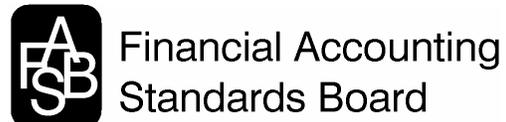


REVISED MINUTES



To: Board Members
From: Hamilton (ext. 330)
Subject: Revised Minutes of the October 13, 2004 Board Meeting **Date:** October 19, 2004
cc: Leisenring, Bielstein, Smith, Petrone, Golden, Westerlund, Mahoney, Gabriele, Polley, Swift, Richter, FASB Intranet (e-mail)

The Board meeting minutes are provided for the information and convenience of constituents who want to follow the Board's deliberations. Official EITF consensus positions are reported in the minutes of the related EITF meeting and in EITF Abstracts.

Topics: Board ratification of consensuses reached in EITF Issues Nos. 04-1, 04-8, and 04-10

Basis for Discussion: Board memorandum dated October 6, 2004

Length of Discussion: 11:40 a.m. to 12:00 p.m.

Attendance:

Board members present:	Herz, Crooch, Schieneman, Schipper, Seidman, Trott, and Batavick (by phone)
IASB Board/Staff present:	Leisenring
Board members absent:	None
Staff in charge of topic:	Westerlund
Other staff at Board table	Smith, Golden, Hamilton
Outside participants:	None

Summary of Decisions Reached:

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

- EITF Issue No. 04-1, "Accounting for Preexisting Relationships between the Parties to a Business Combination"
- EITF Issue No. 04-8, "The Effect of Contingently Convertible Instruments on Diluted Earnings per Share"
- EITF Issue No. 04-10, "Determining Whether to Aggregate Operating Segments That Do Not Meet the Quantitative Thresholds"

The staff will bring the following issues that the Task Force removed its agenda to the Board at a future Board meeting:

- Issue No. 03-9, "Determination of the Useful Life of Renewable Intangible Assets under FASB Statement No. 142, *Goodwill and Other Intangible Assets.*" The issue is the application of paragraph 11(d) of Statement 142 for determining the useful life of an intangible asset.
- Issue No. 04-9, "Accounting for Suspended Well Costs." The issue is whether to amend the suspended well cost guidance in FASB Statement No. 19, *Financial Accounting and Reporting by Oil and Gas Producing Companies.*
- Issue No. 04-E, "The Meaning of Similar Economic Characteristics." The issue is the meaning of similar economic characteristics in the application of Statement 131.

The tentative consensuses reached by the Task Force in EITF Issue No. 03-13, "Applying the Conditions in Paragraph 42 of FASB Statement No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, in Determining Whether to Report Discontinued Operations," was posted as a draft abstract to the FASB website for public comment for a 15-day comment period on Friday, October 15, 2004.

Objective of Meeting:

In accordance with the operating procedures for the EITF, the consensuses reached at the September 29-30, 2004 EITF meeting were considered for ratification by the Board at the October 13, 2004 Board meeting.

Matters Discussed and Decisions Reached:

Issue No. 04-1, "Accounting for Preexisting Relationships between the Parties to a Business Combination"

Mr. Westerlund stated that the Task Force reached a consensus on the following issues relative to Issue 04-1:

- Consummation of a business combination between parties with a preexisting relationship should be evaluated to determine if a settlement of a preexisting relationship exists.
- The effective settlement of an executory contract in a business combination should be measured at the lesser of (a) the amount by which the contract is favorable or unfavorable from the perspective of the acquirer when compared to pricing for current market transactions for the same or similar items or (b) any stated settlement provisions in the contract available to the counterparty to which the contract is unfavorable. To the extent that a stated settlement amount is less than the off-market component of the contract, the difference should be included as part of the business combination.
- The acquisition of a right that the acquirer had previously granted to the acquired entity to use the acquirer's existing recognized or unrecognized intangible assets should be included as part of the business combination.
- The acquirer should recognize, apart from goodwill, an acquired entity's intangible asset that, before the business combination, arose solely from the acquired entity's contractual right to use the acquirer's existing recognized or unrecognized intangible assets.
- The acquirer should recognize a settlement gain in conjunction with the effective settlement of a lawsuit or an executory contract in a business combination.

