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September 20, 2010

**via email: director@fasb.org**

Mr. Russell Golden  
Technical Director  
Financial Accounting Standards Board  
401 Merritt 7  
PO Box 5116  
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File Reference No. 1840-100 Proposed Accounting Standards Update – *Disclosure of Certain Loss Contingencies* (“the Exposure Draft”)

Dear Mr. Golden:

United States Steel Corporation (U. S. Steel) appreciates the opportunity to provide comments to the above referenced Exposure Draft. We support the Board’s objective of enhancing disclosures about certain loss contingencies in order to provide financial statement users with adequate and timely information to assist them in assessing the likelihood, timing, and magnitude of future cash outflows associated with loss contingencies. While the proposed changes may address some perceived deficiencies of the current rules, we believe that certain of the proposed changes also create several concerns that outweigh the minimal benefits to financial statement users. As a result, we do not support certain aspects of the Exposure Draft.

**Question 1: Are the proposed disclosures operational? If not, please explain why.**

We do not feel that the proposed disclosures are operational. We are concerned with the difficulty in identifying all remote loss contingencies. We do not believe that entities should be required to provide disclosures about remote loss contingencies even if the contingency could have a severe impact on the entity’s operations. We feel that an entity’s failure to disclose such remote loss contingencies could result in significant unintended consequences and may encourage frivolous litigation. There are innumerable events, most of which are generally viewed as remote contingencies, that could have severe or even catastrophic impacts if they evolved. These range from political events such as a world war or repudiation of obligations by a major nation, such as a member of the G-8, to natural disasters and epidemics. These risks are so remote that an entity may not even consider disclosure in the financial statements, but may subject the entity to litigation in the event that they would severely impact the entity’s stock price. We believe that the risk of such remote loss contingencies are already appropriately disclosed in the discussion of risk factors as required by the securities regulations.

The risk of reporting specific loss contingencies, which have arisen in the context of pending litigation wherein the likelihood of a loss is deemed to be remote, will also result in confusion to financial statement users and will lead to the unintended result of attributing significance to truly insignificant matters. Also, and like many large companies, U. S. Steel is, on occasion, subjected to claims or demands that, by any measure, can only be viewed as irrational and nonsensical. To credit such matters by reporting upon them in any manner would serve to encourage such conduct and, further, to mislead the reader by even acknowledging the pendency of such claims. Moreover, the additional proposal that such disclosure might include the amount of damages sought in such frivolous matters would further undermine the purpose of reporting on contingent liabilities. Indeed, and particularly with respect to such extreme matters, an absurd damage claim is usually a component of bizarre and groundless litigation.

Furthermore, the meaning of “severe impact,” although defined in the proposed Accounting Standards Update, is highly subjective and would not likely lead to consistency of practice across companies. If it is not *at least reasonably possible* that a resolution will have an impact upon the operations of the entity, this disclosure requirement will be difficult to implement due to the increased qualitative and subjective information that is required. Therefore, we would like to see language that states if the likelihood of loss is *remote*, a disclosure is unnecessary. The disclosure of a long list of possibilities, no matter how likely, can be as misleading to a financial statement user as the failure to disclose relevant risks. Since much of the supporting analysis will of necessity be conjectural and subjective, any attempt to quantify will lead to broad and meaningless ranges. Also, we believe that voluminous disclosures of such conjectures will discourage readers from considering the contingency disclosures in general.

We do not agree with the proposal to present a tabular disclosure and accompanying narrative. The required reconciliation, for which the narrative would describe the changes in the estimates for loss contingencies from prior periods, may provide plaintiffs with valuable information about a company’s views about pending litigation. This information could be prejudicial to pending litigation, and we therefore feel that it should not be required.

**Question 3: The June 2008 FASB Exposure Draft, *Disclosure of Certain Loss Contingencies*, had proposed certain disclosures based on management’s predictions about a contingency’s resolution. The amendments in this proposed Update would eliminate those disclosure requirements such as estimating when a loss contingency would be resolved and the entity’s maximum exposure to loss. Do you agree that an explicit exemption from disclosing information that is “prejudicial” to the reporting entity is not necessary because the amendments in this proposed Update would:**

- a. Not require any new disclosures based on management’s predictions about a contingency’s resolution**
- b. Generally focus on information that is publicly available**
- c. Relate to amounts already accrued in the financial statements**

**d. Permit information to be presented on an aggregated basis with other similar loss contingencies?**

**If not, please explain why.**

We strongly feel that an explicit exemption from disclosing information that is “prejudicial” to the reporting entity is both necessary and ultimately is in the best interest of most financial statement users. In the United States, litigation is much more prevalent than it is virtually anywhere else in the world. In response, the United States has developed elaborate systems for the exchange of information between litigants. In addition to providing for the sharing of information, this system also creates a boundary beyond which a litigant is allowed to keep confidential its evaluation of the case, defense strategies and advice of its counsel. The disclosure of such information would give away key aspects of an entity’s legal strategy and erode attorney-client privilege. Most users of financial statements, especially shareholders and creditors, have an inherent and vested interest in the reporting entity and inevitably would be harmed by the disclosure of information that is detrimental to the reporting entity’s chances of prevailing in litigation. Additionally, as the litigation progresses, we feel that it would also be prejudicial to disclose additional information about a potential unfavorable outcome, such as if the likelihood of loss increases. Rather, we strongly believe that the accrual of probable outcomes and the reporting of them in the aggregate without attribution to specific contingencies is sufficient for the needs of financial statement users.

**Question 4: Is the proposed effective date operational? If not, please explain why.**

We do not believe that the timeframe proposed is realistic for implementation. Since the Board will need to review the comments received on this proposal before issuing a final Accounting Standards Update, we do not believe there will be sufficient time remaining prior to the issuance of our year-end financial statements to gather the necessary information in order to comply with the proposed changes. We do not support the Exposure Draft in its current form and would not support implementation in any form until at least mid-2011.

**Question 5: Do you believe that the proposed disclosures will enhance and improve the information provided to financial statement users about the nature, potential magnitude, and potential timing (if known) of loss contingencies?**

We do not believe that the proposed disclosures would improve the reporting of quantitative information about loss contingencies and will therefore not enhance and improve the information provided to financial statement users about the potential magnitude and potential timing of loss contingencies. First and foremost, the volume of additional disclosures that will arise as a result of the proposed Update could be overwhelming to a financial statement user. As was stated in the Basis for Conclusions, “the disclosure of certain remote loss contingencies will effectively “bury” financial statement users in unnecessary disclosures and obscure otherwise meaningful information about loss contingencies.”

It is not reasonable to disclose the potential magnitude or the potential timing since this information may be uncertain for a loss contingency. The ability to produce reliable, relevant, and decision-useful measurements for the potential magnitude may not be possible, and no disclosure should be made since the estimate may not be representative of the actual cash outflows that will occur in the future. Disclosure of the claim amount for asserted litigation could mislead financial statement users as professional litigators often inflate claim amounts knowing that the resulting settlements will be much less.

Finally, we do not support the Exposure Draft in its current form since convergence has not yet been achieved with International Financial Reporting Standards (IFRS). We believe the significant proposed changes should be deliberated as part of the convergence process, especially since the International Accounting Standards Board is currently deliberating changes to International Accounting Standard 37, *Provisions, Contingent Liabilities and Contingent Assets*.

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We appreciate the opportunity to express our views and concerns regarding the Exposure Draft. If you have any questions with respect to our comments, please call Kim Fast, Director – External Reporting and Financial Analysis, at 412-433-5572.

Sincerely,

/s/ Gregory A. Zovko  
Gregory A. Zovko  
Vice President & Controller