

MINUTES



**To:** Board Members  
**From:** Murphy (ext. 208)  
**Subject:** Minutes of the October 19, 2005 Guarantees Board Meeting—  
Proposed FSP FIN 45-b **Date:** October 24, 2005  
**cc:** L. Smith, Bielstein, Petrone, Golden, Leisenring, Wilkins, Gabriele,  
Sutay, Getz, Polley, FASB Intranet

*The Board meeting minutes are provided for the information and convenience of constituents who want to follow the Board's deliberations. All of the conclusions reported are tentative and may be changed at future Board meetings. Decisions become final only after a formal written ballot to issue a final Statement or Interpretation.*

Topic: Guarantees: Proposed FSP FIN 45-b,  
"Application of Interpretation No. 45 to Minimum  
Revenue Guarantees"—Comment Letter Analysis  
and Authorization to Preballot a Final FSP

Basis for Discussion: Memorandum No. 2 dated September 26, 2005

Length of Discussion: 9:45 a.m. to 10:00 a.m.

Attendance:

Board members present: Batavick, Crooch, Herz, Schipper, Seidman, Trott,  
and Young

Board members absent: None

Staff in charge of topic: Wilkins

Other staff at Board table: Golden, Murphy, L. Smith

Outside participants: None

**Summary of Decisions Reached:**

The Board discussed the staff's summary of comment letters received on the proposed FASB Staff Position (FSP) FIN 45-b, "Application of FASB Interpretation No. 45 to Minimum Revenue Guarantees Granted to a Business or Its Owners." The Board approved the issuance of a final FSP to be structured as an amendment to FASB Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*. Minimum revenue guarantees will be cited as a fifth example under paragraph 3(a), thereby indicating clearly that minimum revenue guarantees are within the scope of Interpretation 45.

The Board directed the staff to proceed to a draft of a final FSP for vote by written ballot.

**Objective of Meeting:**

The objective of the meeting was for the Board discuss the staff's summary and analysis of the six comment letters received and decide whether the final FSP should be structured as (1) an elaboration of the provisions of paragraph 3(a) of Interpretation 45 or (2) an amendment to Interpretation 45.

**Matters Discussed and Decisions Reached:**

1. Mr. Murphy said that the staff received comments on the proposed FSP FIN 45-b from six respondents. Those respondents generally agree with the outcome of the guidance in the proposed FSP and support the issuance of a final FSP. However, he said that the respondents made certain recommendations for improvement, most of which the staff considered editorial in nature and subsequently has addressed in the staff's suggested revisions to the proposed FSP.
2. Mr. Murphy also said that the staff identified two related issues, both of which it addressed in detail in its memo, questioning whether (1) the rationale in paragraph 6 of the proposed FSP about the application of paragraph 3 of Interpretation 45 is appropriate, and (2) the guidance in the proposed FSP should

be structured as an amendment of Interpretation 45. In regards to the second issue, he said that a majority of the staff continues to believe that minimum revenue guarantees meet the characteristics of paragraph 3(a) of Interpretation 45 as written and that an actual amendment is not necessary (that is, the proposed FSP should continue to be structured as an elaboration of the provisions in paragraph 3(a)). However, Mr. Murphy noted, due to differing staff views about how best to structure the final FSP, the staff would not object to a decision to recast the current proposed FSP as an amendment, if the Board prefers that approach. He said that the staff has identified two alternatives as to how to structure an amendment to Interpretation 45:

- a. By adding a new paragraph 3(e) to Interpretation 45 to identify minimum revenue guarantees granted to a business or its owners as a fifth characteristic for determining which guarantee contracts are included in the scope of the Interpretation, or
- b. By adding minimum revenue guarantees as a new fifth example under paragraph 3(a), thereby indicating clearly that minimum revenue guarantees are within the scope of Interpretation 45.

Mr. Murphy said that the staff prefers the second alternative because the phrasing makes it clear that the five examples in paragraph 3(a) do not constitute an exhaustive listing of the guarantees covered by that paragraph.

3. Messrs. Trott and Crooch and Ms. Schipper said that their preference is to leave the FSP structured as an elaboration of Interpretation 45. Ms. Schipper noted that she preferred this approach because the original Interpretation 45 was written in terms of the balance sheet. None of these Board members said they would object to amending Interpretation 45, if other Board members preferred that alternative, by adding a fifth characteristic under paragraph 3(a). Ms. Schipper said that if the Board chose to amend Interpretation 45, it would include the current chain of reasoning in the FSP as a basis for conclusions for the amendment. As a consequence, the FSP would not require reexposure because it would merely rearticulate a previously exposed position.
4. Messrs. Batavick and Herz and Ms. Seidman said that they prefer to structure the FSP as an amendment by adding a fifth characteristic under paragraph 3(a).

Mr. Young said that he prefers to structure the FSP as an amendment by adding paragraph 3(e), but that he would not object to structuring the FSP as an amendment by adding a fifth example under paragraph 3(a).

5. Mr. Golden clarified the Board's decision by indicating that the Board would still issue an FSP, but that it would be restructured so as to amend Interpretation 45 by adding a fifth example under paragraph 3(a) and a basis for conclusions. This would make it clear that the Board's original intent was for minimum revenue guarantees to be included within the scope of Interpretation 45. He also emphasized that the restructured FSP would make it clear that the five examples in paragraph 3(a) are illustrative and not an exhaustive listing.
6. Although supportive of the Board's decision, Ms. Seidman expressed that adding minimum revenue guarantees as an example under paragraph 3(a) does not address the interpretative question. She observed that the words causing the confusion in the proposed FSP—an underlying related to an asset or liability or equity instrument—are also in paragraph 3(c) about indemnifications. She suggested that a more principle-based way to deal with this issue would be to add the words "revenue or expense" to both of those paragraphs. In doing so, the Board could avoid receiving questions pertaining to related topics, such as maximum expense guarantees. No other Board member supported that revision.
7. The Board directed the staff to proceed to a draft of a final FSP for vote by written ballot. Mr. Wilkins said that the staff would provide a preballot draft of the FSP to the Board for comments.

**Follow-up Items:**

8. A preballot draft of the FSP will be provided to the Board for comments.

**General Announcements:**

9. None.