Mr. Westerlund stated that the Task Force also reached a consensus that the following disclosures should be required for a business combination between parties with a preexisting relationship:

- a. The nature of the preexisting relationship
- b. The measurement of the settlement amount of the preexisting relationship, if any, and the valuation method used to determine the settlement amount

- c. The amount of any settlement gain or loss recognized and its classification in the statement of operations.

Ms. Seidman stated that she would have preferred that this issue be addressed as a consolidation procedure issue; however, she did not object to the consensus reached by the Task Force.

Mr Herz asked if any Board members objected to the ratification of Issue 04-1. No Board members objected.

Issue No. 04-8, "The Effect of Contingently Convertible Instruments on Diluted Earnings per Share"

Mr. Westerlund stated that the Task Force reached a consensus that contingently convertible instruments should be included in diluted earnings per share (if dilutive) regardless of whether the market price trigger has been met. He stated that for purposes of this Issue, contingently convertible instruments are instruments that have embedded conversion features that are contingently convertible or exercisable based on (1) a market price trigger or (2) multiple contingencies if one of the contingencies is a market price trigger and the instrument can be converted or share settled based on meeting the specified market condition without meeting the other contingency. He stated that a market price trigger is a market condition that is based on the issuer's own share price.

Mr. Westerlund stated that the Task Force reached a consensus that Issue 04-8 should have the same effective date as the proposed FASB Statement, *Earnings per Share (a revision of Statement 128) (December 2004)*. The consensus should be applied to reporting periods ending after the effective date, which is expected to be December 15, 2004. He stated that, if the Board decides that the effective date of the proposed Statement that revises Statement 128 should be after December 15, the staff will ask the Task Force to consider whether the effective date of Issue 04-8 should remain December 15, 2004.

Ms. Seidman stated that while she supports the conclusion reached by the Task Force, she believes the conclusion reached is an amendment to Statement 128.

As such, she does not support ratification of the consensus and instead supports the issuance of a technical amendment to Statement 128.

Mr. Trott stated that he supports ratification of Issue 04-8. He believes Issue 04-8 will be superceded by the issuance of the proposed amendment to Statement 128. The Task Force agreed that the effective date of Issue 04-8 should be the same as the effective date of the proposed amendment to Statement 128, which is expected to be December 15, 2004. However, Mr. Trott stated that if the effective date of the proposed amendment to Statement 128 is postponed beyond December 15, the staff should ask the Task Force to require an effective date for periods ending after December 15, 2004.

The Board ratified Issue 04-8 [Six did not object; one objected: Ms. Seidman].

Issue No. 04-10, "Determining Whether to Aggregate Operating Segments That Do Not Meet the Quantitative Thresholds"

Mr. Westerlund stated that the Task Force reached a consensus that operating segments that do not meet the quantitative thresholds can be aggregated if (1) aggregation is consistent with the objective and basic principles of Statement 131, (2) the segments have similar economic characteristics, and (3) the segments share a majority of the following aggregation criteria:

- a. The nature of the products and services
- b. The nature of the production processes
- c. The type or class of customer for their products and services
- d. The methods used to distribute their products or provide their services
- e. If applicable, the nature of the regulatory environment, for example, banking, insurance, or public utilities.

Mr Herz asked if any Board members objected to the ratification of Issue 04-10. No Board members objected.

Follow-up Items:

Mr. Westerlund stated that the Task Force removed the following issues from its agenda.

- Issue No. 03-9, "Determination of the Useful Life of Renewable Intangible Assets under FASB Statement No. 142, *Goodwill and Other Intangible Assets*." The issue is the application of paragraph 11(d) of Statement 142 for determining the useful life of an intangible asset.
- Issue No. 04-9, "Accounting for Suspended Well Costs." The issue is whether to amend the suspended well cost guidance in FASB Statement No. 19, *Financial Accounting and Reporting by Oil and Gas Producing Companies*.
- Issue No. 04-E, "The Meaning of Similar Economic Characteristics." The issue is the meaning of similar economic characteristics in the application of Statement 131.

Mr. Westerlund stated that the staff will bring these issues to the Board at a future Board meeting.

General Announcement:

The tentative consensuses reached by the Task Force relative to EITF Issue No. 03-13, "Applying the Conditions in Paragraph 42 of FASB Statement No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, in Determining Whether to Report Discontinued Operations," will be posted as a draft abstract to the FASB website for public comment for a 15-day comment period beginning no later than Friday, October 15, 2004.