

August 7, 2008

Russell Golden, Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, Connecticut 06856-5116



LETTER OF COMMENT NO. 75

RE: Comment on Exposure Draft - Disclosure of Certain Loss Contingencies
Amending FAS 5 - File Reference No. 1600-100

Dear Mr. Golden,

As an investment management company with over \$15 billion in assets under management, it is critical to have accurate and complete information about liabilities in financial statements. Therefore, Calvert Asset Management Company, Inc. is writing to comment on the FAS 5 exposure draft on loss contingencies. We agree with the FASB finding that the current statement on disclosure of loss contingencies fails to "provide adequate information to assist users of financial statements in assessing the likelihood, timing, and amount of future cash flows associated with loss contingencies" (FAS 5 Exposure Draft, Summary, p. v).

The changes proposed by the FAS 5 exposure draft *Accounting for Contingencies* represent an important step in improving disclosure. However, we remain concerned with the draft's treatment of severe long-term risks. The exposure draft only requires disclosure of severe financial threats that a company deems remotely probable if the issue is expected to be resolved within a year (FAS 5 Exposure Draft para. 6). There is a long history of companies underestimating the likelihood of severe financial threats – Enron, the subprime lending crisis, and asbestos liabilities are three examples. Typically, these large issues developed for many years, with eventual catastrophic consequences for investors. Therefore, FAS 5 should require companies to disclose all severe threats, regardless of whether they are resolved within a year.

To ensure that these disclosures are cost-effective, we suggest that "remotely probable" risks, including unasserted claims that are not expected to be resolved within one year, could be described in a narrative, but need not be quantified other than to specify that they may be severe. In addition, in order to improve investor access to reliable information, we urge that FASB:

- Implement the proposed draft language that would require disclosure of all loss contingencies except those that meet certain narrow criteria (FAS 5 Exposure Draft, para. A12).
- Implement the proposed draft language that would require a reporting company to quantify the maximum potential loss in circumstances where it cannot estimate the *likely* loss (FAS 5 Exposure Draft, para. 7a).

Thank you for your consideration.

Sincerely,

Stu Dalheim, Director, Shareholder Advocacy
Calvert Asset Management Company, Inc.

A UNIFI Company.

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