

REPORT OF THE CHAIRMAN OF THE FASB
TO THE FINANCIAL ACCOUNTING FOUNDATION
August 1, 2006 through October 31, 2006

ITEM 1: TECHNICAL ACTIVITIES

BOARD AND STAFF ACTIVITIES

- a. The following documents were issued and posted to the website:
1. FASB Statement No. 157, *Fair Value Measurements* (September 15, 2006)
 2. FASB Statement No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans* (September 29, 2006)
 3. FASB Exposure Draft, *Not-for-Profit Organizations: Mergers and Acquisitions* (October 9, 2006)
 4. FASB Exposure Draft, *Not-for-Profit Organizations: Goodwill and Other Intangible Assets Acquired in a Merger or Acquisition* (October 9, 2006).
- b. The following FSPs were posted to the FASB website:
1. Final FSP FAS 126-1, "Applicability of Certain Disclosure and Interim Reporting Requirements for Obligors for Conduit Debt Securities" (October 25, 2006).
 2. Final FSP FAS 123(R)-6, "Technical Corrections of FASB Statement No. 123(R)" (October 20, 2006).
 3. Final FSP FAS 123(R)-5, "Amendment of FASB Staff Position FAS 123(R)-1" (October 10, 2006).
 4. Final FSP AUG AIR-1, "Accounting for Planned Major Maintenance Activities" (September 8, 2006).
 5. Proposed FSP FAS 144-c, "Classifying and Accounting for a Depreciable Asset as Held-for-Sale When an Equity Method Investment Is Obtained" (October 26, 2006) The deadline for comments is December 15, 2006.
 6. Proposed FSP FAS 141-b, 142-e, and 144-b, "Fair Value Measurements in Business Combinations and Impairment Tests" (October 23, 2006) The deadline for comments is November 22, 2006.
 7. Proposed FSP EITF 03-6-a, "Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities" (October 20, 2006) The deadline for comments is December 19, 2006.
 8. Proposed FSP EITF 00-19-b, "Accounting for Registration Payment Arrangements" (October 20, 2006) The deadline for comments is December 4, 2006.

- c. The following projects were added to the Board’s technical agenda:
1. Statement 133 Implementation Issue—Cash Flow Hedges of Variable-Rate Assets and Liabilities (October 4, 2006)
 2. Revision of the Definition of a Public Entity in a Conduit Borrowing Arrangement (October 4, 2006)
 3. Accounting for Depreciable Assets Classified as Held for Sale When an Equity Method Investment Is Obtained (October 11, 2006)
 4. Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities (October 11, 2006)
 5. Statement 133 Implementation Issue—Application of Paragraph 13(b) to Securitized Interests in Prepayable Financial Assets (October 25, 2006).
- d. Six Board members participated in the September 7, 2006 EITF meeting.
- e. At the September 20, 2006 Board meeting, the Board ratified the consensuses reached at the September 7, 2006 EITF meeting on the following Issues:
1. Issue No. 06-1, “Accounting for Consideration Given by a Service Provider to Manufacturers or Resellers of Equipment Necessary for an End-Customer to Receive Service from the Service Provider”
 2. Issue No. 06-4, “Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements”
 3. Issue No. 06-5, “Accounting for Purchases of Life Insurance—Determining the Amount That Could Be Realized in Accordance with FASB Technical Bulletin No. 85-4, *Accounting for Purchases of Life Insurance*”
- f. The Board also ratified the tentative conclusions reached at the September 7, 2006 EITF meeting on the following Issues and approved the exposure of a draft abstract for each Issue for a public comment period ending October 13, 2006:
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 met in public meetings with representatives of the following organizations and discussed matters of mutual interest:
1. Edison Electric Institute and American Gas Association
 2. AICPA Accounting Standards Executive Committee
 3. Institute of Management Accountants
 4. AICPA PCPS Technical Issues Committee
 5. CFA Institute.
- h. Six Board members participated in the September meeting of the Financial Accounting Standards Advisory Council.
- i. Seven Board members participated in the October meeting of the FASB's User Advisory Council.
- j. Various FASB staff members attended one AcSEC meeting.
- k. The chairman, the FAF president, the TA&I director, and the project leader of the codification project met telephonically with a subgroup of the FAF Trustees to discuss the status and progress of the project.
- l. The PD&S director participated on a fair value panel sponsored by Deloitte & Touche for its capital markets clients.
- m. The PD&S director participated in an E&Y Webcast panel discussion on Statement 157, and the FASB's enhanced fair value framework and its implications on current practice.
- n. Two Board members and the TA&I director met with representatives of Gerson Lehrman Group to discuss matters of mutual interest.
- o. Three Board members, the TA&I director, and the MP&T director met with Governor Bies and various Federal Reserve Board staff to discuss accounting issues of mutual interest.
- p. Three Board members and staff participated in an FEI/CCR subcommittee conference call to discuss various Board projects and issues including the Invitation to Comment on insurance and reinsurance, the potential FSP on the fair value measurement of nonfinancial assets and liabilities, international convergence, XBRL, the GAAP hierarchy project, the conceptual framework project, and the financial statement presentation project. They also discussed the need to reduce complexity in financial reporting.
- q. Two Board members and staff met with representatives of the International Swaps and Derivatives Association to discuss cash collateral in master netting arrangements.

