PROPOSED FASB STAFF POSITION

No. FAS 150-c

Title: Effective Date and Transition for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities of FASB Statement No. 150, *Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity*

Comment Deadline: October 31, 2003

Statement 150 is effective for mandatorily redeemable financial instruments of nonpublic entities for the first fiscal period beginning after December 15, 2003. Under paragraph 9 of Statement 150, mandatorily redeemable financial instruments are classified as liabilities unless the redemption is required to occur only upon the liquidation or termination of the reporting entity. Many nonpublic entities are concerned about the implications of applying that provision of Statement 150 and have requested that the provision be either changed or delayed to allow companies to adapt to those provisions and educate financial statement users.

At its August 27, 2003 meeting, the Board directed the FASB staff to issue this FASB Staff Position (FSP)[1] deferring the effective date of Statement 150 for mandatorily redeemable financial instruments of certain nonpublic entities. For those instruments, Statement 150 shall be effective for fiscal periods beginning after December 15, 2004.

Instruments issued by Securities and Exchange Commission (SEC) registrants are not eligible for the deferred effective date, even if the entity meets the definition of a nonpublic entity in Statement 150.[2] Those entities shall follow the effective dates required by Statement 150.

Some entities have shares that are required to be redeemed under related agreements. If the shares cannot be issued without the redemption agreement, and the required redemption relates to those specific underlying shares, the shares are mandatorily redeemable. That is because the redemption agreement entered into in conjunction with the shares is not separately exercisable and, therefore, is not freestanding of the shares. If an entity with such shares and redemption agreements is a nonpublic entity that is not an SEC registrant, the effective date for those instruments is deferred by this FSP.

For financial instruments that were created before the effective date designated by Statement 150 for those instruments (as set forth in the Statement or in this FSP) and that still exist at the beginning of the period of adoption, transition shall be achieved by reporting the cumulative

[1] The Board directed the FASB staff to issue this guidance in the form of an FSP rather than an FASB Technical Bulletin. Although the delay of an effective date is identified as one of the uses of a Technical Bulletin, procedures for issuing an FSP provide for ease of distribution, for retrievability, and for the expansion of the exposure period from the 15 days provided for by Technical Bulletins to 30 days.

[2] For purposes of this FSP, SEC registrants are entities, or entities that are controlled by entities, that have issued or will issue debt or equity securities that are traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local or regional markets), that are required to file financial statements with the SEC, or that provide financial statements for the purpose of issuing any class of securities in a public market.

effect of a change in an accounting principle by initially measuring the financial instruments at fair value or other measurement attribute required by the Statement. Paragraph A30 of Statement 150 provides more information about the initial measurement and cumulative effect entries upon transition.