



December 15, 2010

Technical Director
Financial Accounting Standards Board
401 Merritt 7
Norwalk, CT 06856-5116

File Reference No. 1850-100

Subject: FASB Exposure Draft: Proposed Accounting Standards Update, *Leases (Topic 840)*,

Dear FASB Technical Director:

Bristol-Myers Squibb Company appreciates the opportunity to comment on this exposure draft. We would like to offer the following comments and responses to questions noted in the Proposed Accounting Standards Update, *Leases (Topic 840)*.

Question 1: Leases

- (a) Do you agree that a lessee should recognize a right-of-use asset and a liability to make lease payments? Why or why not? If not, what alternative model would you propose and why?
- (b) Do you agree that a lease should recognize amortization of the right-of-use asset and interest on the liability to make lease payments? Why or why not? If not, what alternative model would you propose and why?

We understand the Board's intention with the standard is to reflect the assets and liabilities arising in all leases on the balance sheet resulting in consistency in accounting for a majority of leases. We support the Board's overall belief that a lessee should recognize a right-of-use asset and a liability and related amortization; however, we believe that the proposed lease accounting should apply only to leases that are material to the balance sheet of the lessee. Airplane leases of an airline company or heavy equipment leases of a construction company have different economic substance from the photocopier and telephone leases of the same companies, the latter of which are usually designed as service contracts to manage expenses and cash flows.

Because the exposure draft primarily impacts the balance sheet and is not expected to have a significant net impact on the statement of operations we believe establishing qualitative thresholds for leases would be beneficial to both users and preparers as material, critical leases would be recorded and disclosed in the financial statements but would be less burdensome as financial statements and related disclosures would not be overburdened with numerous immaterial leases with the economic substance of rental agreements and service contracts. In the case of Bristol-Myers Squibb, our 2009 rental expense approximated \$160 million, of which 60% consisted of approximately 150 warehouse, office and lab facility leases; 25% consisted of approximately 20 master car rental agreements for our sales force; and the remaining 15% consisted of hundreds of various equipment and machinery rentals across approximately 100 different countries/companies. A significant amount of time and effort will be required to continuously monitor the remaining 15% of leases to comply with the exposure draft of which BMS estimates to spend in excess of 75% of such time and effort on the above noted 15% individually insignificant leases that have little impact on the balance sheet.

We propose to implement the proposed guidance for material leases (i.e. facility leases in BMS' case) and expand the short-term lease exception as proposed in paragraph 65 to leases designed as equipment rentals that are not material or critical to the primary operations of the lessee nor would have a significant impact on the lessee's balance sheet. In addition, we believe providing additional detailed disclosures of our lease policies including those categories of leases included in the balance sheet and general categories of leases not "capitalized" in the balance sheet supplemented with the committed annual spending of such leases (similar to current SEC FR 67 disclosures) will provide the most effective "cost /benefit" to users and preparers. Such proposal will allow for balance sheets to

include the material right of use assets and related liabilities at a point in time as well as provide the reader the current and future committed spending obligations of such leases.

Question 5: Scope exclusions

Do you agree with the proposed scope of the proposed guidance? Why or why not? If not, what alternative scope would you propose and why?

As discussed in Question 1, we believe the proposed guidance should only apply to leases material to the company's balance sheet and exclude immaterial leases with the economic substance of service contracts or rental agreements. We understand the Board's attempt to bring clarity to the rights and obligations associated with lease transactions; however, extending the lease proposals to all existing operating leases will be overly burdensome to the preparers and create confusion for financial statement users.

Question 8: Lease term

Do you agree that a lessee...should determine the lease term as the longest possible term that is more likely than not to occur taking into account the effect of any options to extend or terminate the lease? Why or why not? If not, how do you propose that a lessee...should determine the lease term and why?

We believe that the lessee term should NOT consider options to extend or terminate the lease since such options are not a guarantee of future use and do NOT represent the true obligation of a Company at a point in time. Predicting the possible future obligations of the Company, and continuously re-adjusting the lease asset and corresponding liability balances introduces unnecessary volatility and variability to the financial statements that could lead to inconsistent application by preparers which could create confusion for financial statement users as well as be unnecessarily burdensome for preparers. Instead, we believe the right-of-use asset and corresponding liabilities should only be recorded once they are contractually obligated by the Company. We propose that the contractually obligated lease term best represents the right-of-use asset and corresponding liability of a company and should only be adjusted when new lease terms are executed.

Questions 12-15: Presentation and Disclosure

We agree that "if considered relevant to an understanding of the entity's financial performance" material operating leases should be separately disclosed in the balance sheet, income statement, cash flows and footnotes as proposed in the exposure draft to help readers understand current and future lease obligations significant to operating results. We believe proposed presentation and disclosure for all leases, including immaterial equipment rentals and service contracts, would be overburdening and confusing to the financial statement users. See "Question 1" for other suggested disclosures.

Question 16: Transition

(a) The exposure draft proposes that lessees...should recognize and measure all outstanding leases as of the date of initial application using a simplified retrospective approach. Are these proposals appropriate? Why or why not? If not, what transitional requirements do you propose and why?

We believe prospective application should be utilized when implementing the proposed standard. The time and effort required by preparers to obtain systems, develop accounting process and formulate judgments to calculate the right-of-use asset and related liability at the implementation date (let alone for multiple periods) are expected to be significant considering the current scope of the proposed standard. We believe the preparers' costs of providing data for multiple periods exceeds the users' benefits considering the exposure draft's primary purposes is to gross up balance sheets for lease contracts to help readers understand a Company's future utilization of leased assets and

future cash outflows required to settle the related liabilities. Current period information provides this understanding whereas prior period information would be less beneficial.

Question 17: Benefits and costs

Do you agree with the boards' assessment that the benefits of the proposals would outweigh the costs? Why or why not?

We do NOT agree with the Board's assessment that the benefits outweigh costs considering the current scope of the exposure draft. Even though reassessments of operating leases would only be required for "significant changes" in lease terms, companies will be required to purchase or create complex lease sub-ledgers/databases to manage a high volume of operating leases and create labor intensive accounting processes to monitor their operating leases for significant changes in judgments. Creating/acquiring such systems and processes for those leases designed as equipment rentals and/or service contracts not significant to the operating results of the Company is costly for financial statement preparers and provide little benefit to financial statement users.

Sincerely,

Joseph Reilly

Joseph Reilly
Director Reporting and Consolidations

CC: Joseph Caldarella
Senior V.P. and Corporate Controller