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FASB Education Session March 10, 2010

IASB agenda reference **2**

FASB memo reference **89**

Project	**Financial instruments with characteristics of equity**
Topic	**Broad Questions**

Introduction

1. Appendix A of this paper provides a summary of decisions reached to date organized in Exposure Draft/Proposed Accounting Standards Codification Update headings. Although the Appendix is organized as if it were a standard, it is not a staff draft. We expect to improve the wording and to try to identify broad principles to describe the boards' decisions. We are providing the summary to the boards to refresh their memories on the decisions made to date and to demonstrate how the decisions would be organized in a document issued for comment.

2. In summarizing the decisions made to date, we have identified a few other issues that we believe should be resolved prior to issuing the proposed guidance. At the March meeting, we will ask the boards to address those issues. Those issues primarily relate to:

    (a) Derecognition requirements for when an instrument is settled, converted, expires, or is modified

    (b) Reassessment of classifications and how to account for reclassifications

    (c) Economic compulsion

    (d) Interaction with the fair value option

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(e) Scope exceptions and additions

(f) Transition requirements

(g) Disclosures

(h) Comment period and balloting.

3. We previously issued papers related to derecognition requirements and economic compulsion. The papers that address those issues have been reissued for this meeting as Agenda Paper 2A/FASB Memo 90 and Agenda Paper 2B/FASB Memo 91.

Derecognition Requirements

4. An instrument or a component of an instrument may cease to exist due to any of the following events:

(a) Settlement by delivery or receipt of assets according to its terms or by negotiation between the parties

(b) Settlement by issuance or receipt of equity instruments according to its terms or by negotiation between the parties

(c) Settlement by issuance or receipt of other liability instruments

(d) Expiration according to its terms or forgiveness by the entity or the counterparty.

5. When an instrument is settled, converted, or expires for any of the reasons above, the old instrument should be completely removed from the books. The next question is, if the instrument is exercised, converted, or otherwise results in a new instrument or component, how should the new instrument or component be initially measured?

6. The examples below and Tables 1, 2, and 3 illustrate the following two alternatives, each of which raises additional questions:

(a) **Alternative 1**—Record the issued shares at book value of the old equity instrument (the call option in this example) plus cash received.

(b) **Alternative 2**—Record the issued shares at their fair value[1]

Table 1—Accounting for a Physically Settled Written Call Option

An entity issues a written call option for 100,000 shares of common stock for a premium of CU350,000. The option, which expires at the end of the period, has an exercise price of CU40 per share. The option has a fair value of CU450,000 on the expiration date and is exercised at that time.

	Alternative 1	**Alternative 2**
Record issuance of option	DR Cash CU350,000 CR Equity CU350,000	DR Cash CU350,000 CR Equity CU350,000
Record exercise of option	DR Cash CU4,000,000 DR Equity CU350,000 CR Stock CU4,350,000	DR Cash CU4,000,000 DR Equity CU350,000 DR ???? CU100,000 CR Stock CU4,450,000

The CU100,000 in Alternative 2 represents the dilution of shareholders' interests caused by the derivative classified as equity. The next section of this paper provides the boards with some alternative accounts that could be debited.

Table 2—Share-Settled Convertible Debt

An entity issues CU1,000,000 of debt that gives the holder the option to convert into 1,100 shares (conversion price is CU909 a share). The instrument matures on 1/1/X2. On 1/1/X2 the price is CU1,100 a share. The holder chooses to convert the instrument.

	Alternative 1	**Alternative 2**
At inception (1/1/X1)	DR Cash CU953,000 CR Liability CU862,000 CR Equity CU91,000	DR Cash CU953,000 CR Liability CU862,000 CR Equity CU91,000
At end of Year 1 (12/31/X1)	DR Expense CU138,000 CR Liability CU138,000	DR Expense CU138,000 CR Liability CU138,000
Upon	DR Liability CU1,000,000	DR Liability CU1,000,000

[1]There is a third alternative, which is to record the issued shares at the fair value of the old equity instrument plus the cash received. However, this alternative is not presented in this paper because it raises more issues than it resolves.

exercise (1/1/X2)	DR Equity CU91,000 CR Stock CU1,091,000	DR Equity CU91,000 CR ???? CU 9,000 CR Stock CU1,100,000

Under Alternative 1, in this example the amount that is credited to common stock is simply the sum of the liability and equity components upon settlement. Under Alternative 2, the CU9,000 does not represent the change in the debt's fair value as the CU100,000 in Table 1 does for the option. Interest has been accreted on the liability component of the bond and has already been reported in comprehensive income. The CU9,000 can be viewed as a loss that should be included in earnings and in the EPS calculation. If the boards choose Alternative 2, they will have to decide what account should be credited.

