

THE *financial executive's*

PLAYBOOK

YOUR FINANCIAL TEAM'S GUIDE
TO IFRS CONVERSION

SEPTEMBER 23, 2008

YOU'LL LEARN:

- The conditions driving the move to IFRS
- Expectations of when conversion may be required in the U.S.
- The issues companies should be considering now in order to prepare for a smooth transition
- The latest developments in this area

PANELISTS:

- Roel Campos, Partner in Charge, Cooley Godward Kronish LLP and Former SEC Commissioner
- Christine DiFabio, CPA, VP of Technical Activities, Financial Executives International (FEI)
- Victoria Harker, EVP and CFO, AES

HOSTED BY MORGANFRANKLIN

AGENDA

11:30am–Noon	NETWORKING
Noon–2:00pm Moderator Welcome Panel Discussion Q&A	LUNCH AND PROGRAM Christopher Mann —Managing Director, MorganFranklin Corporation Roel Campos —Partner in Charge, Cooley Godward Kronish LLP and Former SEC Commissioner Christine DiFabio, CPA —VP of Technical Activities, Financial Executives International (FEI) Victoria Harker —EVP and CFO, AES Audience

CHRISTOPHER MANN



Christopher Mann plays a key role in the service delivery and continued growth of MorganFranklin’s Financial Advisory activities in both the commercial and government sectors. Mann brings over 15 years of professional experience to MorganFranklin.

Prior to joining MorganFranklin, he spent a total of 12 years with PricewaterhouseCoopers LLP. Most recently, he served as a director in the Advisory Practice of PwC, focused primarily on initiatives to improve the finance and accounting functions of his clients, which included numerous Fortune 500 organizations across multiple industries. Mann was previously a senior manager in PwC’s Assurance Practice, where he supervised the financial statement audit process for both publicly traded and privately held companies. Mann also spent over three years at Convera Corporation, a publicly traded software company, where as CFO he oversaw the finance, accounting and legal organizations, as well as investor relations.

Mann holds a B.S. in accounting from University of Maryland. He is a Certified Public Accountant since 1990, and is licensed in Maryland and Virginia.



ROEL CAMPOS

Roel Campos is the partner in charge of Cooley Godward Kronish's Washington, D.C. office. He is a member of the Litigation Department and joined the firm in 2007.

Mr. Campos' practice consists of advising corporate management teams and boards of directors with respect to enforcement, internal investigations, prosecutions, securities and international regulation, and corporate governance. Mr. Campos is a highly sought after orator and regularly serves as lead speaker for prestigious legal and business conferences around the globe.

Prior to joining Cooley, Mr. Campos was a Commissioner of the Securities and Exchange Commission. He was sworn in as a Commissioner of the SEC on August 22, 2002. On June 2, 2005, he was nominated by President George W. Bush for a second term, and was confirmed by the United States Senate on July 29, 2005.

Mr. Campos served for four years as the Commission's liaison to the international regulatory community. During his time at the SEC, Commissioner Campos became one of the best known regulators in the world. As the Vice Chair of the Technical Committee of the International Organization of Securities Commissioners, he developed productive relationships with securities regulators in Europe, Asia, Australia, and Latin America. Mr. Campos also facilitated the development of international auditing and accounting standards through his work as Chair of the Monitoring Group, which oversees the setting of International Standards of Audit.

Mr. Campos presided over hundreds of complex enforcement cases, applying the Securities Act of 1933, the Securities Exchange Act of 1934, the Investment Company Act of 1940, and the Investment Advisers Act of 1940. He also has extensively participated in the crafting and adoption of all of the SEC's major regulatory initiatives, including: the Sarbanes-Oxley Act, mutual fund governance and compliance rules, and the new National Market System. In addition, Mr. Campos has spoken and published extensively in the areas of the implementation of the Sarbanes-Oxley Act, corporate governance, director liability, corporate penalties, international accounting and auditing standards, Securities Act reform, SRO and market reform, retirement investment protection, research analyst conflicts, and internationalization of securities markets.

