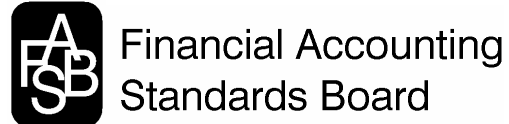


MINUTES



To: Board Members

From: Hamilton (ext. 330)

Subject: Minutes of the July 16, 2004 Board Meeting **Date:** July 19, 2004

cc: Leisenring, Bielstein, Smith, Petrone, Golden, Westerlund, Mahoney, Gabriele, Polley, Swift, Richter, FASB Intranet (e-mail)

Topic: FASB Staff Position No. FAS 142-c,
"Application of Statement 142, *Goodwill and Other Intangible Assets*, to Exchange Memberships"

Basis for Discussion: Board memorandum dated June 25, 2004

Length of Discussion: 9:05 a.m. to 9:20 a.m.

Attendance:

| | |
|----------------------------|--|
| Board members present: | Herz, Batavick, Crooch, Schipper, Seidman, and Trott |
| IASB Board/Staff present: | Leisenring |
| Board members absent: | Schieneman |
| Staff in charge of topic: | Westerlund |
| Other staff at Board table | Smith, Golden, Hamilton |
| Outside participants: | None |

Summary of Decisions Reached (Action Alert):

The Board directed the staff to release proposed FSP FAS 142-c, "Application of Statement No. 142, *Goodwill and Other Intangible Assets*, to Exchange Memberships," for a 30-day comment period, after certain revisions are made. (Proposed FSP FAS 142-c was subsequently posted to the website on Wednesday, July 21, and comments are requested by August 20, 2004.)

Objective of the Meeting:

The objective of the meeting was to obtain Board approval for the issuance of Board-Directed proposed FSP FAS 142-c, "Application of Statement 142, *Goodwill and Other Intangible Assets*, to Exchange Memberships."

Matters Discussed and Decisions Reached:

The staff presented FSP FAS 142-c for consideration by the Board. This FSP is a Board-Directed FSP that requires exchange memberships to be accounted for as a single asset; specifically, an exchange membership should be accounted for as an intangible asset unless the predominant purpose for the membership is to earn a return from the underlying operations and residual value of the exchange, in which case it should be accounted for as a financial asset.

Mr. Westerlund stated that the staff has included two substantive clarifications to the proposed FSP since Board members last viewed the FSP:

- (1) The scope of the FSP is limited to only entities that are required to apply the *AICPA Audit and Accounting Guide for Brokers and Dealers (Broker-Dealer Guide)*
- (2) An exchange is considered a financial asset if an entity is required to consolidate the exchange or apply the equity method of accounting to its investment in the exchange

Mr. Herz asked the staff if there are situations where (a) an exchange membership could be owned by an entity that is not a broker-dealer or (b) an exchange membership is not a securities market. He asked whether the situations should be included in the scope of this FSP.

Ms. Seidman asked the staff to include a statement that clarifies that this FSP applies only to entities that are required to apply the Broker-Dealer Guide and should not be applied in other situations.

Mr. Golden stated that the staff will provide additional background in the FSP to address some of the concerns presented by the Board.

Mr. Herz asked if any Board members objected to the issuance of FSP FAS 142-c, "Application of Statement 142, *Goodwill and Other Intangible Assets*, to Exchange Memberships," subject to revisions to the FSP. There were no objections.

Follow-up Items:

The staff revised the FSP to reflect changes that were requested by the Board. The staff redistributed a revised draft FSP for Board member comment and ballot approval. On July 21, 2004, the proposed FSP FAS 142-c, "Application of Statement 142, *Goodwill and Other Intangible Assets*, to Exchange Memberships," was posted to the website on for a 30-day comment period.

General Announcements:

None.