

REPORT OF THE CHAIRMAN OF THE FASB
TO THE FINANCIAL ACCOUNTING FOUNDATION
November 1, 2006 through January 31, 2007

ITEM 1: TECHNICAL ACTIVITIES

BOARD AND STAFF ACTIVITIES

- a. The following documents were issued and posted to the website:

Final Documents

1. Final Statement 133 Implementation Issue No. G26, “Hedging Interest Cash Flows on Variable-Rate Assets and Liabilities That Are Not Based on a Benchmark Interest Rate” (January 8, 2007)
2. Final Statement 133 Implementation Issue No. B40, “Application of Paragraph 13(b) to Securitized Interests in Prepayable Financial Assets” (January 17, 2007)
3. Final FSP EITF 00-19-2, “Accounting for Registration Payment Arrangements” (December 21, 2006).

Exposure Drafts and Other Proposals

4. Proposed Statement 133 Implementation Issue H17, “Hedging Functional-Currency-Equivalent Proceeds to Be Received from a Forecasted Foreign-Currency-Denominated Debt Issuance” (December 28, 2006).
5. Exposure Draft, *Disclosures about Derivative Instruments and Hedging Activities* (December 8, 2006).
6. Proposed FSP FIN 46(R)-d, “Application of FASB Interpretation No. 46(R) to Investment Companies” (November 22, 2006). Comments were requested by December 22, 2006.
7. Proposed FSP FAS 158-a, “Conforming Amendments to the Illustrations in FASB Statements No. 87, No. 88, and No. 106 and to Related Staff Implementation Guides” (December 7, 2006). Comments were requested by January 8, 2007.
8. Proposed FSP FIN 39-a, “Amendment of FASB Interpretation No. 39” (December 13, 2006). Comments were requested by January 31, 2007.
9. Proposed FSP FAS 128-a, “Computational Guidance for Computing Diluted EPS under the Two-Class Method” (January 26, 2007). Comments are requested by March 27, 2007.

- b. The following projects were added to the Board’s technical agenda:

1. Statement 133 Implementation Issue—Application of Paragraph 13(b) to Securitized Interests in Prepayable Financial Assets (October 25, 2006)
2. Application of Interpretation 46(R) to Investment Companies (November 1, 2006)
3. Amendment of FASB Interpretation No. 39, *Offsetting of Amounts Related to Certain Contracts* (December 6, 2006)

4. Quantification of Misstatements for the Determination of Materiality and Correction of Errors for Non SEC-Registrants (December 19, 2006)
 5. Computational Guidance for Computing Diluted Earnings per Share under the Two-Class Method (January 17, 2007)
 6. Implementation Guidance on Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (January 17, 2007)
 7. Allowance for Losses (January 30, 2007).
- c. On January 8, the Board held a roundtable discussion with interested parties and discussed issues associated with the implementation of AICPA Statement of Position 05-1, *Accounting by Insurance Enterprises for Deferred Acquisition Costs in Connection With Modifications or Exchanges of Insurance Contracts*.
 - d. The Board removed the Fair Value Measurements in Business Combinations and Impairment Tests project from its agenda after considering the comment letters received on the proposed FSP.
 - e. Six Board members participated in the November 16, 2006 EITF meeting.
 - f. At the November 29, 2006 Board meeting, the Board ratified the consensus reached at the November 16, 2006 EITF meeting on the following Issues:
 1. Issue No. 06-6, “Debtor's Accounting for a Modification (or Exchange) of Convertible Debt Instruments”
 2. Issue No. 06-7, “Issuer's Accounting for a Previously Bifurcated Conversion Option in a Convertible Debt Instrument When the Conversion Option No Longer Meets the Bifurcation Criteria in FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*”
 3. Issue No. 06-8, “Applicability of the Assessment of a Buyer's Continuing Investment under FASB Statement No. 66, *Accounting for Sales of Real Estate, for Sales of Condominiums*”
 4. Issue No. 06-9, “Reporting a Change in (or the Elimination of) a Previously Existing Difference between the Fiscal Year-End of a Parent Company and That of a Consolidated Entity or between the Reporting Period of an Investor and That of an Equity Method Investee.”
 - g. The Board also ratified the tentative conclusions reached at the November 16, 2006 EITF meeting on the following Issues and approved the exposure of a draft abstract for each Issue for a public comment period ending January 22, 2007.
 1. Issue No. 06-10, “Accounting for Deferred Compensation and Postretirement Benefit Aspects of Collateral Assignment Split-Dollar Life Insurance Arrangements”
 2. Issue No. 06-11, “Accounting for Income Tax Benefits of Dividends on Share-Based Payment Awards.”
 - h. The Board met in a public meeting with representatives of National Association of College and University Business Officers to discuss matters of mutual interest.

