ITEM 1: TECHNICAL ACTIVITIES

A. BOARD ACTIVITIES

- The Board issued the following Exposure Drafts:
  - Amendment of Statement 133 on Derivative Instruments and Hedging Activities (proposed Statement)
  - Guarantor’s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others (proposed Interpretation)
  - Acquisitions of Certain Financial Institutions (proposed Statement)

- The Board issued Statement No. 145, Recission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections.

- The Board approved by written ballot for issuance of the Exposure Draft of a proposed Interpretation, Consolidation of Certain Special-Purpose Entities, for posting on our web site in early July.

- The Board approved by written ballot for issuance of the final Statement on Accounting for Costs Associated with Exit and Disposal Activities.

- The Board added a project on revenue recognition to its technical agenda.

- The Board held 21 separate sessions on 9 dates to deliberate technical issues for 12 agenda projects or possible agenda projects. The Board also discussed one minor technical issue during the open discussion segment of Board meetings.

- Several Board members participated in the June meeting of the Emerging Issues Task Force (EITF).

- The Board met with representatives of the following organizations and discussed matters of mutual interest:
  - European Financial Reporting Advisory Group
  - American Bankers Association
  - AICPA’s Accounting Standards Executive Committee
  - American Accounting Association
  - Equipment Leasing Association
  - Financial Executives International.
B. INTERNATIONAL ACTIVITIES

- An FASB Board member and the MP&T director attended a meeting of the national standard setters in London. (The IASB meets three times each year with representatives of the national standard-setting bodies that have an IASB liaison member in residence.) The group discussed several projects on the agenda of one or more national standard setters and provided its views on potential topics for the IASB’s future agenda and potential candidates for a convergence project. The group also discussed the relationship between the IASB’s International Financial Reporting Issues Committee (IFRIC) (formerly known as the Standing Interpretations Committee [SIC] and the interpretive bodies of the national standard setters (such as the EITF).

- The Board updated both the FAF Trustees and FASAC on its international activities and on the status of the IASB's agenda topics.

- The EITF discussed its role in achieving international convergence of accounting standards.

- The Board met with the following representatives of the European Financial Reporting Advisory Group (EFRAG): the chairman of the Supervisory Board of EFRAG, the chairman of EFRAG’s Technical Expert Group, and the Secretary General.

- The IASB's director of research (also a former member of the FASB staff) visited the FASB’s offices and met with the staff members involved with projects that have an international dimension.

- Mr. Eric Delesalle, President of the Accounting Dept. of the Ordre des Experts Comptables (the national organization of public accountants in France), visited the FASB offices and met with an FASB Director and staff member to discuss the standard setting structure in the U.S., the organization of the FASB and its due process, and the FASB's international activities.

- Mr. Takeshi Yasuraoka, deputy director, Corporate Finance and Tax Affairs Division, Small and Medium Enterprise Agency, Ministry of Economy, Trade and Industry, visited the FASB offices with an associate. He met with an FASB Board member and Director to discuss the FASB's standard-setting process and exemptions in FASB literature for smaller entities.

- Board members and staff met with Professor Shunsuke Watanabe of Meiji Gakuin University and colleagues to discuss the FASB's project on disclosure about intangible assets. Professor Watanabe is Chair of the Intellectual Property Strategy Committee of the Japanese Ministry of Economy, Trade, and Industry.
• Board members and staff met with representatives of the Palestinian Association of Accountants and Auditors to discuss the FASB’s standard setting process.

• A Board member spoke at the SEC Financial Reporting Conference in London.

• Board members spoke at conferences sponsored by the following organizations: the European Accounting Association in Copenhagen; the Association for Investment Management & Research in Toronto, and the Canadian Institute of Chartered Accountants (CICA) in Ontario.

• FASB staff continues to monitor the IASB’s project on performance reporting and provide input as appropriate. In addition, the FASB staff shared with the staff of the IASB, UK ASB, and CICA materials related to the FASB’s project on reporting financial performance.

• The FASB Board and staff continue to work closely with the IASB Board and staff on the joint project on purchase method procedures.

• An FASB staff member participated in the April meeting in London of the IASB’s Insurance Contracts Advisory Committee. That staff member also participated in field visits of the IASB staff and certain IASB members to three US insurance enterprises to discuss the IASB’s project on insurance contracts. The FASB staff continues to monitor the IASB’s insurance accounting project.

• The Board agreed to conduct its project on combinations of mutual enterprises jointly with the CICA. The FASB staff has worked closely with the CICA staff to coordinate the issues addressed, tentative decisions reached, and timetable for the project.

• The fresh-start/new basis project is a joint IASB-FASB project. Activity on this project was limited this quarter due to other priorities at both Boards. An FASB staff member briefly met with the IASB project manager in London to discuss the plan for the project and had other communications with the IASB staff concerning the timing of the project.

C. OTHER ACTIVITIES

• The following professional development sessions were presented to the Board and staff:

  - - Timothy S. Lucas, former FASB director of RTA, discussed his years at the FASB and his views on financial reporting and standard setting.
  - - Wayne Upton, IASB director and former FASB senior project manager, discussed his perspective on how the IASB’s day-to-day work differs from the
FASB’s and how his time there may have changed any of his broader perspectives about standard setting.

- - Liv A. Watson, director of XBRL, EDGAR Online, Inc., provided an overview of XBRL (extensible Business Reporting Language), its methodology and future, and the benefits and ultimate return on investment to organizations participating in its adoption.