Prior to being nominated to the Commission, Mr. Campos was one of two principal owner-executives of El Dorado Communications, a radio broadcasting company, at its headquarters in Houston, Texas. However, he began his career as an officer in the U.S. Air Force. After attending Harvard Law School, he worked in Los Angeles, California for major law firms as a corporate transactions/securities lawyer and litigator. Beginning in 1985, Mr. Campos served as a federal prosecutor for five years in the U.S. Attorney's Office in Los Angeles. He successfully prosecuted complex and violent narcotics cartels and, in a celebrated trial, convicted defendants for the kidnapping and murder of a DEA Agent. He also investigated and prosecuted major government contractors for fraudulent conduct. He then returned to private law practice for several years before co-founding El Dorado Communications, Inc.

Mr. Campos has been recognized as one of the top Latino leaders in America. He is a founding member of the New America Alliance, a Latino initiative for raising awareness of investment opportunities in the Latino sector in the United States.

Mr. Campos earned his J.D. from Harvard Law School in 1979, his M.B.A. from UCLA in 1972, and in 1971 earned his B.S. from the U.S. Air Force Academy.

CHRISTINE DIFABIO

Christine DiFabio joined Financial Executives International (FEI) as Director of Technical Activities in August of 2001. She was promoted to her current position as Vice President in January 2008. FEI is the professional association of choice for senior-level corporate financial executives and the leading organization dedicated to advancing ethical, responsible financial management. Serving 15,000 members from all industries, the global association is a proactive advocate, working with regulators and legislators on behalf of the membership.

As Vice President, Technical Activities, Christine oversees all advocacy and technical committee efforts at FEI. This includes supervisory responsibility for FEI's Washington DC office. Christine is the primary FEI contact for interaction with the Securities and Exchange Commission (SEC), the Financial Accounting Standards Board (FASB), the Public Company Accounting Oversight Board (PCAOB), and the International Accounting Standards Board (IASB). She is also the primary staff liaison for FEI's National Committee on Corporate Reporting (CCR). CCR members are traditionally Corporate Vice

Presidents and Controllers of large publicly traded companies. CCR reviews and responds, as appropriate, to statements, pronouncements, pending legislation, proposals, etc., from domestic and international agencies and organizations.

Christine began her career in public accounting in 1996 with Ernst & Young, LLP. Immediately prior to joining FEI, she was a manager in corporate accounting for AT&T Corporation.

Christine holds a bachelor's degree in accounting from Fairfield University in CT. She is a licensed Certified Public Accountant in New Jersey, and resides in East Brunswick, NJ with her husband Marc, and two children.

VICTORIA HARKER

Victoria Harker is Executive Vice President and Chief Financial Officer of AES. Victoria joined AES in January 2006.

Prior to AES, Victoria held various senior management positions with MCI, Inc., including Acting Chief Financial Officer, Senior Vice President of Corporate Finance and Treasurer. In addition, she served as Chief Financial Officer of the \$15 billion MCI Group, a publicly traded unit of WorldCom Inc., from 1998 to 2000, and oversaw a variety of finance, information technology and operations responsibilities during her fifteen-year tenure at MCI. She also served as a Financial Manager with the Washington, D.C. law firm Arnold & Porter, LLP.

She holds a BA in English and Economics from the University of Virginia and an MBA in Finance from American University (Washington, D.C.).





IFRS READINESS AND CONVERSION SOLUTIONS

Turning tomorrow's compliance requirement into today's growth opportunity.

Competing effectively in global markets requires knowledge of culture, customs, and countless “new rules” for doing business. For public company CFOs, staying competitive also requires quality and integrity in financial reporting and in communication with potential investors, shareholders, and regulators. Demand has hit critical mass for adoption of internationally accepted and principles-based standards for communicating corporate financial health. The trend toward IFRS in the U.S. and abroad is irreversible.

MorganFranklin helps clients build strategies and transition plans to aid in a smooth, affordable conversion to IFRS.

SEE THE OPPORTUNITY

The motivations for conversion to IFRS are numerous: stay competitive in global capital markets, streamline and reduce the cost of reporting, easily compare operations with competitors, make better decisions by utilizing standardized data, and more.

We believe that it is wise to look at conversion as an investment opportunity—one that provides a beneficial return. How do you seize opportunities from IFRS? Rather than viewing conversion as a compliance-driven accounting exercise, you can learn the implications for improvements in process, technology, and people, and be prepared to make the changes needed to extract maximum value from your investment in IFRS.