Table 3—Cash-settledConvertible Debt

An entity issues CU1,000,000 of debt that gives the holder the option to convert into 1,100 shares (conversion price is CU909 a share). The instrument matures on 1/1/X2. On 1/1/X2 the price is CU800 a share. The holder chooses not to convert the instrument.

	Alternative 1	**Alternative 2**
At inception (1/1/X1)	DR Cash CU953,000 CR Liability CU862,000 CR Equity CU91,000	DR Cash CU953,000 CR Liability CU862,000 CR Equity CU91,000
At end of Year 1 (12/31/X1)	DR Expense CU138,000 CR Liability CU138,000	DR Expense CU138,000 CR Liability CU138,000
Upon exercise (1/1/X2)	DR Liability CU1,000,000 DR Equity CU91,000 CR Cash CU1,000,000 CR ???? CU 91,000	DR Liability CU1,000,000 DR Equity CU91,000 CR ???? CU 91,000 CR Cash CU1,000,000

In this example the CU91,000 difference exists under both Alternatives 1 and 2. In the previous example (stock-settled convertible debt) a difference did not arise under Alternative 1 because the credit to stock is a plug. In cash-settled convertible debt, the credit (the cash payment) cannot be plugged. Under both alternatives, the boards will have to decide what account should be credited for CU91,000.

7. The convertible debt examples used in this paper are oversimplified. The issue gets more complicated if the debt is convertible on more than one date, for example, between years 3 and 5. In this case, it is our understanding that under IFRS the debt component would be accreted over a five-year period. (We do not

think that current U.S. GAAP is clear on this issue.) If the instrument is converted at year 3 and it is not fully accreted, a bigger difference would arise under all three alternatives in Table 3. The difference is attributable to two issues in this example: (a) the option is not measured at fair value and (b) the debt was not fully accreted, that is, the full interest expense was not reported in the income statement.

Question for the Boards
1. Which of the three alternatives in paragraph 6 do the boards support?

Derivatives Classified as Equity (Only Applicable if Alternative 2 Is Selected in Question 1)

8. Implementing Alternative 2 as the answer to Question 1 of this paper requires an answer to another question. Where should the difference between the debits (book value of the exercised derivative plus the cash received) and the credits (fair value of the newly issued shares) be reported? Paragraphs 2-13 of Agenda Paper 2A/ FASB Memo 90 analyze the following alternatives:

    (a) **Alternative 1**—a transfer of wealth. That is, require that the difference between the fair value of the shares on the exercise date and the book value of the equity instrument (option) at that date be displayed as a transfer between the two instruments in the statement of changes in equity.

    (b) **Alternative 2(a)—**a direct adjustment of retained earnings.

    (c) **Alternative 2(b)—**an adjustment to a separate equity account.

    (d) **Alternative 3**—the difference should not be reported in the statement of stockholders equity at all. (If the boards choose this alternative, we would like to know whether the difference should be reported in net income or if a liability or asset account should be created.)

Question for the Boards
2. Which of the alternatives do you support?

Reassessment of Classification

9. At the February meeting, the boards decided that if, at any time, the issuer does not have enough authorized shares to settle a share-settled instrument classified as equity, that instrument shall be reclassified as a liability and remain as a liability until the instrument is extinguished. This section addresses the reassessment of all other instruments. Consider the following example:

   > An entity issues a share that is required to be redeemed upon an acquisition. When the share is issued, the entity concluded that an acquisition was uncertain, therefore, the instrument is separated into liability and equity components. Three years later, the entity signs a contract to acquire a company. The event that requires the share to be redeemed is now considered certain to occur, which means that if classification is reassessed, the instrument would be reclassified as a liability in its entirety.

10. The above example leads to the following question: should an entity be required to reassess an instrument's classification? We have identified the following alternatives:

    (e) **Alternative 1**—Do not reassess classification. Under this alternative, an instrument's initial classification would remain until it is derecognized.