- i. Seven Board members participated in the December meeting of the Financial Accounting Standards Advisory Council.
- j. Six Board members participated in the December meeting of the FASB's Small Business Advisory Committee.
- k. Various FASB staff members attended two AcSEC meetings.
- l. Six Board members participated in the inaugural meeting of the Investors Technical Advisory Committee. The ITAC, formed late in 2006, comprises 12 individuals from the investment profession whose primary career focus is on financial reporting and accounting. The ITAC is a standing resource to the Board and FASB staff that provides technical accounting advice, from the investors' perspective, on Board projects and other financial reporting issues.
- m. The chairman, two Board members, and staff met with the CEOs and CFOs of four major insurance companies to discuss the IASB's project on accounting for insurance contracts.
- n. A Board member, the MP&T director, and staff participated in two meetings with members of the revenue recognition resource group. The purpose of the meeting was to update resource group members on the status of the project and to obtain their views on key practice issues the project should address.
- o. A staff member attended the AICPA PCPS Technical Issues Committee quarterly meeting.
- p. Two staff members gave a webcast presentation on the two NFP Exposure Drafts to approximately 60 members of small and mid-size CPA firms. The webcast was sponsored by the AICPA Governmental Audit Quality Center.
- q. Two staff members met (by phone) with the Not-for-Profit Committee of the Connecticut State Society of CPAs to discuss the two Exposure Drafts.
- r. A staff member attended a quarterly liaison meeting with the AICPA Not-for-Profit and Health Care expert panels to discuss issues of mutual interest.
- s. The financial statement presentation team met with members of the Financial Institution Advisory Group (FIAG) to discuss application of the working format by financial institutions.
- t. Two staff members attended an Appraisal Issues Task Force meeting where significant discussion items included the Invitation to Comment on valuation guidelines and SFAS 157.
- u. Board members and senior staff participated in the annual AAA/FASB Conference which focused on the definitions of assets and liabilities.

INTERNATIONAL ACTIVITIES

- a. The chairman and others from the Accounting Standards Board of Japan met with the FASB Board in Norwalk and discussed the ASBJ's conceptual framework project and other topics of mutual interest.
- b. Three FASB Board members participated in the IASB's roundtable discussion in Norwalk on the proposed amendments to IAS 37.
- c. The chairman and a Board member participated in the SEC/IASB/FASB convergence meeting in Washington.
- d. Four Board members and the MP&T director participated in two revenue recognition small group meetings in London by telephone conference.
- e. Two Board members, the MP&T director, staff, three members of the IASB, and one IASB director held a strategy meeting related to financial statement presentation project to discuss project communications.
- f. The FASB staff participated in IASB Board meetings and discussed various technical issues on the Boards' joint projects on business combinations, the conceptual framework, short-term convergence (income taxes), insurance, liabilities and equity, financial instruments (due process), and financial statement presentation.
- g. The TA&I director observed two IFRIC meetings in London.
- h. A staff member participated with IASB members in measurement roundtables held in Hong Kong and London.

OTHER ACTIVITIES

- a. The following professional development sessions were presented to the Board and staff:
 1. ASBJ representatives Professor Shizuki Saito, Chairman; Mr. Ikuo Nishikawa, Vice Chairman; Mr. Kenichi Akiba, Senior Technical Manager; and Mr. Shunichi Toyoda, Senior Technical Manager provided an overview of the Japanese Conceptual Framework.
 2. Tom Linsmeier, FASB Board Member, discussed his perspective of the goals and challenges of the FASB.
 3. Doug Pittera, Executive Director, UBS Investment Bank, presented a session on how IAS 39 is applied to transfers of financial assets and how the consolidation guidance under IFRS is applied to special-purpose entities involved in transfers of financial assets.
 4. Sarah Broad, IASB Project Manager, led a discussion on the proposed approach for recognizing liabilities within the scope of IAS 37.

5. Deborah Jackson, Executive Managing Director, Weiser Realty Advisors; John Lutzius, President and CEO, Green Street Advisors; and George Yungmann, Senior Vice President, Financial Standards, National Association of Real Estate Investment Trusts, provided a session on the valuation of real estate investment property.
6. Anthony Artabane and Barrett Brown, Partners, PricewaterhouseCoopers LLP, presented a session on the hedge fund industry, including an overview of the industry's growth, structuring alternatives, operational considerations, and the current regulatory framework.
7. Neal Hannon, FAF Director of Financial Reporting Technologies, provided an overview of the FAF's recent activity in the XBRL project, which will result in an \$8.5 million contract with XBRL US and the SEC for the building of U.S. GAAP taxonomies.
8. James Gregory, CEO, CoreBrand; Professor Donald E. Sexton, Columbia Business School; Peter Siciliano, Managing Director, RSM McGladrey; Inc., and Timothy Robinson, Managing Director, CoreBrand Strategy, presented a session on valuation of intangible assets.
9. Greg Jonas, Managing Director, and Mark LaMonte, Vice President and Senior Credit Officer, both from Moody's Investors Service, presented a session on credit ratings and Moody's process for determining credit ratings of corporate debt issuers.

