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Comment Letter No. 4



August 5, 2013

Ms. Susan M. Cosper **Technical Director** Financial Accounting Standards Board 401 Merritt 7 PO Box 5116 Norwalk, CT 06856-5116

File Reference No. 2013-240

Dear Ms. Cosper:

McGladrey LLP is pleased to comment on the Proposed Accounting Standards Update, Technical Corrections and Improvements Related to Glossary Terms (the "proposed ASU"). We are generally supportive of the provisions of the proposed ASU and its amendments related to:

- the deletion of Master Glossary terms not utilized in the Codification,
- the addition of Master Glossary term links,
- duplicate Master Glossary terms, and
- other technical corrections related to glossary terms.

We do not, however, support the Board's proposal to rename the Master Glossary term fair value that originates from FASB Statement No. 123(R) (Statement 123(R)) share-based payment value. While we understand that fair value as used Statement 123(R) is actually a fair-value-based measurement and not a true fair value measurement (given that vesting provisions and certain other provisions are not considered in the measurement), the fair value measure described in Statement 123(R) is otherwise generally consistent with the fair value measurement objective of ASC Topic 820, Fair Value Measurement. Given that fair value as contemplated in the accounting for share-based payments is largely consistent with fair value as contemplated in other areas of the Codification and given that this fair value term has been utilized in practice for years without any difficulty, we believe renaming the term would only result in confusion and would provide little or no benefit. In addition, we do not agree with the amendment to apply this definition to employee stock ownership plan shares. This amendment is in direct contradiction to ASU 2012-04 which modified ASC 820-10-15-2 to specify that ASC 718-40, Employee Stock Ownership Plans, is within the scope of ASC 820.

Except as previously discussed, we do not believe the proposed changes will result in substantive changes in the application of existing guidance. Therefore, we do not think it is necessary for the Board to provide any transition provisions.

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Other observations

In addition to our previous comments, we have the following observations:

Glossary Term	Observation
Section C – Amendments Related to Duplicate Master Glossary Terms	
Actual Return on Plan Assets (Component of Net Periodic Pension Cost)	The new proposed definition indicates that plan sponsors must now consider expenses incurred during the period (such as income tax expense incurred by the fund, if applicable) when determining the actual return on plan assets. This may result in a change in current accounting practice for pension plans; we suggest the definition clarify that this requirement is applicable only to other postretirement benefit plans.
Benefits	We believe this definition is applicable to Topics 962 and 965, and links to this glossary term should be added those Topics.
Defined Benefit Health & Welfare Plans	To avoid confusion, we suggest keeping separate definitions for defined benefit pension plans and other postretirement benefit plans.
Defined Contribution Health & Welfare Plans	We suggest keeping the definitions separate (same issue as above).
Fair Value	We believe this definition is applicable to Topic 960 as well, and accordingly, links should be provided to the glossary term.
Plan Assets	If this definition is applicable to Subtopic 960-965, links should be added as the term is used throughout.
Plan Termination	If this definition is applicable to Subtopic 960-965, links should be added as the term is used throughout.
Sponsor	This term is used in Topic 962; we suggest links to the glossary term be added.
Unallocated Contract	Subtopics 960-205 and 960-325 link to the first definition but are not referenced in the exposure draft.
Section D – Other Technical Corrections Related to Glossary Terms	
Committed-to-Be-Released Shares	While not currently included in the proposed changes, we believe this definition should be amended as item b. in the definition is inconsistent with what the law stipulates. No one is permitted to release shares the way described and the current definition implies that there would be some kind of an ERISA/GAAP difference in measuring compensation. However, since the ERISA rules control when shares are in fact released, that difference is inappropriate. This is based upon IRC Reg. Section 4975-7(b)(8) which reads as follows (emphasis added):
	(8)Release from encumbrance
	(i)General rule.—
	In general, an exempt loan must provide for the release from encumbrance under this subdivision (i) of plan assets used as collateral for the loan. For each plan year during the duration of the loan, the number of securities released

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> must equal the number of encumbered securities held immediately before release for the current plan year multiplied by a fraction. The numerator of the fraction is the amount of principal and interest paid for the year. The denominator of the fraction is the sum of the numerator plus the principal and interest to be paid for all future years. See § 54.4975-7(b)(8)(iv). The number of future years under the loan must be definitely ascertainable and must be determined without taking into account any possible extensions or renewal periods. If the interest rate under the loan is variable, the interest to be paid in future years must be computed by using the interest rate applicable as of the end of the plan year. If collateral includes more than one class of securities, the number of securities of each class to be released for a plan year must be determined by applying the same fraction to each class.

We suggest the definition be amended to the following:

Committed-to-be-released shares are shares that, although not legally released, will be released by a future scheduled and committed debt service payment and will be allocated to employees for service rendered in the current accounting period. The period of employee service to which shares relate is generally defined in the employee stock ownership plan documents. Shares are legally released from suspense and from serving as collateral for employee stock ownership plan debt as a result of payment of debt service. Those shares are required to be allocated to participant accounts as of the end of the employee stock ownership plan's fiscal year. Formulas used to determine the number of shares released can be based on either of the following:

- a. The ratio of the current principal amount to the total original principal amount (in which case unearned employee stock ownership plan shares and debt balance will move in tandem) times the original number of shares
- b. The ratio of the current principal plus interest amount to the total of the current principal plus interest amount and the future payments of principal plus interest to be paid times the number of shares in collateral at the beginning of the year.

We appreciate this opportunity to provide feedback on the proposed guidance and would be pleased to respond to any questions the FASB or its staff may have concerning our comments. Please direct any questions to Rick Day (563.888.4017) or Ginger Buechler (612.455.9411).

Sincerely.

McGladrev LLP

McGladry LCP