Emerging Issues Task Force
Agenda Committee Report
February 1, 2005

Emerging Issues Task Force Agenda Committee
Decisions on Proposed Issues

1. Accounting for Minimum Revenue Guarantees

Introduction

Entities may enter into contracts whereby one party to the contract will guarantee to a third party (the guaranteed party) that the guaranteed party will attain a specified amount of revenue during a certain period. Assuming the requirements of FASB Statement No. 5, *Accounting for Contingencies*, for recognition of a liability have not been met, there are varying interpretations in practice as to whether these contracts are within the scope of FASB Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others.* Although these arrangements may arise in many industries, the following is a common example involving the healthcare industry:

> Company B owns and operates five care centers. To serve the needs of the communities in which it operates, Company B recruits non-employee physicians to establish independent practices near those communities. In exchange for a physician's commitment to practice in one of the communities for a stated period of time, Company B guarantees that the physician will be able to bill a minimum amount of revenue from their physician practice during the first year. If the actual physician billings are below the minimum amount guaranteed, Company B will pay the difference to the physician. While Company B's care centers indirectly benefit from a successfully recruited physician, there is no direct relationship between the practice revenue and the financial success of the related care centers of Company B or vice versa.

Paragraph 3 of Interpretation 45 states that it applies to guarantee contracts that have certain characteristics including contracts and indemnification agreements that contingently require the guarantor to make payments to the guaranteed party based on (1) changes in an *underlying*[1] that is related to an asset, a liability, or an equity security of the guaranteed party and (2) another

[1] Interpretation 45 states that an underlying includes a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, or other variable (including the occurrence or nonoccurrence of a specified event).

entity's failure to perform under an obligating agreement (performance guarantees). Interpretation 45 also applies to indirect guarantees of the indebtedness of others. Paragraph 6 of Interpretation 45 provides a number of scope exceptions from the Interpretation, and paragraph 7 provides a number of scope exceptions from the initial recognition and measurement provision of the Interpretation.

Accounting Issue and Alternatives

The issue is whether a guarantee of another entity's future revenue is within the scope of Interpretation 45.

View A: A guarantee of future revenue is within the scope of Interpretation 45.

A guarantee of future revenue meets the characteristics of a guarantee that is within the scope of Interpretation 45 because the guarantee relates to an intangible asset of the guaranteed party. Effectively, the guarantor guarantees the value of the business through the revenue guarantee and therefore guarantees an asset of the guaranteed party. Accordingly, a guarantee of future revenue is within the scope of Interpretation 45.

View *B: A guarantee of future revenue is not within the scope of Interpretation 45.*

A guarantee of future revenue does not meet the characteristics of a guarantee that is within the scope of Interpretation 45 because (1) future revenue is not an asset, a liability, or an equity security of the guaranteed party, (2) the guarantor is not guaranteeing the performance of a third party, and (3) the guarantee is not an indirect guarantee of the indebtedness of others.

Interaction with Other Board Agenda Projects

None.

Agenda Committee Decisions: ***The Agenda Committee decided not to add this issue to the EITF's agenda. The Agenda Committee asked the FASB staff to consider providing guidance on this Issue through the issuance of a FASB Staff Position.***

2. Accounting for Altersteilzeit Early Retirement Programs

Introduction

Altersteilzeit ("ATZ") in Germany is an early retirement program designed to create an incentive for employees, within a certain age group, to leave their employers before the legal retirement age. Although the program was established by the law—in part as a means of encouraging employment of younger workers—due to the social impediments in Germany of companies providing early retirement, the actual arrangement between employers and employees is negotiated between individual employers and the respective workers' councils (or unions).[2]

Employers who would like to make the ATZ program available to their employees must establish an ATZ plan by signing a contract with the workers' council. The law that created the ATZ program only provides an overall framework of how the plans should work; therefore, the detailed terms of ATZ plans differ slightly from each other as a result of negotiations between employers and workers' councils. However, the following are the general features of an ATZ plan.

