debt combined with the guarantee, the issuer is able to more easily market its debt and either reduce the interest rate paid to the investor or receive higher proceeds at issuance ~~obtain a lower interest rate and/or receive higher initial proceeds~~.

3. ~~Statement 159, which is effective for fiscal years beginning after November 15, 2007, allows an entity to measure its financial assets and liabilities at fair value subject to certain requirements. An entity has the option of electing the fair value option for the liability considered by this Issue. Furthermore, Statement 107 requires disclosure of the fair value of all financial instruments, with certain exceptions. Statement 157 states that the fair value of a liability shall reflect the nonperformance risk (that is, the risk that the obligation will not be fulfilled) relating to that liability. As a result, q~~Questions have arisen regarding whether the issuer would consider the effect of the third-party credit enhancement when measuring the liability at fair value under Statement 157.

Scope

4. **This Issue applies to ~~debt~~ liabilities issued with an inseparable third-party credit enhancement (for example, debt that is issued with a contractual third-party guarantee) when they are measured or disclosed at fair value on a recurring basis.**

5. This Issue does not apply to ~~guarantees~~credit enhancements provided by a government or government agencies~~;~~ (for example, deposit insurance). This Issue does not apply to a credit enhancement provided between a parent and its subsidiary or between corporations under common control. This Issue does not apply to the holder of the issuer's credit-enhanced liability.

Measurement

6. **The issuer of a liability ~~debt~~ with a third-party credit enhancement that is inseparable from the liability ~~debt instrument~~ shall not include the effect of the credit enhancement in the fair value measurement of the liability. For example, in determining the fair value of debt with a third-party guarantee, the issuer would consider its own credit standing and not that of the third-party guarantor.**

7. For the issuer, t~~T~~he unit of accounting for a liability~~the debt~~ measured or disclosed at fair value does not include the third-party credit enhancement (for example, a third-party guarantee of debt). ~~That credit enhancement is obtained for the benefit of the investor and does not represent an asset of the issuer.~~Any payments made by the guarantor under the guarantee result in a transfer of the issuer's debt obligation from the investor to the guarantor. The issuer's resulting debt obligation to the guarantor has not been guaranteed. Thus, the fair value of that obligation considers the issuer's credit standing and not the credit standing of the guarantor.

8. The proceeds received by the issuer for liabilities within the scope of this Issue represent consideration for both the liability and the credit enhancement purchased on the investor's behalf. Therefore, the proceeds received from the investor shall be allocated to both the premium for the credit enhancement, and to the issued liability.

9. This Issue does not address the accounting for a premium paid by the issuer for credit-enhanced liabilities that are not measured at fair value on a recurring basis within the scope of this Issue, for example, if the issuer recognizes a credit-enhanced liability at amortized cost. However, this Issue does apply to the issuer's disclosure of fair value for that credit-enhanced liability.

Disclosure

10~~8~~. **An issuer shall disclose the existence of a third-party credit enhancement on its issued ~~debt~~liability that is within the scope of this Issue.**

Transition

11~~9~~. This Issue shall be effective on a prospective basis in the first reporting period beginning on or after December 15, 2008~~[the date of Board ratification of the consensuses]~~. The effect of initially applying the guidance in this Issue shall be included in the change in fair value in the ~~year~~period of adoption. Earlier application is ~~not~~ permitted.

12~~0~~. The Task Force reached a consensus that in the period of adoption an entity shall disclose the valuation technique(s) used to measure the fair value of liabilities in the scope of this Issue and include a discussion of changes, if any, from~~in~~ the valuation techniques used to measure those liabilities in prior periods.

The provisions of this Issue need not be applied to immaterial items.

Issue No. 08-6

Title: Equity Method Investment Accounting Considerations

Date Discussed: September 10, 2008

References: FASB Statement No. 141, *Business Combinations*

FASB Statement No. 141 (revised 2007), *Business Combinations*

FASB Statement No. 142, *Goodwill and Other Intangible Assets*

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

FASB Statement No. 160, *Noncontrolling Interests in Consolidated Financial Statements*

AICPA Accounting Research Bulletin No. 51, *Consolidated Financial Statements*

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

SEC Staff Accounting Bulletin No. 51, *Accounting for Sales of Stock by a Subsidiary*

International Accounting Standard No. 28, *Investments in Associates*

Introduction

1. The FASB and the IASB recently concluded a joint effort in converging the accounting for business combinations as well as the accounting and reporting for noncontrolling interests culminating in the issuance of Statement 141(R) and Statement 160. The objective of that joint effort was not to reconsider the accounting for equity method investments; however, the application of the equity method is affected by the accounting for business combinations and the accounting for consolidated subsidiaries, which were affected by the issuance of Statement 141(R) and Statement 160. Prior to the issuance of Statement 141(R) and Statement 160, certain provisions of Statement 141 and ARB 51 were used in applying the equity method.

2. The equity method is used to account for investments for which the investor has the ability to exercise significant influence over the investee as described in Opinion 18. The principles within Statement 141(R) and Statement 160 are based on the premise that the reporting entity has gained or lost control of the business or subsidiary. Since there is a substantial difference between the ability to control and the ability to exert significant influence, some constituents have questioned whether all of the provisions of Statement 141(R) and Statement 160 should be applied when accounting for an equity method investment.

