



August 7, 2008

LETTER OF COMMENT NO. 86

Technical Director
Financial Accounting Standards Board
director@fasb.org
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

Subject: File Reference 1600-100 - Exposure Draft Comment Letter regarding Disclosure of Certain Loss Contingencies

The Lubrizol Corporation ("Lubrizol") is pleased to have this opportunity to provide feedback on the FASB's exposure draft on the Disclosure of Certain Loss Contingencies ("SFAS 5"). Lubrizol is an innovative specialty chemical company that produces and supplies technologies that improve the quality and performance of our customers' products in the global transportation, industrial and consumer markets. The company is headquartered in Cleveland, Ohio and has geographically diverse operations, with an extensive global manufacturing, supply chain and technical and commercial infrastructure. Lubrizol operates facilities in 27 countries through the efforts of approximately 6,900 employees. Lubrizol's consolidated results for the year ended December 31, 2007 included total revenues of \$4.5 billion.

Lubrizol believes that the current version of SFAS 5 is appropriate because it properly calls for the disclosure of reasonably estimable amounts of a company's contingent liabilities, which is information that is understandable and useful to investors and financial statement users. Lubrizol believes that the existing accounting standards offer investors appropriate and sufficient disclosures and that existing shareholders of companies would prefer that companies avoid disclosures that impair a company's ability to defend itself in litigation and/or minimize or avoid liability. Lubrizol urges the FASB not to adopt the proposed amendment to SFAS 5 because that amendment would result in disclosures to investors that are of limited utility and are possibly misleading, would create a burden on companies to generate supplemental pro forma financials, and is inconsistent with international accounting standards. In summation, the proposed amendments subject companies to undue and unnecessary risks that substantially outweigh the arguable benefits of the additional disclosures.

More specific comments that form the basis for Lubrizol's position are set forth below.

Negative Impact of Expanded Disclosure on Stock Prices and on the Outcome of the Loss Contingencies

The proposed amendment would require additional disclosure about a company's contingent liabilities, including the total amount demanded by a claimant, even when management has determined that no recognition in the financial statements is necessary, or that the reasonably recoverable amount is significantly lower than the amount claimed. Lubrizol believes that this additional information is not likely to be actually useful to investors, and could in fact be misleading, as it reflects disclosure of losses that are unlikely to be realized. Such disclosures may instead result in unintended negative consequences to a company's financial position.

In particular, SFAS 5 requires disclosure of a contingency if it could have a "severe impact" on the company's financial position, cash flows or results of operations within the next year, regardless of the likelihood of loss, regardless of whether a claim has been asserted and regardless of the likelihood of assertion. This standard requires companies to make disclosure about potentially frivolous cases, and, more significantly, about cases where the probability of success by the plaintiff is remote. This

requirement runs counter to the "materiality" standard that is well established in legal and accounting channels, which takes into account both the likelihood of an event and the impact of the event. By requiring disclosure of such items, SFAS 5 requires disclosure that is unnecessary, confusing and potentially misleading.

A company's management is in the best position to evaluate the likelihood that claims will be asserted against the company, and to fairly estimate the value of those claims. Even if additional information is disclosed, investors are not in a position to evaluate better the likelihood or value of specific claims against the company. Since they are unable to evaluate reasonably the additional information about loss contingencies, investors may assume worst case scenarios in their analysis of future cash flows, which could have a depressing effect on stock prices.

Moreover, the value of claims is often uncertain, and may vary widely during the life of the claim, including during any appeal process. The company questions the utility to investors of including such highly uncertain and volatile estimates in financial statements. In situations where a claim amount is not stated and companies are required to estimate their maximum potential loss or a range of possible losses, the company may be offering valuable strategic information to plaintiffs regarding the company's value of the litigation. Such amounts may then serve as the starting point for settlement discussions. In addition, it will be impractical for management to provide varying qualitative assessments of the current most likely outcome of a claim without disclosing potentially damaging information that could be used by a claimant. Such disclosure could actually negatively impact the occurrence or the size of the loss contingency, surely an unintended consequence of added disclosure.

Unneeded Supplementation of Financial Data to Reflect Subsequent Events

Next, the proposed amendment may impose an impractical requirement that companies generate additional pro forma financial results. The proposed amendment would require quantitative and qualitative disclosures not only about loss contingencies incurred as of the balance sheet date, but also about those arising after the balance sheet date but before the financial statements are issued. Such disclosures may require a company to supplement historical financials with pro forma financial data giving effect to the loss as if it had occurred at the balance sheet date. The time frame for submitting financials to the SEC has been condensed considerably over the past few years, and Lubrizol is concerned that it will not be practical to generate pro forma financial data for a loss contingency occurring after the balance sheet date and still meet SEC filing deadlines.

Inconsistency With Accounting Judgment of Auditing firms

As the loss contingency information is shared with accounting firms as part of the financial audit, the auditing firms will undoubtedly have an opinion regarding the reasonableness of the amounts accrued and disclosed in the financial statements. The enhanced disclosure required by SFAS 5 will make auditing quantitative disclosures increasingly difficult. In order for the auditing firm to audit the heightened disclosures regarding litigation, auditors may be required to seek privileged information from company counsel about a company's judgments and estimates. What happens when the auditing firms, legal counsel and management do not agree on the most likely outcomes of the loss contingencies? Because the auditing firms must opine on the financial results, this puts them in a position that could heavily sway the necessary disclosures regarding loss contingencies, which may be against the advice of legal counsel.

International Accounting Standards

The proposed amendment would require disclosures that are materially different than the current disclosures required by the International Accounting Standards Board. The proposed amendment is comparable to FIN No. 48 (which also was controversial because of the enhanced disclosures of tax contingencies that are required). FIN No. 48 was perceived to be hurried toward implementation and the interpretation was not consistent with international standards, and as a result the interpretation is not

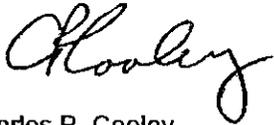
being recognized by the IASB. We believe that a similar convergence conflict may occur with this proposed amendment. We do not believe that the FASB should pursue new disclosures that are not consistent with the IASB framework when convergence seems to just be over the horizon. Rather, multinational companies and their investors would benefit instead from the FASB and IASB resolving existing differences to achieve more consistency in information disclosure requirements.

Risk of Additional Litigation

Last, the expanded disclosures required by SFAS 5 could lead to further claims and frivolous litigation. In the context of attempting to quantify unpredictable outcomes and damages, a company's estimates could certainly prove to be incorrect, leading to a potentially new class of plaintiffs claiming that such disclosures were misleading. The detailed statements regarding the circumstances of a claim, the factors affecting results, the likely outcome and the anticipated timing all invoke possibilities for error in judgments and second guessing by a plaintiff class. Moreover, if a company errs on the lowside in projecting its range of liability on prospective litigation as a means of reducing the informational advantage to its adversaries, the company may be subject to further litigation if the actual amount differs materially from the estimate amount.

Thank you for the opportunity to offer our comments on this exposure draft. We would be pleased to discuss our comments or answer any questions you may have.

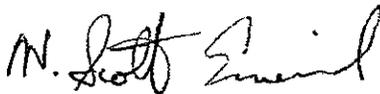
Sincerely,



Charles P. Cooley
Senior Vice President, Treasurer and Chief Financial Officer



Joseph W. Bauer
Vice President and General Counsel



W. Scott Emerick
Corporate Controller