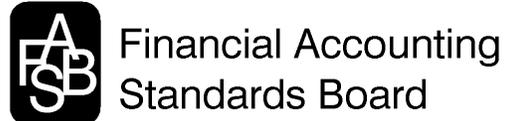


MINUTES



To: Board Members
From: Theilken (x 471)
Subject: Minutes of the December 2, 2009 Board Meeting: Ratification of One EITF Consensus and Four Consensuses-for-Exposure **Date:** December 28, 2009
cc: Golden, Bielstein, Stoklosa, Proestakes, Bonn, Inzano, Mills, Helmus, Cadambi, Brower, Gonzales, Homant, Worshek, Gabriele, Posta, Chookaszian, Richter, Leisenring, Bean, FASB Intranet

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

Topic: Board ratification of the consensus reached on EITF Issue No. 09-E, and the consensuses-for-exposure reached on EITF Issues 09-F, 09-G, 09-I, and 09-J

Basis for Discussion: Board Memorandum dated November 19, 2009

Length of Discussion: 9:30 a.m. to 9:43 a.m.

Attendance:

Board members present: FASB: Herz, Linsmeier, Siegel, Seidman, and L. Smith

Board members absent: None

Staff in charge of topic: Bonn

Other staff at Board table: Golden, Stoklosa, and Theilken

Outside participants: None

Summary of Decisions Reached:

The Board ratified the following consensus reached at the November 19, 2009 EITF meeting, which will be effective for interim and annual periods ending on or after December 15, 2009.

1. Issue No. 09-E, “Accounting for Distributions to Shareholders with Components of Stock and Cash”

In a distribution to shareholders that contains components of stock and cash and allows shareholders to select their preferred form of the distribution, an entity should account for the stock portion as a share issuance for purposes of applying the provisions of Topic 260, *Earnings Per Share*.

The consensus does not require any incremental disclosures.

An entity will apply the change retrospectively to prior periods.

The Board also ratified the following consensus-for-exposure reached at the November 19, 2009 EITF meeting. The comment period for each of these consensus-for-exposure is expected to begin between December 11, 2009 and December 16, 2009 and end no later than February 12, 2010.

1. Issue No. 09-F, “Casino Base Jackpot Liabilities”

An entity would be prohibited from accruing base jackpots as a liability if the entity can avoid payment, because the base jackpot does not meet the definition of a liability until it has been won.

The consensus-for-exposure would be effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2010. The consensus-for-exposure would require a cumulative-effect adjustment to the opening balance of the entity’s retained earnings as of the beginning of the fiscal year in which the guidance is initially applied.

2. Issue No. 09-G, “Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts”

An insurance entity would be permitted to defer only those acquisition costs that are directly related to the acquisition of insurance contracts, by applying a model similar to the accounting for loan origination costs in Topic 310, *Receivables*.

Insurance entities would be required to expense costs relating to unsuccessful contract efforts.

An insurance entity would be required to account for advertising costs in accordance with Subtopic 340-20, *Other Assets and Deferred Costs—Capitalized Advertising Costs* or Subtopic 720-35, *Other Expenses – Advertising Costs*. Those costs would not qualify for capitalization as a deferred acquisition cost.

The consensus-for-exposure would be applied prospectively in fiscal years, and interim periods within those fiscal years, beginning after December 15, 2010.

3. Issue No. 09-I, “Effect of a Loan Modification When the Loan Is Part of a Pool That Is Accounted for as a Single Asset.”

An entity would be prohibited from applying troubled debt restructuring accounting to loans that are pooled together and accounted for as a single asset.

The consensus-for-exposure would apply to modifications of acquired loans accounted for within single pooled assets beginning in the first interim period after the amendments to the Codification from the proposed Update are made.

4. Issue No. 09-J, “Effect of Denominating the Exercise Price of a Share-Based Payment Award in the Currency of the Market in Which the Underlying Equity Security Trades.”

An entity would classify as equity an employee share-based payment award with an exercise price denominated in the currency of a market in which a substantial portion of the entity’s equity securities trades, assuming all other criteria for equity classification are met.

The consensus-for-exposure would be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2010. The consensus-for-exposure would require a cumulative-effect adjustment to the opening balance of the entity’s retained earnings for all outstanding awards as of the beginning of the fiscal year in which the guidance is initially applied.

Objective of Meeting:

The objective of the meeting was for the Board to ratify the EITF consensus on one Issue and the EITF consensus-for-exposure on four Issues, all of which were reached at the November 19, 2009 EITF meeting. The objective was met.

Matters Discussed and Decisions Reached:

1. Mr. Bonn explained that at the November 19, 2009 EITF meeting, the EITF reached a consensus on one Issue and consensuses-for-exposure on four Issues.

RATIFICATION OF CONSENSUS

Issue 09-E, “Accounting for Distributions to Shareholders with Components of Stock and Cash”

2. Mr. Bonn explained that the EITF reached a consensus that in a distribution to shareholders that contains components of cash and stock and allows shareholders to select their preferred form of the distribution, the stock portion of the distribution should be accounted for as a share issuance for purposes of calculating earnings per share. This decision is a reversal of the view in the consensus-for-exposure, but does not require re-exposure since it was included in the consensus-for-exposure as an alternative view. The amendments in the proposed Issue would be effective for interim and annual periods ending on or after December 15, 2009, and would be applied retrospectively.
3. **Board Vote:** The Board voted to ratify the consensus reached in Issue 09-E. All Board members agreed.

