LETTER OF COMMENT NO. 132

One Verizon Way
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Basking Ridge, NJ 07920
August 8, 2008

Mr. Russell G. Golden
Financial Accounting Standards Board
Technical Director- File No. 1600-100
401 Merritt 7, PO Box 5116
Norwalk, CT 06856-5116

Re: Exposure Draft of the Proposed Statement, *Disclosure of Certain Loss Contingencies – an amendment of FASB Statements No. 5 and 141(R)*

Dear Mr. Golden:

Verizon Communications Inc. (Verizon) appreciates the opportunity to comment upon the above-referenced Exposure Draft. Verizon, one of the world's leading providers of communications services, is a registrant with the SEC, classified as a Large Accelerated Filer, with approximately 2.4 million shareowners. The principal market for trading in the common stock of Verizon is the New York Stock Exchange.

We support the FASB's overarching goal of ensuring that users of financial statements have access to disclosures that appropriately inform them of relevant information about a corporation's financial position and results.

Verizon believes, however, that the additional disclosures about loss contingencies that would be required by the Exposure Draft are more likely to confuse investors than to provide them with meaningful information. Requiring companies to attempt to quantify liabilities that, by their nature, cannot be predicted with certainty may mislead investors into believing that the amount of these liabilities is accurately determinable, rather than merely estimated. Moreover, the proposed disclosures may result in a number of detrimental and unintended consequences that would exceed any benefits, as discussed below.

(1) The required disclosures would not provide meaningful information to users of financial statements.

Large corporations like Verizon face a high volume of frivolous litigation, often with excessive demands. Many of these cases are disposed of through summary process without ever maturing into a material loss. If the disclosure related to such cases does not take into account the merit of

each such claim, the information provided would be incomplete and may even confuse or mislead the users of financial statements.

Moreover, because the proposed standard would require disclosure based on analyses and estimates that are speculative, or highly dependent on future developments, there is no basis to believe that the disclosure would provide countervailing benefits for users of financial statements that outweigh the risk of harm to the corporation and its shareholders. Specifically, the valuation of contingent liabilities is influenced by developments that cannot be predicted with a high degree of certainty. The facts which form the basis for a corporation's analyses of the risks of such contingencies often change significantly over time. For example, the estimated value of a claim can be affected by court decisions in related or similar matters, disclosure of additional information, or the passage of legislation. Although the Exposure Draft attempts to minimize this risk by permitting disclosure of the company's "best estimate" of the possible loss or range of loss, this approach would not alleviate the underlying problems.

Also, Verizon believes that consolidating disclosures of complicated loss contingencies into annual or quarterly reconciliation tables is likely to be confusing to investors and would not improve a financial statement user's ability to predict future cash flows. We do not believe that such tabular reconciliation is advisable.

(2) The required disclosures could unreasonably jeopardize the corporation's ability to protect its interests and those of its shareholders in contested proceedings.

The proposed standard would necessarily involve disclosure of confidential business strategies and internal valuations, and potentially even include disclosure of attorney work product and legal advice. If such information were disclosed, it could increase settlement demands based on these internal valuations, encourage the filing of additional claims, and undermine the ability of corporations to protect their interests in contested matters. Exposing such analyses to the public would give the corporation's adversaries an unfair advantage, create an unreasonably high floor in subsequent settlement negotiations, and thus severely disadvantage the corporation and its shareholders.

The proposal requires companies to disclose loss contingencies for which the risks of loss are remote, but which may be resolved in the near term. Such dramatically expanded disclosures of speculative, contingent liabilities as contemplated in the Exposure Draft could result in additional litigation regarding the adequacy or timing of such disclosures. The inherent fallibility in predicting the potential for loss would be compounded by the inability to accurately predict the timeframe for completion. If the company's predictions are not accurate, investors may bring suit based on these estimates. This expanded risk of litigation could impede the ability of the corporation to obtain candid legal assessments and detailed contingency analyses to assist in management's decision-making.

(3) The required disclosures could breach attorney-client confidentiality and undermine management's ability to seek confidential advice and counsel from the company's lawyers.

The proposed standard could require companies to disclose privileged communications, in particular, those related to their counsel's assessment of possible maximum exposure or "best estimate" of the risk of loss. If such best estimates reflect the considered judgment and advice of the corporation's counsel, however, they should be confidential, privileged and protected from disclosure. We believe that if the confidentiality of communications with counsel is not safeguarded, corporate management could be discouraged from seeking legal advice that could be important to the defense of claims. That would not be in the best interests of the corporation or its shareholders. Further, the proposed limited exceptions to disclosures of legal advice and work product contained in the Exposure Draft are too narrow to ensure that lawyers representing corporations will be able effectively to fulfill their ethical obligations and protect their clients' interests, particularly in litigation matters. The proposal suggests that a corporation could prevent disclosing information that would prejudice its rights in litigation by aggregating the disclosures at a higher level. For a company of Verizon's size, however, which at any given time is facing numerous diverse claims, aggregation of disclosures may actually exaggerate the apparent risk of loss, rather than provide useful guidance to investors, and yet still reveal highly confidential assessments of counsel. Moreover, this risk would apply not only to conventional litigation, but also to other potential loss contingencies, including, for example, regulatory or administrative proceedings or audits.

As the ABA Statement of Policy Regarding Lawyers' Responses to Auditors' Requests for Information has noted, "[i]t might be argued that any evaluation of a claim, to the extent based upon a confidential communication with the client, waives any privilege with respect to that claim." To the extent that the standard requires extensive disclosures regarding counsel's estimates of exposure or the factors that could affect the likely outcome of a case, the disclosures may have the effect of waiving the corporation's attorney-client privilege for the entire dispute.

(4) The required disclosures should not add unnecessary administrative complexities.

As the Exposure Draft notes, the IASB is also considering amendments to its disclosure requirements regarding contingencies. Verizon operates in more than 100 countries and we encourage coordination and convergence with international standards to assist companies operating in a global economy. While we support harmonizing national and international accounting standards, however, we do not agree with the IASB's requirement that the use of the prejudicial exception to protect a corporation's interests in adversarial proceedings should be "extremely rare."

The proposed statement would increase administrative costs by requiring corporations and their auditors to significantly revise their current processes for preparing and auditing financial statements. If the FASB does adopt a new standard, we recommend that it allow a minimum of 18 months for implementation to allow sufficient time to conduct field studies and enable companies and their auditors to revise their processes.

Conclusion

Verizon believes that the current disclosure standard effectively balances the benefits of transparency in disclosure of loss contingencies against the risks of harm from public disclosure of confidential information. The current disclosure standard requires disclosures that are sufficiently reliable and accurate so as to provide meaningful guidance to investors, protect the legitimate financial interests of the shareholders of a corporation and safeguard the confidentiality of the attorney-client relationship, while not encouraging the filing of frivolous litigation. Accordingly, we recommend that the FASB not adopt the proposed standard.

Respectfully submitted,

Thomas A. Bartlett
Senior Vice President & Controller