3. Additionally, the IASB made certain revisions to IAS 28 that the FASB did not make to Opinion 18. Some constituents have questioned whether Opinion 18 should be similarly revised to further convergence efforts between U.S. generally accepted accounting principles (U.S. GAAP) and IFRS.

Issue

4. The issues are:

Issue 1— How the initial carrying value of an equity method investment should be determined

Issue 2— How the difference between the investor's carrying value, as determined in Issue 1, and the investor's share of the underlying equity of the investee should be allocated to the underlying assets and liabilities of the investee

Issue 3— How an impairment assessment of an underlying indefinite-lived intangible asset of an equity method investment should be performed

Issue 4— How an equity method investee's issuance of shares should be accounted for

Issue 5— How to account for a change in an investment from the equity method to the cost method.

Scope

5. This Issue applies to all investments accounted for under the equity method.

Current EITF Discussion

6. At the September 10, 2008 EITF meeting, the Task Force reached a consensus-for-exposure on Issues 1, 3, 4, and 5. The Task Force decided not to address Issue 2.

7. On Issue 1, the Task Force reached a consensus-for-exposure that the initial carrying value of an equity method investment should be based on the cost accumulation model described in paragraphs D3–D7 of Statement 141(R) for asset acquisitions.

8. On Issue 3, the Task Force reached a consensus-for-exposure that an equity method investor should not separately test an investee's underlying indefinite-lived intangible asset for impairment. The Task Force noted that an equity method investor is required to recognize other-than-temporary impairments of an equity method investment in accordance with paragraph 19(h) of Opinion 18.

9. On Issue 4, the Task Force reached a consensus-for-exposure that an equity method investor should account for an investee's issuance of shares as if the equity method investor had sold a proportionate share of its investment. Any resulting gain or loss shall be recognized in earnings, subject to certain exceptions. The Task Force reached a consensus-for-exposure that the exceptions to gain recognition in SAB 51 should be retained if applicable to an equity method investee. SAB 51 precludes recognition of a gain in situations in which the share issuance was part of a broader corporate reorganization or in situations in which the equity method investee is a newly-formed, nonoperating entity, a research and development entity, a start-up or development-stage entity, an entity whose ability to continue in existence is in question, or an entity in another similar circumstance. In those situations, the change in the investor's proportionate share of subsidiary equity shall be accounted for as an equity transaction in consolidation. Subsequent reversal of the amount recognized in equity is prohibited.

10. On Issue 5, the Task Force reached a consensus-for-exposure that an equity method investor should continue to apply the guidance in paragraph 19(l) of Opinion 18 upon a change in the investor's accounting from the equity method to the cost method.

Effective Date and Transition

11. The Task Force reached a consensus-for-exposure that this Issue shall be effective on a prospective basis in fiscal years beginning on or after December 15, 2008 and interim periods within those fiscal years, consistent with the effective dates of Statement 141(R) and Statement 160. Earlier application by an entity that has previously adopted an alternative accounting policy is not permitted.

12. The Task Force reached a consensus-for-exposure that the guidance in this Issue should be applied prospectively. The consensus-for-exposure on Issue 5 shall not result in a transition adjustment as it is consistent with the guidance currently required by paragraph 19(l) of Opinion 18.

Board Ratification

13. At the September 24, 2008 meeting, the Board ratified the consensus-for-exposure reached by the Task Force in this Issue and approved the issuance of a draft abstract for a public comment period.

Status

14. The draft abstract will be posted to the FASB website after September 26, 2008. Comments on the draft abstract are due by October 22, 2008. Further discussion is expected at a future meeting.

Appendix 08-6A

EITF ABSTRACTS (DRAFT[*])

Issue No. 08-6

Title: Equity Method Investment Accounting Considerations

Dates Discussed: September 10, 2008; [November 13, 2008]

References: FASB Statement No. 141, *Business Combinations*

FASB Statement No. 141 (revised 2007), *Business Combinations*

FASB Statement No. 142, *Goodwill and Other Intangible Assets*

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

FASB Statement No. 160, *Noncontrolling Interests in Consolidated Financial Statements*

AICPA Accounting Research Bulletin No. 51, *Consolidated Financial Statements*

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

SEC Staff Accounting Bulletin No. 51, *Accounting for Sales of Stock by a Subsidiary*

International Accounting Standard No. 28, *Investments in Associates*

Objective

1. **The objective of this Issue is to clarify how to account for certain transactions involving equity method investments.**

All paragraphs in this Issue have equal authority.
Paragraphs in bold set out the main principles.

Background

2. The FASB and the IASB recently concluded a joint effort in converging the accounting for business combinations as well as the accounting and reporting for noncontrolling interests culminating in the issuance of Statement 141(R) and Statement 160. The objective of that joint effort was not to reconsider the accounting for equity method investments; however, the

[*] **This draft abstract is being exposed for a public comment period that will end on October 22, 2008.**

application of the equity method is affected by the accounting for business combinations and the accounting for consolidated subsidiaries, which were affected by the issuance of Statement 141(R) and Statement 160.

