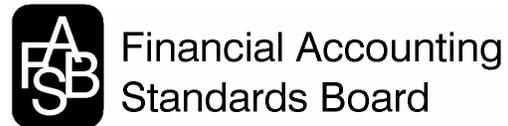


REVISED MINUTES



To: Board Members

From: Mike Kramer (ext. 273)

Subject: Intangible Assets: Minutes of the **Date:** January 27, 2005
January 19, 2005 Board Meeting

cc: Bielstein, Smith, Petrone, Leisenring, Project Team, Mahoney, MacDonald, Thompson, Sutay, Gabriele, Polley, Attmore, Bean, Crook (IASB), Getz, Willis, Richards, Golden, 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: Useful Life and Amortization of Intangible Assets

Basis for Discussion: Board memorandum dated January 6, 2005

Length of Discussion: 10:05 a.m. to 10:35 a.m.

Attendance:

Board members present:	Herz, Batavick, Crooch, Schipper, Seidman, Trott, and Young
Board members absent:	None
Staff in charge of topic:	Moss
Other staff at Board table:	L. Smith, Gerard, Golden, and Kramer
Outside participants:	None

Summary of Decisions Reached:

The Board decided to reconsider certain aspects of FASB Statement No. 142, *Goodwill and Other Intangible Assets*, as they relate to the determination of the useful life and amortization of intangible assets. The Board directed the staff to explore and develop alternative models for consideration at a future Board meeting. Specifically, the Board will reconsider:

1. Certain aspects of Statement 142 so that the useful life determination is consistent with anticipated cash flows used to initially value the asset
2. The requirements for recording a residual value for intangible assets
3. The impairment model for renewable intangible assets.

The Board also will consider an amortization methodology that reflects the pattern in which the economic benefits of the intangible asset are consumed or otherwise used up.

Objective of Meeting:

The objective of the Board meeting was to address whether the language in paragraph 11 of Statement 142 should be retained (with clarifying guidance) or reconsidered. The objective of the meeting was accomplished.

Matters Discussed and Decisions Reached:

1. Mr. Moss opened the meeting by discussing the background of EITF Issue No. 03-9, “Determination of the Useful Life of Renewable Intangible Assets under FASB Statement No. 142.” He said that based on the EITF’s deliberations of that Issue, as well as discussions between the FASB and its constituents, three main practice issues have been identified with Statement 142: (1) limitation on indefinite-lived intangible assets (specifically, as it relates to the evaluation of the terms *substantial cost* and *material modifications* in determining the useful life of a renewable intangible asset in accordance with subparagraph 11(d), (2) restrictive criteria for recognizing a residual value for an intangible asset, and (3) an amortization methodology that is

often inconsistent with the economic pattern of benefit to the reporting entity. He continued that the staff believes there would be many instances in which the entity-specific assumptions used in the useful life determination and related amortization methodology would be consistent with how that asset was initially valued using a marketplace participant view under FASB Statement No. 141, *Business Combinations*. H explained that in current practice when certain factors in paragraph 11 of Statement 142 are evaluated by a reporting entity, they often result in a useful life determination and amortization methodology that is inconsistent with the economic benefit that is expected to be derived by the reporting entity.

2. Mr. Moss stated that the staff would like the Board to address whether the language in paragraph 11 of Statement 142 should be retained (with clarifying guidance) or reconsidered. He continued that based on the significant amount of work that was performed on Issue 03-9 to provide guidance on the terms *substantial cost* and *material modifications* and the fact that a majority of Task Force members believed the underlying issue relates to the interaction between Statements 141 and 142, the staff supports reconsideration of certain aspects of Statement 142.
3. Mr. Trott agreed with the staff's recommendation. As a member of the Board which issued Statements 141 and 142, he does not consider the two Statements to be in conflict. He informed the staff that the issues that are currently creating problems were originally intended to limit misapplication of the standards and prevent abuse. He stated that these aspects of Statement 142 should be reconsidered because they have obstructed the intention to improve financial reporting. In addition, he believes the Board should reconsider the impairment model for renewable intangible assets because without an accurate and robust impairment model, small amortization charges and periodic, large write-offs will continue to be common.
4. Mr. Crooch, who also signed Statements 141 and 142, agreed with the staff's recommendation. He stated that although Statement 142 was well thought through, it should be reconsidered if some of the abuse prevention provisions are no longer improving financial reporting as originally intended.

5. Ms. Seidman agreed with the staff's recommendation. She stated that there is a practice issue to deal with and the EITF worked extensively, but unsuccessfully, to find a solution within the framework of the original standard. As such, she believes it is a good idea to reconsider certain aspects of Statement 142. In addition, she suggested the staff prepare an analysis reconsidering the impairment model for renewable intangible assets so that the Board can decide if that is an appropriate course of action.
6. The Board unanimously agreed to reconsider certain aspects of Statement 142 and to explore reconsidering the impairment model for renewable intangible assets.

Follow-Up Items:

None

General Announcements:

None