An ATZ plan typically has a one to six year term (the "ATZ period"), depending on the age at which a participant signs up for the plan. Typically, the minimum age an employee is permitted to sign up for an ATZ plan is 55.

The plan starts for an employee when the employee (1) reaches the minimum age (which is usually determined in accordance with the legislation) and (2) signs the ATZ contract with the employer. German law requires that an employer permit employees to participate in the ATZ plan without restriction until participation in the plan reaches 5 percent of the total work force. After the 5 percent threshold has been met, an employer has the right to determine whether employees are accepted into the ATZ plan. Most employers rarely reject employees who apply for participation. However, some employers do disallow participation in the ATZ plan by employees considered "indispensable" to the employer.

[2] When certain criteria are met (namely, hiring replacement employees from the population of currently registered unemployed persons), ATZ plans are subsidized by the German government in order to encourage early retirements and to bring younger workers into the workforce.

Employers typically offer two alternatives for participating employees:

- Type I: participant works 50 percent of the time for the entire ATZ period and receives 50 percent of his salary each year.
- Type II: participant works full-time for half of the ATZ period (the "service period") and, then, does not work at all for the remaining half, but receives 50 percent of his salary each year.

Under both alternatives, the participating employees also receive an annual bonus, which varies by employer, but will generally equal between 20 percent and 35 percent of their respective salaries. Accordingly, the combined compensation will normally equal about 70 percent to 85 percent of the participating employee's most recent annual compensation before the start of the ATZ period.

The majority of participants select the Type II alternative.

The following illustrates the relationship between the work performed and the cash compensation received by a participating employee under a Type II plan assuming an ATZ period of four years:

Year	***Percent worked***	***Percent of salary paid***	***Bonus paid (as % of salary)***	***Total***
1	100%	50%	30%	80%
2	100%	50%	30%	80%
3	0%	50%	30%	80%
4	0%	50%	30%	80%
Total	200%	200%	120%	320%

Employees must provide services to an employer for the required service period in order to receive the ATZ bonus. If a participant dies, voluntarily leaves the company, or is otherwise terminated before completing the service requirement, the compensation received by the participant is adjusted to the amount that the participant would have received absent the ATZ plan. For example, if an employee signs up for a 4-year Type II ATZ plan and leaves the company after 1 year, the employee will receive 100 percent of the pre-ATZ compensation for that year and will not receive any ATZ bonus.

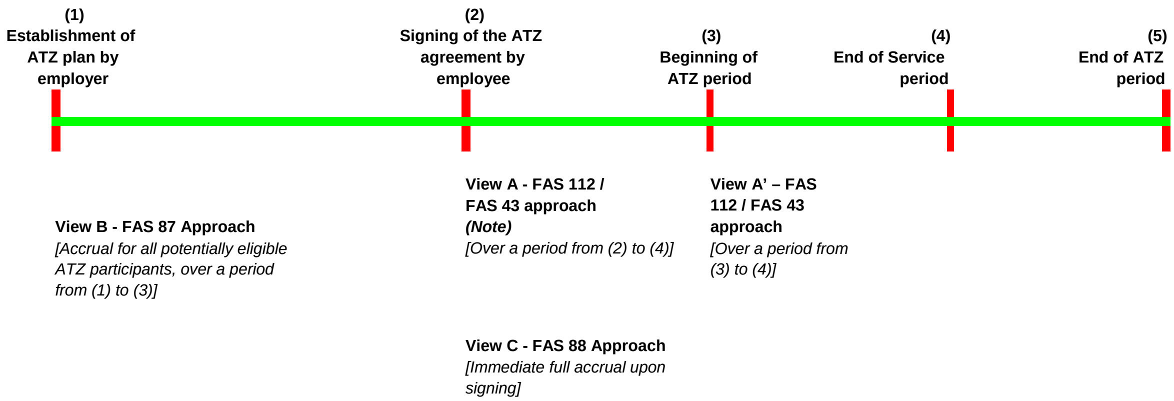
During the ATZ period after active service, employees are not considered retired and will not receive a pension until normal retirement age. In addition, the service period, including the period after active employment, is credited toward the employee's service for determining pension benefits.