Conversion should not be a hurried, disruptive effort. Instead, it should be a strategic initiative that ensures a smooth transition while also driving process and performance improvement. Companies that recognize this opportunity and respond positively are more efficient and more attractive to stakeholders.

MorganFranklin works with clients to implement a “value-driven” strategy and plan for IFRS conversion. Together, we find ways to improve your business by:

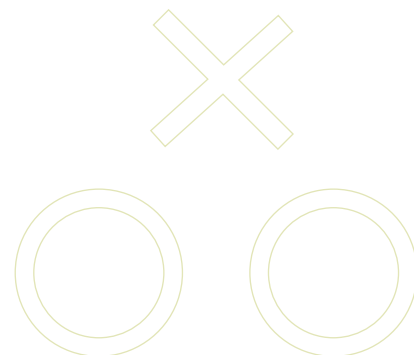
- Streamlining closing and reporting processes
- Exploring shared-service finance centers and outsourcing
- Tapping capabilities of existing IT investments
- Training early to create “trained trainers”
- Preparing a strong communication program around your conversion
- Considering ways to add additional, perhaps non-financial, reporting or disclosures to improve quality
- Monitoring competitors' conversion projects to help deliver comparable reporting to investors

Delivering on the Benefits of IFRS:

- One Global Language for financial reporting
- Applying broad principles to financial decisions, not restrictive rules
- Reduced reporting costs
- Reduced complexity
- Providing investors with an accurate financial picture
- Clear basis for management decisions
- Valid industry comparisons
- Improved access to foreign capital markets
- Showing commitment to transparency
- Global visibility and awareness
- Clear picture of financial health

Sample Clients:

- Software AG
- BT Americas
- FTI Consulting
- IMF
- Nortel Government Solutions
- SFA





PLAN WELL, GET MAXIMUM VALUE WITHOUT DISRUPTION

Conversion to IFRS will no doubt present challenges, but with proper planning and sufficient implementation time, we believe that it is a manageable project. IFRS conversion will impact a wide range of systems and controls, the need to train and hire new resources, and many other areas. MorganFranklin helps clients anticipate and eliminate conversion obstacles while remaining focused on the factors that will ultimately improve their businesses. Some of these challenges include:

- Change of mindset and re-education: principles vs. rules-based standards
- Changes in process, controls, and information gathering requirements
- Changes in accounting systems
- Accurate budgeting for the cost of conversion
- Maintaining compliance with SOX
- Anticipating demands to avoid disruptions
- Communicating with the shareholders, potential investors, and regulators

CHOOSE MORGANFRANKLIN

MorganFranklin provides comprehensive solutions to companies striving to make the most of their investment in IFRS. Since conversion is an enterprise initiative, we go beyond pure accounting expertise. Our IFRS conversion teams are comprised of experts in process improvement, systems implementation, risk and control, business intelligence, and project management. Our services include:

- Analysis of IFRS pronouncements and their impact on reported results
- Cost-Benefit Analysis and business case development of transition to IFRS
- Gap Analysis to determine level of effort, budget requirements, timelines, and expected impact on people, process, and technology
- Communication strategies to educate investors and other stakeholders on how IFRS impacts your financial reporting
- Management and staff training
- Identification of performance improvement opportunities, including the centralization of accounting functions across business units
- Internal control evaluation and documentation to maintain SOX compliance

For 10 years, we have helped domestic and international public companies tackle global reporting challenges. In addition to an extensive track record in helping companies with IFRS conversion, we have significant experience working with executives on finance, operations, and IT transformation. All of this adds up to a team that you can count on to help focus on the details and see the big picture opportunities of your IFRS conversion objectives.

