

From: [Scope, Rob](#)
To: [Director - FASB](#)
Subject: FW: File Reference No. 1840-100
Date: Friday, August 20, 2010 9:41:39 AM

To Whom it May Concern:

We have reviewed the Exposure Draft on Contingencies issued July 20, 2010 and would like to comment specifically as it relates to matters regarding Multi-Employer plans and potential disclosure for a withdrawal liability for a portion of an employer's unfunded benefits as it relates to construction contractors. Our position is that we are an advocate of making no changes to the current accounting and disclosure requirements as it relates to these multi-employer plans. That is, we feel that no recognition of a liability or disclosure, other than the required disclosure regarding plan expense, should be necessary unless the employer is contemplating or has initiated a withdrawal from a plan.

We see the following reasons as support for not changing the current requirements:

1. Disclosure of a potential withdrawal liability, even if remote, will be confusing to bankers and sureties and they will not know how to process this information which will lead to more inquiries and perhaps stricter loan covenants and costs for surety bonds;
2. Participating employers are often not able to easily obtain information as it relates to potential withdrawal liabilities;
3. Plan administrators may not be in a position to provide timely and accurate information as it relates to withdrawal liabilities, thus potentially delaying issuance of financial statements;
4. Withdrawal liability data provided by Plan administrators would be based on estimates and subject to interpretation;
5. Auditors will have to incur additional time and effort to develop audit procedures to audits these amounts to gain comfort before they are disclosed.

As such, we feel that no changes should be made to current standards.

With that being said, we have also reviewed the ED and have the following comments.

Paragraph 715-80-50-2 of the ED indicates that Topic 450 applies if either of the following **would** occur:

- a. An employer would withdraw from the plan under circumstances that would give rise to an obligation;
- b. An employer's contribution to the fund would be increased during the remainder of the contract period to make up a shortfall in the funds necessary to maintain the negotiated level of benefit coverage

If either of these apply we would look to the "Disclosure Threshold" at paragraph 450-20-50-1C which states disclosure is required if there is at least a reasonable possibility (that is, more than remote) that a loss may have been incurred regardless of whether the entity has accrued for such a

loss. Disclosure is not required of a loss contingency involving an unasserted claim or assessment if there has been no manifestation by a potential claimant of an awareness of a possible claim or assessment unless both of the following conditions are met:

- It is considered probable that a claim will be asserted
- There is a reasonable possibility that the outcome will be unfavorable

UHY comment – it would appear that this paragraph of the ED indicates that disclosure is not necessary unless the two bullet points above have been met. We are unclear how this is different than current accounting standards for contingencies.

Paragraph 450-20-50-1D goes on to state:

- Disclosure of asserted but remote loss contingencies may be necessary, due to their nature, potential magnitude, or potential timing to inform users about the entity's vulnerability to a potential severe impact. An entity will need to exercise judgment in assessing its specific facts and circumstances to determine whether disclosure about a remote contingency is necessary. Factors that an entity should consider in making this determination include any of the following:
 - The potential impact on the entity's operations
 - The cost to the entity for defending its contentions
 - The amount of effort and resources management may have to devote to resolve the contingency

UHY comment – this paragraph addresses “asserted” loss contingencies and says an entity will need to exercise judgment in assessing specific facts and circumstances to determine whether a remote loss contingency should be disclosed. It would seem to indicate that disclosure of this is ultimately up to management to decide if this should be disclosed. We believe this needs further clarification.

To summarize, while we are advocates of making clear and concise disclosures that will aid financial statement users in understanding the nature, risks and cash flows associated with participation in these types of funds, we are not advocates of disclosing items that are considered to have a remote chance of occurrence and would request that the FASB reconsider its position in this matter.

Sincerely,

Robert E. Scope, CPA
Principal
UHY LLP
12900 Hall Road, Suite 510
Sterling Heights, MI 48313-1153
Main: (586) 254-1040
Fax: (586) 254-1805
rscope@uhy-us.com
www.uhy-us.com



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