

MINUTES



MEMORANDUM

**To:** Board Members  
**From:** CONPP Team (Proctor, ext. 462)  
**Subject:** Minutes of February 19, 2014, Board Meeting **Date:** March 7, 2014  
**cc:** Sutay

*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 an Accounting Standards Update or a Statement of Financial Accounting Concepts.*

Topic: Consolidation: Principal versus Agent Analysis

Basis for Discussion: FASB Memo 57—Fees Paid to a Decision Maker, FASB Memo 58—Economic Interests Held by a Decision Maker

Length of Discussion: 1:00 to 2:30 p.m.

Attendance:

Board members present: Golden, Kroeker, Buck, Linsmeier, Schroeder Siegel, Smith

Board members absent: None

Staff in charge of topic: Winters

Other staff at Board table: Cosper, Esposito, Winick, Proctor

Outside participants: None

**Type of Document and Timing Based on the Technical Plan:**

The Board's technical plan calls for a final Update to be issued in the second half of 2014.

**Tentative Board Decisions:**

The Board continued to redeliberate the November 2011 proposed FASB Accounting Standards Update, *Consolidation (Topic 810): Principal versus Agent Analysis*.

The Board discussed how to further integrate two of the principal versus agent factors into the existing consolidation guidance (Topic 810):

1. The compensation to which the decision maker is entitled in accordance with its compensation agreement(s) ("fees paid to a decision maker")
2. The decision maker's exposure to variability of returns from other interests that it holds in the entity ("economic interests").

*Fees Paid to a Decision Maker*

For purposes of the discussion, it was assumed that all fees paid to the decision maker fail to meet the conditions included in paragraph 810-10-55-37 and, therefore, represent a variable interest in a variable interest entity (VIE). Furthermore, it was assumed that the decision maker has the power to direct the activities that most significantly impact the economic performance of the VIE.

The Board decided that fees paid to a decision maker that meet both conditions (1) and (2) below should be excluded from the potentially significant economics criterion of the primary beneficiary determination:

1. The compensation of the decision maker is commensurate with the services provided.
2. The compensation agreement includes only terms, conditions, or amounts that are customarily present in arrangements for similar services negotiated on an arm's-length basis.

(Vote: 7 to 0)

The Board also decided to exclude fees paid to a decision maker that meet both conditions (1) and (2) above when such fees may be subject to lock-up provisions or settled in the form of variable interests (that is, not cash) of the VIE. The Board decided that agreements that have lock-up provisions or settle in

variable interests should be evaluated when funded or received and not as a part of the fee agreement.

(Vote: 5 to 2)

Additionally, the Board decided that fees paid to a decision maker that meet both conditions (1) and (2) above should not be aggregated with other variable interests of the decision maker; such fees should continue to be excluded from the potentially significant economics criterion of the primary beneficiary determination.

(Vote: 7 to 0)

*Economic Interests Held by a Decision Maker*

The Board also considered and decided not to change existing GAAP provisions that require the primary beneficiary to have the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE.

(Vote: 7 to 0)

**General Announcements:**

None.