Scope

3. **This Issue applies to all investments accounted for under the equity method.**

Initial Measurement

4. **An entity shall measure its equity method investment initially at cost in accordance with paragraphs D3–D7 of Statement 141(R).**

5. Contingent consideration should only be included in the initial measurement of the equity method investment if it is required to be recognized by specific authoritative guidance.

6. However, if an equity method investment agreement involves a contingent consideration arrangement in which the fair value of the investor's share of the investee's net assets exceeds the investor's initial cost, an amount equal to the lesser of the following shall be recognized as a liability:

   a. The maximum amount of contingent consideration not otherwise recognized

   b. The excess of the investor's share of the investee's net assets over the initial cost measurement (including contingent consideration otherwise recognized).

7. When a contingency is resolved relating to a liability recognized pursuant to paragraph 6 and the consideration is issued or becomes issuable, any excess of the fair value of the contingent consideration issued or issuable over the amount that was recognized as a liability shall be recognized as an additional cost of the investment. If the amount initially recognized as a liability exceeds the fair value of the consideration issued or issuable, that excess shall reduce the cost of the investment.

Decrease in Investment Value

8. **An equity method investor is required to recognize other-than-temporary impairments of an equity method investment in accordance with paragraph 19(h) of Opinion 18. An equity method investor shall not separately test an investee's underlying indefinite-lived intangible asset(s) for impairment.**

Change in Level of Ownership or Degree of Influence

9. **An equity method investor shall account for a share issuance by an investee as if the investor had sold a proportionate share of its investment. Any gain or loss to the investor resulting from an investee's share issuance shall be recognized in earnings, subject to certain exceptions.**

10. Gain recognition would not be appropriate in situations in which subsequent capital transactions are contemplated that raise concerns about the likelihood of the investor realizing that gain or in situations in which the investee is a newly-formed, non-operating entity, a research and development entity, a start-up or development stage entity, an entity whose ability

to continue in existence is in question, or an entity in another similar circumstance. In those situations, the change in the investor's proportionate share of subsidiary equity shall be accounted for as an equity transaction in consolidation. Subsequent reversal of the amount recognized in equity is prohibited.

Transition

11. This Issue is effective on a prospective basis in fiscal years beginning on or after December 15, 2008, and interim periods within those fiscal years. Earlier application by an entity that has previously adopted an alternative accounting policy is not permitted. The transition disclosures in paragraphs 17 and 18 of Statement 154 shall be provided, if applicable.

The provisions of this Issue need not be applied to immaterial items.

Issue No. 08-7

Title: Accounting for Defensive Intangible Assets

Date Discussed: September 10, 2008

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

FASB Statement No. 141, *Business Combinations*

FASB Statement No. 141 (revised 2007), *Business Combinations*

FASB Statement No. 142, *Goodwill and Other Intangible Assets*

FASB Statement No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*

FASB Statement No. 157, *Fair Value Measurements*

FASB Staff Position FAS 142-3, *Determination of the Useful Life of Intangible Assets*

International Financial Reporting Standards 3 (Revised 2008), *Business Combinations*

International Accounting Standard 38, *Intangible Assets*

EITF Issue No. 02-7, "Unit of Accounting for Testing Impairment of Indefinite-Lived Intangible Assets"

Introduction

1. An intangible asset acquired in a business combination or an asset acquisition that an entity does not intend to actively use has been commonly referred to as a "defensive asset" or a "locked-up asset" because while the asset is not being actively used, it is likely contributing to an increase in the value of other assets owned by the acquiring entity.

2. Historically, when an entity acquired a business or group of assets, it typically allocated little or no value to the intangible assets that it did not intend to actively use, regardless of whether another acquirer might have continued to actively use them. However, with the issuance of Statement 141(R) and Statement 157, an intangible asset must be recognized at a value that reflects the asset's highest and best use based on market participant assumptions.

3. Upon the effective date of both Statement 141(R) and Statement 157, acquirers will generally assign a greater value to a defensive intangible asset than would have typically been assigned under Statement 141. As a result, questions have arisen in practice regarding how defensive intangible assets should be accounted for subsequent to their acquisition, including the estimated useful life that should be assigned to such assets.

Issue

4. The issues are:

Issue 1— Whether an acquired defensive asset should be accounted for as a separate unit of accounting or whether the value of an acquired defensive asset should be added as a component of an existing intangible asset (recognized or not recognized) of the acquirer

Issue 2— The useful life that should be assigned to an acquired defensive asset if that asset is accounted for as a separate unit of accounting.

Scope

5. This Issue applies to all acquired intangible assets in situations in which the acquirer does not intend to actively use the asset but intends to hold (lock up) the asset to prevent its competitors from obtaining access to the asset (a defensive intangible asset), unless the intangible asset must be expensed in accordance with other literature.[1] Defensive intangible assets could include assets that the acquirer will never actively use, as well as assets that will be used by the acquirer during a transition period when the intention of the acquirer is to discontinue the use of those assets.

6. This Issue does not address the identification of market participants, market participant assumptions, or valuation issues associated with defensive intangible assets.

Current EITF Discussion

7. At the September 10, 2008 EITF meeting, the Task Force reached a consensus-for-exposure on Issue 1 that a defensive intangible asset should be accounted for as a separate unit of accounting. It should not be included as part of the cost of the acquirer's existing intangible asset(s) because the defensive intangible asset is separately identifiable.

