

NEWS RELEASE 11/25/02

FASB Issues Accounting Guidance to Improve Disclosure Requirements for Guarantees

Norwalk, CT, November 25, 2002—In an effort to provide better and more transparent disclosure requirements for issuers of guarantees, the Financial Accounting Standards Board (FASB) has published Interpretation No. 45, *Guarantor's Accounting and Disclosure requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*. The Interpretation expands on the accounting guidance of Statements No. 5, 57, and 107 and incorporates without change the provisions of FASB Interpretation No. 34, which is being superseded. The Interpretation may be obtained by contacting the FASB's Order Department at 800-748-0659 or placing an order at the FASB's website (www.fasb.org).

The Interpretation elaborates on the existing disclosure requirements for most guarantees, including loan guarantees such as standby letters of credit. It also clarifies that at the time a company issues a guarantee, the company must recognize an initial liability for the fair value, or market value, of the obligations it assumes under that guarantee and must disclose that information in its interim and annual financial statements.

In commenting about the importance of the Interpretation to investors, FASB Senior Project Manager Robert C. Wilkins, stated, "By improving the required disclosures and accounting, the FASB's new accounting guidance will provide a more representationally faithful picture of a company's financial position and the risk it has assumed. The Interpretation should significantly improve the reporting of guarantees that are issued in conjunction with other transactions, such as when a seller also guarantees its customer's repayment of the funds borrowed to pay the seller for the customer's purchases."

This guidance does not apply to certain guarantee contracts, such as those issued by insurance companies or for a lessee's residual value guarantee embedded in a capital lease. The provisions related to recognizing a liability at inception of the guarantee for the fair value of the guarantor's obligations would not apply to product warranties or to guarantees accounted for as derivatives.

The initial recognition and initial measurement provisions apply on a prospective basis to guarantees issued or modified after December 31, 2002, regardless of the guarantor's fiscal year-end. The disclosure requirements in the Interpretation are effective for financial statements of interim or annual periods ending after December 15, 2002.

About the Financial Accounting Standards Board

Since 1973, the Financial Accounting Standards Board has been the designated organization in the private sector for establishing standards of financial accounting and reporting. Those standards govern the preparation of financial reports and are officially recognized as authoritative by the Securities and Exchange Commission and the American Institute of Certified Public Accountants. Such standards are essential to the efficient functioning of the economy because investors, creditors, auditors and others rely on credible, transparent and comparable financial information. For more information about the FASB, visit our website at www.fasb.org.

The Financial Accounting Standards Board

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