Diversity in Practice

Diverse practices exist for the accounting for the bonus elements of ATZ plans. The following are the results of an informal survey of U.S. Foreign Private Issuers and subsidiaries of U.S. companies that have ATZ plans:

FASB Statement No. 112, *Employers' Accounting for Postemployment Benefits* (View A below)	5
FASB Statement No. 87, *Employers' Accounting for Pensions* (View B below)	4
FASB Statement No. 88, *Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits* (View C below)	2

The following diagram illustrates the period over which an employer would accrue the ATZ bonuses under the accounting alternative presented below:



Accounting Issue and Alternatives

The issue is how the bonus element of an ATZ plan should be accounted for.

View A: The bonus element of an ATZ plan should be accounted for as a severance benefit under Statement 112; an entity should accrue the cost of the bonus beginning with the period in which the employee enrolls in the plan through the end of the service period.

View A': The bonus element of an ATZ plan should be accounted for as a severance benefit under Statement 112; an entity should accrue the cost of the bonus over the ATZ period.

View B: The bonus element of an ATZ plan should be accounted for as a supplemental early retirement benefit under Statement 87; an entity should accrue the cost of the bonus over the same period that an entity would accrue a pension benefit. That is, the entity would begin to accrue the bonus when it adopts the plan including prior service costs as appropriate.

View C: The bonus element of an ATZ plan should be accounted for as a voluntary termination benefit under Statement 88; an entity should accrue the entire amount of the bonus when the employee enrolls in the plan.

Interaction with Other Board Agenda Projects

None.

Agenda Committee Decisions: ***The Agenda Committee agreed to add this Issue to the EITF's agenda. The Agenda Committee asked the FASB staff to explore whether other early retirement programs have similar terms and to expand the scope of this Issue accordingly. Additionally, the Agenda Committee directed the FASB staff to expand the Issue to address the accounting for the salary component of the program, any subsidy received from the government, and the effect on the service credit for existing retirement plans***.

3. The Effect of Registration Rights with Liquidated Damages Provisions for Financial Instruments Subject to EITF Issue No. 00-19, "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock"

Introduction

The issuance of a registration rights agreement that includes a liquidated damages clause is a relatively common occurrence when equity instruments, stock purchase warrants, and financial instruments that are convertible into equity securities are issued. Typically, the agreement requires the issuer to use its "best efforts" to file a registration statement for the resale of the equity instruments or the shares of stock underlying the stock purchase warrant or convertible financial instrument and have it declared effective by the end of a specified grace period. In some registration rights agreements, the issuer may also be required to maintain the effectiveness of the registration statement for a period of time. If the issuer fails to have the registration statement declared effective within the grace period (or if effectiveness is not maintained), the registration rights agreement requires the payment of liquidated damages to the investor each month until the registration statement is declared effective.

The liquidated damages penalty in a registration rights agreement can be significant. It is typically expressed as a percentage of the amount paid for the securities that were issued, and may be as high as 2 percent per month with no stated cap or maximum penalty. The grace period within which the registration statement must be filed and declared effective is generally between 90 and 180 days. Therefore, if the liquidated damages penalty were 1 percent per month with no cap and a grace period of 180 days for a warrant with a 5-year term, the issuer could be obligated to pay as much as 54 percent of the issuance price of the warrant for failure to have the shares registered. (The liquidated damages penalty was computed as the 60-month term, less the 6-month grace period, times the 1 percent per month penalty.)