- - Steve Pfeifer, analyst at Merrill Lynch, and FASB Board members, met by phone and had an in-depth discussion on the Chevron Texaco annual report.

- - Edmund L. Jenkins, departing FASB chairman, spoke about his years as chairman and his views on financial reporting and standard setting.

- - Two Board members and staff participated in a closed meeting with representatives of Equipment Leasing Association to discuss consolidations.

- - All Board members, the directors, and certain staff members participated in a strategic planning meeting.

- - Three Board members and several staff members met with representatives of Fannie Mae and Freddie Mac to discuss the ED on guarantees.

- - Two Board members, one IASB member, and staff of the FASB and IASB project teams on financial performance reporting participated in a closed meeting with representatives of Standard & Poor's to discuss Standard & Poor's new "core earnings" measure.

- - Two Board members and staff participated in a closed meeting with representatives of Eli Lilly to discuss SPEs.

- - Two Board members and staff participated in a closed meeting with representatives of Goldman Sachs to discuss fair value.

- - Staff participated in several closed meetings of EITF working groups.

- - Staff attended two AcSEC meetings in New York.

**ITEM 2: WASHINGTON ACTIVITIES**

• The chairman testified before a hearing of the Capital Markets, Insurance, and Government Sponsored Enterprises Subcommittee of the Committee on Financial Services on “Corporate Accounting Practices: Is There a Credibility GAAP?”

• The chairman, the chairman-elect, and a staff member met individually with several Members of Congress and Committee staff to discuss current FASB activities and other accounting issues.

• The chairman, the chairman-elect, and a staff member met with the Under Secretary for Domestic Finance and staff of the Department of the Treasury to discuss current FASB activities and other accounting issues.

• The chairman, the chairman-elect, and a staff member met with the Comptroller General of the General Accounting Office to discuss current FASB activities and other accounting issues.

• A staff member met with representatives of a number of associations, Members of Congress, Congressional Committees, government agencies, and other entities and organizations to discuss current FASB activities and other accounting issues.

• A Board member, the MP&T director, and a staff member held quarterly update meetings with the staff of the Securities and Exchange Commission and the financial institution regulators.

ITEM 3: SPEECHES DELIVERED

Principal platforms addressed by the Board and staff members during the April to June period included:

- AICPA Controllers Workshop
- AICPA Financial Management Division
- AICPA National Accounting & Auditing Technical Symposium
- American Institute of Certified Public Accountants
- American Accounting Association
- American Accounting Association, Financial Reporting Section
- American Gas Association/Edison Electric Institute
- Arthur Andersen International Conference
- Asia-Pacific Conference
- California CPA Education Foundation
- Connecticut Society of CPAs
- FEI Research Foundation & Treasury & Risk Management Magazine
- Financial Managers Society
- Florida Institute of CPAs
- IASB/PricewaterhouseCoopers Conference
- Illinois Society of CPAs
- IMA Annual Meeting
ITEM 4: ARTICLES PUBLISHED

There were no FASB-published works to report in the second quarter of 2002.

ITEM 5: ADDITIONAL PUBLIC RELATIONS ACTIVITIES

- The FASB distributed seven press releases during the April to June period (includes two FAF press releases issued on April 24 in connection with the changed voting requirement and Robert Herz’s appointment).

- As the Enron story continued to unfold, interest in accounting issues and, in particular, accounting for special-purpose entities and energy contracts remained robust. While there is heightened interest in accounting and the FASB, the number of incoming calls received by Public Relations has begun to return to more normal levels, averaging around 25 calls per day.

- Interviews with the press continued apace in the second quarter and covered a variety of subjects from accounting reform and Congressional action to the appointment of a new chairman. Staff from the Economist visited the FASB in late June during which time both Bob Herz and Sheri Thompson were interviewed for an upcoming article by reporter Tamzin Booth. Among the other media interviews in which the FASB chairman participated were CFO, Bloomberg Magazine, Investment News, and Shareholder Value. Bob Herz’s recent appointment received broad coverage and included articles in The New York Times, The Wall Street Journal, Financial Times, BusinessWeek, Institutional Investor, Bloomberg Magazine, Financial Executive, and Treasury and Risk.
• Public Relations is in the process of arranging for an editorial board meeting to introduce Mr. Herz to the business writers and editors at *The New York Times*. Similar planning is under way with the *Financial Times* and *USA Today*.

• Following interviews held in late March with Gary Schieneman, Jim Leisenring, and Sheri Thompson, PBS aired “Bigger Than Enron,” on its June 20 FRONTLINE program. The FASB was highlighted in relation to its struggle with Congress and corporations to expense stock options.

**ITEM 6: GASB LIAISON ACTIVITIES**

• FASB meeting minutes were sent to the GASB RTA director and certain GASB staff.

• GASB meeting minutes were sent to the FASB chairman.

• The RTA directors of the FASB and the GASB held monthly meetings.

• The FASB distributed the following drafts to the GASB for review:
  - Exposure Draft, *Amendment of Statement 133 on Derivative Instruments and Hedging Activities*
  - Exposure Draft, *Acquisitions of Certain Financial Institutions*
  - Proposed Interpretation, *Guarantor’s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*
  - Exposure Draft, *Consolidation of Certain Special-Purpose Entities*
  - Final Statement on obligations associated with disposal activities.

• The FASB reviewed the following GASB drafts and provided comments to the GASB:
  - Final Statement, *Determining Whether Certain Organizations Are Component Units*
  - Exposure Draft, *Deposit and Investment Risk Disclosures.*