

## MINUTES



**To:** Board Members  
**From:** Passalugo (x462)  
**Subject:** Minutes of the October 2, 2013 Board Meeting: Ratification of Two EITF Consensuses-for-Exposure  
**Date:** October 2, 2013  
**cc:** Sutay

*The Board meeting minutes are provided for the information and convenience of constituents who want to follow the Boards' 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 or a Statement of Financial Accounting Concepts.*

**Topics:** Board ratification of the consensuses-for-exposure reached on EITF Issues Nos. 13-D and 13-G

**Basis for Discussion:** EITF Ratification Memorandum No. 1 (issued on September 20, 2013)

**Length of Discussion:** 8:00 a.m. to 8:15 a.m. EDT

### Attendance:

Board members present: Golden, Buck, Kroeker, Linsmeier, Schroeder, Siegel, and Smith  
Board members absent: None  
Staff in charge of topic: Or, Milone, and Schilb  
Other staff at Board table: Kim and Passalugo  
Outside participants: None

### **Type of Document and Timing Based on the Technical Plan:**

The Board met to discuss the potential issuance of Exposure Drafts addressing EITF Issues No. 13-D, "Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period," and No. 13-G, "Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share Is More Akin to Debt or to Equity."

The Board's technical plan calls for the issuance of Exposure Drafts addressing Issues 13-D and 13-G in the fourth quarter of 2013.

**Summary of Decisions Reached:**

The Board ratified the following consensus-for-exposure reached at the September 13, 2013 EITF meeting and decided to expose them for public comment for a period of 60 days.

**Issue 13-D, “Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period”**

A performance target that could be achieved after the requisite service period should be treated as a performance condition that affects the vesting of the awards. A reporting entity would apply existing guidance in Topic 718, Compensation—Stock Compensation, as it relates to awards with performance conditions that affect vesting. That is, compensation cost would be recognized if it is probable that the performance condition will be achieved. The total amount of compensation cost recognized during and after the requisite service period would reflect the number of awards that are expected to vest and would be adjusted to reflect those awards that ultimately vest.

No additional incremental disclosures would be required by this Issue.

The amendments in the proposed Update would be applied prospectively to share-based payment awards granted or modified on or after the effective date. Early adoption would be permitted. Transition disclosures in Subtopic 250-10, Accounting Changes and Error Corrections—Overall, would apply in the period of adoption.

**Issue 13-G, “Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share Is More Akin to Debt or to Equity”**

For a hybrid financial instrument issued in the form of a share, an entity would determine the nature of the host contract by considering all stated and implied substantive terms and features of the hybrid financial instrument, weighing each term and feature on the basis of relevant facts and circumstances. That is, in determining the nature of the host contract, an entity would consider the economic characteristics and risks of the entire financial instrument including the embedded derivative that is being evaluated for separate accounting from the host contract.

In evaluating the stated and implied substantive terms and features, the existence or omission of any single term or feature, including a fixed-price, noncontingent redemption feature, would not necessarily determine the economic characteristics and risks of the host contract.

No additional recurring disclosures would be required by this Issue.

The amendments in the proposed Update would be applied on a modified retrospective basis to existing hybrid financial instruments (issued in the form of a share) as of the beginning of the annual reporting period for which the proposed amendments are effective. Retrospective application would be permitted to all relevant prior periods. Early adoption also would be permitted.

**General Announcements:** None