Given the potential significance of the liquidated damages penalty in a registration rights agreement, a question arises as to the effect, if any, this feature has on the related financial instruments if they are subject to the scope of Issue 00-19. Consider the following example:

Example

A public company enters into a stock purchase warrant with an investor either as a single exchange transaction (that is, the company sells the warrant to the investor for cash) or in conjunction with another transaction (that is, the company sells the warrant to the investor for cash in conjunction with the sale of other securities or issues the warrant in conjunction with a business combination). The warrant agreement entitles the investor to purchase a fixed number of shares of the company's common stock for a fixed price at any time during the stated term of the agreement. The warrant may be gross physically settled or net-share settled at the investor's election. The warrant agreement does not contain a net-cash settlement feature. Upon exercise of the warrant, the company may deliver either registered or unregistered shares of common stock. The warrant agreement states that the shares to be issued upon exercise are covered by a separate registration rights agreement and may or may not discuss the specific terms of that agreement.

At the same time the warrant agreement is issued, the company and investor enter into a separate registration rights agreement. This agreement requires the company to use its best efforts to file a registration statement for the resale of the shares of common stock underlying the stock purchase warrant and have it declared effective by the end of a specified grace period after the inception of the agreement. If the company fails to have the registration statement declared effective within the grace period, the registration rights agreement requires the company to pay liquidated damages to the investor in the amount of a specified percentage of the amount paid for the warrant per month until the registration statement is declared effective or the warrant agreement expires.

For purposes of this Issue, assume that without any consideration of the terms of the registration rights agreement, the stock purchase warrant would qualify for classification as equity under the guidance in Issue 00-19.

Accounting Issues and Alternative Views

Issue 1: The effect of a liquidated damages provision in a registration rights agreement on the classification of a financial instrument that is within the scope of Issue 00-19.

View A: The registration rights agreement should be considered in the Issue 00-19 analysis together with the warrant agreement. If the amount of the liquidated damages penalty is greater than a reasonable estimate of the difference between the fair values of the registered and unregistered shares, the warrants should be classified as a liability.

View B: The registration rights agreement should be considered in the Issue 00-19 analysis together with the warrant agreement. The existence of a registration penalty would require accounting for the warrants as a liability in all circumstances because a cash payment is required to be made if a registration statement is not filed and declared effective on a timely basis.

View C: The registration rights agreement and the warrant agreement are separate agreements and the liquidated damages penalty under the registration rights agreement would not affect the Issue 00-19 analysis.

Related Issues

Practice appears to be diverse in how issuers evaluate the effect of a liquidated damages penalty embedded in a registration rights agreement on the application of Issue 00-19. The major national CPA firms are split across the three alternatives described above with some variation in the manner in which Views A and B are applied. For example, in applying View A, some would consider a penalty of not more than 10 percent of the warrant's purchase price to be a reasonable proxy for the difference between the fair values of the registered and unregistered shares. Others supporting View B would nevertheless consider the payment of a de minimis amount of cash to be acceptable to the warrant's classification as equity. The following are some additional practice issues.

Issue 2: The effect on the Issue 00-19 analysis if the registration rights agreement also obligates the issuer to subsequently maintain the effectiveness of the registration statement in order to avoid the liquidated damages penalty.

Issue 3: The impact of a registration rights penalty on the analysis of the embedded derivative features in nonconventional convertible debt.

Issue 4: The effect the liquidated damages penalty would have on the evaluation of the classification of a preferred stock (or other equity security) under SEC Accounting Series Release No. 268, *Presentation in Financial Statements of "Redeemable Preferred Stocks."*

Interaction with Other Board Agenda Projects

This potential new issue would interact with phase two of the Board's project on liabilities and equity.

Agenda Committee Decisions: ***The Agenda Committee agreed to add this Issue to the EITF's agenda.***

4. The Meaning of "Conventional Convertible Debt Instrument" in EITF Issue No. 00-19, "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock"

Introduction

Issue 00-19 is used to evaluate whether embedded derivatives should be bifurcated under FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities,* as amended. Specifically, Statement 133 provides guidance as to when an issuer is required to bifurcate a conversion option that is embedded in convertible debt.