Sample Self-Assessment:

POTENTIAL CONVERSION AREAS	APPLY
Financial Statement Presentation IFRS differs in several respects from U.S. GAAP	
Contract Accounting IAS 11 does not allow Completed Contract Method	
Multiple Element Arrangements IFRS requires different allocations from U.S. GAAP	
Service Contracts Revenue Percentage of completion vs. proportional performance or straight-line	
Business Combinations Current rules differ from IFRS 3 and FAS 141 (FAS141R—Effective 09)	
Share-based Payments FAS 123R differs in several respects from IFRS 2	
Defined Benefits Plans Certain differences exist	
Leases U.S. GAAP is more rules-based as to when to capitalize	
PP&E IFRS estimates of useful lives are reviewed and changes are made each year-end	
Impairment Analysis of Intangibles IFRS uses different methodology and allows for reversals	
Debt vs. Equity Differences exist between IFRS and U.S. GAAP in terms of classifications	
Disclosures There can be significant differences in requirements	



VIVE LE GAAP

Despite regulators' swift move toward international accounting standards, the U.S. rules won't be disappearing from American companies' books anytime soon.

*Sarah Johnson, CFO.com | US
September 11, 2008*

Advocates of moving the United States toward international accounting standards say the switchover from GAAP let investors more easily compare U.S. and international companies and put all companies worldwide on a level playing field. Plus, they claim, the elimination of GAAP will put an end to accountants' years of confusion over lengthy, unwieldy rules. However, that day, if it comes, is a long way off even if the Securities and Exchange Commission plunges forward with plans to require all U.S. publicly traded companies to use international financial reporting standards by 2016 at the latest. The term "generally accepted accounting principles" and the metrics and ratios it generates are embedded in many places outside of SEC regulations, including state rules, tax policies, and companies' own contracts with their employees and lenders.

"People running their numbers under GAAP are going to keep doing that for some time," says Amy Greer, a partner in Reed Smith LLP's securities and litigation enforcement group. She adds that the largest of U.S. companies, which may be able to use IFRS for their SEC filings as early as next year, will still have to reconcile their financial results with GAAP as other areas of the U.S. financial reporting system play catch-up to the regulator.

Furthermore, even smaller companies, which will have a longer lead time before they must begin using IFRS, need to begin thinking how the movement toward the international rules will affect them, experts say. For now, they suggest that all companies at least compare how their GAAP-prepared financial statements will differ under IFRS. **"It's important for companies of all sizes to really begin to think long and hard about the ramifications and implications of IFRS on their business, both from a pure accounting and reporting standpoint and an operational standpoint,"** says Chris Mann, a managing director in the financial advisory practice of consultancy MorganFranklin.

In part that means keeping in mind how the accounting changes could affect long-term projects, such as contracts being negotiated now that will terminate in 10 years. After all, "just about every significant commercial agreement, such as bank loan agreements and merger documents, contain the

requirement that financial statements are prepared in accordance with generally accepted accounting principles," notes John Rodney, a partner with Thorp Reed & Armstrong LLP's business practice group. As for existing contracts, experts say companies will need to review them and consider whether they need to be renegotiated. Their terms could be changed to say "international financial reporting standards" will be used, or there could be a new line of text saying the company is considering whether to change its method of accounting. Promises made in the agreements, such as a debt-to-cash flow ratio, may have to be adjusted to make up for the differences between GAAP and IFRS.

Indeed, companies will need to reset their debt covenants if the international standards give them a materially different result, says Rachel Rawson, a partner in Jones Day's banking and finance practice. On the other hand, they could provide lenders with a GAAP-reconciled report after making an IFRS-prepared filing with the SEC.

Still, despite the SEC's enthusiasm for IFRS, and that of the large multinationals eager to eliminate their GAAP-filing requirements, the U.S. rules are not going anywhere anytime soon. "The most important thing is assuring the transparency and comparability for investors, and the fact is that the investor piece of that will require that GAAP be around for several years following a mandatory transition date," Greer says. "And we're not looking at a mandatory transition date until 2014 at the earliest."

CFO.com

FOCUS: FINANCE

Ready for accounting's new world order? International standards are coming to the U.S. Here's how it will change everything you do—and how to prepare for the big shift.

By Marine Cole
September 1, 2008

U.S. generally accepted accounting principles and international accounting standards are on a collision course. And though the date of ultimate impact is years off, experts say it isn't too early for U.S. corporations to begin thinking about how they will tackle the transition and, more importantly, how it will impact all aspects of their businesses.

