ATTACHMENT 1

Facts about FASB 2002

401 Merritt 7, P.O. Box 5116, Norwalk, Connecticut 06856-5116 ● www.fasb.org

Since 1973, the Financial Accounting Standards Board (FASB) has been the designated organization in the private sector for establishing standards of financial accounting and reporting. Those standards govern the preparation of financial reports. They are officially recognized as authoritative by the Securities and Exchange Commission (Financial Reporting Release No. 1, Section 101) and the American Institute of Certified Public Accountants (Rule 203, Rules of Professional Conduct, as amended May 1973 and May 1979). Such standards are essential to the efficient functioning of the economy because investors, creditors, auditors and others rely on credible, transparent and comparable financial information.

The Securities and Exchange Commission (SEC) has statutory authority to establish financial accounting and reporting standards for publicly held companies under the Securities Exchange Act of 1934. Throughout its history, however, the Commission's policy has been to rely on the private sector for this function to the extent that the private sector demonstrates ability to fulfill the responsibility in the public interest.

THE MISSION OF THE FINANCIAL ACCOUNTING STANDARDS BOARD (FASB)

The mission of the Financial Accounting Standards Board (FASB) is to establish and improve standards of financial accounting and reporting for the guidance and education of the public, including issuers, auditors and users of financial information.

Accounting standards are essential to the efficient functioning of the economy because decisions about the allocation of resources rely heavily on credible, concise, transparent and understandable financial information. Financial information about the operations and financial position of individual entities also is used by the public in making various other kinds of decisions.

To accomplish its mission, the FASB acts to:

- Improve the usefulness of financial reporting by focusing on the primary characteristics of relevance and reliability and on the qualities of comparability and consistency;
- Keep standards current to reflect changes in methods of doing business and changes in the economic environment;
- Consider promptly any significant areas of deficiency in financial reporting that might be improved through the standard-setting process;
- Promote the international convergence of accounting standards concurrent with improving the quality of financial reporting; and

- Improve the common understanding of the nature and purposes of information contained in financial reports.

The FASB develops broad accounting concepts as well as standards for financial reporting. It also provides guidance on implementation of standards. Concepts are useful in guiding the Board in establishing standards and in providing a frame of reference, or conceptual framework, for resolving accounting issues. The framework will help to establish reasonable bounds for judgment in preparing financial information and to increase understanding of, and confidence in, financial information on the part of users of financial reports. It also will help the public to understand the nature and limitations of information supplied by financial reporting.

The Board's work on both concepts and standards is based on research aimed at gaining new insights and ideas. Research is conducted by the FASB staff and others, including foreign national and international accounting standard-setting bodies. The Board's activities are open to public participation and observation under the "due process" mandated by formal Rules of Procedure. The FASB actively solicits the views of its various constituencies on accounting issues.

The Board follows certain precepts in the conduct of its activities. They are:

To be objective in its decision making and to ensure, insofar as possible, the neutrality of information resulting from its standards. To be neutral, information must report economic activity as faithfully as possible without coloring the image it communicates for the purpose of influencing behavior in any particular direction.

To weigh carefully the views of its constituents in developing concepts and standards. However, the ultimate determinant of concepts and standards must be the Board's judgment, based on research, public input and careful deliberation about the usefulness of the resulting information.

To promulgate standards only when the expected benefits exceed the perceived costs. While reliable quantitative cost-benefit calculations are seldom possible, the Board strives to determine that a proposed standard will meet a significant need and that the costs it imposes, compared with possible alternatives, are justified in relation to the overall benefits.

To bring about needed changes in ways that minimize disruption to the continuity of reporting practice. Reasonable effective dates and transition provisions are established when new standards are introduced. The Board considers it desirable that change be evolutionary to the extent that it can be accommodated by the need for relevance, reliability, comparability and consistency.

To review the effects of past decisions and interpret, amend or replace standards in a timely fashion when such action is indicated.

The FASB is committed to following an open, orderly process for standard setting that precludes placing any particular interest above the interests of the many who rely on financial information. The Board believes that this broad public interest is best served by developing neutral standards that result in accounting for similar transactions and circumstances in a like manner and different transactions and circumstances should be accounted for in a different manner.

AN INDEPENDENT STRUCTURE

Financial Accounting Standards Board (FASB)

The FASB is part of a structure that is independent of all other business and professional organizations. Before the present structure was created, financial accounting and reporting standards were established first by the Committee on Accounting Procedure of the American Institute of Certified Public Accountants (1936–59) and then by the Accounting Principles Board, also a part of the AICPA (1959–73). Pronouncements of those predecessor bodies remain in force unless amended or superseded by the FASB.

Financial Accounting Standards Advisory Council (FASAC)

The Financial Accounting Standards Advisory Council (FASAC) has responsibility for consulting with the FASB as to technical issues on the Board's agenda, project priorities, matters likely to require the attention of the FASB, selection and organization of task forces and such other matters as may be requested by the FASB or its Chairman. At present, the Council has more than 30 members who are broadly representative of preparers, auditors and users of financial information.

Financial Accounting Foundation (FAF)

The Financial Accounting Foundation (FAF), which was incorporated to operate exclusively for charitable, educational, scientific and literary purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code, is responsible for selecting the members of the FASB and its advisory council, funding their activities and for exercising general oversight with the exception of the FASB's resolution of technical issues.

In 1984, the Foundation established a Governmental Accounting Standards Board (GASB) to set standards of financial accounting and reporting for state and local governmental units. As with the FASB, the Foundation is responsible for selecting its members, funding and exercising general oversight. The Foundation also receives contributions and approves the FASB budget. More than half the funds contributed are from the public accounting profession, with the remainder coming from industry and the financial community.

The Foundation is separate from all other organizations. However, its Board of Trustees is made up of nominees from sponsoring organizations whose members have special knowledge of, and interest in, financial reporting. There also are Trustees-at-large who are not nominated by those organizations, but are chosen by the sitting Trustees. The sponsoring organizations are:

- American Accounting Association
- American Institute of Certified Public Accountants
- Association for Investment Management and Research
- Financial Executives International
- Government Finance Officers Association

- Institute of Management Accountants
- National Association of State Auditors, Comptrollers and Treasurers
- Securities Industry Association

The members of the FAF Board of Trustees include:

- Manuel H. Johnson (Chairman of the Board and President, FAF), Co-Chairman, Johnson Smick International,
- Stephen C. Patrick (Vice President , FAF), Chief Financial Officer, Colgate-Palmolive Company,
- Judith H. O'Dell (Secretary and Treasurer, FAF), Managing Shareholder, Beucler, Kelly & Irwin, Ltd.,
- John J. Brennan, Chairman and Chief Executive Officer, The Vanguard Group, Inc.,
- Samuel A. DiPiazza, Jr., Chief Executive Officer, PricewaterhouseCoopers,
- Douglas R. Ellsworth, Director of Finance, Village of Mount Prospect, Illinois,
- Peter C. Goldmark, Jr., Chairman and Chief Executive Officer, International Herald Tribune,
- William H. Hansell, Executive Director, International City/County Management Association,
- Richard D. Johnson, Auditor of State, Iowa,
- Duncan M. McFarland, President, Chief Executive Officer and Managing Partner, Wellington Management Company,
- Frank C. Minter, Retired Vice President and Chief Financial Officer, AT&T International,
- Lee N. Price, President and Chief Executive Officer, Price Performance Measurement Systems, Inc.,
- David S. Ruder, William W. Gurley Memorial Professor of Law, Northwestern University School of Law,
- Steve M. Samek, Partner, Andersen,
- David A. Viniar, Chief Financial Officer, Goldman, Sachs & Co., and
- Jerry J. Weygandt, Andersen Alumni Professor of Accounting, University of Wisconsin-Madison.