Paragraph 4 of Issue 00-19 states in part that:

> The Task Force reached a consensus that for purposes of evaluating under Statement 133 whether an embedded derivative indexed to a company's own stock would be classified in stockholders' equity if freestanding, the requirements of paragraphs 12–32 of this Issue do not apply if the hybrid contract is a *conventional convertible debt instrument* in which the holder may only realize the value of the conversion option by exercising the option and receiving the entire proceeds in a fixed number of shares or the equivalent amount of cash (at the discretion of the issuer). [Emphasis added.]

Issue 00-19 does not define "conventional convertible debt instrument." Given the development of numerous contractual terms that may be included in a convertible debt instrument, it is not clear when a convertible debt instrument is "conventional."

Accounting Issues and Alternatives

Issue 1: Whether a convertible debt instrument should be considered "conventional" for the purposes of applying paragraph 4 of Issue 00-19.

View A: Only "plain vanilla" convertible debt instruments in which the holder may realize the value of the conversion option by exercising the option and receiving the entire consideration for the instrument in a fixed number of shares or the equivalent amount of cash (at the discretion of the issuer) are considered "conventional."

Proponents of View A believe that paragraph 4 of Issue 00-19 is clear that the accommodation for conventional convertible debt is a very narrow exception and not available to a broad range of more contemporary convertible debt instruments currently in the marketplace. Accordingly, a convertible debt instrument similar to Instrument C in EITF Issue No. 90-19, "Convertible Bonds with Issuer Option to Settle for Cash upon Conversion," is not considered conventional convertible debt because the instrument could be settled in a combination of cash and shares. Likewise, other structured convertible debt instruments (for example, convertible debt with contingent conversion features, varying conversion ratios, and call options) would not be considered conventional convertible debt.

View B: Convertible debt instruments in which the holder may realize the value of the conversion option by exercising the option and receiving the entire consideration for the instrument in a fixed number of shares or the equivalent amount of cash (at the discretion of the issuer) are considered "conventional" regardless of any other features of the instrument (for example, contingencies).

Proponents believe that the phrase "in which the holder may only realize the value of the conversion option by exercising the option and receiving the entire proceeds in a fixed number of shares or the equivalent amount of cash (at the discretion of the issuer)" defines "conventional." That is, as long as the settlement of the instrument is consistent with that phrase, it is to be considered "conventional convertible debt," regardless of any other features of the instrument.

Issue 2: Whether the number of shares to be received upon conversion of convertible debt is considered to be fixed.

View A: The number of shares must be fixed at inception and remain fixed throughout the life of the instrument.

View A proponents believe that the requirement in paragraph 4 of Issue 00-19 must be applied literally and, as such, any possibility for a change in the number of shares to be delivered upon conversion causes the instrument not to be conventional convertible debt.

View B: Certain changes to the number of fixed shares may be permitted.

View B proponents believe that there may be some situations in which a change in the number of shares to be issued may change. For example, anti-dilution provisions or other provisions designed to maintain a consistent conversion ratio or keep the holder of the convertible debt instrument whole are acceptable.

Issue 3: Whether the accommodation in paragraph 4 of Issue 00-19 is applicable to conventional convertible preferred stock.

View A: If the instrument is classified as equity, the accommodation in paragraph 4 of Issue 00-19 should not be applied when analyzing the potential embedded derivative in a convertible equity instrument.

View B: The economic characteristics of the host instrument must be considered in determining whether the accommodation in paragraph 4 of Issue 00-19 applies to the potential embedded derivative in a convertible equity instrument.

If the preferred stock host instrument is more akin to debt, it should be afforded the accommodation in paragraph 4 of Issue 00-19 when analyzing the conversion feature. If it is more akin to equity, the entire Issue 00-19 model should be applied in analyzing the instrument. All the characteristics of the instrument must be considered.

