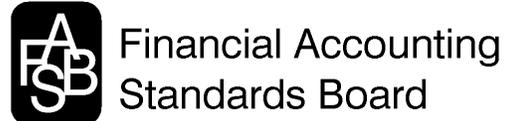


MINUTES



To: Board Members
From: Chesney (ext. 447)
Subject: Minutes of the May 7, 2008 Board Meeting—FSP EITF 03-6-a, *Determining Whether Instruments Granted in Share-Based Payment Transactions are Participating Securities* **Date:** May 21, 2008
cc: Leisenring, Golden, Bielstein, MacDonald, Chookaszian, Posta, Cospers, Bolash, Wyatt, Stevens, Richter, Gabriele, Allen, 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: Proposed FASB Staff Position EITF 03-6-a, *Determining Whether Instruments Granted in Share-Based Payment Transactions are Participating Securities*

Basis for Discussion: Memorandum No. 6

Length of Discussion: 10:20 a.m. to 10:40 a.m.

Attendance:

Board members present: Batavick, Crooch, Herz, Linsmeier, Seidman, Smith, and Leisenring (IASB)

Board members absent: Young

Staff in charge of topic: Bolash

Other staff at Board table: Chesney, Cospers, Golden, and Wyatt

Outside participants: None

Summary of Decisions Reached:

The Board discussed two significant issues noted in the preballot draft of proposed FSP EITF 03-6-a, *Determining Whether Instruments Granted in Share-Based Payment Transactions are Participating Securities*, and decided the following:

1. When calculating basic earnings per share pursuant to the two-class method, all awards that contain rights to nonforfeitable dividends should be considered participating securities. Dividends or dividend equivalents actually paid on share-based payment awards not expected to vest should be excluded from the earnings allocation to avoid counting the dividends as both compensation cost and distributed earnings. Undistributed earnings should be allocated to all outstanding share-based payment awards, including those that are not expected to vest.
2. The effective date should be the first reporting period beginning after December 15, 2008.

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

Objectives of Meeting:

The objectives of the meeting were to discuss comments received on the Board's conclusion at the March 5, 2008 meeting that share-based payment awards not expected to vest should not be considered participating securities and, as a result, should not be included in the calculation of earnings per share (EPS) under the two-class method. The objective was also to decide whether the staff should proceed with drafting a final FSP for vote by written ballot. The objectives of the meeting were met.

Matters Discussed and Decisions Reached:

ISSUE 1—CONSIDERATION OF SHARE-BASED PAYMENT AWARDS NOT EXPECTED TO VEST

1. Mr. Bolash reminded the Board of its decision at the March 5, 2008 meeting that share-based payment awards not expected to vest should not be considered participating securities and, as a result, should not be included in the calculation of EPS under the two-class method. Mr. Bolash said that the staff received comments

from constituents on that decision and that the staff would like the Board to reconsider its decision.

Issue 1—Staff Recommendation

2. The staff recommended that all awards that contain rights to nonforfeitable dividends be considered participating securities. The staff recommended that the FSP exclude from the earnings allocation in computing basic EPS dividends or dividend equivalents that are actually paid to awards not expected to vest, because to do so would include the dividends as both compensation cost and distributed earnings. Undistributed earnings should be allocated to all outstanding share-based payment awards, including those that are not expected to vest.

Issue 1—Board Vote

3. A majority of the Board unanimously agreed with the staff's recommendation. Mr. Linsmeier did not support the staff's recommendation.

Issue 1—Board Comments

4. Mr. Linsmeier stated that the Board should not issue such narrow guidance and that he would object to the FSP.
5. Mr. Herz stated that he believes the Board's previous decision is more economically correct, but he would not object to the staff's recommendation. Mr. Smith added that the entire EPS calculation does not accurately reflect economics, but this recommendation is consistent with the underlying theory and other decisions in the FSP.

ISSUE 2—EFFECTIVE DATE AND TRANSITION

6. Mr. Bolash said that the Board decided at the last meeting that the effective date of the proposed FSP should be the same effective date as the standard that is expected to be issued as a result of the EPS convergence project. The staff received various comments from constituents regarding that decision. The alternative views with respect to the effective date are summarized as follows:
7. View A—Retain the Board's decision to require an effective date consistent with the anticipated effective date of the pending Exposure Draft of a standard issued as a result of the EPS Convergence Project. Proponents of this view believe that the

Board should minimize the number of times that an entity will have to retrospectively adopt a new standard, so it should coordinate the effective dates of all new guidance related to EPS. Opponents of this view believe that the expected effective date is too long after the issuance of this standard, and that standards should be issued with a specific effective date, rather than linked to standards that have not yet been issued.

8. View B—Issue the FSP with an effective date consistent with the expected effective date of the standard issued as a result of the EPS Convergence Project, that is, for fiscal years beginning after December 15, 2009. Proponents of this view believe that the effective dates should be coordinated, but that this FSP should have a specific effective date as a "backstop" should the EPS Convergence Project not be completed. Opponents of this view also believe that the expected effective date is too long after the issuance of this standard. This extended period raises unnecessary questions of whether SAB Topic 11.M, "Disclosure Of The Impact That Recently Issued Accounting Standards Will Have On The Financial Statements Of The Registrant When Adopted In A Future Period," would require EPS presentation in accordance with this FSP in the notes to the financial statements and whether or not voluntary changes in accounting principle are permitted in the meantime.
9. View C—Issue the FSP with a current effective date, for example, effective for the first fiscal year after the final FSP is posted to the FASB website. Proponents of this view believe that TA&I guidance should be effective as early as possible within the bounds of the FASB's preferences (that is, as of the beginning of a fiscal year). Opponents of this view would prefer to minimize the number retrospective applications of changes in the EPS calculation.

Issue 2—Staff Recommendation

10. The staff recommended View C. Mr. Bolash noted that, while the staff recognizes the potential issues with multiple retrospective applications of new accounting standards, it believes that users of financial statements will be better served through earlier implementation of this guidance. Such an approach also minimizes the potential issues related to voluntary changes in accounting noted above.

Issue 2—Board Vote

11. The Board agreed with the staff's recommendation. Messrs. Batavick and Linsmeier said that they preferred View A, but would not object to the staff's recommendation.

ISSUE 3—RESUME BALLOT PROCESS

Issue 3—Staff Recommendation

12. Because the Board revised its previous decisions as discussed in Issues 1 and 2 above, Mr. Bolash recommended that the staff issue a preballot draft reflecting these decisions to resume the ballot process.

Issue 2—Board Vote

13. The Board agreed with the staff's recommendation to resume the ballot process with a preballot draft of the FSP.

Follow-Up Items:

The staff will draft a final FSP for vote by written ballot.

General Announcements:

None.