AN OPEN DECISION-MAKING PROCESS

Actions of the Financial Accounting Standards Board (FASB) have an impact on many organizations within the Board's large and diverse constituency. It is essential that the Board's decision-making process be evenhanded. Accordingly, the FASB follows an extensive "due process" that is open to public observation and participation. This process was modeled on the Federal Administrative Procedure Act and, in several respects, is more demanding.

HOW TOPICS ARE ADDED TO THE FASB'S TECHNICAL AGENDA

The FASB receives many requests for action on various financial accounting and reporting topics from all segments of a diverse constituency, including the SEC. The auditing profession is sensitive to emerging trends in practice and, consequently, it is a frequent source of requests. Requests for action include both new topics and suggested review or reconsideration of existing pronouncements.

The FASB is alert to trends in financial reporting through observation of published reports, liaison with interested organizations and discussions with the Emerging Issues Task Force (EITF)—see page x. In addition, the staff receives many technical inquiries by letter and telephone, which may provide evidence that a particular topic, or aspect of an existing pronouncement, has become a problem. The FASB also is alert to changes in the financial reporting environment that may be brought about by new legislation or regulatory decisions.

The Board turns to many other organizations and groups for advice and information on various matters, including its agenda. Among the groups with which liaison is maintained are the Accounting Standards Executive Committee and Auditing Standards Board of the AICPA (AcSEC), the International Accounting Standards Board (IASB), and the appropriate committees of such organizations as the Association for Investment Management and Research (AIMR), Financial Executives International (FEI) and Institute of Management Accountants (IMA). As part of the agenda process, the Board may make available for public comment agenda proposals that concisely describe the scope of potential projects. The Financial Accounting Standards Advisory Council (FASAC) regularly reviews the Board's agenda priorities and consults on all major projects added to the technical agenda.

After receiving input from the constituency, the Board must make its own decisions regarding its technical agenda. To aid in the decision-making process, the Board has developed a list of factors to which it refers in evaluating proposed topics.

Those factors include consideration of:

- *Pervasiveness of the issue*—the extent to which an issue is troublesome to users, preparers, auditors or others; the extent to which there is diversity of practice; and the likely duration of the issue (i.e., whether transitory or likely to persist);

- *Alternative solutions*—the extent to which one or more alternative solutions that will improve financial reporting in terms of relevance, reliability and comparability are likely to be developed;

- *Technical feasibility*—the extent to which a technically sound solution can be developed or whether the project under consideration should await completion of other projects;

- *Practical consequences*—the extent to which an improved accounting solution is likely to be acceptable generally, and the extent to which addressing a particular subject (or not addressing it) might cause others to act, e.g., the SEC or Congress;

- <u>*Convergence possibilities*</u>—the extent to which there is an opportunity to eliminate significant differences in standards or practices between the U.S. and other countries with a resulting improvement in the quality of U.S. standards; the extent to which it is likely that a common solution can be reached; and the extent to which any significant impediments to convergence can be identified;

- <u>*Cooperative opportunities*</u>—the extent to which there is international support by one or more other standard setters for undertaking the project jointly or through other cooperative means with the FASB; and

- <u>*Resources*</u>—the extent to which there are adequate resources and expertise available from the FASB, the IASB or another standard setter to complete the project; and whether the FASB can leverage off the resources of another standard setter in addressing the issue (and perhaps thereby add the project at a relatively low incremental cost).

It is not possible to evaluate the above factors in precisely the same way and to the same extent in every instance, but identification of factors to be considered helps to bring about consistent decisions regarding the Board's technical agenda.

Board Meetings

The core of the Board's due process is open decision-making meetings and exposure of proposed standards for public comment. Every technical project involves a number of Board meetings. The Board meets as many times as necessary to resolve the issues. A major project generally includes dozens of meetings over several years. All meetings are open to public observers, although observers do not participate in the discussions. The agenda for each meeting is announced in advance.

The staff presents written material, including analysis and recommendations, to the Board members in advance as the basis for discussion in a Board meeting. The meeting format calls for oral presentation of a summary of the written materials by the staff, followed by Board discussion of each issue presented and questioning of the staff on the points raised.

The Exposure Draft

When the Board has reached conclusions on the issues, the staff is directed to prepare a proposed Exposure Draft for consideration by the Board. After further discussion and revisions, Board members vote by written ballot to issue the Exposure Draft. Five votes of the seven-member Board are required to approve a document. Dissents, if any, are explained in the document.

The Exposure Draft sets forth the proposed standards of financial accounting and reporting, the proposed effective date and method of transition, background information and an explanation of the basis for the Board's conclusions.

At the end of the exposure period, generally 60 days or more, all comment letters and position papers are analyzed by the staff. This is a search for information and persuasive arguments regarding the issues; it is not intended to be simply a "nose count" of how many support or oppose a given point of view. In addition to studying this analysis, Board members review the comment letters to help them in reaching conclusions.

Further Deliberation of the Board

After the comments have been analyzed and studied, the Board redeliberates the issues. As in earlier stages of the process, all Board meetings are open to public observation. The Board considers comments received on the Exposure Draft, and often incorporates suggested changes in the final document. If substantial modifications appear to be necessary, the Board may decide to issue a revised Exposure Draft for additional public comment. When the Board is satisfied that all reasonable alternatives have been considered adequately, the staff is directed to prepare a draft of a final document for consideration by the Board. A vote is taken on the final document, again by written ballot. Five votes are required for adoption of a pronouncement.

Statements of Financial Accounting Standards

The final product of most technical projects is a Statement of Financial Accounting Standards (SFAS). Like the Exposure Draft, the Statement sets forth the actual standards, the effective date and method of transition, background information, a brief summary of research done on the project and the basis for the Board's conclusions, including the reasons for rejecting significant alternative solutions. It also identifies members of the Board voting for and against its issuance and includes reasons for any dissents.