ITEM 2: ADMINISTRATIVE AND STRATEGIC ACTIVITIES

- a. The Board and three directors attended an FAF Trustees meeting.
- b. The Board, staff directors, the FAF president, and FASB staff met with SEC Commissioners Atkins and Campos and SEC staff at the FASB offices to provide an overview of the organizational structure and operations of the FAF and the FASB, an explanation of the Board's standard-setting process, and updates on a number of technical agenda projects.
- c. The chairman and various senior staff members participated in internal meetings and calls relating to the strategic plan and to XBRL.
- d. The chairman, together with the GASB chairman and the FAF president and vice president, led a staff meeting to review the results of the 2006 FAF Focus Groups and planned follow-up actions.

ITEM 3: WASHINGTON ACTIVITIES

- a. A staff member met in separate meetings with various staff of Congressional committees and representatives of Washington, DC-based trade associations to discuss the role of the FASB, the project on postretirement benefit obligations including pensions, and other matters of mutual interest.

- b. The chairman, a Board member, the TA&I director, the MP&T director, and a staff member held quarterly meetings with the SEC and the PCAOB and banking regulators to discuss current FASB activities and other matters of mutual interest.

ITEM 4: SPEECHES DELIVERED

Principal platforms addressed by the Board and staff members during the November 2006 through January 2007 period include:

- Major American Institute of Certified Public Accountants Conferences
- American Securitization Forum
- Baruch College
- Boston Accounting Research Colloquium
- Chief Financial Officer Summit
- Citigroup
- Edison Electric Institute
- Financial Executives International
- Financial Research Associates
- Foundation for Accounting Education
- Holland & Hart
- Institute of International Finance
- International Monetary Fund
- Michigan Accountancy Foundation
- Oklahoma State University
- Robert Half International
- Securities and Exchange Commission
- University of Rome
- XBRL Conference

ITEM 5: ADDITIONAL COMMUNICATIONS ACTIVITIES

- a. The FASB, through the Communications Department, issued four press releases this period for the following: Judith H. O'Dell to chair the Private Company Financial Reporting; proposal to improve disclosures for derivatives and hedging activities; establishment of the Investors Technical Advisory Committee; and an Invitation to Comment on valuation guidance.
- b. Media outreach and development of communications materials and talking points focused on the above subjects, as well as on pensions and other postemployment benefits projects, lease accounting, the conceptual framework, uncertain tax positions, XBRL, and financial statement presentation.
- c. In anticipation of reporter demands as well as in line with the FAF's strategy to be proactive on the media relations front, the FASB and the communications team continued to educate reporters from key outlets on the Board's activities and mission and independent process. Specific meetings or conference calls were held with

reporters from the *Wall Street Journal*, *The New York Times*, *Associated Press*, *Bloomberg News*, *Washington Post*, *Reuters*, *CFO Magazine*, *Financial Week*, and many others.

- d. The FASB and the communications team hosted Andrew Osterland, a reporter from *Financial Week*, who met with Edward Trott and Thomas Linsmeier.
- e. Three issues of *The FASB Report*, the FASB's monthly newsletter, were produced and distributed. Topics included the appointment of Dennis Chookaszian as chairman of the FASAC; not-for-profit initiatives; new staff hires; Statement 133; disclosures for derivatives and hedging activities; the Private Company Financial Reporting Committee; the Investor Technical Advisory Committee; and FAF and FASB appointments and reappointments.
- f. The communications department hosted a group of students from the University of New Hampshire and a group from Creighton University, both of which attended a Board meeting and heard from several Board members following the meetings.
- g. FASB and FAF communication teams continue to analyze the findings from the perceptions study in accordance with the FAF strategic plan goals for Board communication.

ITEM 6: GASB LIAISON ACTIVITIES

- a. FASB meeting minutes were sent to the GASB RTA director and certain GASB staff.
- b. GASB meeting minutes were sent to the FASB chairman and two staff directors.
- c. The GASB RTA director and the FASB PD&S director held monthly meetings and met quarterly with the FASB and GASB chairmen.
- d. The FASB staff distributed the following drafts to the GASB for review:
 - Final Statement, *The Fair Value Option for Financial Assets and Financial Liabilities*
 - Exposure Draft, *Disclosures about Derivative Instruments and Hedging Activities*
 - Proposed FSP, "Conforming Amendments to the Illustrations in FASB Statements No. 87, No. 88, and No. 106 and to Related Staff Implementation Guides"
- e. The FASB staff received the following GASB draft for review:
 - Exposure Draft, *Intangible Assets*