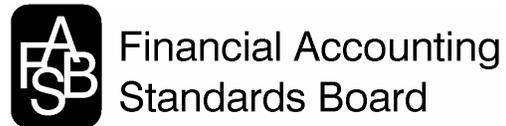


MINUTES



To: Board Members
From: Ryan Bergstrom (ext. 296)
Subject: Intangible Assets: Minutes of the **Date:** October 20, 2005
October 12, 2005 Board Meeting
cc: Leisenring, Smith, Petrone, Bielstein, Golden, Mahoney, Sutay, Moss,
Todorova, Carney, Polley, Vernuccio, 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 September 28, 2005

Length of Discussion: 9:20 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, Todorova, and Bergstrom

Outside participants: None

Summary of Decisions Reached:

The Board discussed proposed transition, effective date, and comment period for a proposed FSP that will amend the guidance on certain aspects of FASB Statement No. 142, Goodwill and Other Intangible Assets, as it relates to the determination of the useful life and amortization of renewable intangible assets. Specifically, the Board decided:

- a. The provisions of the proposed FSP would be applied (a) prospectively for all preexisting renewable intangible assets that are renewed subsequent to the effective date of the proposed FSP and (b) prospectively for all renewable intangible assets that are acquired subsequent to the effective date.
- b. The provisions of the proposed FSP would be effective for interim and annual periods beginning after June 15, 2006.
- c. The comment period for the proposed FSP would be 90 days.

The Board directed the staff to proceed with a draft of the proposed FSP for vote by written ballot.

Objective of Meeting:

The objective of the Board meeting was to reach a consensus on transition of the new guidance in the proposed FSP and to determine an appropriate comment period and effective date. The objectives of the meeting were accomplished.

Matters Discussed and Decisions Reached:

1. Mr. Moss opened the meeting and introduced three alternative transition provisions for the proposed FSP:
 - a. Alternative 1—The provisions of this FSP should be accounted for as a change in accounting estimate affected by a change in accounting principle in accordance with FASB Statement No. 154, *Accounting Changes and Error Corrections*.

- b. Alternative 2—The provisions of this FSP should be applied prospectively for all renewable intangible assets that are acquired subsequent to the effective date.
 - c. Alternative 3—The provisions of this FSP should be applied (1) prospectively for all preexisting renewable intangible assets that are renewed subsequent to the effective date of the proposed FSP and (2) prospectively for all renewable intangible assets that are acquired subsequent to the effective date.
2. Mr. Moss stated that the staff recommends Alternative 3, noting that while comparable financial information is important, the staff does not believe the benefits of applying Alternative 1 outweigh the costs. However, Mr. Moss noted that the staff believes that applying the provisions of the proposed FSP to assets that are renewed after the effective date would provide an incremental benefit that exceeds the cost because these costs would likely be minimal since most entities would have cash flow information that was used in the decision of whether to renew the asset or not.
3. Mr. Young stated that without more data to support the costs associated with applying alternative 1, he believes that the comparability resulting from retrospective application as detailed in Statement 154 would provide the most relevant information for users and therefore he supported Alternative 1. Mr. Batavick noted his concern over companies that could have a large number of intangible assets that would require new valuations and the cost associated with applying the guidance of the proposed FSP under the transition provisions in Alternative 1. Consequently, Mr. Batavick agreed with the staff's recommendation and supported Alternative 3. Ms. Seidman supported the staff's recommendation for the reasons given by the staff. She believes, however, that many of the changes resulting from the provisions in the proposed FSP would likely be considered changes in accounting principle, but noted that some would

be changes in estimate and distinguishing between the two could be impracticable. The rest of the Board members supported Alternative 3.

4. Due to the significant change in practice and the large number of entities that will be affected by the proposed FSP, Mr. Moss recommended a 60-day comment period for the FSP. Ms. Schipper questioned whether 60-days would be sufficient given the number of holidays occurring during the comment period, but supported the staff's recommendation. Mr. Trott stated that given the significance of the accounting changes that will be required under the proposed FSP, a 90-day comment period would be more appropriate. The remainder of the Board (Herz, Crooch, Batavick, Seidman, and Young) agreed with Mr. Trott's suggestions and determined that the comment period should be 90 days. Ms. Schipper did not object to the 90 day comment period.
5. The final issue brought before the Board was the effective date of the proposed FSP. Mr. Moss stated that the staff recommends that the proposed FSP be effective for interim and annual periods beginning after June 15, 2006. The Board unanimously supported the staff's recommended effective date. The Board directed the staff to proceed to a draft of a proposed FSP for vote by written ballot.

Follow-Up Items:

None

General Announcements:

None