For example, a convertible preferred stock with a mandatory redemption date would be classified as equity because the conversion option prevents the instrument from being considered mandatorily redeemable under FASB Statement No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity*. As the host instrument is more akin to debt, it should be afforded the accommodation. A convertible preferred stock that was mandatorily convertible on the maturity date would not be given the accommodation, as it was more akin to equity.

View C: The accommodation in paragraph 4 of Issue 00-19 should be applied to both convertible debt and convertible equity when analyzing the potential embedded derivative if the instrument is convertible into a fixed number of shares. Neither the classification of an instrument nor the characteristics of the host instrument are relevant.

Interaction with Other Board Agenda Projects

This potential new issue would interact with phase two of the Board's project on liabilities and equity.

Agenda Committee Decisions: ***The Agenda Committee agreed to add this Issue to the EITF's agenda.***

5. Offsetting of a Right to Receive or an Obligation to Return Cash Collateral with a Net Derivative Position under a Master Netting Arrangement

Background

A company enters into a master netting arrangement related to derivative contracts with a counterparty. If the company is in a net receivable derivative position and is concerned about the creditworthiness of the counterparty, the company may require collateral to be posted. The value of the collateral is usually equal to or sometimes in excess of the fair value of the net receivable derivative position subject to the master netting arrangement. If the company is in a net payable derivative position, it may be required to post collateral. The company or its counterparty may post either cash or securities as collateral under a credit support annex to the master netting arrangement. However, if cash is posted as collateral, the company recognizes under FASB Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, either a separate receivable for return of the cash collateral or an obligation to return the cash collateral.[3] Under these arrangements, the receivables or obligations related to cash collateral bear interest at current market rates that reset daily.

Currently there is diversity in practice on whether companies offset in the balance sheet receivables or obligations related to cash collateral against the net derivative positions. This diversity arises from differences in application of FASB Interpretation No 39, *Offsetting of Amounts Related to Certain Contracts.*

Interpretation 39 addresses whether and in what circumstances it is appropriate to set off assets and liabilities in the balance sheet. Paragraph 5 of that Interpretation provides 4 conditions that must be met for a right of setoff to exist, 1 of which is that "the reporting party intends to set off." However, paragraph 10 of Interpretation 39 provides an exception to that intent to set off requirement. Under paragraph 10, "*fair value amount*s recognized for forward, interest rate swap, currency swap, option, and other conditional or exchange contracts executed with the same counterparty under a master netting arrangement" (footnote omitted) can be set off without regard to the intent to set off. The diversity in practice arises from different interpretations of

[3] Footnote 4 of Statement 140, states that "Cash 'collateral,' sometimes used, for example, in securities lending transactions (paragraphs 91-95), shall be derecognized by the payer and recognized by the recipient, not as collateral, but rather as proceeds of either a sale or a borrowing."

whether receivables or obligations related to cash collateral qualify for that paragraph 10 exception.

Accounting Issue and Alternatives

Whether a receivable or obligation associated with cash collateral should be offset against a net derivative position both of which are subject to a master netting arrangement.

View *A: A receivable or obligation associated with cash collateral should be offset against the recorded amount of a net derivative position that is subject to a master netting arrangement.*

Proponents of View A believe that receivables or obligations related to cash collateral satisfy the requirements of paragraph 10 of Interpretation 39 for netting. Conditional contracts are defined in paragraph 3 of Interpretation 39 as those "whose obligations or rights depend on the occurrence of some specified future event that is not certain to occur and that could change the timing of the amounts or of the instruments to be received, delivered or exchanged."[4] Proponents of View A believe that the receivable or obligation associated with cash collateral is a conditional contract because the obligation or right is conditional upon the event of default or termination of the related derivative position. Default and termination are events that affect both the timing and the types of instruments to be received, delivered, or exchanged.

Proponents of View A also believe that the amount of a receivable or obligation related to cash collateral is recognized at fair value because the amount is a function of the fair value of the net derivative position. Further, these receivables and obligations bear interest at a market rate that changes daily; thus, while they may not be carried on a fair value basis, the amount at which they are recognized approximates fair value.

