



LETTER OF COMMENT NO. 113

August 7, 2008

Mr. Russell G. Golden Technical Director Financial Accounting Standards Board 401 Merritt 7 P.O. Box 5116 Norwalk, CT 06856-5116

Request for Comment on a Proposed Statement, Disclosure of Certain Loss Contingencies, an amendment of FASB Statements No. 5 and 141(R)

Dear Mr. Golden:

Thank you for the opportunity to comment on the proposed statement, Disclosure of Certain Loss Contingencies ("proposed Statement"). We believe that the proposed Statement would not improve the overall quality of disclosures for loss contingencies. The litigation process and the information underlying many lawsuits are extremely complex. In addition, the litigation process is highly unpredictable and dependent upon numerous variables over which the reporting entities have no control. As a result, given the nature of this subject matter, providing a concise and meaningful quantitative disclosure about loss contingencies regardless of the likelihood of loss and when the amount of the loss cannot be reasonably estimated will be extremely difficult and open to a wide range of possible outcomes. In our opinion, these disclosures would only cause added confusion and would likely result in differing interpretations of the data by the financial statement users and shareholders.

In addition to the added confusion, we believe the disclosures will be very costly to the reporting entities for several reasons. The disclosure requirements in the proposed Statement will require entities to incur added fees from attorneys or other professional services firms for updating information and loss assessments on a quarterly basis. The quantitative disclosure requirements of providing a best estimate of maximum loss exposure or a best estimate of possible loss or range of loss will provide plaintiff attorneys with a roadmap to settlement offers or with the ability to unfairly influence the judicial process. Finally, given the unpredictable nature of litigation, the actual losses could be significantly different from amounts disclosed in compliance with the proposed Statement, creating the potential for added litigation.

We certainly appreciate the Board's desire to improve the quality and timeliness of loss contingency disclosures. However, we believe it dangerous to create the additional information required by the proposed Statement when that information is so filled with

uncertainty, affected by so much unpredictability and when providing this information will come at such a significant overall cost to the reporting entities.

Please refer to the Appendix to this letter for our detailed comments and suggestions in response to certain of the questions in the proposed Statement. We would be pleased to discuss our comments with the Board members or the FASB staff at your convenience.

Sincerely, William Solo

Cintas Corporation William C. Gale

Senior Vice President and CFO

Responses to certain questions in the Proposed Statement, Disclosure of Certain Loss Contingencies, an amendment of FASB Statements No. 5 and 141(R)

Question 1 — Will the proposed Statement meet the project's objective of providing enhanced disclosures about loss contingencies so that the benefits of those disclosures justify the incremental costs? Why or why not? What costs do you expect to incur if the Board were to issue this proposed Statement in its current form as a final Statement? How could the Board further reduce the costs of applying these requirements without significantly reducing the benefits?

We believe that the proposed Statement would not meet the project's objective. The litigation process and the information underlying many lawsuits are extremely complex. In addition, the litigation process is highly unpredictable and dependent upon numerous variables over which the reporting entities have no control. As a result, given the nature of this subject matter, providing a concise and meaningful quantitative disclosure about loss contingencies regardless of the likelihood of loss and when the amount of the loss cannot be reasonably estimated will be extremely difficult and open to a wide range of possible outcomes. In our opinion, these disclosures would only cause added confusion and would likely result in differing interpretations of the data by the financial statement users and shareholders.

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We believe it dangerous to create the additional information required by the proposed Statement when that information is so filled with uncertainty, affected by so much unpredictability and when providing this information will come at such a significant overall cost to the reporting entities.

Question 3 – Should an entity be required to provide disclosures about loss contingencies, regardless of the likelihood of loss, if the resolution of the contingencies is expected to occur within one year of the date of the financials statements and the loss contingencies could have a severe impact upon the operations of the entity? Why or why not?

We do not believe an entity should be required to provide disclosures regardless of the likelihood of loss. We believe that providing data about contingencies that are not probable, along with related maximum loss exposures, will only result in confusion by users of financial statements and shareholders. They would likely not understand how to use the data or they would have many different interpretations about how to use the data. Also, setting a range of loss related to contingencies that are not probable would likely result in disclosures of very wide ranges of loss due to the complexity and unpredictable nature of the litigation process. Again, the users of financial statements and shareholders would have many different interpretations of how to use these wide ranges of loss outcomes, causing unnecessary confusion.

Question 4 – Paragraph 10 of Statement 5 requires entities to "give an estimate of the possible loss or range of loss or state that such an estimate cannot be made." One of financial statement users' most significant concerns about disclosures under Statement 5's requirements is that the disclosures rarely include quantitative information. Rather, entities often state that the possible loss cannot be estimated. The Board decided to require entities to disclose the amount of the claim or assessment against the entity, or, if there is no claim or assessment amount, the entity's best estimate of the maximum possible exposure to loss. Additionally, entities would be permitted, but not required, to disclose the possible loss or range of loss if they believe the amount of the claim or assessment is not representative of the entity's actual exposure.

- a. Do you believe that this change would result in an improvement in the reporting of quantitative information about loss contingencies? Why or why not?
- b. Do you believe that disclosing the possible loss or range of loss should be required, rather than optional, if an entity believes the amount of the claim or assessment or its best estimate of the maximum possible exposure to loss is not representative of the entity's actual exposure? Why or why not?
- c. If you disagree with the proposed requirements, what quantitative disclosures do you believe would best fulfill users' needs for quantitative information and at the same time not reveal significant information that may be prejudicial to an entity's position in a dispute?

We do not believe that this change would result in more informed users of financial statements and more informed shareholders. While the proposed Statement may result in more quantitative information being disclosed relating to loss contingencies, we believe that additional information would create confusion and inconsistencies in interpretation. Additionally, this added information would create with a roadmap for plaintiff attorneys to settlement offers or create the ability to influence juries.

We believe that quantitative disclosures should be focused on significant claims where the loss contingencies are probable and the amounts of loss contingencies are reasonably estimable.