    (f) **Alternative 2**—Reclassify when a change an instrument's substance occurs. The instrument should be reclassified as of the date of the events that changed the classification.

11. We do not think Alternative 1 would reflect the economics of an instrument or represent an improvement to financial reporting. Alternative 2 is consistent with the guidance on derivatives and hedging in Topic 815 (originally issued as EITF Issue 00-19), and some puttable instruments and instruments that impose an obligation only on liquidation of the entity (frequently referred to as the puttables amendment). IAS 32 does not specifically address reclassification for instruments other than those within the scope of the puttables amendment.

12. If the boards choose Alternative 2, there are two additional questions:

(a) How should a reclassified instrument be remeasured?

(b) Should an entity report a gain or loss upon reclassification?

13. With respect to the first question, we believe that all reclassified instruments should be measured using the requirements for the new classification as if they were newly issued instruments on the date of reclassification.

14. The first measurement of a newly reclassified instrument is likely to differ from the previous carrying amount. The boards could choose to recognize a gain or loss in net income or OCI. The board also could choose not to recognize a gain or loss upon reclassification and to recognize the difference as an adjustment to a separate equity account. Current U.S. GAAP does not require the issuer to recognize a gain or a loss.

15. The reassessment requirement for share-settled instruments described in paragraph 9 of this paper was included strictly as an abuse prevention and as an attempt to reduce the complexity in current US GAAP. Even though those instruments can only be reclassified once, we believe there should be no limit on the number of times an instrument may be reclassified if the reason is other than availability of shares.

Question

3. Does the board agree with the following:

(a) An instrument should be reclassified if events occur or circumstances change so that the instrument no longer meets the conditions for its existing classification. The reclassification should take place as of the date of the events that changed the classification?

(b) An entity should remeasure a reclassified instrument according the requirements for the new classification as if it were a newly issued instrument on the date of the reclassification. An entity should report any difference in measurement upon reclassification as an adjustment to a separate equity account and recognize no gain or loss in income?

(c) There is no limit on the number of times an instrument may be reclassified?

Economic Compulsion

16. Agenda Paper 2B/FASB Memo 91 discusses economic compulsion. The alternatives are:

    (a) **Alternative 1**—Develop an economic compulsion principle

    (b) **Alternative 2**—Do not address economic compulsion

    (c) **Alternative 3**—Identify and address specific instruments.

Question for the Boards
4. Which of the three alternatives do the boards support? If the boards choose Alternative 3, which instruments do the boards want to address?

Interaction with the Fair Value Option

17. In deliberating the Preliminary Views (PV) on *Financial Instruments with Characteristics of Equity*, the FASB decided that an entity may not avoid separation of an instrument with a liability and equity component by electing the fair value option for the instrument in its entirety. However, the entity would be permitted to apply a fair value option to a separated liability component if a comparable freestanding instrument would be eligible for a fair value option. We recommend that the board include that provision in the planned Exposure Draft/Proposed Update.

Question for the Boards
5. Do the boards agree with the staff recommendation?

Scope Exclusions and Additions

18. To date, the only decision related to scope is that all share-based payments within the scope of IFRS 2 or Topic 718, Share-Based Payment awards should be excluded from the scope of the financial instruments with characteristics of equity Exposure Draft/Proposed Update.

19. The scope of IAS 32 is described in paragraphs 4-10 of that standard. In summary, IAS 32 applies to all financial instruments except:

    (a) Particular interests in subsidiaries, associates, or joint ventures that are accounted for under other standards

    (b) Employers' rights and obligations under employee benefit plans

    (c) Insurance contracts accounted for under IFRS 4

    (d) Share-based payment awards accounted for under IFRS 2.

20. IAS 32 also scopes in particular contracts that do not meet the definition of a financial instrument. Specifically, contracts to buy or sell a non-financial item that can be settled net in cash or another financial instrument or by exchanging financial instruments are within the scope of IAS 32. IAS 32 does not contain a basis for why those instruments are included in the scope, other than to be consistent with the scope of IAS 39. Paragraph 24 of the basis to IAS 39 states that although the contracts do not meet the definition of a derivative, the instruments should be accounted for as derivatives because settling the contract net or taking delivery of the underlying and selling it within a short period of time without delivery indicates that the contracts are not normal purchase or sale contracts.