View *B: A receivable or obligation associated with cash collateral should not be offset against the recorded amount of a net derivative position that is subject to a master netting arrangement.*

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[4] Exchange contracts are defined as contracts "that require a future exchange of assets or liabilities rather than a one-way transfer of assets."

Proponents of View B believe these obligations and receivables are not conditional as that term is defined in Interpretation 39. They believe that the reference in the definition of conditional to the "occurrence of some specified future event" is intended to refer to an event other than the possible need to net under a master netting arrangement. Proponents believe that the events that cause derivative positions to be conditional as defined in paragraph 3 would be changes in rates or prices, or other underlyings. As discussed in Interpretation 39 (paragraph 19), the eventual cash flow consequences of conditional contracts are often not discernible from the amounts reported in the balance sheet because of their conditional nature. For receivables or obligations related to cash collateral, the amounts change because cash has been received or paid. Further, proponents of View B do not believe that the fact that the level of the receivable or payable changes with the change in the value of the conditional derivative positions causes the former to be conditional.

Proponents of View B also believe that the amounts recognized for the receivable or obligation are not fair value amounts, which is a requirement for offsetting under paragraph 10.

Interaction with Other Board Agenda Projects

None.

Agenda Committee Decisions: ***No decision was reached. The Agenda Committee directed the FASB staff to research the terms of master netting arrangements with the objective of further developing the issue. The Agenda Committee will reconsider this issue at the next agenda committee meeting based on this research.***

FASB EMERGING ISSUES TASK FORCE
March 17, 2005 Meeting Agenda

Issue Number	Issue	Proposed Time	Staff Assigned
04-5	Investor's Accounting for an Investment in a Limited Partnership When the Investor Is the Sole General Partner and the Limited Partners Have Certain Rights	8:00-10:00	Larson/ Oakley
	* * * BREAK * * *	10:00-10:15	
04-7	Determining Whether an Interest Is a Variable Interest in a Potential Variable Interest Entity	10:15-12:00	Laurenzano/ Sogoloff/ Belcher
	* * * LUNCH * * *	12:00-1:00	
	Administrative Matters - New Issues - Other Matters	1:00-1:15	Westerlund
04-6	Accounting for Stripping Costs in the Mining Industry	1:15-2:15	Westerlund/ Larson
04-13	Accounting for Purchases and Sales of Inventory with the Same Counterparty	2:15-3:15	Geary/ Oakley/ Belcher
	* * * BREAK * * *	3:15 – 3:30	
04-J	The Accounting for the Conversion of an Instrument That Becomes Convertible upon the Issuer's Exercise of a Call Option That Otherwise Is Not Convertible or Not Currently Convertible Based on a Contingency	3:30 – 4:30	O'Callaghan/ Oakley

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 March 17, 2005 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 of the staff (with respect to both time and relevant technical expertise).

Issue No.	Description	Date Added	Date(s) Discussed	Next Meeting	FASB Staff	Immediate Plans	Due Date - Next Deliverable
04-5	Investor's Accounting for an Investment in a Limited Partnership When the Investor Is the Sole General Partner and the Limited Partners Have Certain Rights	5/04	6/04, 9/04, 11/04	03/05	Larson Oakley	FASB staff posted a draft abstract to the FASB website for public comment. The Task Force will consider the comments received at the March 2005 meeting.	March meeting materials
04-6	Accounting for Stripping Costs in the Mining Industry	11/03	6/04, 9/04, 11/04	03/05	Westerlund Larson	The FASB staff will prepare an Issue Summary for the March 2005 meeting.	March meeting materials
04-7	Determining Whether an Interest Is a Variable Interest in a Potential Variable Interest Entity	5/04	6/04, 9/04, 11/04	03/05	Laurenzano Sogoloff Belcher	FASB staff to prepare an Issue Summary with assistance from the FIN 46(R) Resource Group for the March 2005 meeting.	March meeting materials