Some areas of operation will get the full jolt of convergence, while others will feel only a tremor. To figure out how the transition plays out will be roughly a four-step process: an assessment of the impact on a company's business; planning for conversion; the actual conversion; and finally the post-conversion phase to measure its success.

The difficulty of this process will vary among companies, since some already have experience with international accounting standards. In particular, large corporations with overseas subsidiaries have been using the international financial reporting standards, or IFRS, although they have had to reconcile them with U.S. accounting standards, or GAAP. But small to mid-size companies that operate exclusively in the U.S. will be dealing with IFRS for the first time.

Regulators such as Securities and Exchange Commission chairman Christopher Cox have been extolling the virtues of convergence to investors and analysts, telling them a common standard of reporting will allow for easier comparisons of issuers' disclosures and results.

But proponents of the move to IFRS have been less outspoken about its impact on U.S. companies. The primary benefit touted for corporations is that it will make them more competitive with international companies in the quest for investors' attention and dollars because comparisons will be easier. But whether

that will outweigh the significant cost in transitioning to IFRS is unclear.

To decide if becoming an early adopter of IFRS makes sense, companies should start by assessing the impact the move would have on their business. Indeed, although at first sight the task at hand could be seen as a mere swap of one set of accounting standards for another one, the transition to IFRS will have a much larger impact on the overall business of a company.

"It's an accounting exercise, but you quickly learn it's much more significant," said Lisa Filomia-Aktas, partner and practice leader for the financial services accounting advisory group at Ernst & Young. "It impacts just about any area of your organization."

So while the shift will be most forcefully felt by functions closely tied to accounting such as tax and audit, others, such as information technology, treasury, contractual arrangements, corporate communications and even human resources, will feel their worlds move too. Here's how it'll all shake out:

AUDIT

Audit committees will be the most impacted by the move to IFRS, since they are so entwined with the duties of accounting departments. The most obvious change is that they'll have to adapt to auditing the new financial statements under IFRS.

They'll also be auditing the actual transition process from U.S. GAAP to IFRS, when both systems will be used in parallel. Like accountants, they will be forced to learn a whole new set of accounting principles and identify the key differences between U.S. GAAP and IFRS.

Additionally, auditors will be forced to adapt their professional judgment under IFRS accounting. IFRS follows a

different philosophy, focusing more on a principles-based approach as opposed to the rules-based approach under U.S. GAAP. It means the audit committee will work in even closer cooperation with the accounting department to make sure they interpret the new standards in the same fashion and to establish how they implement them internally.

In moving to IFRS, audit committees also can't lose sight of maintaining internal controls and disclosures. In some cases, they'll need to adjust performance targets based on metrics affected by the new accounting standards. Overall, they'll be one of the main bodies within an organization to work closely with management and try to assess the impact of the transition on business.

TAXES

Things don't get much easier for tax departments. Statutory reporting to the Internal Revenue Service is based on a different set of accounting standards than GAAP or even IFRS, but tax filings still use financial results. A switch in accounting standards means financial statements and results will look different. Therefore, if pretax earnings change, the taxes a business owes as well as deferred taxes will be different under IFRS.

The accounting rules for income taxes will also change. FAS 109, the U.S. rule, and IAS 12, the IFRS standard to account for income taxes, are similar in many ways since they both require entities to account for both current taxes and deferred taxes using an asset and liability approach. But important differences remain.

For instance, under IFRS, stock option expenses will have to be assessed based on the share price at each reporting date as opposed to the fair value of the shares on the date the options were granted. Since the numbers will

undoubtedly change, tax professionals within companies should get ready for more volatility in current as well as deferred taxes.

“Explaining that volatility and its potential impact [to employees, investors and analysts] is an important part of the process of digging into this early,” Jamey Shachoy, chief tax officer at Accenture, said during a KPMG webcast in June on tax considerations when converting from U.S. GAAP. “It’s important for tax departments to be in there now.”

But he added that it won’t be the first time that tax departments will have to deal with daunting projects. In the past few years, they have had to adapt to Sarbanes-Oxley, to new IT systems such as enterprise resource planning, and to FIN 48, which has forced tax departments to document and track tax positions in a more detailed way.

