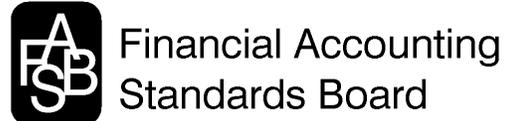


MINUTES



**To:** Board Members  
**From:** Burnap (ext. 283)  
**Subject:** Minutes of July 1, 2009 Board Meeting:  
Ratification of an EITF Consensus and Two Consensuses-for-Exposure **Date:** July 24, 2009  
**cc:** Golden, Bielstein, Stoklosa, Proestakes, Bonn, Anderson, Brower, Elsbree, Homant, Inzano, Malcolm, Maples, Mills, Moritz, 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. Official consensus positions of the EITF are presented in EITF meeting minutes and in EITF Abstracts. Board ratification of a consensus-for-exposure permits the exposure of a draft abstract for public comment. Board ratification of an EITF consensus completes the overall due process of developing a consensus as set forth in EITF Abstracts, Topic No. D-1, "Implications and Implementation of an EITF Consensus."*

Topic: Board ratification of the consensus reached on EITF Issue No. 09-1 and the consensuses-for-exposure reached on EITF Issues Nos. 08-1 and 09-3

Basis for Discussion: Board Memorandum dated June 25, 2009

Length of Discussion: 10:00 a.m. to 10:05 a.m.

Attendance:

Board members present: Herz, Seidman, Siegel, and Smith  
Staff in charge of topic: Bonn  
Other staff at Board table: Golden, Stoklosa, Malcom  
Outside participants: None

Summary of Decisions Reached:

The Board considered and ratified the consensus reached at the June 18, 2009 EITF meeting on Issue No. 09-1, "Accounting for Own-Share Lending Arrangements in Contemplation of Convertible Debt Issuance." Entities are required to apply this new consensus in periods beginning on or after June 15, 2009, for share lending arrangements entered into in those periods. Entities are required to apply this new consensus on a retroactive basis in periods beginning on or after December 15, 2009, for arrangements outstanding at the beginning of those periods.

This Issue applies to an equity-classified share lending arrangement on an entity's own shares when executed in contemplation of a convertible debt offering or other financing. The share lending arrangement is required to be measured at fair value and recognized as an issuance cost associated with the convertible debt offering or other financing. If counterparty default is probable, the share lender is required to recognize an expense equal to the then fair value of the unreturned shares, net of the fair value of probable recoveries.

The Board also considered and ratified the following consensus-for-exposure for a comment period beginning no later than July 7, 2009, and ending no later than August 14, 2009:

1. Issue No. 08-1, "Revenue Arrangements with Multiple Deliverables." The consensus-for-exposure would amend Issue No. 00-21, "Revenue Arrangements with Multiple Deliverables." The most significant changes to Issue 00-21 would be as follows:
  - a. An entity would allocate consideration to each deliverable in the arrangement using the relative selling price method. Use of the residual method would no longer be permitted.
  - b. Selling prices used in applying the relative selling price method of allocation would be determined using vendor-specific objective evidence or third-party evidence of the selling price. Absent such evidence, the entity would use estimated selling price.

The consensus-for-exposure also would expand the disclosure requirements for multiple-deliverable revenue arrangements to require an entity to provide both qualitative and quantitative information about the significant judgments made in

applying the guidance and subsequent changes in those judgments that may significantly affect the timing or amount of revenue recognition.

2. Issue No. 09-3, "Applicability of AICPA Statement of Position 97-2 to Certain Arrangements That Include Software Elements." The consensus-for-exposure would apply to multiple-element revenue arrangements that include tangible products and software. The consensus-for-exposure would remove from the scope of SOP 97-2, *Software Revenue Recognition*, the sale of a tangible product containing software components and nonsoftware components that function together to deliver the product's essential functionality. Issue 08-1 would then be used to allocate revenue to deliverables in an arrangement that includes such products.

Objective of Meeting:

The objective of the meeting was for the Board to ratify the consensus-for-exposure on two Issues and the consensus on a third Issue, all of which were reached at the June 18, 2009 EITF meeting. The objective of the meeting was met.

Matters Discussed and Decisions Reached:

**RATIFICATION OF CONSENSUSES**

**Issue 09-1, "Accounting for Own-Share Lending Arrangements in Contemplation of Convertible Debt Issuance"**

1. Mr. Bonn stated that the only significant change made to the draft abstract previously distributed to the Board was to clarify the effective date.
2. Mr. Bonn stated that the effective date of the Issue is two-fold. For arrangements entered into in periods beginning on or after June 15, 2009, this Issue is effective as of the beginning of those periods. For arrangements outstanding as of the beginning of periods beginning on or after December 15, 2009, this Issue would be applied on a retrospective basis as of the beginning of those periods.

**Issue 09-1 Board Vote**

3. The Board agreed to ratify the consensus reached in Issue 09-1 (*No Board member dissented*).

**Issue 09-1 Board Comments**

4. None

**RATIFICATION OF CONSENSUSES-FOR-EXPOSURE**

**Issue 08-1, "Multiple Deliverable Revenue Arrangements"**

5. Mr. Bonn explained that this Issue is being re-exposed. The residual method of revenue allocation was eliminated, and the required disclosures were expanded from the previously issued consensus-for-exposure.
6. Mr. Bonn stated that the consensus-for-exposure was expected to be issued by July 7, 2009 with a comment period ending no later than August 14, 2009.

**Issue 08-1 Board Vote**

7. The Board agreed to ratify the consensus-for-exposure reached in Issue 08-1 (*No Board member* dissented).

**Issue 08-1 Board Comments**

8. None

**Issue 09-3, "Applicability of AICPA Statement of Position 97-2 to Certain Arrangements That Include Software Elements"**

9. Mr. Bonn stated that this Issue deals with multiple element revenue arrangements that involve tangible products that include software. The consensus-for-exposure reached by the Task Force is that tangible products will now be excluded from the scope of SOP 97-2 if the product includes hardware and software components that work together to deliver the essential functionality of the product. The Issue provides indicators and examples of how to apply the consensus in evaluating whether an arrangement is within the scope of SOP 97-2.
10. Mr. Bonn told the Board that there had been a few changes to the Issue from the draft that was originally distributed to them to clarify some of the assumptions and indicators. A codification is also now included with in the draft abstract.

11. Mr. Bonn stated that the consensus-for-exposure was expected to be issued by July 7, 2009 with a comment period ending no later than August 14, 2009.

**Issue 09-3 Board Vote**

12. The Board agreed to ratify the consensus-for-exposure reached in Issue 09-3 (*No Board member* dissented).

**Issue 09-3 Board Comments**

13. None

Follow-up Items:

14. None.

General Announcements:

15. Mr. Smith made the announcement that the FASB Accounting Standards Codification, a new topical arrangement of authoritative nongovernmental U.S. GAAP, was essentially effective beginning July 1, 2009. He made the announcement that if anyone is having problems accessing the codification or if anyone thinks GAAP has changed as a result of the Codification, please let the FASB know. Mr. Smith stated that it was not the Board's intention to change GAAP and the Board will continue to accept feedback on the Codification. The FASB thanks everyone who was involved with the Codification.