Additional Due Process

For major projects, the Board generally goes significantly beyond the core due process described above. Soon after a major project is placed on the Board's technical agenda, a task force or working group usually is appointed, including preparers, auditors and users of financial information who are knowledgeable about the subject matter. Experts from other disciplines also may be appointed. Care is taken to ensure that various points of view on the issues involved are represented.

The task force meets with and advises the Board and staff on the definition and scope of the project, the nature and extent of any additional research that may be needed and the preparation of a discussion document and related material as a basis for public comment. Task force meetings are open to public observers. Task forces and working groups play an important role in the standard-setting process by providing expertise, a diversity of viewpoints and a mechanism for communication with those who may be affected by proposed standards.

Before it begins deliberations on a new major project, the Board often asks the FASB staff to prepare a Discussion Memorandum or other discussion document. The task force provides significant assistance and advice in this effort. The discussion document generally sets forth the definition of the problem, the scope of the project and the financial accounting and reporting issues; discusses research findings and relevant literature; and presents alternative solutions to the issues under consideration and arguments and implications relative to each. The discussion document is published to invite constituents to comment on the project before the Board begins deliberations.

After a discussion document or an Exposure Draft is issued for comment, the Board may decide to hold a public hearing or a public roundtable meeting. These meetings provide an opportunity for the Board and staff to ask questions about information and viewpoints offered by constituents who participated in the comment process. Any individual or organization may request to be heard at a public hearing, and the FASB attempts to accommodate all such requests. Public observers are welcome.

Statements of Concepts

In addition to Statements of Financial Accounting Standards (SFAS), the FASB also issues Statements of Concepts. Those do not establish new standards or require any change in the application of existing accounting principles; instead, they are intended to provide the Board and constituents with a foundation for setting standards and concepts useful as tools for solving problems. The framework defined in the Statements of Concepts helps the Board identify the right questions to ask in structuring technical projects and contributes to a consistent approach over time. Because of their long-range importance, Statements of Concepts are developed under the same extensive due process the FASB follows in developing Statements of Financial Accounting Standards on major topics.

Other Documents

In addition to broad issues of financial accounting and reporting, the Board considers narrower issues related to implementation of existing standards and other problems arising in practice. Depending on their nature, implementation and practice problems may be dealt with by the Board in Statements or Interpretations, by the staff in Technical Bulletins or in Implementation Guidance in question and answer form. All of those are subject to discussion at public Board meetings and to exposure for comment, although Technical Bulletins and Implementation Guidance are exposed more narrowly.

Emerging Issues Task Force (EITF)

The Emerging Issues Task Force (EITF) was formed in 1984 in response to the recommendations of the FASB's task force on timely financial reporting guidance and an FASB Invitation to Comment on those recommendations. EITF members are drawn primarily from public accounting firms but also include representatives of large companies. The Chief Accountant of the Securities and Exchange Commission attends EITF meetings regularly as an observer with the privilege of the floor. Timothy S. Lucas, FASB Director of Research and Technical Activities, is Chairman of the Emerging Issues Task Force.

Composition of the EITF is designed to include persons in a position to be aware of emerging issues before they become widespread and before divergent practices regarding them become entrenched. Therefore, if the group can reach a consensus on an issue, usually that consensus is taken by the FASB as an indication that no Board action is needed. A consensus is defined as an agreement, provided that no more than two of the thirteen voting members object. Consensus positions of the EITF are considered part of GAAP. If consensus is not possible, it may be an indication that action by the FASB is necessary.

The EITF meets six times a year. Meetings are open to the public and, generally, are attended by substantial numbers of observers. Because interest in the EITF is high, the FASB has separate subscription plans for keeping up-to-date on the issues.

Availability of Publications

To encourage public comment, Discussion Memorandums and Exposure Drafts are distributed widely through the FASB's established mailing plans. Single copies are available without charge to all who request them during the comment period and Exposure Drafts generally can be accessed from the website at www.fasb.org.

Statements of Standards, Statements of Concepts and Interpretations also are distributed broadly when published through FASB subscription plans and may be purchased separately by placing an order at the FASB website, www.fasb.org.

The FASB strives to keep the public informed of developments on its projects through a monthly newsletter, *Status Report,* and a weekly notice, *Action Alert,* which provides notice of upcoming Board meetings and their agendas with brief summaries of actions taken at previous meetings. *Action Alert* is available by e-mail subscription at the FASB website, www.fasb.org.

FASB Website

The FASB website includes general information about the Board and its activities, information on upcoming public meetings, announcements of Board actions, summaries and status of all active technical agenda projects, summaries of previously issued FASB Statements and Interpretations, the quarterly plan for FASB projects and information about membership in the Foundation, as well as information on how to order publications online, by phone or mail.

The website can be accessed at http://www.fasb.org.

The Public Record

Transcripts of public hearings, letters of comment and position papers, research reports and other relevant materials on projects leading to issuance of pronouncements become part of the Board's public record. The public records on all projects are available for inspection in the public reference room at FASB headquarters in Norwalk, Connecticut. Copies of public records also may be purchased at prices that vary according to the volume of material that has to be copied by accessing the FASB website at www.fasb.org, or contact Records Retention at (203) 847-0700, ext. 270, for more information.

MEMBERS OF THE FASB

The seven members of the FASB serve full time and are required to sever all connections with the firms or institutions they served prior to joining the Board. While collectively they represent diverse backgrounds, they also must possess "knowledge of accounting, finance and business, and a concern for the public interest in matters of financial accounting and reporting."

Board members are appointed for five-year terms and are eligible for reappointment to one additional five-year term. Expiration dates (at June 30) of current terms are indicated in captions beneath the members' photographs.

Edmund L. Jenkins *was named Chairman of the FASB effective July 1, 1997. He was the Managing Partner of the Professional Standards Group of Arthur Andersen LLP's worldwide practice. Mr. Jenkins was Chairman of the AICPA's Special Committee on Financial Reporting (the "Jenkins Committee"), which published its report on improving business reporting in 1994. He served on the Emerging Issues Task Force (EITF) from 1984 to 1991 and on the FASB's Advisory Council (FASAC) from 1991 to 1995. He holds a B.A. degree from Albion College, an M.B.A. from the University of Michigan and is a CPA.*

G. Michael Crooch *was a partner with Arthur Andersen and Director of the firm's International Professional Standards Group before joining the FASB on July 1, 2000. Mr. Crooch was the American Institute of Certified Public Accountants' (AICPA) delegate to the International Accounting Standards Committee (IASC) and served on the IASC's Executive Committee. He also served on the Institute's Accounting Standards Executive Committee, including three years as the Committee Chairman. He earned bachelor's and master's degrees from Oklahoma State University and a Ph.D. from Michigan State University.*