21. The scope described in the PV is much narrower than the scope of IAS 32. The scope of the PV is legal ownership instruments, (for example, shares, partnership interests, and mandatorily redeemable interests) and contracts whose fair value is

determined by a change in the issuer's share price. The FASB intentionally made the scope narrow because the PV included broad principles for initial measurement requirements for all instruments within the scope of the document. The FASB was concerned that it may have unintentionally changed measurement requirements for some financial instruments that were not the intended focus of the PV; for example, guarantees.

22. Since then, the boards have decided that the financial instruments with characteristics of equity project would only address the initial measurement for equity instruments and those that are separated into liability and equity components. Therefore, the scope of the financial instruments with characteristics of equity document could easily be broadened to match the scope of IAS 32.

Question for the Boards
6. Do the boards want to use the scope of IAS 32?

Transition

23. We have identified three transition alternatives for instruments outstanding at the date of adoption:

    (a) **Retrospective application**—In the first financial statements following the effective date, an entity would apply the new requirements to:

        i. all instruments in existence at the start of the earliest period presented in those financial statements[2] as if the new requirements had always been applied to those contracts (any effect on earnings in earlier years would be an opening adjustment to retained earnings), and

        ii. all instruments issued or acquired after the start of the

[2] If, for example, the entity presents performance statements for three years and statements of financial position for two years, the earliest year presented would be the first year for which a performance statement is presented.

earliest period presented.

(b) **Limited retrospective application**—In the first financial statements following the effective date, an entity would apply the new requirements to all instruments outstanding at the beginning of the first period presented. Under this alternative, net income would be restated for all periods presented, but beginning retained earnings would not be adjusted.

(c) **Prospective application**—An entity would apply the new requirements to all instruments issued or acquired on or after the effective date.

24. Retrospective application would require an entity to restate net income in periods presented and restate beginning retained earnings for the effects on years not presented. We believe this could be extremely difficult for some preparers, and the benefits might not justify the cost. Although prospective application is easy, instruments issued or acquired after the effective date could be classified differently from identical instruments issued before the effective date. Consequently, we recommend alternative (b)—limited retrospective application.

Question for the Boards
7. Which of the three alternatives do the boards support?

Disclosures

25. In addition to the disclosures now required by U.S. GAAP and IFRS, we are recommending that the boards include the following disclosures:

> Entities with financial instruments within the scope of this [draft] Standard shall disclose the nature and terms of the instruments, including information about settlement alternatives—assets or equity instruments. That disclosure shall include:
>
> (a) The identity of the entity that controls the settlement alternatives
>
> (b) The amount that would be paid, or the number of shares that would be issued and their fair value, determined under the conditions specified in the contract if the settlement were to occur at the reporting date

(c) How changes in the fair value of the issuer's equity shares would affect those settlement amounts (for example, "the issuer is obligated to issue an additional X shares or pay an additional Y dollars in cash for each $1 decrease in the fair value of one share")

(d) The maximum amount that the issuer could be required to pay to redeem the instrument by physical settlement, if applicable

(e) The maximum number of shares that could be required to be issued, if applicable

(f) That a contract does not limit the amount that the issuer could be required to pay or the number of shares that the issuer could be required to issue, if applicable

(g) For a forward contract or an option indexed to the issuer's equity shares, all of the following:

i. The forward price or option strike price

ii. The number of issuer's shares to which the contract is indexed

iii. The settlement date or dates of the contract, as applicable.

26. Our recommended disclosure is intended to provide increased information about liability instruments with settlement alternatives. This disclosure is currently in several pieces of literature (which will be replaced by the final requirements resulting from this project) in U.S. GAAP.

Question for the Boards
8. Do the boards want to include the disclosure in paragraph 25 in the Exposure Draft/Proposed Update?

Additional Supplemental Schedule

27. One Board member suggested that a public entity should be required to present a statement of capitalization at fair value. The additional statement would show the beginning balance plus issuances less repurchases or expirations plus (or minus) changes in fair value for financing liabilities. (A copy of this statement is

provided in Appendix B.) That Board member also suggested that the statement of capitalization should be supplemented by a separate schedule that discloses all of the entity's outstanding equity derivatives, exercise prices, and settlement terms.

Question for the Boards
9. Do the boards want to require the supplemental schedules as a disclosure in the Exposure Draft/Proposed Update?

