

LETTER OF COMMENT NO. 120

August 8, 2008

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

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

Dear Mr. Golden,

Intelligent investment decisions require accurate and complete information about liabilities in financial statements. Therefore, as investors, we are writing to comment on the FAS 5 exposure draft on loss contingencies.

As users of financial statements, 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 are very 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). As investors, we have seen 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 impact threats, even if the management deems them only remotely probable. In light of the history of management misjudgment about how "remote" various severe risks have proven to be, disclosure is essential to allow us to make an informed judgment of the long term financial prospects facing a company.

To ensure that these disclosures are cost-effective, we suggest that "remotely probable" severe impact risks 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).
- Expand the scope of both the expanded population of required disclosures, as well as the maximum loss disclosure requirement to include asset impairments. These loss contingencies should be disclosed using the same standards as loss liabilities.

- Eliminate or further restrict and define the "prejudicial" information nondisclosure exemption to ensure that it remains a rare exception, and retain the proposed requirement that filers must in any event quantify their liabilities even if other information does qualify for the prejudicial exemption (FAS 5 Exposure Draft, para. 11).

Thank you for your consideration. Sincerely,

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