

McGladrey & Pullen

Certified Public Accountants



LETTER OF COMMENT NO. 12

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January 17, 2008

Mr. Russell G. Golden
Director of Technical Application and Implementation Activities
Financial Accounting Standards Board
PO Box 5116
401 Merritt 7
Norwalk, CT 06856-5116

File Reference: FSP No. FAS 142-f

Dear Mr. Golden:

We are pleased to comment on the proposed FASB Staff Position (FSP) No. FAS 142-f, *Determination of the Useful Life of Intangible Assets*.

We support the decision by the FASB to amend the factors that should be considered in developing renewal or extension assumptions under FASB Statement No. 142, *Goodwill and Other Intangible Assets* to permit entities to consider their own assumptions about renewal or extension.

Our comment letter will first address the three issues on which specific comment is sought. Thereafter, our letter will comment on other matters.

Comments on Specific Issues

Issue 1: What costs would be incurred to implement this proposed FSP?

As discussed later in the letter, we have concerns about whether the disclosure requirements of the proposed FSP are necessary. If the suggested disclosures are retained, we believe there will be incremental costs to modify systems to capture the information necessary. With a pure prospective approach to applying the proposed FSP, systems will need to be developed or modified to capture the information for intangible assets acquired after the effective date separate from those acquired before the effective date.

Issue 2: Are the transition provisions of this proposed FSP appropriate?

We are concerned that the provisions of the proposed FSP will apply only to assets acquired after the effective date. We believe it would be preferable to require that the amended provisions be applicable to all intangible assets in existence at the effective date. Otherwise, a situation may arise in which an entity

records similar intangible assets acquired at approximately the same time (e.g., immediately before and immediately after the effective date) and uses those assets in similar fashions, yet amortizes those assets over significantly different useful lives (or, in the case of assets acquired after the effective date, perhaps does not amortize them at all).

We also recommend that the proposed FSP permit early adoption. Many entities have been looking forward to this guidance and will wish to apply it as soon as possible.

Issue 3: Given this document's comment period, the Board expects to finalize this proposed FSP in the first quarter of 2008. Does this issuance date provide sufficient time for affected entities to understand and apply the requirements of this FSP, which is effective for fiscal years beginning after June 15, 2008?

We believe that the provisions in the proposed FSP are relatively straightforward and, accordingly, believe that the issuance date does provide sufficient time for affected entities to understand and apply the requirements of the proposed FSP.

As noted above in our response to Issue 2, however, we believe that the proposed FSP should be applicable to *all* intangible assets in existence at the effective date, rather than only to those acquired after the effective date. As such, if that change is made, we believe it may be necessary to delay the effective date to permit entities time to assess the impact of the change on existing intangible assets.

Other Comments

Disclosures

We do not believe that the disclosure requirements of paragraph 13 would result in useful information for users of financial statements that justify the cost of preparation. The requirements seem "punitive" for the situation in which management desires to reflect a useful life for an intangible asset consistent with the factors used to value that asset. The disclosures also do not differentiate between assets subject to the guidance in the proposed FSP and those acquired before the effective date of the FSP, diminishing their significance. We recommend that the disclosure requirements be replaced by requirements to (a) disclose management's expectations regarding renewal of individually significant assets or asset classes and (b) reference other applicable GAAP such as AICPA Statement of Position 94-6, *Disclosure of Certain Significant Risks and Uncertainties*, for disclosures about risks and uncertainties.

If the disclosure requirements are retained, we have the following specific concerns:

13a. It is not clear why a simple weighted average of the contract period prior to the next renewal would be meaningful. A weighted average based on years remaining would not be meaningful if a disproportionately large asset had a one-year period and several lower dollar assets having significantly longer periods were averaged together.

13b. It is unclear whether "[a]n entity's history of renewal for similar assets" is soliciting a general comment or something more specific. If it is intended to be general, we question its usefulness because we believe the resulting disclosure may become "boilerplate." If it is intended to be specific, additional guidance on the nature of the specificities (such as the number of periods

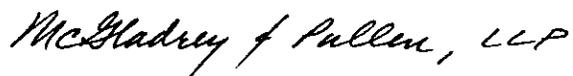
required, if individually significant assets or asset classes should be identified, etc.) should be specified.

13c. We question why only the anticipated changes for initial or renewal periods ending within the next year were specified. If the purpose of the disclosure is to add transparency to management's changes in estimates, that purpose could be stated more clearly and not limited to the next fiscal year's renewals. We also think some measure of significance should be incorporated (e.g., only for those changes considered significant), as well as some indication of what should be disclosed such as the monetary effect.

13d. We believe the requirement to disclose incremental and direct costs incurred to renew or extend the contractual term will be a burdensome disclosure to prepare and not add meaningful information. We believe singling out these costs will be confusing to readers, especially when the cost of the assets in question is not also disclosed. For example, a disclosure that \$100,000 was incurred to extend the contractual term of an asset has one level of significance if the asset itself had a cost of \$500,000, but a much different level of significance if the asset cost \$5 billion. There are other expense disclosures that have "crept" into GAAP requirements over the years, such as advertising expense, that many believe are unnecessary and add to disclosure overload. The requirement in 13d. would add to this list.

We would be pleased to respond to questions the Board or its staff may have about any of the preceding comments. Please direct your questions to either Jay D. Hanson (952-921-7785) or Richard K. Stuart (212-297-4896).

Sincerely,

A handwritten signature in cursive script that reads "McGladrey & Pullen, LLP".

McGladrey & Pullen, LLP