Comment period

28. We recommend a comment period that would end on a non-holiday Monday near 120 days from the issuance of the Exposure Draft/Proposed Update, which would comply with the FASB *Rules of Procedure* and the IASB *Due Process Handbook*.

Question for the Boards
10. Do the you agree that the comment period should be approximately 120 days?

Permission to begin drafting

29. The staff requests permission to prepare a draft for balloting by board members. The staff also asks if any board members plan to present an alternative view.

Questions for the boards
11. Do you support preparing a ballot draft based on the package of tentative decisions and related information addressed herein? 12. Do you plan to present an alternative view?

Appendix A

Objective

1 The objective of this [draft] Standard is to establish requirements for distinguishing between those claims against an entity that are financial liabilities and those that are equity instruments.

Scope

2 See Question 6 in Agenda Paper 2/FASB Memo 89.

Recognition

Cash-Settled Instruments

3 The following types of instruments that are required or may be required to be settled with cash or other assets shall be classified as equity in their entirety if the required payments occur for one of the following reasons:

a) The entity issuing the instrument chooses to distribute all of its assets or is required by an event such as bankruptcy to distribute all of its assets. That includes instruments that are issued by an entity with a specified limit in its life or that must be liquidated at the option of an instrument holder.

b) The issuer chooses to pay a dividend or repurchase shares.

c) The instrument's terms require, or permit the holder or issuer to require, redemption to allow an existing group of shareholders, partners, or other participants to maintain control of the entity when one of them chooses to withdraw.

d) The holder must own the instrument to engage in transactions with the entity or otherwise participate in the activities of the entity, and the instrument's terms must require, or permit the holder to or issuer to require, redemption when the holder ceases to engage in transactions or otherwise participate.

Share-Settled Instruments

4 The following types of instruments that are required to be settled with shares shall be classified as equity in their entirety subject to the additional provision in paragraph 5:

a) An instrument that requires or may require an entity to issue a specified number of its own equity instruments in exchange for a specified price (or for no future consideration). Examples include call options, forward contracts to issue shares, rights issues, and purchase warrants. For this purpose, the specified number must either be fixed or vary only so that the counterparty will receive a specified percentage of total shares that were outstanding on the issuance date for a specified price. The specified price must be fixed in the reporting entity's currency unless the domestic currency of the shareholder that holds the derivative (or functional currency of the shareholder is a reporting entity or a unit of a reporting entity) is different from the currency in which the issuing entity issues equity instruments to domestic shareholders. In that case, the price may be specified in the currency of the shareholder instead of in the currency of the issuer. If the instrument requires an exchange of mandatorily redeemable or puttable instruments that are classified as equity in their entirety, the counterparty must currently hold an instrument that permits the counterparty to participate in the activities of the entity.

b) An instrument that requires or may require an entity to issue a for a specified price (or for no future consideration) a specified number of:

i. Derivatives that will require the entity to issue a specified number of perpetual ordinary or preferred shares.

ii. Derivatives that will require the entity to issue puttable or mandatorily redeemable instruments that are classified as equity in their entirety if, and only if, the counterparty currently holds an instrument that permits the counterparty to participate in the activities of the entity.

c) Shares that are required to be converted into a specified number of another class of perpetual equity instruments.

d) Shares that are required to be converted into puttable or mandatorily redeemable instruments that are classified as equity in their entirety if, and only if, the counterparty currently holds an instrument that permits the counterparty to participate in the activities of the entity.

Ability to Settle in Shares

5 The issuer's ability to issue its own equity instruments to settle share-settled instruments shall be assessed at the date that each instrument is issued and at each reporting date thereafter. If, at any time, the issuer does not have enough authorized shares to settle a share-settled instrument classified as equity, that instrument shall be reclassified as a liability and remain as a liability until the instrument is extinguished.

Instruments That Are Separated into Liability and Equity Components

6 An instrument composed of an equity component and a liability component shall be separated and reported as if it were two freestanding instruments. An instrument would have two components if (a) it requires a payment and that payment does not meet the criteria for equity classification (the liability component) and (b) after the payment is made, an equity instrument remains outstanding. Examples of instruments that would be separated are shares with registration rights penalties and an ordinary share with a net-cash-settled-written put feature. An ordinary share with an embedded-net-cash-settled feature requires the issuer to pay the holder cash equal to the difference between the strike price and the current share price. If the share price is lower that the strike price, the holder will receive cash and the share will remain outstanding.