John M. (Neel) Foster *was appointed as a member of the FASB effective July 1, 1993. Previously, he had been the Vice President and Treasurer of Compaq Computer Corporation. Mr. Foster also worked in public accounting and was employed by Price Waterhouse for eight years, serving clients in the energy, construction and electronics industries. He was a member of the FASB's Advisory Council (FASAC) from January 1992 until his appointment to the FASB. Mr. Foster holds a bachelor's degree with honors from Colorado College where he majored in economics and was Phi Beta Kappa.*

Edward W. Trott *was appointed as a member of the FASB, effective October 1, 1999. Since 1992, he headed the Accounting Group of KPMG's Department of Professional Practice. Before joining the Board, he was a member of the FASB's Emerging Issues Task Force, the Financial Reporting Committee of the Institute of Management Accountants, the FASB's Advisory Council and the Accounting Standards Executive Committee and Auditing Standards Board of the AICPA. He holds a bachelor's degree from the University of North Carolina and an M.B.A. degree from the University of Texas.*

Katherine Schipper *was appointed to the FASB, effective September 2001. Prior to joining the FASB, she was the L. Palmer Fox Professor of Business Administration at Duke University's Fuqua School of Business. She has served the American Accounting Association (AAA) as President and as Director of Research. She was a member of the FASB's Advisory Council (FASAC) from 1996 to 1999. Ms. Schipper holds a B.A. degree from the University of Dayton and M.B.A., M.A. and Ph.D. degrees from the University of Chicago.*

Gary S. Schieneman *was appointed to the FASB, effective July 1, 2001. Prior to joining the FASB, Mr. Schieneman served as Director, Comparative Global Equity Analysis, of Merrill Lynch. He is a member of the American Institute of Certified Public Accountants (AICPA), the New York Society of Security Analysts and the Association for Investment Management and Research (AIMR). He received a bachelor's degree in accounting from the University of Illinois and earned an MBA degree from New York University.*

John K. Wulff *was appointed to the FASB, effective July 1, 2001. Prior to joining the FASB, he was Chief Financial Officer of Union Carbide Corporation where he directed the company's global financial operations, including its internal and external audits, treasury, control, financial analysis and corporate financial reporting. He is a past Chairman of the Financial Executive Institute's Committee on Corporate Reporting and is a member of the American Institute of Certified Public Accountants. He is a graduate of the Wharton School of the University of Pennsylvania.*

FASB Staff

The Board is assisted by a staff of approximately 40 professionals drawn from public accounting, industry, academe and government, plus support personnel. The staff works directly with the Board and task forces, conducts research, participates in public hearings, analyzes oral and written comments received from the public and prepares recommendations and drafts of documents for consideration by the Board.

FASB Fellows are an integral part of the research and technical activities staff. The Fellowship program provides the Board the benefit of current experience in industry, academe and public accounting and offers the Fellows first-hand experience in the accounting standard-setting process. Fellows take a leave of absence from their firms or universities and serve as project managers or consultants on a variety of projects.

Timothy S. Lucas *is Director of Research and Technical Activities, a position equal to that of a Board member. Mr. Lucas was a Project Manager on the FASB staff from 1979 to 1986, and later joined Gordon Capital, an investment-banking firm. Before joining the FASB staff in 1979, Mr. Lucas was an Audit Manager with Deloitte, Haskins & Sells and was a lecturer at the Jesse H. Jones Graduate School of Administration at Rice University. He holds B.A., B.S. and master's degrees from Rice University and is a certified public accountant.*

Suzanne Q. Bielstein *was named Assistant Director of Research and Technical Activities in July of 2001. In this position, she is responsible for supporting the FASB staff activities involving the Emerging Issues Task Force (EITF) and the technical inquiry program. Ms. Bielstein joined the FASB in March 1999, as a member of the research and activities staff and, prior to her current position, was a Project Manager on the Board's projects on business combinations and combinations for not-for-profit organizations. Ms. Bielstein earned a B.B.A. degree in accounting from the University of Notre Dame.*

ADDITIONAL INFORMATION

General Information

For further information about the FASB, including Board meeting schedules, access the FASB website, www.fasb.org, call or write Financial Accounting Standards Board, 401 Merritt 7, P.O. Box 5116, Norwalk, CT 06856-5116, telephone (203) 847-0700.

To Order Publications

Statements, Interpretations, Exposure Drafts and other documents published by the FASB may be obtained by placing an order on the FASB website, www.fasb.org, or by contacting the FASB Order Department at (203) 847-0700.

Public Hearings and Comment Letters

For information about submitting written comments on documents or about public hearings, access the FASB website at www.fasb.org, or contact the FASB Project Administration Department at (203) 847-0700, ext. 389.

Public Reference Room and Files

The FASB maintains a public reference room open during office hours, Monday through Friday. The public reference room contains all FASB publications, comment letters on documents and transcripts of public hearings. Copies of this material may be obtained for a specified charge by accessing the FASB website at www.fasb.org, or by contacting Records Retention at (203) 847-0700, ext. 270, for an appointment.

Fax-on-Demand

A fax-on-demand system is available, enabling callers to receive information either by calling from their fax machine or directing information to their fax machine. Information available through this service includes the most frequently requested documents. To use this fax service, call (203) 847-0700, press 14 and follow the prompts.

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To order additional copies of *FACTS about FASB* without charge, contact Public Relations at (203) 847-0700, ext. 252, or telefax a request to (203) 849-9714.

Financial Accounting Standards Board

Serving the investing public through transparent information resulting from high-quality financial reporting standards, developed in an independent, private-sector, open due process.

ATTACHMENT 2

Fast Facts about FASAC

An Abbreviated Guide to the Financial Accounting Standards Advisory Council

An Overview

The Financial Accounting Standards Advisory Council—FASAC, or “the Council” for short—was formed in 1973 concurrent with the establishment of the Financial Accounting Standards Board (the FASB or the Board).

The primary function of FASAC is to advise the Board on issues related to projects on the Board’s agenda, possible new agenda items, project priorities, procedural matters that may require the attention of the FASB, and other matters as requested by the chairman of the FASB. FASAC meetings provide the Board with an opportunity to obtain and discuss the views of a very diverse group of individuals from varied business and professional backgrounds.

The members of FASAC are drawn from the ranks of CEOs, CFOs, senior partners of public accounting firms, executive directors of professional organizations, and senior members of the academic and analyst communities, all with an interest in the integrity of full and complete financial reporting and disclosure.

Carrying Out the Mission

It is the job of the FASB to establish the “generally accepted accounting principles,” or GAAP, to which public financial reporting by U.S. corporations must conform and to keep those principles current.

In conducting its activities, the Board strives to carefully weigh the views of its constituents, who include all those with an interest in financial reporting, including users, preparers, and auditors of financial reports. The Council provides an important sounding board to help the FASB understand what constituents are thinking about a wide range of issues.

