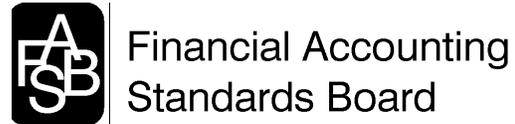


## MINUTES



**To:** Board Members  
**From:** Fair Value Measurement Team  
(Mohrhauser, ext. 442)  
**Subject:** Minutes of the February 16, 2010, Joint Board Meeting: Fair Value Measurement  
**Date:** February 19, 2010  
**cc:** FASB: Bielstein, Golden, Stoklosa, Chookaszian, Lott, Posta, Guasp, Sutay, Klimek, Gabriele, Anderson, Mills, Inzano, McGarity, Proestakes, FASB Intranet; IASB: Leisenring, Francis, Eastman, Venter

*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 an Accounting Standards Update.*

Topic: Fair Value Measurement—February deliberations

Basis for Discussion: Board Memorandums No. 3A, 3B, 3C, 3D, and 3G

Length of Discussion: 12:30 p.m. to 2:30 p.m. (EST)

Attendance:

Board members present: FASB: Herz, Smith, Siegel, and Linsmeier

IASB: Tweedie, Cooper, Danjou, Engström  
Finnegan, Garnett, Gelard, Gomes,  
Kalavacherla, Leisenring, McConnell,  
Smith, Yamada, Wei-Guo  
McGregor

Board member participating by video:  
Board members absent: Seidman (voted by proxy)  
Staff in charge of topic: Eastman, Anderson  
Other staff at Board table: Golden, Proestakes  
IASB: Clark, Teixeira, Venter, Berger  
Staff participating by video: None

## Summary of Decisions Reached

The Boards discussed the following topics:

1. Highest and best use of nonfinancial assets
2. Incremental value
3. Valuation premise for nonfinancial assets
4. Measuring the fair value of financial instruments
5. Premiums and discounts in a fair value measurement.

### *Highest and best use of nonfinancial assets*

The Boards tentatively decided:

1. That a fair value measurement of a nonfinancial asset considers its highest and best use by market participants
2. To describe the meaning of *physically possible, legally permissible, and financially feasible*.

### *Incremental value*

The Boards tentatively decided:

1. Not to require entities to separate the fair value of an asset group into two components when an entity uses an asset in a way that differs from its highest and best use
2. To require entities to disclose information about when they use an asset in a way that differs from its highest and best use (and that asset is recognized at fair value based on its highest and best use).

### *Valuation premise for nonfinancial assets*

The Boards tentatively decided:

1. That the objective of a fair value measurement of an individual asset is to determine the price for a sale of that asset alone, not for a sale of that asset as part of a group of assets or business. However, when the highest and best use of an asset is to be used as part of a group of assets, the fair value measurement of that asset presumes that the sale is to a market participant that has, or can obtain, the complementary assets and complementary liabilities. Complementary liabilities include working capital but do not include financing liabilities.
2. To describe the objective of the valuation premise without using the terms *in-use* and *in-exchange* because those terms are often misunderstood.

### *Measuring the fair value of financial instruments*

The Boards tentatively decided:

1. That the concepts of highest and best use and of valuation premise are relevant only for nonfinancial assets and are not relevant for financial assets or for liabilities
2. To describe valuation adjustments that entities might need to make when using a valuation technique because market participants would make those adjustments when pricing a financial asset or financial liability under the market conditions at the measurement date. These valuation adjustments were described in the IASB's Expert Advisory Panel Report, *Measuring and Disclosing the Fair Value of Financial Instruments in Markets That Are No Longer Active*.

The Boards will discuss at a future meeting whether the fair value of financial instruments within a portfolio should consider offsetting risk positions, including credit risk and market risk.

### *Premiums and discounts in a fair value measurement*

The Boards tentatively decided:

1. To clarify what a *blockage factor* is and to describe how it is different from other types of adjustments, such as a lack of marketability discount, for an individual instrument
2. To prohibit the application of a blockage factor at any level of the fair value hierarchy
3. To specify that a fair value measurement in Levels 2 and 3 of the fair value hierarchy considers other premiums and discounts that market participants would consider in pricing an asset or liability at the unit of account specified in the relevant standard (except for a blockage factor).

### *Next steps*

The Boards will discuss fair value measurement at their March joint meeting.