7 In addition to the instruments described in paragraph 6, the following types of instruments are separated into liability and equity components:

a) A bond (or other debt instrument) that is convertible at the option of the holder into a specified number of instruments that will be equity in their entirety when issued.

b) Puttable shares (shares that are redeemable at the option of the holder) that are not classified as equity in their entirety.

c) A contract that requires an entity to repurchase its own shares on a specified date or on the occurrence of an event that is certain to occur. The liability component shall represent the amount to be paid (measured according to standards for similar freestanding instruments) and an offsetting debit to contra-equity.

Other Instruments

8 All instruments that are not equity in their entirety or required to be separated into liability and equity components shall be classified as liabilities or assets in their entirety. If other applicable International Reporting Standards and U.S. Generally Accepted Accounting Principles require separation of an instrument classified as a liability or asset under this [draft] Standard, each component shall be classified as a liability or asset.

Equity Instruments Issued by Subsidiaries and Consolidated Variable Interest Entities

9 Equity instruments of a subsidiary or a consolidated variable interest entity shall be identified at the subsidiary or variable interest entity level. Those instruments shall retain their equity classification in the consolidated financial statements unless their characteristics are different in the context of the consolidated financial statements.

10 Creating short-lived subsidiaries to disguise debt instruments as equity would be inconsistent with the intent of this [draft] Standard. For example, an entity shall not create a short-lived subsidiary and issue interest-bearing instruments that create net income for that subsidiary that is equity to the interest payments that the parent would have made if the shares were debt.

Measurement

Initial measurement

Transaction Costs

11 Transaction costs or fees incurred to issue freestanding equity instruments and instruments that are separated under this [draft] Standard shall be expensed immediately. Transaction costs or fees incurred to issue freestanding liability or asset instruments shall be accounted for using other applicable U.S. GAAP/IFRS.

Initial Measurement of Freestanding Equity Instruments

12 Freestanding equity instruments shall be initially measured at their transaction prices.

Initial Measurement of Freestanding Liability or Asset Instruments

13 Freestanding liability or asset instruments shall be initially measured using other applicable requirements.

Instruments That Require Separation

14 Separated components shall be measured as follows. First, the liability or asset component shall be measured at fair value as if it were a freestanding liability or asset. Second, the remainder of the transaction price for the hybrid instrument shall be allocated to the equity component.

Subsequent measurement

Equity Instruments and Equity Components

15 Equity instruments and components with redemption requirements shall be measured at each reporting date at the current redemption value, which is the fair value of the consideration that would be paid if the instrument were redeemed at the reporting date. An instrument has a current redemption value even if it is not actually redeemable at the measurement date. The formula for determining the redemption amount shall be applied as if redemption were required at the measurement date.

16 No other equity instruments or components shall be remeasured.

Instruments and Components Classified as Liabilities or Assets

17 Instruments and components classified as liabilities or assets shall be measured in accordance with applicable requirements.

Derecognition

18 See Questions 1 and 2 in Agenda Paper 2/FASB Memo 89.

Presentation

19 Equity instruments and components with redemption requirements shall be reported under a separate heading within equity. Changes in redemption amount, which would arise from remeasurement, shall be reported in a separate equity account.

Disclosure

20 See Questions 8 and 9 in Agenda Paper 2/FASB Memo 89.

Effective Date and Transition

Effective date

21 An entity shall apply this [draft] Standard for annual periods beginning on or after [date to be inserted after exposure]. Earlier application is permitted. If an entity applies this IFRS in its financial statements for an earlier period, it shall disclose that fact.

Transition

22 See Question 7 in Agenda Paper 2/FASB Memo 89.

Appendix B

	Fair Value Beginning of the Year	Issuances	Repurchases/ Expirations	Changes in Fair Value	Fair Value End of Year
Non-Redeemable Capital					
Common Stock					
Preferred Stock					
Written Call Options					
Subtotal					
Contingently Redeemable Capital					
Preferred Stock					
Convertible Debt					
Subtotal					
Redeemable Capital					
Preferred Stock					
Long Term Debt					
Subtotal					
Total Capitalization (at fair value)					