December 6, 2010

International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Financial Accounting Standards Board
401 Merritt 7
P O Box 5116
Norwalk, CT 06856-5116

Dear Board Members and Staff:

Exposure Draft: Leases

I am responding to the invitation of the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) (collectively, “the Boards”) to comment on the exposure draft “Leases” (the “exposure draft”).

I support the Boards’ effort to constantly improve how financial information is reported. Improving the understandability, transparency and clarity of financial information is one way that our profession adds value for the users of financial statements. However, the exposure draft is an example of how a noble goal of increasing usefulness of financial statements actually creates further confusion.

The current accounting model places the majority of leases into either the operating or capital lease categories with future operating lease payments disclosed in the footnotes to the financial statements. While not perfect, the current accounting model is relatively straightforward and easy to understand. The disclosure of future lease payments in the footnotes provides the user of the financial statements with adequate information regarding future lease commitments.

The concept of increasing assets on the Balance Sheet with a “right to use” asset and increasing total liabilities with the “present value of future lease payments” while conceptually understandable basically grosses up both sides the Balance Sheet. Grossing
up both sides of the Balance Sheet instead of adding clarity to the users of the financial statements creates confusion. For example, bank covenants and performance metrics that use total assets, total liabilities or EBITDA will now have to be drastically redrawn. This eliminates the comparison of the current numbers with long term historically standards.

Also, the cost and time involved in creating and maintaining the information called for in the exposure draft outweighs the usefulness of such information in the financial statements.

**Scope Exclusions**

I agree with the scope exclusions in paragraph 5 of the exposure draft, which include leases of intangible assets, leases to explore for or use natural resources or leases of biological assets. However, the Boards need to provide more clarity as to the extent of this exclusion.

My company, The Clemens Family Corporation (CFC) has interests in food products and real estate. Part of the food products business is the breeding and growing to harvest of hogs. Hogs qualify as biological assets under ASC Topic 905 – Agriculture. Under current accounting, the costs of breeding hogs and raising them for harvest is included in the Balance Sheet as inventory. These costs include buildings used to breed and raise the hogs as well as service agreements involving the feeding of the hogs. The Boards should provide more detail as to which of these costs the exclusion for biological assets pertains. As I do not believe it was the intention of the Boards to increase inventory on the Balance Sheet as a result of this exposure draft.

**Overall Conclusion**

Increasing the usefulness of financial statements is a never ending pursuit of the Boards. However, with this exposure draft the Boards need to weigh the benefits of the new standards for financial statement users with the potential for confusion, the loss of long term historical comparisons as well as the costs involved in creating and maintaining the required data.

Sincerely,

David W. Budnick
CFO