- r. Two Board members, the MP&T director, and the FASB Advisory Groups executive director met with representatives of the Retail Industries Leaders Association to discuss matters of mutual interest, in particular, ways that the retail industry might engage more actively in the standard-setting process.
- s. Three Board members and staff met with representatives of Standard & Poor's to discuss insurance risk transfer and financial guarantee insurance.
- t. One Board member and staff met with a group of analysts from Standard & Poor's to discuss the financial statement presentation project.
- u. Two staff members participated in a conference call as observers of the Reporting Simplification Task Force (of the AICPA's Enhanced Business Reporting Consortium).
- v. A staff member observed the Appraisal Issues Task Force meeting in New York where they discussed fair value measurements and other related issues.

INTERNATIONAL ACTIVITIES

- a. Three IASB Board members and three FASB Board members and senior staff met to discuss progress toward convergence and opportunities to further improve the Boards' working relationship.
- b. The FASB and the IASB held a semiannual joint meeting in Norwalk. The Boards discussions included progress toward the Memorandum of Understanding dated February 2006 and various technical issues on the Boards' joint projects on business combinations, the conceptual framework, and financial statement presentation. The meeting also included informational sessions describing the current status of the FASB's project on liabilities and equity and the IASB's project on insurance.
- c. The Board, senior staff, FASB staff monitoring IASB projects, and the IASB liaison Board member met after each IASB meeting to discuss IASB agenda and research projects with a focus on recent decisions by the IASB and areas of potential divergence.
- d. The chairman, a Board member, and staff attended the World Standard Setters meeting in London.
- e. A Board member attended the National Standard Setters meeting in London.
- f. A staff member met with representatives of the technical committee of the European Financial Reporting Advisory Group in Paris to discuss the conceptual framework Preliminary Views document.
- g. The chairman participated in two IFRS conferences in London.

- h. A staff member observed an IASB Insurance Working Group meeting. The purpose of the working group is to assist the IASB in analyzing accounting issues relating to its insurance contracts project (phase II).
- i. Three Board members and one staff member (along with IASB members and staff) participated in a meeting in London of the Joint International Group (JIG) that advises on the joint project on financial statement presentation. Participants discussed the tentative decisions reached by the Boards and issues that were to be addressed by the Boards at upcoming meetings.
- j. The MP&T director and staff participated in a conference call with staff of the PCAOB to discuss the conceptual framework Preliminary Views on objectives and qualitative characteristics.
- k. The TA&I director observed the IFRIC meeting in London.

OTHER ACTIVITIES

- a. The following professional development sessions were presented to the Board and staff:
 - 1. Jeff Mechanick and Alicia Posta, FASB project managers, presented an overview of the size, diversity, and standard-setting environment of the not-for-profit (NFP) sector.
 - 2. Randal Finden, GASB project manager, presented an overview of the GASB Preliminary Views, *Accounting and Financial Reporting for Derivatives*.
 - 3. Jim Gerber and Jerry Maris, directors from Sanford Bernstein, presented a session on the models and techniques utilized at Bernstein in analyzing financial statements.
 - 4. Kimberley Crook, New Zealand Financial Reporting Standards Board project manager and member of the IASB/FASB conceptual framework project team, led a discussion on the reporting entity concept to be included in the IASB/FASB conceptual framework.
 - 5. Michael R. Young, partner from Willkie, Farr & Gallagher LLP, provided an overview of financial fraud, specifically on how and why fraud is committed.
 - 6. Chris Allen, FAF director of government relations, provided an overview of his role with respect to the FAF and its Boards and Council.