Issue No.	Description	Date Added	Date(s) Discussed	Next Meeting	FASB Staff	Immediate Plans	Due Date - Next Deliverable
04-13	Accounting for Purchases and Sales of Inventory with the Same Counterparty	11/04	11/04	03/05	Geary Oakley Belcher	The FASB staff will prepare an Issue Summary for the March 2005 meeting.	March meeting materials
04-J	The Accounting for the Conversion of an Instrument That Becomes Convertible upon the Issuer's Exercise of a Call Option That Otherwise Is Not Convertible or Not Currently Convertible Based on a Contingency	11/04	N/A	03/05	O'Callaghan Oakley	The FASB staff will prepare an Issue Summary for the March 2005 meeting.	March meeting materials

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**
00-18	Accounting Recognition for Certain Transactions involving Equity Instruments Granted to Other Than Employees	5/00	7/00, 7/01, 11/01, 1/02, 3/02	Not scheduled	TBD	Pending further progress in the Board's project on share-based payments (Phase II), which is expected to include recognition and measurement for share-based transactions with non-employees.	N/A
	The remaining issue in Issue 00-18 is Issue 3: For transactions that include a grantee performance commitment, how the grantee should account for the contingent right to receive, upon performing as specified in the arrangement, grantor equity instruments that are the consideration for the grantee's future performance. The Task Force asked the FASB staff to focus on improving the guidance (originally from Issue 96-18) used to determine the date at which a commitment for counterparty performance to earn the equity instruments is reached. The measurement date issues, as well as several of the other issues and subissues of Issue 00-18 (also related to Issues 96-18 and 00-8), will be under consideration in the Board's share-based payment project.						
00-27	Application of EITF Issue No. 98-5, "Accounting for Convertible Securities with Beneficial Conversion Features or Contingently Adjustable Conversion Ratios," to Certain Convertible Instruments	5/00	11/00, 1/01	Not scheduled	Laurenzano Richards	Pending further progress on Phase II of the Board's liabilities and equity project.	N/A

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**
02-D	The Effect of Dual-Indexation both to a Company's Own Stock and to Interest Rates and the Company's Credit Risk in Evaluating the Exception under Paragraph 11(a)(1) of FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*	3/02	N/A	Not scheduled	Laurenzano Sogoloff	Pending further progress on Phase II of the Board's liabilities and equity project.	N/A
03-15	Interpretation of Constraining Conditions of a Transferee in a Collateralized Bond Obligation Structure	9/00 (AC) 11/02 (TF)	N/A	Not scheduled	Laurenzano Lusniak	Pending developments in the Board's project on QSPE's and reconsideration by the FASB staff as to the extent of the issue.	N/A

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**
03-17	Subsequent Accounting for Executory Contracts That Have Been Recognized on an Entity's Balance Sheet	5/03	11/03	Not scheduled	McBride O'Callaghan	Issue addresses the amortization of a recognized executory contract that has periods of both positive and negative cash flows. This Issue is pending the Board's consideration of how the factors in paragraph 11(d) of Statement 142 should be evaluated in determining the useful life of an intangible asset (formerly EITF Issue 03-9).	N/A
05-A	Accounting for Altersteilzeit Early Retirement Programs	2/05	N/A	Not scheduled	Geary Moss	Not scheduled	N/A
05-B	The Effect of Registration Rights with Liquidated Damages Provisions for Financial Instruments Subject to EITF Issue No. 00-19, "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock	2/05	N/A	Not scheduled	Thuener E. Smith	Not scheduled	N/A

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**
05-C	The Meaning of "Conventional Convertible Debt Instrument" in EITF Issue No. 00-19, "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock"	2/05	N/A	Not scheduled	Moss E. Smith	Not scheduled	N/A

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	Laurenzano	Pending consideration of an FASB project that may address the measurement of beneficial interests in securitized financial instruments.	Pending develop-ments in a Board project