Companies will have to reconcile tax accounting with accounting under IFRS, but that won’t be a dramatic change since they already have to do it between tax accounting and U.S. GAAP.

CONTRACTS

Companies will also need to review all contracts based on financial results, such as debt agreements and financial covenants. If the amount of equity diminishes under IFRS, it may affect debt ratios, for instance, and companies could even find themselves in violation of some covenants if they haven’t worked out new targets or modified the language ahead of time with their lenders.

“[If I’m a CFO] I need to get in touch with lenders and start working on revisions so they’re still apples to apples,” said Bob Dohrer, partner and practice leader at RSM McGladrey, an accounting, tax and business consulting firm. Experts note that some rental agreements may also be based on financial metrics and shouldn’t be overlooked.

Compensation of high-level executives is often based on financial results too, and should be updated accordingly. Sales managers, for instance, with

incentives tied to the number or the amount of sales they make might require revisions, since the way revenue is being recognized will change.

Mr. Dohrer noted that the change in revenue recognition standards will especially impact the software industry, for example. “Typically, the revenue amount under IFRS principles would tend to be in the 5% to 10% range or greater for recognition,” he said.

Microsoft is already anticipating the impact this rule and transitioning to IFRS will have not only on compensation but on the business as a whole.

Bob Laux, senior director of financial accounting and reporting at Microsoft, said during a roundtable on IFRS organized by the SEC at the beginning of August that the company discovered early in the assessment process that it will have to develop controls of its own to communicate to business units how to apply the more principles-based international standards for revenue recognition.

The fact that IFRS relies more on principles than on rules could also lead to more judgment calls, which in turn could increase the number of complaints from shareholders, for instance, over whether the company applied the new standards in the right way, reckons Chris Mann, managing director at consulting firm MorganFranklin. “It could raise the bar for lawsuits,” he said.

TREASURY

The amount of cash available to a company may change as a result of the accounting rules. For one, under IFRS, off-balance-sheet vehicles need to be consolidated, which could raise the required regulatory capital for some industries, especially financial ones, which means that companies may need to modify their cash management and even their funding strategies. Additionally, since the rules for hedge accounting are different under IFRS, companies may want to revisit hedging strategies as well.

SYSTEMS AND PEOPLE

IFRS will hit companies even on the human resources level, as they will need employees properly trained on the ins and outs of the new standards either by providing continuing education or by hiring new employees with knowledge of IFRS. Any new training will of course take time away from normal duties. Companies need to be careful of the impact of the conversion on employees’ morale as well.

“There may be many personnel that view the change to IFRS as being new and exciting,” Mr. Dohrer of RSM McGladrey said. “There will perhaps be an equal number of situations where people may not want to adapt to the new situation. I wouldn’t be surprised if there’s a little bit of attrition.”

The IT department will be in charge of making sure that all the systems and software are updated to support IFRS as well as to support the transition period when both IFRS and U.S. GAAP will be used.

“Clearly, this is something where you need the CIO at the table to discuss what needs to be done to get through this process,” said Mr. Shachoy of Accenture.

Corporate communications will tie together all the efforts within the company by keeping employees informed about the different stages of conversion and by reaching out to current stakeholders, potential investors and even analysts to inform them of impacts on the company to avoid disappointments on Wall Street.

Companies face a long road toward the transition to IFRS and ultimately complete convergence. Experts agree that although companies have many questions related to IFRS, at least the large ones are on the right track when it comes to awareness.

“Most companies are in the midst of doing a proper impact assessment,” said Ms. Filomia-Aktas of Ernst & Young. “They’re clearly evaluating the key differences, and what that means to financial results, and what it means to their business.” FW

FEI ANNOUNCES FORMATION OF CORPORATE ROUNDTABLE ON INTERNATIONAL FINANCIAL REPORTING (CRIFR)

PRNewswire
FLORHAM PARK, N.J.



FLORHAM PARK, N.J., June 5 /PRNewswire/ -- Financial Executives International (FEI), the preeminent association for financial executives, today announced the formation of a new national coalition, the Corporate Roundtable on International Financial Reporting (CRIFR). The coalition will provide a forum for companies of all sizes and funding models to discuss all business issues related to the promulgation, implementation and convergence of International Financial Reporting Standards (IFRS) by U.S. companies.

