

September 18, 2012

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

File Reference No. EITF-12D

Dear Ms. Cospers:

McGladrey LLP is pleased to comment on the Proposed Accounting Standards Update, *Liabilities (Topic 405), Obligations Resulting from Joint and Several Liability Arrangements* (the "proposed ASU"). We are supportive of the Financial Accounting Standards Board's efforts to provide specific accounting guidance to address these obligations to help eliminate the current diversity in practice. In that regard, we have included in this letter responses to the applicable "Questions for Respondents" posed in the proposed ASU.

Question 1: *Do you agree with the types of obligations resulting from joint and several liability arrangements that are included in the scope of this proposed Update (that is, the total amount under the arrangement is fixed at the reporting date and not otherwise covered by existing U.S. GAAP)? Are there other forms of joint and several liability arrangements that should be included in the scope of this proposed Update? If certain arrangements should be excluded or included, please explain why.*

We agree that those obligations resulting from joint and several liability arrangements where the total amount under the arrangement is fixed at the reporting date that are not otherwise covered by existing U.S. GAAP should be included in the scope of this proposed ASU.

Question 2: *Do you agree that the scope of this proposed Update should include all entities that have joint and several liability arrangements within the scope of the proposed Update, including entities that are under common control, related parties, and unrelated parties? If not, please explain why.*

We agree that the scope of the proposed ASU should include all entities that have joint and several liability arrangements. In our client base, these arrangements exist primarily between entities under common control; however we believe the accounting and reporting considerations should be the same regardless of the relationship between the parties.

Question 3: *Are you aware of joint and several liability arrangements among unrelated parties? If yes, please describe such arrangements and describe why those arrangements should be included or excluded from the scope of this proposed Update.*

As noted in our preceding response, in our client base, these arrangements exist primarily between entities under common control.

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Question 4: *Under this proposed Update, if the primary role of a reporting entity in the joint and several liability arrangement is that of a guarantor, then it should account for the obligation under Topic 460. This proposed Update includes some guidance on when the primary role is that of a guarantor. Is that guidance sufficient to distinguish between joint and several liability arrangements that should be accounted for under Topic 460 and those that should be accounted for under Subtopic 450-20? If not, please explain what additional guidance the Task Force should consider including to assist preparers in distinguishing between the two.*

We believe further guidance should be included in the proposed ASU to determine whether the primary role of the reporting entity under a joint and several liability arrangement is that of a guarantor. Specifically, it is unclear to us as to whether the particular type of arrangement that is meant to be addressed by this guidance (ASC 450-40-15-2) is one in which the reporting entity receives consideration for standing ready or if there are other joint and several liability arrangements that this guidance would apply to and result in the arrangement being accounted for under Topic 460. If this guidance is simply meant to apply to arrangements in which the reporting entity receives consideration for standing ready, we believe that should be explicitly stated. If on the other hand it is meant to apply to other joint and several liability arrangements, we believe it would be helpful to provide an illustration or reference to some of the other types of arrangements to which this guidance may apply.

Question 5: *Do you agree that obligations resulting from joint and several liability arrangements that are included in the scope of this proposed Update should be measured as a loss contingency in accordance with Subtopic 450-20? If not, please explain why.*

We agree that those obligations included in the scope of the proposed ASU should be measured as a loss contingency in accordance with Subtopic 450-20.

Question 6: *Do you agree with the disclosure requirements for obligations resulting from joint and several liability arrangements that would be included in the scope of this proposed Update? If not, please explain why.*

We agree with the disclosure requirements in the proposed ASU. However, we believe the requirements in ASC 405-40-50-1b should be expanded to specifically include a 5 year maturity schedule with columns showing both the gross obligation and the entity's recognized payment obligation by year.

Question 7: *Do you agree that the guidance in this proposed Update should be applied retrospectively to all prior periods presented for obligations resulting from joint and several liability arrangements that exist at the beginning of an entity's fiscal year of adoption? If not, please explain why. Also, do you think the transition guidance should be the same for obligations in which the primary role of the reporting entity is that of a guarantor and that are to be accounted for under Topic 460? If not, please explain why. Do you agree that an entity may elect to use hindsight for the comparative period(s) if it changed its accounting as a result of adopting this proposed Update? If not, please explain why.*

We agree with the retrospective transition provisions in the proposed ASU and don't see a reason for there to be different transition provisions for obligations in which the primary role of the reporting entity is that of a guarantor. Further, we believe it's reasonable as a practical expedient to allow an entity to use hindsight for the comparative periods in adopting the proposed ASU.

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Question 8: *The proposed amendments would apply to public and nonpublic entities. Should any of the proposed amendments be different for nonpublic entities? If yes, please identify those proposed amendments and describe how and why you think they should be different.*

We do not believe that any proposed amendments should differ in application between public and nonpublic entities.

Question 9: *Do you agree that an entity should be permitted to early adopt the proposed amendments? If not, please explain why.*

We agree that an entity should be permitted to early adopt the proposed ASU.

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), who was a member of the EITF working group on joint & several liability arrangements, or Brian H Marshall (203.312.9329).

Sincerely,

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

McGladrey LLP