FASAC’s role is *not* to reach a consensus or to vote on the issues that it considers at its meetings. Rather, FASAC operates as a window through which the Board can obtain and discuss the representative views of the diverse groups the FASB affects. Thus, FASAC provides the forum for two-way communication. For this reason, it is important to convene the Council members as a group so that the Board can hear the individual views of those members and so that the members can hear and respond to each other’s views.

Members of FASAC are urged to speak out publicly on matters before the FASB and also to be supportive of the Board’s process and the principle of private-sector standard setting. Individual Council members are not expected to agree with the Board’s decisions on all of the technical aspects of the projects on the Board’s agenda, but it is important that FASAC members support the institution and its due process.

Structure of the Organization

FASAC is an operating arm of the Financial Accounting Foundation, an organization that is independent of any other business or professional organization. The Foundation is run by a 16-member Board of Trustees who are leaders in the business, accounting, financial, government, and academic communities.

The Foundation selects the members of FASAC, including the chairman, and broadly oversees its operations. The Council comprises 33 members who represent a broad cross section of the Board's constituency. They are appointed for a one-year term and are eligible to be reappointed for three additional one-year terms.

The Process

The Council meets once each quarter at the FASB's offices in Norwalk, Connecticut. Like the FASB, FASAC is committed to following an orderly process that is open to public observation. In addition to the Council members, the members of the FASB, its director of research and technical activities, several members of the FASB's staff, and the chief accountant of the SEC attend each meeting.

Additional Information

If you would like more detailed information about FASAC, including a schedule of its quarterly meetings, call or write:

Richard J. Swift, *Chairman* or Teresa S. Polley, *Executive Director*

Financial Accounting Standards Advisory Council
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116
Phone: (203) 847-0700
FAX: (203) 849-9714
email: tspolley@f-a-f.org

ATTACHMENT 3

SPE EXAMPLE

Company A, which has a relatively low credit rating, needs large quantities of a processed commodity in its operations, and it wants to ensure an adequate supply of that commodity. Company A might borrow money to build a processing plant, but it would pay interest based on its credit rating; that is, its cost of capital to build the plant would be high. Also, Company A has no expertise in operating such processing plants. Thus, Company A works with an unrelated Company B with experience in operating similar plants and with one or more financial institutions to establish a limited partnership that will build and operate the plant. Company A and the partnership, call it Partnership Z, enter into a long-term contract under which Company A will purchase at least 95 percent of the expected output of the plant at prices pegged to the future market price of the underlying commodity.

The general partner of Partnership Z is Company B. Partnership Z sells limited partnership interests to 1,000 limited partners, who might be sophisticated investors in search of a tax-favored investment that is expected to provide a higher return than is available at similar risk elsewhere. Partnership Z will provide substantial tax benefits to the limited partners, especially during the earlier years of the expected life of the plant.

Partnership Z might finance the plant in one of several ways. For example, the limited partnership interests might be sold for an amount that would finance the building of the plant. Alternatively, Partnership Z might borrow directly from a bank sufficient funds to build the plant (and perhaps to finance its early operations), with the debt secured by the plant. In addition, the limited partners might effectively guarantee at least part of the bank debt, or Partnership Z might purchase a loan guarantee from a third party that would repay the bank debt if the partnership defaults. Either way, the arrangement will be structured so that the cost of capital of the plant will be less than if Company A had borrowed the funds and built the plant itself (the lower cost resulting from Partnership Z's higher credit rating and other factors, including the potential tax benefits to the limited partners).

ATTACHMENT 4

Guidance Provided by FASB Statements and Interpretations

Related to

• Related Party Transactions

• Special-Purpose Entities

• Off-Balance-Sheet Financial Arrangements

FAS 5 *Accounting for Contingencies* March 1975

- Provides some accounting guidance on "guarantees of indebtedness of others." ¶4 and 8
- Requires disclosure of the nature and amount of guarantees even though the possibility of loss may be remote. ¶12

FAS 13 *Accounting for Leases* November 1976

- Defines “related parties in leasing transactions.” This definition includes guarantees of indebtedness as a means of establishing a relationship covered by the definition. ¶5a
- Provides guidance for “leases between related parties.” This guidance states that “where it is clear that the terms of the transaction have been significantly affected by the fact that the lessee and lessor are related. . . . the accounting shall be modified as necessary to recognize economic substance rather than legal form.” ¶29

- Requires that the nature and extent of leasing transactions with related parties be disclosed. ¶29
- Provides guidance that some transactions that are structured as a sale are to be accounted for as borrowings. ¶22
- Establishes rules to classify leases as capital leases (property and debt reported by lessee) and operating leases (an executory contract).

FAS 15 *Accounting by Debtors and Creditors for Troubled Debt Restructurings* June 1977

- Provides guidance on "substitution or addition of debtors" that differentiates between related party situations and other situations. ¶42

FAS 19 *Financial Accounting and Reporting by Oil and Gas Producing Companies* December 1977

- Provides guidance that some transactions that are structured as sales (conveyances) are to be accounted for as borrowings. ¶43

FAS 47 *Disclosure of Long-Term Obligations* March 1981

- This Statement was issued to resolve issues related to project financing arrangements, take-or-pay contracts, throughput contracts, and other unconditional purchase obligations typically associated with project financing arrangements that were not recognized in the financial statements. The guidance did not resolve recognition issues but requires disclosure of certain unrecorded obligations. ¶1 and 7

FIN 34 D*isclosure of Indirect Guarantees of Indebtedness of Others* March 1981

- This Interpretation was issued in conjunction with Statement 47.
- The Interpretation describes indirect guarantees of indebtedness of others and clarifies that they are to be accounted for and disclosed as direct guarantees. ¶2 and 3

FAS 49 *Accounting for Product Financing Arrangements* June 1981

- This Statement was an extract from SOP 78-8.
- The Statement identifies situations where an entity shall not record a transaction as a sale but as a borrowing and when an entity shall record transactions of another entity in its financial statements as if it entered into the transactions. ¶8

FAS 57 *Related Party Disclosures* March 1982

- This Statement defines a "related party" and requires explicit disclosures of material related party transactions. ¶2 and 24
- Included in the definition of related parties is the following: "other parties with which the enterprise may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursing its own separate interests."

FAS 68 *Research and Development Arrangements* October 1982

- Although this Statement explicitly recognizes the "off-balance-sheet" financing element of the arrangements and the fact that the enterprise can obtain the results of research and development funded partially or entirely by others, the Statement does not consider whether the enterprise should consolidate the R&D entity. ¶3 and 32
- The Statement requires that the nature of the obligation the enterprise incurs—as a financing or as an obligation to perform contractual services—be the basis for the accounting guidance. ¶4, 5 and 10
- A significant related party relationship between the enterprise and the parties funding the research and development existing at the time the enterprise enters into the arrangement is an example of a condition leading to the presumption that the arrangement is a financing.
- EITF Issue No. 99-16, "Accounting for Transactions with Elements of Research and Development Arrangements," provides guidance to an arrangement where the funding is supplied by the enterprise and then "spun off" to investors.