Formally unveiled at today's FEI 2008 Global Financial Reporting Convergence Conference in New York City, the goal of CRIFR will be to facilitate dialogue on a broad range of issues surrounding IFRS, including (but not limited to) implementation and transition issues related to systems requirements, training, standards setting and reporting.

"It is clear that IFRS is coming and it will soon have a major impact on the U.S. financial community," said Christine DiFabio, FEI Vice President of Technical Activities. "However, many aspects of convergence of U.S. GAAP with international standards require further debate. Our members strongly feel that implementation and operational considerations are critical in the adoption of these practices, and CRIFR is committed to working with standard setters and other government policymakers on the business issues and challenges that face U.S. companies in relation to moving from GAAP to IFRS."

CRIFR initially consists of an alliance of corporate senior executives with a major responsibility for IFRS implementation, as well as thought leaders from business associations. CRIFR's Charter Members include: FEI, Eli Lilly, Honeywell, McGraw-Hill, Source Technologies, SMSC and Tyco.

"Honeywell International recognizes the concerns facing U.S. companies in convergence with IFRS, and we are proud to be a charter member of this highly-anticipated coalition," said Paul Cienki, Vice President, Government Accounting & Compliance at Honeywell International. "FEI has clearly been at the forefront of raising visibility around IFRS in the financial community, and we look forward to working closely with FEI's leadership and legislators to assist in the seamless convergence for U.S. companies in the coming months and years."

"Despite its present size and not unlike other larger scale multinational companies, SMSC faces many of the challenges and complexities of any U.S. public enterprise conducting business internationally," said Joseph S. Durko, Vice President, Corporate Controller & Chief Accounting Officer of SMSC. "Given our industry and business model, we conduct a significant portion of our business in the international arena. We expect the convergence with IFRS to impact us and our peers as significantly as it will larger scale corporations. SMSC is very pleased that FEI has recognized this in establishing the CRIFR, and we are honored to participate and help represent the interests of emerging growth companies in this forum."

According to FEI's DiFabio, "we are looking to grow the size and breadth of CRIFR in the coming months and welcome additional interested members." For more information on or to join this Corporate Roundtable contact Matt Miller, FEI's Director of Tax & Economic Policy in the Washington, D.C. office at mmiller@financialexecutives.org.

About FEI

Financial Executives International is the leading advocate for the views of corporate financial management. Its 15,000 members hold policy-making positions as chief financial officers, treasurers and controllers. FEI enhances member professional development through peer networking, career management services, conferences, teleconferences and publications. Members participate in the activities of 85 chapters, 74 in the U.S. and 11 in Canada. Visit <http://www.financialexecutives.org/> for more information.

SOURCE: Financial Executives International

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SEC VOTES TO RELEASE ROADMAP FOR ADOPTION OF IFRS

August 27, 2008
FEI Summary

In an open commission meeting today, the U.S. Securities and Exchange Commission (SEC) voted unanimously to issue for comment a proposed roadmap for the potential use by U.S. issuers, for purposes of their filings with the SEC of financial statements prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The SEC also considered three issues related to foreign private issuers at today's meeting.

Additionally, this meeting was the first full meeting of all five commissioners, including the newest Commissioners Troy Paredes and Luis Aguilar.

Key messages of the meeting included the need for a high-quality global set of accounting standards that will, as noted by SEC Chairman Christopher Cox, converge the "language of business and finance" and improve investor confidence in global markets through improved comparability and efficiencies. IFRS as issued by the IASB is being judged as that high-quality set of standards. Chairman Cox noted that there are several key success factors in using a global set of accounting standards:

- The standards must be crafted in the interest of investors;
- The standards-setting process must be transparent;
- The standards-setter must be independent;
- The standards-setter must be accountable; and
- All stakeholders must participate in the standards-setting process.

The SEC noted that this proposed roadmap has been developed by considering the feedback received from its 2007 concept release on the subject, as well as from the many roundtables the SEC has held since March 2007, and its efforts in meeting with key stakeholders during this time. All commissioners emphasized that this proposal has been a very significant undertaking for the commission and applauded the efforts of the staff.

