

MINUTES



To: Board Members

From: Project Team (Cowan x233)

Subject: Minutes of the June 7, 2006, Board Meeting on Proposed FSP FAS 126-a, "Revision to the Definition of a Public Entity to Include an Obligor for Conduit Debt Securities" **Date:** June 14, 2006

cc: **Smith, Bielstein, MacDonald, Leisenring, Allen, Golden, Polley, Gabriele, Project Team, Sutay, Carney, Getz, 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: Proposed FSP FAS 126-a, "Revision to the Definition of a Public Entity to Include an Obligor for Conduit Debt Securities"

Basis for Discussion: Board Memorandum No. 1—Proposed FSP FAS 126-a, "Revision to the Definition of a Public Entity to Include an Obligor for Conduit Debt Securities"

Length of Discussion: 10:50 a.m. to 11:00 a.m.

Attendance:

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

Board members absent: Crooch

Staff in charge of topic: Beswick

Other staff at Board table: Smith, Golden, Mechanick (via phone), and Cowan

Outside participants: None

Summary of Decisions Reached:

The Board decided to issue proposed FSP FAS 126-a, "Revision to the Definition of a Public Entity to Include an Obligor for Conduit Debt Securities," for public comment.

FSP FAS 126-a requires that conduit bond obligors for conduit debt securities that are traded in a public market be considered public entities/enterprises for the purposes of the standards listed in the FSP.

Objective of Meeting:

The meeting's objective was for the Board to decide whether to issue proposed FSP FAS 126-a. The objective of the meeting was met.

Matters Discussed and Decisions Reached:

1. Mr. Beswick stated that the meeting's purpose was for the Board to approve for issuance an FSP that provides guidance on whether conduit bond obligors for conduit debt securities meet the definition of a public entity.
2. Mr. Beswick provided background to the Board including a discussion about how conduit borrowing arrangements are structured and what kind of entities can be included in these types of security offerings.
3. Mr. Beswick further stated that the staff was informed that there is diversity in practice in how conduit bond obligors for these securities are interpreting the definition of a public and nonpublic entity in some FASB pronouncements. He stated that the staff understands that some preparers and auditors have concluded that since the conduit bond obligor is not the issuer, it does not meet the definition of a public entity.
4. Mr. Beswick explained that the issue presented to the TA&I Committee was "whether an entity that is a conduit bond obligor for conduit debt securities that are traded in a public market should be considered a public entity." Mr. Beswick stated that the TA&I Committee supported the inclusion of conduit

bond obligors in the definition of a public entity and provided the Board with an understanding of the basis for the Committee's conclusion. In requiring separate disclosure requirements for public and nonpublic entities, previous standards-setting bodies acknowledged that users of financial information require different levels of information to analyze the operating results of an entity. The TA&I Committee concluded that the information needs are the same regardless of the structure of the security offering. The TA&I Committee also noted that these securities are analyzed and evaluated in the investment community in the same manner as corporate debt obligations and, therefore, the members of the TA&I Committee could not understand why the financial information presented should vary based on the structure of the security offering.

5. Mr. Beswick explained that the original draft of the proposed FSP included the criterion that an entity that is controlled by a public entity would be considered a public entity in order for the definition of a public entity to be consistent with the definition of a public entity in some of the more recently issued standards including FASB Statements No. 123(R), *Share-Based Payment*, and No. 132(R), *Employers' Disclosures about Pensions and Other Postretirement Benefits*. The original draft also standardized the language used to describe a public entity in all of the affected standards. He stated that based on feedback from the external reviewers the TA&I Committee concluded to remove this provision from the proposed FSP and to request that the staff begin research on a second phase of the project. Mr. Beswick stated that the second phase of the project would address this issue and other issues with a goal of proposing a standard definition of a public entity on a more conceptual basis for all existing standards.
6. Mr. Beswick stated that the TA&I Committee approved a recommendation that the Board issue a proposed FSP to clarify the definition of a public entity and, therefore, a nonpublic entity and provided the Board with information on the comment period, proposed transition method, and effective date.

7. Mr. Beswick asked if the Board would approve the issuance of proposed FSP FAS 126-a. The Board members present unanimously agreed to issue proposed FSP FAS 126-a for public comment.

Follow-Up Items:

8. None

General Announcements:

9. None