FAS 87 *Employers'Accounting for Pensions* December 1985

FAS 88 *Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits* December 1985

FAS 106 *Employers' Accounting for Postretirement Benefits Other Than Pensions* December 1990

FAS 112 *Employers' Accounting for Postemployment Benefits* November 1992

FAS 132 *Employers' Disclosures about Pensions and Other Postretirement Benefits* February 1998

- This series of Statements effectively establishes an SPE to hold plan assets and pay obligations of the enterprise. The SPE and the enterprise are related parties. Accounting and disclosure guidance is provided.

FAS 94 *Consolidation of All Majority-Owned Subsidiaries* October 1987

- This Statement eliminated the "nonhomogeneous" exception to consolidating a majority-owned subsidiary. Therefore, many off-balance-sheet arrangements were consolidated.

FAS 98 *Accounting for Leases: Sale-Leaseback Transactions Involving Real Estate; Sales-Type Leases of Real Estate; Definition of the Lease Term; Initial Direct Costs of Direct Financing Leases* May 1988

- This Statement clarifies when a sale-leaseback transaction involving real estate can result in the real estate being derecognized—moved off-balance-sheet.

FAS 105 *Disclosure of Information about Financial Instruments with Off-Balance-Sheet Risk and Financial Instruments with Concentrations of Credit Risk* March 1990

- Although this Statement has been superseded by Statement 133, it was issued to require disclosure about financial instruments with off-balance-sheet risk of accounting loss.

- Statement 107 picks up some of these disclosures.
- Among the required disclosure was the accounting loss the entity would incur if any party to the financial instrument failed completely to perform according to the terms of the contract and the collateral or other security, if any, for the amount due proved to be of no value to the entity.
- Financial guarantees is listed as an instrument with off-balance-sheet credit risk on behalf of the issuer.

FAS 107 *Disclosures about Fair Value of Financial Instruments* December 1991

- This Statement requires that the fair value of financial statements for which it is practicable to estimate that value be disclosed.
- An entity shall disclose the method(s) and significant assumptions used to estimate the fair value of financial instruments.
- Financial guarantees written is included in example disclosures.

FAS 125 *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities* June 1996

FAS 140 *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities* September 2000

- This Statement provides guidance based on control—concerning when to derecognize a financial asset.
- The seller of a financial asset is to recognize liabilities incurred in the sale. This includes guarantees and recourse obligations.
- The QSPE is created.

- The requirement to record the fair value of a guarantee of debt for which another entity becomes the primary obligation is established—whether or not explicit consideration was paid for the guarantee.

ATTACHMENT 5

Significant EITF Issues Related to

• Special-Purpose Entities

• Off-Balance-Sheet Financial Arrangements

Issue 84-4 “Acquisition, Development, and Construction Loans”

- Guidance on whether an ADC arrangement should be accounted for as a loan, investment, or joint venture.

Issue 84-15 “Grantor Trusts Consolidation”

- Discussion of when a trust should be accounted for as a separate (unconsolidated) entity.

Issue 84-26 “Defeasance of Special-Purpose Borrowings”

- Removed. Noted as resolved by Statement 125.

Issue 84-30 “Sales of Loans to Special-Purpose Entities”

- The issue is whether a thinly capitalized SPE should be given separate (unconsolidated) accounting recognition. No consensus.

Issue 85-20 “Recognition of Fees for Guaranteeing a Loan”

- Consensus that guarantor should recognize fee income over the guarantee period, disclose by footnote the guarantee if material, and perform an ongoing assessment under Statement 5.

Issue 85-28 “Consolidation Issues Relating to Collateralized Mortgage Obligations”

- Resolved by Statement 94.

Issue 89-10 “Sponsor’s Recognition of Employee Stock Ownership Plan Debt”

- The consensus—to record the ESOP debt on the sponsor’s balance sheet—was nullified by SOP 93-6.

Issue 90-15 “Impact of Nonsubstantive Lessors, Residual Value Guarantees, and Other Provisions in Leasing Transactions”

- The 3% “rule.”

Issue 96-20 “Impact of FASB Statement No. 125 on Consolidation of Special-Purpose Entities”

- Notes that non-QSPE should look to Topic D-14 and Issue 90-15 for consolidation guidance.

Issue 96-21 “Implementation Issues in Accounting for Leasing Transactions involving Special-Purpose Entities”

Issue 97-1 “Implementation Issues in Accounting for Lease Transactions, including Those involving Special-Purpose Entities”

Issue 99-16 “Accounting for Transactions with Elements of Research and Development Arrangements”

- For an entity funded with spin-off arrangements, off-balance-sheet treatment is not allowed.

Topic D-14 “Transactions involving Special-Purpose Entities”—February 1989-May 1990

- This is an SEC announcement.
- Uses the position that the accounting for a transaction would not change only because an SPE was placed between the two parties to the transaction.

Various announcements involving QSPEs and Statement 125 or 140

Topics D-63, D-65, D-66, D-75, D-94, and D-99.

ATTACHMENT 6

Consolidations—Policy and Procedures

Last Updated: January 18, 2002

The staff has prepared this summary of Board decisions for information purposes only. Those Board decisions are tentative and do not change current accounting. Official positions of the FASB are determined only after extensive due process and deliberations.

PROJECT BACKGROUND

The consolidation policy and procedures project is part of a major project on consolidations and related matters that is intended to cover all aspects of accounting for affiliations between entities along with several other matters that raise similar or potentially related issues about financial statements.

From August 1997 to January 2001, the project on consolidation policy and procedures focused on developing new standards that would determine which affiliates would be included in consolidated financial statements—that is, consolidations policy.

CONSOLIDATION POLICY

Current Plans

In January of 2001, the Board determined that there was not sufficient Board member support to proceed to a final Statement on consolidation policy. The Board is concerned about the appropriateness of determining that nonshared decision-making ability can exist based on the anticipated nonaction by other holders of voting rights. The Board also is concerned about the effectiveness of the proposed treatment of convertible and option instruments that give the ability to obtain voting rights as well as the operationality of certain other provisions. However, the Board believes its effort to deal with consolidation policy issues should continue. Those efforts should include the need to develop effective guidance for SPEs, to deal with situations where control exists but is not apparent based on the form of the arrangement and to provide guidance on partnership and other noncorporate structures. It also believes that the work to define "control" has been useful and that this effort should continue.

In November 2001, the Board discussed its assessment of the consolidation project and how to proceed with it. The Board decided to first concentrate on developing guidance for dealing with the following situations under the current consolidation approach:

- So-called "strawman" situations
- Entities that lack sufficient independent economic substance
- Convertible instruments and other contractual arrangements that involve latent control
- The distinction between participating rights and protective rights.

