



1121 Riverchase Office Road  
Birmingham, Alabama 35244  
205-982-5500  
Fax 205-982-5501  
www.bmss.com

1840-100

Comment Letter No. 301

Keith M. Barfield, CPA  
Donald W. Murphy, Jr., CPA  
John P. Shank, CPA  
Steven N. Smith, CPA  
Dianne L. Hart, CPA  
Myra S. Roberts, CPA  
A. Jackson Knight, CPA  
David R. King  
Derrel G. Curry, CPA  
Ross B. Mendheim, CPA

September 20, 2010

Technical Director  
Financial Accounting Standards Board  
401 Merritt 7  
P.O. Box 5116  
Norwalk, CT 06856-5116  
[director@fasb.org](mailto:director@fasb.org)

**File Reference: No. 1840-100 Disclosure of Certain Loss Contingencies**

Barfield, Murphy, Shank & Smith PC appreciates the opportunity to provide comments on the Financial Accounting Standards Board's Proposed Accounting Standards Update, Contingencies (Topic 450): *Disclosure of Certain Loss Contingencies*. While we appreciate the Board's efforts to address constituent comments on the original Exposure Draft, we cannot support the proposed disclosure requirements and effective date. In summary, our greatest concern is the potential to require the disclosure of information that will be prejudicial to reporting companies and damage the entity's ability to maintain the confidentiality of protected information necessary to provide defense against legal actions.

We share the goal of financial reporting to provide stakeholders with useful financial statements on the basis of valid information. The Board's proposal would force reporting entities into the position of forgoing legal protections of privileged and confidential information. We believe the proposal provisions would require the disclosure of information previously protected from disclosure outside of the reporting entity. The requirements may result in other claimants obtaining damaging and otherwise confidential information regarding settlements. We believe the required information may prejudice settlement negotiation. Financial statement disclosure requirements should not include information likely to alter the outcome of an item disclosed or reduce the possibility of mitigation or successful defense. Therefore, we conclude that the proposed requirements would not provide valid financial information due to the prejudicial nature. We do not believe the suggested aggregation of information will mitigate the risk of disclosing prejudicial information.

We do not believe that the disclosure requirements are sufficiently limited to publicly available information. We do believe that the requirements could expose the entity to additional legal risks and will result in significant added pressure on the attorney-client privilege. We are greatly concerned about the scope of lawyers' responses to be expected under this proposal and the inability to corroborate assertions if the attorneys are unable or unwilling to provide adequate information regarding disputed matters.

The magnitude of assessing and resolving the many issues created by this proposal and formulating appropriate responses is far too onerous for the proposed effective dates. The gathering, compilation and drafting of information will be a daunting task under the proposal. We believe that sufficiently resolving the issues expressed in this letter will require more than the proposed implementation period, considering that this will not be the only new or revised accounting and reporting modification requiring the attention of corporate leadership.

We appreciate your consideration of our concerns regarding the *Disclosure of Certain Loss Contingencies*.

Sincerely,

*Barfield, Murphy, Shank & Smith, P.C.*