8. The Task Force reached a consensus-for-exposure on Issue 2 that a defensive intangible asset should be assigned a useful life that reflects the entity's consumption of the expected benefits related to the asset. The benefit a reporting entity receives from holding a defensive intangible asset is that the entity prevents others from realizing any value from the intangible asset (defensively or otherwise). An entity shall determine a defensive intangible asset's useful life, that is, the period over which an entity consumes the expected benefits of the asset, by estimating the period over which the defensive intangible asset will diminish in fair value. The period over which a defensive intangible asset diminishes in fair value is a proxy for the period over which the reporting entity expects a defensive intangible asset to contribute indirectly to the future cash flows of the entity, in accordance with paragraph 11 of Statement 142.

9. The Task Force discussed the application of this consensus-for-exposure to acquired in-process research and development intangible assets and concluded that the consensus-for-exposure should apply to in-process research and development intangible assets acquired for defensive purposes in the same manner as other intangible assets acquired for defensive purposes. However, the Task Force observed that it may be difficult to determine when an asset has been acquired for defensive purposes and requested that the FASB staff include examples in

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[1] Statement 2, paragraph 11(c), requires an entity to expense the cost of a research and development intangible asset acquired in a transaction that does not qualify as a business combination, if the intangible asset has no alternative future use.

the draft abstract that illustrate the determination of whether an intangible asset meets the definition of a defensive intangible asset for purposes of applying this Issue.

10. The Task Force also observed that the determination of whether an intangible asset is a defensive intangible asset is based on the intentions of the reporting entity and may change as the reporting entity's intentions change. For example, an intangible asset that was accounted for as a defensive intangible asset on the date of acquisition may cease to be a defensive asset if an acquirer subsequently decides to actively use the asset.

11. The Task Force reached a consensus-for-exposure that no incremental disclosures beyond those already required by Statement 142 should be required for defensive intangible assets accounted for under this Issue.

Effective Date and Transition

12. The Task Force reached a consensus-for-exposure that this Issue should be applied prospectively for intangible assets acquired on or after the beginning of the first annual reporting period beginning on or after December 15, 2008, in order to coincide with the effective date of Statement 141(R). Earlier application is not permitted.

Board Ratification

13. At the September 24, 2008 meeting, the Board ratified the consensus-for-exposure reached by the Task Force in this Issue and approved the issuance of a draft abstract for a public comment period.

Status

14. The draft abstract will be posted to the FASB website after September 26, 2008. Comments on the draft abstract are due by October 22, 2008. Further discussion is expected at a future meeting.

Appendix 08-7A

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

Issue No. 08-7

Title: Accounting for Defensive Intangible Assets

Dates Discussed: September 10, 2008; [November 13, 2008]

References: FASB Statement No. 2, Accounting for Research and Development Costs
FASB Statement No. 141, *Business Combinations*
FASB Statement No. 141 (revised 2007), *Business Combinations*
FASB Statement No. 142, *Goodwill and Other Intangible Assets*
FASB Statement No. 157, *Fair Value Measurements*

Objective

1. **The objective of this Issue is to clarify how to account for defensive intangible assets subsequent to initial measurement.**

All paragraphs in this Issue have equal authority. **Paragraphs in bold set out the main principles.**

Background

2. An intangible asset acquired in a business combination or an asset acquisition that an entity does not intend to actively use has been commonly referred to as a "defensive asset" or a "locked-up asset" because while the asset is not being actively used, it is likely contributing to an increase in the value of other assets owned by the acquiring entity.

3. Historically, when an entity acquired a business or group of assets, it typically allocated little or no value to the intangible assets that it did not intend to actively use, regardless of whether another acquirer might have continued to actively use them. However, after the effective date of Statement 141(R), an intangible asset must be recognized at fair value in accordance with Statement 157, regardless of how the entity intends to use that asset.

4. Upon the effective date of both Statement 141(R) and Statement 157, acquirers will generally assign a greater value to a defensive intangible asset than would have typically been

[*] **This draft abstract is being exposed for a public comment period that will end on October 22, 2008.**

assigned under Statement 141. As a result, questions have arisen in practice regarding how defensive intangible assets should be accounted for subsequent to their acquisition, including the estimated useful life that should be assigned to such assets.

Scope

5. **This Issue applies to acquired intangible assets in situations in which the acquirer does not intend to actively use the asset but intends to hold (lock up) the asset to prevent its competitors from obtaining access to the asset (a defensive intangible asset), unless the intangible asset must be expensed in accordance with other literature.**[1]

6. A defensive intangible asset could include an asset that the acquirer will never actively use, as well as an asset that will be used by the acquirer during a transition period when the intention of the acquirer is to discontinue the use of that asset.

7. The determination of whether an intangible asset is a defensive intangible asset is based on the intentions of the reporting entity and that determination may change as the reporting entity's intentions change (for example, an intangible asset that was accounted for as a defensive intangible asset on the date of acquisition will cease to be a defensive asset if an acquirer subsequently decides to actively use the asset). Exhibit 08-7A contains examples illustrating the determination of whether an acquired intangible asset is a defensive intangible asset.

8. This Issue does not address the identification of market participants, market participant assumptions, or valuation issues associated with defensive intangible assets.