The SEC will issue the proposed roadmap for a 60-day comment period upon posting in the Federal Register.

The proposed Roadmap includes the following key dates to be considered:

Mandatory adoption of IFRS in 2014. The proposal considers whether this should be staged from 2014 to 2016 depending on the company size (large accelerated filers – 2014; accelerated filers – 2015; non-accelerated filers – 2016).

- Considerations for early adoption on an optional basis for a limited group of U.S. filers. As proposed early adoption would be permitted for periods ending after 12/15/09. (Filings in 2010.)

- o Early adoption is being considered for a limited number of eligible companies with the end goal of allowing this only if early adoption enhances the comparability of information for investors.
- o Eligibility will be evaluated based on industry (determined by SIC codes) and company size (based on market capitalization).
- In 2011, the commission will evaluate progress on the milestones and make a decision as to whether to move ahead with the mandatory requirement to adopt IFRS in a future year (2014 or a subsequent time or not at all).

The release is broken into several sections for consideration:

- Key milestones and dates;
- Improvement in accounting standards and accountability and funding of the International Accounting Standards Committee Foundation (IASCF);
- Improvement in the ability to use interactive data with IFRS;
- Education and training efforts for IFRS;
- Limited early adoption of IFRS;
- Anticipated timing of future rulemaking; and
- Potential implementation of mandatory adoption of IFRS and whether this should be sequenced over several years.

As noted above, the ability to early-adopt IFRS by a limited number of U.S. filers will be based on industry (determined by SIC codes) and company size (based on market capitalization), and the overall use of IFRS within that industry. The proposal includes a procedure for companies that are within the largest 20 companies (based on market capitalization) on a global market basis in their industry to be able to obtain a letter of "no objection" from the Division of Corporation Finance to permit them to early adopt IFRS. Additionally, in order for an individual industry to qualify for early-adoption IFRS reporting must already be in use by a majority of those 20 companies on a global basis in their industry. The SEC has estimated that based on these criteria approximately 110 U.S. companies in 34 industries would be eligible for early adoption, representing approximately 14 percent of total U.S. market capitalization.

Additionally, the proposal will provide two alternatives for comment on "how" a company would early adopt. The commission will choose one of these methods for early adoption based on comments received.

- Alternative A would be consistent with IFRS 1, the standard for first time adoption of IFRS, and would require one year of audited reconciliation from U.S. GAAP to IFRS.
- B would require three years of unaudited reconciling for the same three years as the audited financial statements included in the SEC filing



Additional discussion points of note:

- Converged Accounting: Status of the updated IASB/FASB work plan for accounting convergence, which will be released shortly and will provide for converged and identical standards from the IASB and FASB in seven key subject areas (including revenue recognition) by 2011. All agreed that the execution of this plan is critical in moving convergence forward.
- LIFO Accounting: Staff indicated that the IRS is developing options for how to manage the fact that IFRS does not permit LIFO accounting.
- Need for a mindset change and the use of professional judgment in moving from U.S. GAAP to IFRS.
- The need to work with various state and federal regulators to identify and rectify contractual references to “prepared in accordance with U.S. GAAP.”
- Identified the need for proper education and training in IFRS as critical to a successful process. This is education for all stakeholders in the process.
- Some commissioners also noted that companies need to consider and plan appropriately because the commission could decide in 2011 not to move forward with mandatory adoption.

Other Meeting Items of Note:

Additionally at the meeting today, the commissioners unanimously approved moving ahead with the following three items related to Foreign Private Issuers.

- The commission approved adopting amendments to its rules regarding the circumstances under which a foreign private issuer is required to register a class of equity securities under Section 12(g) of the Exchange Act.
- The commission approved adopting amendments to the forms and rules applicable to foreign private issuers that are intended to enhance the information that is available to investors.
- The commission approved adopting revisions to the current exemptions for cross-border business combination transactions and rights offerings to expand and enhance the usefulness of the exemptions, and to adopt changes to the beneficial ownership reporting rules to permit certain foreign institutions to file reports on a shorter form.

Prepared Aug. 27, 2008 by Christine DiFabio, Vice President, Technical Activities, Financial Executives International (FEI). This summary does not represent FEI opinion unless specifically noted above.