Effective guidance for those situations would resolve many problems encountered in present practice including some of the ones related to special-purpose entities. We plan to issue an Exposure Draft of proposed guidance for dealing with the first two of those situations in the second quarter and the following two situations thereafter. The Board then will continue its consideration of the proposals in the 1999 Exposure Draft, *Consolidated Financial Statements: Purpose and Policy.*

Exposure Draft

In February 1999, the Board issued a revised Exposure Draft, *Consolidated Financial Statements: Purpose and Policy.* We received comments from more than 110 respondents. **Download the Exposure Draft**. The proposed Statement would require business enterprises and not-for-profit organizations that control other entities to include those subsidiaries in their consolidated financial statements. *Control* would be defined as the nonshared decision-making ability of one entity to direct the policies and management that guide the ongoing activities of another entity so as to increase its benefits and limit its losses from that other entity's activities.

As part of a test application of the proposed definition of control, a group of test cases was sent to a working group of eight accountants who volunteered to test application of the definition of control in those cases. **Download May 1999 Test Cases**. The participants' responses and discussion were instructive and helpful to the Board's redeliberations.

In July 1999, the Board began a series of meetings to consider comments received on the Exposure Draft and to redeliberate conclusions reached in the Exposure Draft. During its redeliberations, the Board:

- Decided to retain the Exposure Draft's proposed definition of control and to clarify that, as proposed, control of an entity requires a *present* decision-making ability that enables one party (potential parent) to guide the ongoing activities of its subsidiary and to use that present decision-making ability to increase the benefits that it derives and limit the losses that it suffers from the activities of that subsidiary.

- Reaffirmed that consolidation should be required based on control, rather than control and a separate level-of-benefit criterion.

- Decided to retain the approach in the Exposure Draft that identifies several factors that, absent evidence that demonstrates otherwise, provide compelling evidence pointing toward the existence of control and provide a basis for rebuttable presumptions of control.

As noted above, in January 2001 it was determined that there was not sufficient Board member support for some of those factors to proceed to a final Statement on consolidation policy.

Entities with Limited Powers

In the third quarter of 2000, the Board developed a modification to the Exposure Draft's control-based consolidation approach for assessing relationships with entities that have significantly limited permitted activities and powers (the "modified approach"). Under the modified approach, a party that has a financial relationship with an entity would assess whether consolidation of that entity is required by applying the following steps (**Download the Detailed Description of Modified Approach**):

1. The party that has the financial relationship would assess whether the entity is a qualifying special-purpose entity and if the party is the transferor or its affiliate. If so, the consolidation standard does not apply-Statement 140 applies.

2. The party would assess whether the permitted activities and powers of the entity are significantly limited. If not, the modification to the approach does not apply-the party applies the presumptions of control and related guidance of the Exposure Draft.

3. If the permitted activities and powers are significantly limited, the party would assess whether it (by itself or together with its subsidiaries) has a current ability to change the entity's purposes or powers. A party has that ability and would be required to consolidate the entity only if that ability can be exercised either (a) without a further significant cash outlay or investment or (b) with a significant cash outlay or investment that is expected to provide benefits in excess of that further investment.

4. If the party is not required to consolidate under Step 3, the party would assess whether its financial interests in the entity, including the interests of its subsidiaries that have the potential for significant variability in returns, (a) are a significant portion (which need not be a majority) of all such variable interests and (b) are significantly greater than such variable interests held by any other party. If each of those conditions exist, that party would be required to consolidate the entity unless its relationship with the entity provides no voting rights, business relationship, or contractual rights that would provide an ongoing ability to affect the nature, timing, or volume of the entity's operating activities. That is, the party does not have a business relationship, for example, as the entity's principal supplier of or customer for its goods and services, or its manager, sales agent, servicer, or trustee, that would enable that party to affect the limited activities of the entity. A party with no involvement in an entity other than a financial interest in the entity would account for its investment—rather than consolidate the entity.

As noted above, in January 2001 it was determined that there was not sufficient Board member support to proceed to an Exposure Draft to address entities with limited powers.

CONSOLIDATION PROCEDURES

In August 1997, the Board decided to suspend its deliberations of consolidation procedures so that it could focus its efforts and resources on completing the consolidation policy portion of this project. Certain of those issues are being addressed in the projects on liabilities and equity (see **liabilities and equity project**) and the second phase of business combinations. The Board will consider resuming deliberations on other consolidation procedures after completion of consolidation policy.

ATTACHMENT 7

1978 - 1981	AICPA Issues Papers: • *Reporting Finance Subsidiaries in Consolidated Financial Statements* (December 1978) • *Joint Venture Accounting* (July 1979) • *Accounting by Investors for Distributions Received in Excess of Their Investment in a Joint Venture* (October 1979) • *"Push Down" Accounting* (October 1979) • *Accounting in Consolidation for Issuances of a Subsidiary's Stock* (June 1980) • *Certain Issues That Affect Accounting for Minority Interest in Consolidated Financial Statements* (March 1981)
January 27, 1982	Project added to agenda on accounting for the reporting entity, including consolidations, the equity method, and related matters
October 1982	First meeting of Consolidations Task Force
March 1983	SEC Staff Accounting Bulletin No. 51, *Accounting for Sales of Stock by a Subsidiary*—allows guidance of AICPA Issues Paper as interim guidance for public companies until FASB addresses the issue as part of its project
1983 - 1986	Staff research, including interviews with outsiders, and Board deliberations on policy and procedures
December 1986	Issued Exposure Draft, *Consolidation of All Majority-Owned Subsidiaries*
May 18-19, 1987	Public hearings
October 1987	Issued FASB Statement No. 94, *Consolidation of All Majority-Owned Subsidiaries*
1988 - 1991	Staff research, Board deliberations, and task force meeting on policy and procedures and on New Basis phase of project
September 1991	Issued Discussion Memorandum, *Consolidation Policy and Procedures*
December 1991	Issued Discussion Memorandum, *New Basis Accounting*
1992 - May 1993	Staff research, Board deliberations, meeting with task force, and drafting of an Exposure Draft—consolidation policy and procedures
June 8, 1993	Ballot draft of Exposure Draft—insufficient Board support to issue

[1]This timeline does not reflect the Board's project activities leading the FASB Statement No. 131, *Disclosures about Segments of an Enterprise and Related Information.*