Recognition

9. **A defensive intangible asset should be accounted for as a separate unit of accounting. It should not be included as part of the cost of the acquirer's existing intangible asset(s) because the defensive intangible asset is separately identifiable.**

Subsequent Measurement

10. **A defensive intangible asset shall be assigned a useful life in accordance with paragraph 11 of Statement 142.**

11. A defensive intangible asset shall be assigned a useful life which reflects the entity's consumption of the expected benefits related to that asset. The benefit a reporting entity receives from holding a defensive intangible asset is the indirect cash flows resulting from the entity preventing others from realizing any value from the intangible asset (defensively or otherwise). An entity shall determine a defensive intangible asset's useful life, that is, the period over which an entity consumes the expected benefits of the asset, by estimating the period over which the defensive intangible asset will diminish in fair value. The period over which a defensive intangible asset diminishes in fair value is a proxy for the period over which the reporting entity expects a defensive intangible asset to contribute indirectly to the future cash flows of the entity.

[1] Statement 2, paragraph 11(c), requires an entity to expense the cost of a research and development intangible asset acquired in a transaction that does not qualify as a business combination, if the intangible asset has no alternative future use.

Transition

12. This Issue is effective for intangible assets acquired on or after the beginning of the first annual reporting period beginning on or after December 15, 2008.

The provisions of this Issue need not be applied to immaterial items.

Exhibit 08-7A

EXAMPLES OF DEFENSIVE INTANGIBLE ASSETS WITHIN THE SCOPE OF ISSUE 08-7

The following examples illustrate the determination of whether an intangible asset meets the definition of a defensive intangible asset and is within the scope of this Issue. The examples do not address all possible ways of determining whether an intangible asset meets the definition of a defensive intangible asset. The examples also do not address the determination of the useful life of intangible assets that are within the scope of this Issue.

Example 1

Company A, a consumer products manufacturer, acquires an entity that sells a product that competes with one of Company A's existing products. Company A plans to discontinue the sale of the competing product within the next six months, but will maintain the rights to the trade name, at minimal expected cost, to prevent a competitor from using the trade name. As a result, Company A's existing product will experience an increase in market share. Company A does not have any current plans to reintroduce the acquired trade name in the future.

Analysis: Because Company A does not intend to actively use the acquired trade name, but intends to hold the rights to the trade name to prevent its competitors from using it, the trade name meets the definition of a defensive intangible asset.

Example 2

Company A acquires a group of assets, one of which is billing software developed by the selling entity for its own use. After a six month transition period, Company A plans to discontinue use of the internally developed billing software. In valuing the billing software in connection with the acquisition, Company A determines that a market participant would use the billing software, along with other assets in the asset group, for its full remaining economic life (that is, Company A does not intend to use the asset in a way that is at its highest and best use). Due to the specialized nature of the software, Company A does not believe the software could be sold to a third party without the other assets acquired.

Analysis: Although Company A does not intend to actively use the internally developed billing software after a six month transition period, Company A is not holding the internally developed software to prevent its competitors from using it. Therefore, the internally developed software asset does not meet the definition of a defensive intangible asset.

Example 3

Company A acquires a research and development intangible asset in a business combination. The reporting entity does not intend to complete the acquired research and development project because if the project was completed, the technology developed would compete with one of Company A's existing products. Instead, Company A intends to hold the project to prevent its competitors from obtaining access to the technology. Company A believes that holding the project will delay the development of a competing product, allowing Company A to keep its current market share for a longer period than it would if the competing project was completed.

Analysis: Because Company A does not intend to actively use the research and development intangible asset, but intends to hold the rights to the asset to prevent its competitors from using it, the intangible research and development asset meets the definition of a defensive intangible asset.

Example 4

Company A acquires a research and development intangible asset in a business combination. The project under development is similar to an existing project of Company A and Company A does not intend to immediately pursue the acquired project. However, if Company A's existing project is not successful in the next six months, Company A intends to resume work on the acquired project. If Company A's existing project is successful, the acquired project will be abandoned and Company A would not be concerned if a third party gained access to that project.

Analysis: Company A is not holding the intangible research and development asset to prevent its competitors from using it. Instead, Company A is holding the asset as an alternative to its existing research and development project. Therefore, the research and development intangible asset does not meet the definition of a defensive intangible asset.

Issue No. 08-8

Title: Accounting for an Instrument (or an Embedded Feature) with a Settlement Amount That Is Based on the Stock of an Entity's Consolidated Subsidiary

Date Discussed: September 10, 2008

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

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

FASB Statement No. 141 (revised 2007), *Business Combinations*

FASB Statement No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity*

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

FASB Statement No. 160, *Noncontrolling Interests in Consolidated Financial Statements*

International Accounting Standard 27, *Consolidated and Separate Financial Statements*

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

EITF Issue No. 99-1, "Accounting for Debt Convertible into the Stock of a Consolidated Subsidiary"

EITF Issue No. 00-6, "Accounting for Freestanding Derivative Financial Instruments Indexed to, and Potentially Settled in, the Stock of a Consolidated Subsidiary"

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

EITF Issue No. 07-5, "Determining Whether an Instrument (or an Embedded Feature) Is Indexed to an Entity's Own Stock"

