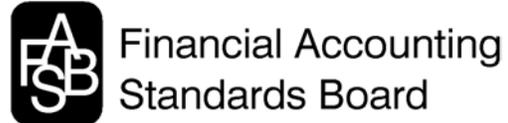


MINUTES



To: Board Members

From: Liability Extinguishment Team
(Wilkins, ext 236 & Stell, ext. 211)

Subject: Minutes of the June 25, 2003 Board Meeting **Date:** June 26, 2003

cc: Bielstein, Seidman, Smith, Petrone, Leisenring, Project Team,
Mahoney, Munro, Thompson, Sutay, Gabriele, Swift, Polley, Allen,
Bean, Patton, FASB Intranet

Topic: Clarifying the Criteria for Liability Extinguishment

Basis for Discussion: Board memorandums dated June 6, 2003 & June 16, 2003

Length of Discussion: 10:30 a.m. to 11:10 a.m.

Attendance:

Board members present:	Herz, Trott, Schipper, Foster, Crooch, Wulff, and Schieneman
Board members absent:	None
Staff in charge of topic:	Wilkins
Other staff at Board table:	Smith and Stell
Outside participants:	None

Summary for ACTION ALERT:

The Board initially discussed information received from legal academics regarding possible clarifications to the phrase *legally released from being the primary obligor* (as it is used in paragraph 16(b) of FASB Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*) to eliminate perceived ambiguities under U.S. law. Ultimately, the Board decided to expand the scope of the project to broadly reconsider the criteria for liability extinguishment rather than merely clarifying the existing criteria. Under the expanded scope, the Board will explore what changes in commercial arrangements should trigger modifications to the debtor's accounting for its recognized obligations under those arrangements.

Matters Discussed and Decisions Reached:

The Board discussed information received from the legal academics regarding possible clarifications to the phrase *legally released from being the primary obligor* as it is used in paragraph 16(b) of Statement 140 to eliminate perceived ambiguities under U.S. law, and evaluated the staff's proposed revisions to that guidance. Several Board members believed that the modified language would provide a small, but not significant improvement in eliminating the perceived ambiguities caused by the phrase. The Board members noted that constituents have faced great difficulties in interpreting the phrase and that a broad approach to liability extinguishment should be considered.

The Board then discussed whether the staff should (a) proceed with phase one of the Liability Extinguishment project, which focuses on clarifying the phrase *legally released from being the primary obligor* used in paragraph 16(b) of Statement 140, or (b) move on to phase two of the project, which would broadly reconsider the criteria for liability extinguishment rather than merely clarifying the existing criteria. All Board members agreed that the staff should halt their activities on phase one of the project and proceed with phase two. The Board members also added that the expanded project may have several implications for the Revenue Recognition project and that the two projects should be linked to achieve common objectives in relation to liability extinguishments.

The Board then discussed a tentative scope for the expanded project and whether or not the creditor would need to be involved in the arrangements that would be reported as an extinguishment of a debtor's liability. Ultimately, the Board decided that the project should explore what changes in commercial arrangements should trigger modifications to the debtor's accounting for its recognized obligations under those arrangements and directed the staff to proceed with phase two of the project.

Follow-up Items:

The staff agreed to begin work on phase two of the Liability Extinguishments project, which will now be referred to as the project on "Reconsidering the Criteria for Liability Extinguishment."

General Announcements:

None.