ITEM 2: ADMINISTRATIVE AND STRATEGIC ACTIVITIES

- a. The Board and the PD&S director attended an FAF Trustees meeting.
- b. The Board, staff directors, the FAF president, and FASB staff met with SEC Commissioner Casey, SEC Chief Accountant Conrad Hewitt, PCAOB Chairman

Mark Olson, and 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.

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 and the FAF Washington representative met with Henry Paulson, the Secretary of the U.S. Department of the Treasury, and Robert Steel, Under Secretary of Treasury for Domestic Finance, to discuss matters of mutual interest relating to the financial reporting system.
- c. The chairman, a Board member, the TA&I 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 August 2006 through October 2006 period include:

- - American Automotive Leasing Association
- - American Gas Association
- - AICPA's Banking Conference
- - Association of General Contractors
- - Buckingham Research Group
- - California State University
- - Chartered Accountants of Canada
- - Construction Financial Management Association
- - Council of Financial Executives of the Conference Board
- -Deloitte & Touche
- - Ernst & Young
- - Financial Executives International
- - Georgia State University
- - Greenwich Associates
- - Indiana University
- - Institutional Investor

- - International Financial Reporting Standards Conference
- - LexisNexis
- - Mexican Institute of Certified Public Accountants
- - Missouri Society of Certified Public Accountants
- - National Association of Regulatory Utility Commissioners
- - New York Society of Security Analysts
- - New York University
- - Office of the Comptroller of the Currency
- - Ohio Society of Certified Public Accountants
- - PricewaterhouseCoopers
- - Property Casualty Insurers Association of American
- - Rubin Brown LLP
- - Samford University
- - Truck Rental and Leasing Association
- - Society of Insurance Financial Management
- - Toronto Valuation Accord
- - United States Department of Agriculture
- - University of California

ITEM 5: ADDITIONAL COMMUNICATIONS ACTIVITIES

- a. The FASB, through the Communications Department, issued four press releases this period for the following: Edward Trott's decision to retire from the Board; the FASB standard providing enhanced guidance for measuring fair value; the FASB standard on employers' accounting for defined benefit pension and other postretirement plans; and the FASB proposal to improve merger and acquisition accounting for not-for-profit organizations.
- b. Media outreach and development of communications materials and talking points focused on the above subjects, with pensions and other postemployment benefits project drawing the most significant interest. Other issues covered by the media during the period were lease accounting, the conceptual framework, XBRL, and accounting for derivatives.
- c. To ensure that the media properly understood the rationale and impact of FASB's standard to improve the accounting for defined benefit pension plans, one-on-one press briefings were conducted for the FASB chairman with:
 1. David Reilly of the *Wall Street Journal*
 2. Gretchen Morgenson of *The New York Times*
 3. Emily Chasan of Reuters
 4. David Henry and Jane Sasseen of *BusinessWeek*
 5. Rachel Beck of the *Associated Press*.
- d. 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.

- e. Three issues of *The FASB Report*, the FASB's monthly newsletter, were produced and distributed. Topics included an interview with Michael Crooch on the conceptual framework, phase 1 of the project to improve accounting for postretirement benefit plans, enhanced guidance provided for fair value measurement, Edward Trott's decision to leave the Board, and the FASB's technical plan.
- f. The FASB communications team continues to work with the AICPA on the private company reporting initiative.
- g. Drafting continued on bylined articles in support of the Exposure Drafts relating to business combinations by not-for-profits.
- h. The quantitative phase of the FASB perception study was completed with Applied Research Consulting.
- i. The communications department hosted a group of students from the University of Rhode Island, who requested to attend the FASB's joint meeting with the IASB.

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, Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans
 - Exposure Draft, Not-for-Profit Organizations: Mergers and Acquisitions
 - Exposure Draft, Not-for Profit Organizations: Goodwill and Other Intangible Assets Acquired in a Merger or Acquisition
 - Final FSP, "Applicability of Certain Disclosure and Interim Reporting Requirements for Obligor for Conduit Debt Securities"
 - Proposed FSP, "Accounting for Registration Payment Arrangements"

- Proposed FSP, "Fair Value Measurements in Business Combinations and Impairment Tests"
- Proposed FSP, "Accounting for Depreciable Assets Classified as Held for Sale When an Equity Method Investment Is Obtained."

e. The FASB staff received the following GASB drafts for review:

- Final Statement, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues
- Exposure Draft, Accounting and Financial Reporting for Pollution Remediation Obligations
- Exposure Draft, Pension Disclosures
- Invitation to Comment, Fund Balance Reporting and Governmental Fund Type Definitions.