Introduction

1. Current generally accepted accounting principles (GAAP) treat the application of the scope exception in paragraph 11(a) of Statement 133 to a financial instrument differently than its application to an embedded feature in situations in which the payoff to the counterparty is based, in whole or in part, on the stock of an entity's consolidated subsidiary. In Issue 00-6, which applies to freestanding derivative instruments entered into by the parent, the Task Force reached a consensus that the stock of a subsidiary is not considered equity of the parent (reporting entity) and therefore that derivatives indexed to and potentially settled in the stock of a consolidated subsidiary do not meet the scope exception in paragraph 11(a) of Statement 133. However, in Issue 99-1, the Task Force concluded that debt that is convertible into the stock of a consolidated subsidiary should be accounted for in accordance with Opinion 14 because the embedded

conversion option does meet the scope exception in paragraph 11(a) of Statement 133, as long as the embedded conversion option is not required to be classified as a liability under other applicable literature, such as Issue 00-19.

2. Paragraph 11(a) of Statement 133 specifies that a contract issued or held by the reporting entity that is both (a) indexed to its own stock and (b) classified in stockholders' equity in its statement of financial position shall not be considered a derivative financial instrument for purposes of applying that Statement. If a freestanding financial instrument (for example, a stock purchase warrant) meets the scope exception in paragraph 11(a) of Statement 133, it is classified as an equity instrument and is not accounted for as a derivative instrument.

3. Questions have arisen, particularly after the finalization of Statement 160, as to whether financial instruments (and embedded features) for which the payoff to the counterparty is based, in whole or in part, on the stock of a consolidated subsidiary should be precluded from being considered indexed to the entity's own stock in the consolidated financial statements of the parent.

4. Upon the adoption of Statement 160, the noncontrolling interest (that is, the portion of subsidiary stock that is held by owners other than the parent) will be reported in the consolidated statement of financial position within equity, separately from the parent's equity. However, the guidance in Statement 160 did not amend the accounting guidance for financial instruments that are linked to the stock of a consolidated subsidiary (for example, warrants to purchase shares of a consolidated subsidiary), including the consensus in Issue 00-6.

5. After the effective date of Statement 160, financial instruments (and embedded features) for which the payoff to the counterparty is based, in whole or in part, on the stock of a consolidated subsidiary will qualify for the second part of the scope exception in paragraph 11(a) of Statement 133, as long as they are not required to be classified as liabilities under other applicable literature, such as Statement 150 or Issue 00-19. However, Statement 160 did not address whether financial instruments (or embedded features) for which the payoff to the counterparty is based, in whole or in part, on the stock of a consolidated subsidiary should qualify for the first part of the scope exception in paragraph 11(a) of Statement 133, being indexed to the reporting entity's own stock.

6. This Issue addresses the determination of whether a financial instrument for which the payoff to the counterparty is based, in whole or in part, on the stock of an entity's consolidated subsidiary, is indexed to the reporting entity's own stock and therefore should not be precluded from qualifying for the first part of the scope exception in paragraph 11(a) of Statement 133 or being within the scope of Issue 00-19.

Issue

7. The issues are:

Issue 1— Whether freestanding financial instruments (or an embedded feature) within the scope of this Issue are precluded from being considered indexed to the entity's own stock in the consolidated financial statements of the parent

Issue 2— If the Task Force reaches a consensus on Issue 1 that a freestanding financial instrument (or an embedded feature) within the scope of this Issue is not precluded from being considered indexed to the entity's own stock in the consolidated financial statements of the parent, where a freestanding financial instrument within the scope of this Issue that is an equity instrument (including an embedded feature that is separately recorded in equity) should be classified within consolidated stockholders' equity of the parent.

Scope

8. This Issue applies to a freestanding financial instrument (and an embedded feature) for which the payoff to the counterparty is based, in whole or in part, on the stock of a consolidated subsidiary for purposes of determining whether such an instrument (or an embedded feature) is precluded from being considered indexed to the entity's own stock in the consolidated financial statements of the parent. This Issue applies to instruments (and embedded features) in the consolidated financial statements of the parent, whether those instruments were entered into by the parent or the subsidiary.

Current EITF Discussion

9. The Task Force reached a consensus-for-exposure on Issue 1 that provided that the subsidiary is a substantive entity, a freestanding financial instrument (or an embedded feature) within the scope of this Issue is not precluded from being considered indexed to the entity's own stock in the consolidated financial statements of the parent. The consensus in Issue 07-5 shall be applied when determining whether the financial instrument (or embedded feature) is indexed to the entity's own stock and shall be considered in conjunction with other applicable GAAP (for example, Issue 00-19) in determining classification of the instrument.

10. The Task Force reached a consensus-for-exposure on Issue 2 that an equity-classified instrument (including an embedded feature that is separately recorded in equity under applicable GAAP) within the scope of this Issue shall be presented as a component of noncontrolling interest in the consolidated financial statements, whether the instrument was entered into by the parent or the subsidiary. However, if an equity-classified instrument within the scope of this Issue was entered into by the parent and expires unexercised, the carrying amount of the instrument would be reclassified from the noncontrolling interest to the controlling interest.