July 1, 1993	New members Cope & Foster replace Brown & Sampson
July – August 1993	Reassessment of project plans, decision to include not-for-profit organizations in scope
Sept. 1993 - July 1994	Recommence Board deliberations of issues, retest against cases in DM and test new cases (for NFPs), consider Canadian and then Australian standard as a benchmark for reconsiderations
August 26, 1994	Issued Preliminary Views, *Consolidation Policy*
August 1994 - Feb. 1995	Continue Board deliberations of consolidation procedures and begin analysis of comments on PV document
Mar. - Oct. 1995	Consider comments received on the PV document, meet with task force, reassess project plans and affirm support for proceeding with current scope, commence redeliberations of consolidation policy, and continue deliberations of consolidation procedures
October 16, 1995	Issued Exposure Draft, *Consolidated Financial Statements: Policy and Procedures*
November 1995 - February 1996	Meetings with constituents, visits with "field test" participants, and preparations for public hearings
Feb. 20-21, 26	Public hearings
March - May 1996	Redeliberations to consider comments received leading to May 8 mailing to task force members and public hearing participants
May 22, 1996	Board decides to continue working on the proposed Statement but also announces that it no longer expects to issue a final Statement before June 30, 1996
July 1, 1996	New members Larson & Mueller replace Northcutt & Swieringa
August 1996 - June 1997	Orientation for new Board members and recommence deliberations using the May 8 package as a benchmark, FASB staff also participates in discussions with EITF Working Groups (96-16 and 97-2) considering veto rights of minority shareholders and "acquisitions" of medical entities through contractual arrangements
June 26, 1997	Roundtable discussion with members of Consolidations Task Force, EITF, and EITF Working Groups
July 1, 1997	New Chairman joins Board—Jenkins replaces Beresford
July 15, 1997	Meet with FASAC

July-September 1997	Reassess project plans and whether there is sufficient Board support to proceed with both consolidation policy and procedures. Board decides to focus current efforts on consolidation policy; also decides not to drop procedures from agenda, at this time.
July 23-24, 1997	EITF consensus on Issue 96-16 (Minority Veto Rights), which states that the assessment of whether the rights of a minority shareholder should overcome the presumption of consolidation by the investor with a majority voting interest in its investee is a matter of judgment that depends on the facts and circumstances. The framework in which such facts and circumstances are judged should be based on whether the minority rights, individually or in the aggregate, provide for the minority shareholder to effectively participate in significant decisions that would be expected to be made in the "ordinary course of business." Effective participation means the ability to block significant decisions proposed by the investor who has a majority voting interest.
September - November 1997	Redeliberations use cases to focus on two lingering issues for consolidation policy: (1) whether to add a separate criterion for purpose of inclusion of controlled entity in consolidated financial statements based on a controlling entity's ability to derive *minimum* level of benefits from the activities of a controlled entity; (2) whether certain relationships with limited or special-purpose entities (SPEs) that are not a control relationship (as tentatively defined) nonetheless should lead to inclusion of the SPE in consolidated financial statements for other reasons.
October 21, 1997	Meeting with FASAC
Nov. 20, 1997	EITF consensus on Issue 97-2, "Application of FASB Statement No. 94 *[Consolidation of All Majority-Owned Subsidiaries]* and APB Opinion No. 16 *[Business Combinations]* to Physician Practice Management Entities and Certain Other Entities with Contractual Management Arrangements"
November 1997-March 1998	Staff research and meetings with individual Board members to focus on remaining major issues for consolidation policy including: 1. Clarifying the working definition and characteristics of control of an entity 2. Consider whether to require consolidation of a captive SPE, an SPE established with predetermined and irrevocable policies from which a single beneficiary receives substantially all the "equity-type" benefits

2nd Quarter 1998	1. Discussed (a) a proposed standard that would require a parent to consolidate all entities that it controls unless a parent's control is temporary at the date it is obtained, (b) the tentative definition of control of an entity, (c) the characteristics of control, and (d) related implementation guidance, including cases. 2. Rejected notion of required consolidation of a captive SPE that is not controlled.
3rd-4th Quarter 1998	1. Completed deliberations. 2. Draft of a revised Exposure Draft on consolidation policy sent to task force members for comments. 3. Considered comments of task force members.
1st Quarter 1999	Resumed consideration of certain consolidation procedures issues related to the classification of minority interests in subsidiaries and transactions in subsidiary shares as part of the liabilities and equity project.
February 23, 1999	Issued revised Exposure Draft, *Consolidated Financial Statements: Purpose and Policy* (comment deadline May 24, 1999)
1st - 2nd Quarter 1999	Board seeks additional cases of actual situations involving complex relationships between entities that resulted in or would be likely to result in difficulties under the Revised Exposure Draft. The Board also forms a group of constituent volunteers to test these cases.
June 21, 1999	Test group met to discuss test cases and the application of the Revised Exposure Draft's proposed definition of control.
July 1, 1999	New Board member Trott replaces Anania.
July 20, 1999	Met with FASAC
3rd Quarter 1999-1st Quarter 2000	1. Board considers plan for deliberations on comments received and results of test cases. 2. Board begins redeliberations and reaches the following tentative decisions on major issues: • Decided to retain consolidation based on control and the proposed definition of control

- Decided to retain the approach in the Revised Exposure Draft that identifies factors that provide compelling evidence pointing toward the existence of control and to clarify that those factors provide a basis for rebuttable presumptions of control for entities that do not have significant limits on their activities and powers
- Directed the staff to develop an approach that would identify various other factors that would normally indicate the existence of control
- Eliminated the proposed exception to consolidation when control of a newly acquired subsidiary is temporary at the date of acquisition
- Decided to retain approach in Exposure Draft that identifies several factors that provide compelling evidence pointing toward the existence of control and provide a basis for rebuttal presumptions of control

3. Discussed plans to resume consideration of certain consolidation procedures related to the purchase method of accounting as part of the separate project on business combinations.

September 1999	Issued G4+1 Special Report, *Reporting Interests in Joint Ventures and Similar Arrangments*
2nd Quarter 2000	Discussed special-purpose entities (SPEs) and approved pursuing an alternative approach for assessing a financial relationship with an entity that has activities and decision-making powers that are significantly limited.
July 1, 2000	New Board member Crooch replaces Leisenring
3rd Quarter 2000	Met with working group to discuss a modified approach to control-based consolidation for entities that have significantly limited powers (SPEs). Decided to proceed with that modified approach.
October 2000	Tentative decision to issue two separate documents: (1) a final Statement on consolidation policy that excludes entities whose activities and powers are significantly limited (SPEs) and (2) an Exposure Draft of the modified approach for SPEs.

January 11, 2001	Board determines that there is insufficient support to proceed with a final Statement on consolidation policy or an Exposure Draft of the modified approach.
January 25, 2001	Board member Cope to join the IASB. His resignation from FASB will be effective April 1.
July 1, 2001	New Board members Schieneman and Wulff arrive. The terms of Larson and Mueller end.
September 1, 2001	New Board member Schipper arrives.
November 2001	Board decides to concentrate on developing guidance for dealing with the following: 1. So-called strawman situations 2. Entities that lack sufficient independent economic substance, which includes certain SPEs 3. Convertible instruments and other contractual arrangements that involve latent control 4. The distinction between participating and protective rights An Exposure Draft is planned for the first two situations in the 2nd quarter of 2002 and an Exposure Draft is planned for the following two situations thereafter.