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August 13, 2010

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Mr. Russell G. Golden
Technical Director
Financial Accounting Standards Board
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**RE: File Reference No. 1840-100
Proposed Accounting Standards Update, *Disclosure of Certain Loss Contingencies***

Dear Mr. Golden:

The Valspar Corporation, a New York Stock Exchange listed company and a global leader in the paint and coatings industry, submits the following comments on the Financial Accounting Standard Board's (FASB) July 20, 2010 exposure draft of a proposed Accounting Standards Update, *Disclosure of Certain Loss Contingencies*.

Valspar is concerned that the changes to FASB ASC Topic 450 (Contingencies), formerly FASB Statement No. 5, proposed in the Exposure Draft would harm public companies and their shareholders while diminishing the quality of financial reporting relating to loss contingencies. We believe the proposal should not be adopted because it would:

- Confuse investors by exaggerating the importance of unlikely risks;
- Harm shareholders by compromising public companies' ability and willingness to obtain candid legal advice; and
- Harm shareholders by providing litigation advantages to a company's adversaries.

Valspar also submits the following specific comments:

Disclosure of "remote" contingencies is unnecessary and may confuse investors.

The exposure draft proposes that companies disclose and provide extensive information about "remote" litigation contingencies that may, in the unlikely event they occur, result in a "potential severe impact." The proposal indicates that companies "will need to exercise judgment" as to whether disclosure is necessary and outlines factors to be considered in making that judgment.

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The proposal creates a very subjective standard as to what remote contingencies should be disclosed. Companies are likely to over-disclose to avoid the risk of securities law violations and shareholder lawsuits. As a result, investors are likely to receive voluminous information about litigation contingencies that are extremely unlikely to occur and have no meaningful impact on the value of the company.

These disclosures will not help, and may mislead, investors. Individual investors, in particular, may struggle to accurately evaluate the meaning and impact of these disclosures. The volume of disclosures will dilute the impact of more relevant information.

Pharmaceutical print and broadcast advertising provides a cautionary analogy. In pharmaceutical advertising, warnings about common side effects that consumers may experience are often lost among voluminous disclosures of extremely unlikely but frightening side effects. The proposed disclosures for remote litigation contingencies would have a similar effect. They would provide a large amount of information of dubious value to investors, while diminishing the impact and effectiveness of disclosures about more salient risks.

The disclosure requirements may also motivate plaintiffs to claim artificially large amounts in litigation, in an attempt to create a "potential severe impact" sufficient to trigger disclosure and to motivate the defendant company to settle for more than the case is worth.

Disclosure of litigation accruals would impair companies' litigation defense and hinder their ability to obtain candid legal advice.

Valspar opposes the exposure draft's proposed disclosure of litigation accruals because it would severely disadvantage public companies and their shareholders. Litigation accruals are typically based on, and effectively summarize, the advice of litigation counsel about the likely outcome of a case. That advice is protected by the attorney-client privilege. The attorney-client privilege exists to ensure that individuals and companies are able to receive candid advice about the strengths and weaknesses of their litigation position without fear that this advice will be disclosed to adversaries.

Loss of this privilege would have far-reaching implications. Companies would be put at a permanent disadvantage in litigation, and may seek to avoid communications from counsel that may appear negative if disclosed.

Forced disclosure of litigation accruals would provide a serious and one-sided tactical advantage to those who sue companies. A company's litigation adversaries would be able to determine what the company has determined to be the "probable," "reasonably estimated" loss. Disclosure of accruals, along with the proposed disclosure of qualitative information throughout the course of a claim, inevitably will reveal a company's legal analysis and strategy for dealing with that claim and any similar claims. The disclosures themselves could become admissible evidence and affect the outcome of the litigation, and any similar claims or litigation. Companies could not expect to settle claims for less than the accrual, with the unfortunate result of increasing litigation losses and encouraging additional litigation, all to the detriment of the company and its shareholders.

The proposed requirement to provide tabular reconciliation of accrued loss contingencies would exacerbate these problems.

Disclosure of damage claims from experts will mislead investors.

Litigation is seldom settled, or resolved at trial, for the amount stated in an expert report. The proposed requirement that companies must disclose the valuation of a plaintiff's claim made by that plaintiff's paid expert is highly likely to mislead investors, who typically lack sufficient litigation experience to allow them to understand the process or to evaluate the extent to which the amount claimed is inflated.

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The testimony or opinion of a paid expert in litigation is not a sound basis for disclosure and is likely to provide speculative and misleading information to investors.

Disclosure of information about possible insurance recoveries would prejudice companies and encourage additional litigation.

The exposure draft proposes to require disclosure of a company's liability coverage when it is subject to discovery. A defendant's liability coverage is generally subject to discovery. In effect, the proposed standard would require companies to disclose their liability coverage in almost every instance. Requiring companies to broadcast their liability coverage terms to potential litigation adversaries may encourage additional litigation against prudently insured companies to the detriment of their shareholders.

The exposure draft position on disclosure of liability insurance (noted above) is inconsistent with another provision in the draft which prohibits consideration of possible insurance or indemnification recoveries in making the determination of whether a contingency is subject to disclosure. The primary purpose of insurance is to reduce a company's risk of loss, and the new rule would require disclosure of claims, even where the risk of loss will be eliminated or substantially mitigated by insurance coverage. Requiring a company to estimate a loss contingency without considering insurance coverage presents a misleading picture of the likely financial impact of the loss contingency.

In conclusion, Valspar believes the current FASB ASC Topic 450 (Contingencies), formerly FASB Statement No. 5, disclosure requirements strike the right balance between providing useful, timely and accurate information to investors and allowing a company to fairly and effectively defend litigation for the benefit of its shareholders.

The proposal set forth in the exposure draft will harm investors by providing them with large quantities of useless and misleading information, while burdening their companies with more litigation claiming larger damages, and a diminished ability to defend it. The proposal will benefit constituencies whose interests are adverse to a company and its shareholders, including plaintiff's lawyers eager to maximize recoveries, short sellers, and competitors.

Valspar also believes the proposed effective date for fiscal years ending after December 15, 2010 is not practical given the disclosure changes that would be required. Companies would need more time to develop appropriate processes to make the required disclosures.

Thank you.



Rolf Engh
Executive Vice President, General Counsel and Secretary

cc: John Bode, Audit Committee Chair
Gary E. Hendrickson, President & COO
Julie Kunkel (Ernst & Young)
Bill Mansfield, Chairman and CEO
Lori Walker, Senior Vice President and CFO