Effective Date and Transition

11. The Task Force reached a consensus-for-exposure that this Issue shall be effective for fiscal years beginning on or after December 15, 2008, and interim periods within those fiscal years. Earlier application would not be permitted. The consensus shall be applied to outstanding instruments as of the beginning of the fiscal year in which this Issue is initially applied. The fair value of an outstanding contract that was previously classified as a derivative asset or liability shall become its net carrying amount at that date. The net carrying amount shall be reclassified to noncontrolling interest. Gains or losses recorded during the period that the contract was classified as a derivative asset or liability shall not be reversed. The transition disclosures in paragraphs 17 and 18 of Statement 154 shall be provided.

Board Ratification

12. At the September 24, 2008 meeting, the Board ratified the consensus-for-exposure reached by the Task Force in this Issue and approved the issuance of a draft abstract for a public comment period.

Status

13. The draft abstract will be posted to the FASB website after September 26, 2008. Comments on the draft abstract are due by October 22, 2008. Further discussion is expected at a future meeting.

Appendix 08-8A

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

Issue No. 08-8

Title: Accounting for an Instrument (or an Embedded Feature) with a Settlement Amount That Is Based on the Stock of an Entity's Consolidated Subsidiary

Dates Discussed: September 10, 2008; [November 13, 2008]

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

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

AICPA Accounting Research Bulletin No. 51, *Consolidated Financial Statements*

EITF Issue No. 99-1, "Accounting for Debt Convertible into the Stock of a Consolidated Subsidiary"

EITF Issue No. 00-6, "Accounting for Freestanding Derivative Financial Instruments Indexed to, and Potentially Settled in, the Stock of a Consolidated Subsidiary"

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

EITF Issue No. 07-5, "Determining Whether an Instrument (or an Embedded Feature) Is Indexed to an Entity's Own Stock"

Objective

1. **The objective of this Issue is to clarify whether a financial instrument for which the payoff to the counterparty is based, in whole or in part, on the stock of an entity's consolidated subsidiary is indexed to the reporting entity's own stock and therefore should not be precluded from qualifying for the first part of the scope exception in paragraph 11(a) of Statement 133 or from being within the scope of Issue 00-19.**

All paragraphs in this Issue have equal authority. **Paragraphs in bold set out the main principles.**

[*] **This draft abstract is being exposed for a public comment period that will end on October 22, 2008.**

Background

2. An entity or its consolidated subsidiary may enter into a freestanding financial instrument (or an embedded feature) for which the payoff to the counterparty is based, in whole or in part, on the stock of a consolidated subsidiary. Examples of freestanding contracts include written call or put options (and warrants) on the stock of the consolidated subsidiary, purchased call or put options on the stock of the consolidated subsidiary, and forward sales or purchase contracts on the stock of the consolidated subsidiary. Examples of embedded features include debt that is convertible into the stock of the consolidated subsidiary, issued by the entity or its consolidated subsidiary.

3. Paragraph 11(a) of Statement 133 provides that a reporting entity shall not consider a contract to be a derivative if it is both (a) indexed to its own stock and (b) classified in stockholders' equity in its statement of financial position. Issue 07-5 requires that if a financial instrument (or embedded feature) is not considered to be indexed to an entity's own stock, equity classification would be precluded and the instrument would not be within the scope of Issue 00-19.

Scope

4. **This Issue applies to freestanding financial instruments (and embedded features) for which the payoff to the counterparty is based, in whole or in part, on the stock of a consolidated. This Issue applies to those instruments (and embedded features) in the consolidated financial statements of the parent, whether the instrument was entered into by the parent or the subsidiary.**

Recognition

5. **Freestanding financial instruments (and embedded features) for which the payoff to the counterparty is based, in whole or in part, on the stock of a consolidated subsidiary are not precluded from being considered indexed to the entity's own stock in the consolidated financial statement of the parent if the subsidiary is a substantive entity. If the subsidiary is not a substantive entity, the instrument or embedded feature would not be considered indexed to the entity's own stock. The SEC Observer reiterated the SEC staff's longstanding position that written options that do not qualify for equity classification should be reported at fair value and subsequently marked to fair value through earnings.**

6. If the subsidiary is considered a substantive entity, the consensus in Issue 07-5 shall be applied to the freestanding financial instrument (or an embedded feature) within the scope of this Issue in order to determine whether it is indexed to the entity's own stock and should be considered in conjunction with other applicable generally accepted accounting principles (GAAP) (for example, Issue 00-19) in determining the classification of the freestanding financial instrument (or embedded feature) in the financial statements of the entity.

Other Presentation Matters

7. An equity-classified instrument (including an embedded feature that is separately recorded in equity under applicable GAAP) within the scope of this Issue shall be presented as a component of noncontrolling interest in the consolidated financial statements, whether the instrument was entered into by the parent or the subsidiary. However, if an equity-classified instrument within the scope of this Issue was entered into by the parent and expires unexercised,

the carrying amount of the instrument shall be reclassified from the noncontrolling interest to the controlling interest.

Transition

8. This Issue is effective for fiscal years beginning on or after December 15, 2008, and interim periods within those fiscal years. Early adoption is not permitted. The consensus shall be applied to outstanding instruments as of the beginning of the fiscal year in which this Issue is initially applied. The fair value of an outstanding contract that was previously classified as a derivative asset or liability shall become its net carrying amount at that date. The net carrying amount shall be reclassified to noncontrolling interest. Gains or losses recorded during the period that the contract was classified as a derivative asset or liability shall not be reversed.