RATIFICATION OF CONSENSUSES-FOR-EXPOSURE

Issue 09-F, “Casino Base Jackpot Liabilities”

4. Mr. Bonn explained that the EITF reached a consensus-for-exposure that entities should not accrue base jackpots if the entity can avoid payment because the base jackpot does not meet the definition of a liability until won. The consensus-for-exposure would be effective for interim and fiscal periods beginning on or after December 15, 2010, and would be applied with a cumulative effect adjustment reflected in retained earnings as of the beginning of the fiscal year of adoption.

5. **Board Vote:** The Board voted to ratify the consensus-for-exposure reached in Issue 09-F. All Board members agreed.

Issue 09-G, “Clarification of the Definition of Deferred Acquisition Costs of Insurance Entities”

6. Mr. Bonn explained that the EITF reached a consensus-for-exposure that acquisition costs should only include those costs that are directly related to the acquisition of insurance contracts by applying a model similar to the accounting for loan origination costs in Topic 310. The EITF reached a consensus-for-exposure that costs relating to unsuccessful contract efforts do not qualify for capitalization. The Task Force also reached a consensus-for-exposure that advertising costs should be accounted for pursuant to Subtopic 340-20 and do not qualify for capitalization as a deferred acquisition cost. The consensus-for-exposure would be effective for interim and fiscal periods beginning after December 15, 2010, with early adoption permitted. The guidance would be required to be applied prospectively, but retrospective application would also be permitted.
7. Mr. Siegel noted that it in some circumstances it will not be known at the reporting date whether contract acquisition costs have resulted in successful contracts. Mr. Golden clarified that the change in practice that will result from this Issue is that insurance entities currently defer costs even when it is known that the costs are related to unsuccessful contract efforts. This Issue would result in the deferral of cost until it is known that the contract was not successful, at which point the costs would be written off.
8. **Board Vote:** The Board voted to ratify the consensus-for-exposure reached in Issue 09-G. All Board members agreed.

Issue 09-I, “Effect of a Loan Modification When the Loan Is Part of a Pool That Is Accounted for as a Single Asset”

9. Mr. Bonn explained that the EITF reached a consensus-for-exposure that troubled debt restructuring accounting should not apply to loans that are pooled together and accounted for as a single asset. An entity would

continue to need to evaluate whether the pool as a whole is impaired, based upon existing guidance. The Task Force requested that the staff seek input regarding what types of disclosures would provide useful information to users relating to pooled assets. This information would be provided to the Board for consideration in its loan loss disclosure project. The consensus-for-exposure would be effective for loan modifications accounted for as pooled assets beginning in the first interim period after the amendments to the Codification from the proposed Update are made.

10. Mr. Linsmeier stated that a loan modification implies that a certain amount of what was contractually expected to be collected is no longer collectible. It seems more appropriate to treat a loan modification as a write-off rather than as a loan loss provision activity. However, it would be very difficult to pull individual loans out of a pool and change the accounting for expected outcomes of the pool as a whole. Accounting for expectations on a portfolio basis will continue to be a challenge for the Board as progress is made on the Accounting for Financial Instruments project. Ms. Seidman agreed and stated that the issue is broad and that the Accounting for Financial Instruments project should address guidance on evaluating portfolios in general.
11. Mr. Siegel noted that the Board has an opportunity to address loan modifications more generally within the FASB disclosure project. Information about modified loans provided in the form of disclosures could be very useful for users.
12. Mr. Smith questioned what utility could be derived from additional disclosures about loan portfolios if the information cannot be related directly to the entity's original cash flow estimates for the loans in question. Ms. Seidman noted that the disclosures could be qualitative.
13. **Board Vote:** The Board voted to ratify the consensus-for-exposure reached in Issue 09-I. All Board members agreed.

Issue 09-J, “Impact of Denominating the Exercise Price of a Share-Based Payment Award in the Currency of the Market in which the Underlying Equity Security Trades”

14. Mr. Bonn explained that the EITF reached a consensus-for-exposure that an employee share-based payment award with an exercise price denominated in the currency of a market in which a substantial portion of the entity’s equity securities trades should be considered an equity award so long as all other criteria for equity classification are met. The consensus-for-exposure would be effective for interim and fiscal periods beginning after December 15, 2010, with a cumulative effect adjustment being recorded in the period of adoption.

15. **Board Vote:** The Board voted to ratify the consensus-for-exposure reached in Issue 09-J. All Board members agreed.

EXPOSURE PERIOD

16. The staff requested an exposure period of approximately 55 to 60 days.

17. **Board Vote:** The Board voted to affirm the staff recommendation for an exposure period of 55 to 60 days. All Board members agreed.

Follow-up Items:

The staff expects to post the EITF consensus and consensus-for-exposure between December 11, 2009 and December 16, 2009. Comments on the consensus-for-exposure are expected to be received by February 12, 2010.

General Announcements:

None.