9. The transition disclosures in paragraphs 17 and 18 of Statement 154 shall be provided.

Amendments to Other Literature

10. ARB 51, paragraph 27, is amended as follows: [Added text is underlined and deleted text is ~~struck out~~.]

> Only the following ~~a financial instrument issued by a subsidiary that is classified as equity in the subsidiary's financial statements~~ can be a noncontrolling interest in the consolidated financial statements:~~.~~
>
> a. A financial instrument issued by a subsidiary that is classified as equity in the subsidiary's financial statements
>
> b. A financial instrument (or an embedded feature) issued by a parent or a subsidiary for which the payoff to the counterparty is based, in whole or in part, on the stock of a consolidated subsidiary, that is considered indexed to the entity's own stock in the consolidated financial statements of the parent and that is classified as equity.
>
> A financial instrument issued by a subsidiary that is classified as a liability in the subsidiary's financial statements based on the guidance in other standards is not a noncontrolling interest because it is not an ownership interest.

11. Issue 99-1 and Issue 00-6 are superseded.

12. Issue 00-19 is amended as follows:

   a. Paragraph 3:

   > This Issue applies only to freestanding derivative financial instruments (for example, forward contracts, options, and warrants). This Issue applies to security price guarantees or other financial instruments indexed to, or otherwise based on, the price of the company's stock that are issued in connection with a purchase business combination and that are accounted for as contingent consideration only if those instruments meet the criteria in Issue No. 97-8, "Accounting for Contingent Consideration Issued in a Purchase Business Combination," for recording as part of the cost of the business

acquired in a purchase business combination (see discussion of Issue 97-8 in paragraph 58 of the STATUS section). This Issue does not address the accounting for either the derivative component or the financial instrument when the derivative component is embedded in and not detachable from the financial instrument. This Issue also does not address the accounting for contracts that are issued (a) to compensate employees or (b) to acquire goods or services from nonemployees when performance has not yet occurred. However, this Issue applies to contracts issued to acquire goods or services from nonemployees when performance has occurred. This Issue does not address the accounting for a written put option and a purchased call option embedded in the shares of a noncontrolling interest of a consolidated subsidiary ~~contracts that are indexed to, and potentially settled in, the stock of a consolidated subsidiary~~ (see discussion of ~~Issue No. 00-6, "Accounting for Freestanding Derivative Financial Instruments Indexed to, and Potentially Settled in, the Stock of a Consolidated Subsidiary," and~~ Issue No. 00-4, "Majority Owner's Accounting for a Transaction in the Shares of a Consolidated Subsidiary and a Derivative Indexed to the Minority Interest in That Subsidiary," in paragraphs 62 ~~and 63~~ of the STATUS section).

b. Paragraph 63:

~~The Task Force discussed another related issue in t Issue No. 00-6, "Accounting for Freestanding Derivative Financial Instruments Indexed to, and Potentially Settled in, the Stock of a Consolidated Subsidiary." Issue 00-6 addresses how freestanding derivative instruments entered into by a parent company that are indexed to, and potentially settled in, the stock of a consolidated subsidiary should be classified and measured in the consolidated financial statements. [Note: Issue 00-6 has been partially nullified by Statement 150. See STATUS section of Issue 00-6 for details.]~~

The provisions of this Issue need not be applied to immaterial items.

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 November 13, 2008 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
08-1	Revenue Recognition for a Single Unit of Accounting	1/08	3/08, 6/08, 9/08	11/08	Uhl	Maples/ Elsbree/ Bement	The FASB staff will work with the Working Group to prepare an Issue Supplement for a future meeting	November 13, 2008 EITF meeting
08-6	Equity Method Investment Accounting Considerations	9/08	9/08	11/08	Campbell	Bonn/ Moritz	The FASB staff will prepare an Issue Supplement for a future meeting	Draft Abstract comment period closes October 22, 2008. November 13, 2008 EITF meeting

Issue No.	Description	Date Added	Date(s) Discussed	Next Meeting	EITF Liaison	FASB Staff	Immediate Plans	Due Date - Next Deliverable
08-7	Accounting for Defensive Intangible Assets	6/08	9/08	11/08	Holman	Inzano/ Anderson	The FASB staff will prepare an Issue Supplement for a future meeting	Draft Abstract comment period closes October 22, 2008. November 13, 2008 EITF meeting
08-8	Accounting for an Instrument (or an Embedded Feature) with a Settlement Amount That Is Based on the Stock of an Entity's Consolidated Subsidiary	9/08	9/08	11/08	Bielstein	Homant/ Mills	The FASB staff will prepare an Issue Supplement for a future meeting	Draft Abstract comment period closes October 22, 2008. November 13, 2008 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**
03-15	Interpretation of Constraining Conditions of a Transferee in a Collateralized Bond Obligation Structure	11/02	N/A	Not scheduled	TBD	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
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	TBD	Pending the outcome of the Board's project to amend ARB No. 43, *Restatement and Revision of Accounting Research Bulletins*.	Future 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	TBD	Statement 155 did not address this Issue. 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.	Future Agenda Committee meeting