September 20, 2012

Technical Director – File Reference No. 2012-200
Financial Accounting Standards Board
401 Merritt 7
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Comments on Proposed Accounting Standards Update: Financial Instruments (Topic 825)
– Disclosures about Liquidity Risk and Interest Rate Risk

We appreciate the opportunity to comment on the Financial Accounting Standards Board ("Board") proposal to provide additional disclosures about an entity’s liquidity risk and interest rate risk.

Background
Altria Group, Inc. ("Altria") is a preparer of financial statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Altria is a large accelerated filer whose common stock securities are registered on the New York Stock Exchange.

Altria is a holding company incorporated in the Commonwealth of Virginia. At June 30, 2012, Altria’s direct and indirect wholly-owned subsidiaries included: Philip Morris USA Inc., which is engaged in the manufacture and sale of cigarettes and certain smokeless products in the United States; John Middleton Co., which is engaged in the manufacture and sale of machine-made large cigars and pipe tobacco, and is a wholly-owned subsidiary of Philip Morris USA Inc.; and UST LLC, which through its direct and indirect wholly-owned subsidiaries is engaged in the manufacture and sale of smokeless products and wine. Philip Morris Capital Corporation, another wholly-owned subsidiary of Altria, maintains a portfolio of leveraged and direct finance leases.

Our comments on the proposal are based on our conclusion that Altria is not a financial institution as defined by the proposal, and none of our reportable segments meet the definition of a financial institution. Consequently, our comments relate specifically to the Cash Flow Obligations disclosure described in paragraphs 825-10-50-23M through 50-23R and the Available Liquid Funds disclosure described in paragraphs 825-10-50-23S through 50-23V.
Cash Flow Obligations
We appreciate the Board’s effort to provide users of financial statements information about a non-financial institution’s liquidity risk; however, we feel that there are significant operational concerns regarding the proposed Cash Flow Obligations table. Additionally, we believe that there is substantial overlap in the disclosure requirements between the proposed Cash Flow Obligations disclosure and the existing Securities and Exchange Commission (“SEC”) disclosure of Contractual Obligations in the Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”).

Currently, as required by the SEC, Altria reports contractual obligations annually in our MD&A section of Form 10-K. There are some components of the contractual obligations disclosure that are relatively non-burdensome to provide, such as long-term debt, interest on borrowings, and lease obligations. However, Altria spends a substantial amount of time gathering purchase obligation information to provide the required annual disclosure. The data gathering process is a highly manual process and extremely time consuming. While there are numerous transactions taking place over the course of a year that impact the reported contractual obligations, the amounts reported at year end for Altria have not varied significantly over the past few years.

Consequently, we believe that the Board’s proposal to report cash flow obligations on a quarterly basis would not provide users of the financial statements with more meaningful information, as quarterly changes in cash flow obligations would not be expected to vary considerably from year end disclosures. The SEC does not require registrants to include a full table of contractual obligations in its interim period MD&A disclosures; instead, the SEC requires registrants to update the table from its annual disclosures by disclosing material changes outside the ordinary course of business. If the Board proceeds with the proposed Cash Flow Obligations table, we recommend that it adopt those same interim reporting requirements as required by the SEC.

The proposal also requires entities to report the Cash Flow Obligations for the next four fiscal quarters. For specific obligations, such as long-term debt, interest on borrowings and lease obligations, the information required to be provided for the next four fiscal quarters would not require significant estimation. However, for other financial obligations, such as purchase obligations where a significant volume of information is aggregated for disclosure purposes, any estimated timing of payments for time intervals less than a year would be estimates that we believe do not provide meaningful information to the users of the financial statements. Consequently, in conjunction with our recommendation above to require only an annual disclosure with interim updates for those material events outside the ordinary course of business, we also recommend that the expected cash flows to be paid within the next year not be disaggregated into shorter time intervals.

We believe there is significant overlap between the proposed Cash Flow Obligations disclosure and the SEC’s current Contractual Obligations disclosure. While the Board has added incremental information to the current SEC requirements, such as disclosing the Cash Flow Obligations quarterly with disaggregation of the next year’s payments by quarter, we feel the Board’s additional requirements are burdensome without a significant benefit. Furthermore, if the Board were to retain the requirement to provide expected maturities versus the SEC’s requirement to disclose contractual maturities, entities would be required to prepare two sets of
disclosures to comply with both requirements, which would be onerous. Furthermore, we believe it will be difficult for entities to determine when future “considerations” or “plans” (i.e. discretionary cash outflows) become “expected”. We also have concerns that the Board’s requirement for disclosing expected maturities could lead to inconsistent application by entities, call into question management’s judgments regarding the disclosure of expected maturities, and may be difficult to audit.

In addition to the concerns addressed above, we also feel that the reporting requirements for the Cash Flow Obligations table are ambiguous and require further clarity in order to be implemented in practice. The areas where we believe the Board should provide additional guidance, which we have expanded upon in the appendix to this letter, include defining key terms (i.e. purchase obligations and expected maturities), clarifying whether all liabilities should be included in the table, and describing how to treat liabilities where the timing of payments cannot be estimated.

In conclusion, while we are not opposed to including the current SEC contractual obligations disclosure in the footnotes to financial statements, we believe that the Cash Flow Obligations disclosure as proposed by the Board to provide the disclosures during interim periods with the disaggregation of near-term periods is costly and burdensome, and does not provide users of the financial statements with significant additional insight into an entity’s liquidity risk.

Available Liquid Funds
One of the Board’s proposed requirements is for entities to disclose their available liquid funds, which includes unencumbered cash and high-quality liquid assets as well as the entity’s borrowing availability. Altria does not anticipate operational concerns with providing the required information since this information is already captured in an entity’s financial statements and MD&A disclosures. However, we want to highlight that this disclosure does not capture the fact that an entity may generate cash from operations which is used to fund its future obligations. Consequently, some financial statement users might misinterpret that the obligations reported will be funded solely by the available liquid funds and not take into consideration that the future obligations may be funded through future operating cash flows.

We have attached an Appendix to our letter to provide further detailed information to some of the questions posed by the Board. Additionally, we have provided feedback on areas where we believe the requirements need to be clarified.

Sincerely Yours,

\[Signature\]

Ivan S. Feldman
Vice President and Controller
Altria Group, Inc.
Appendix

**Question 2:** For an entity that is not a financial institution, the proposed amendments would require a cash flow obligations table that includes the expected maturities of an entity’s obligations. Do you foresee any significant operational concerns or constraints in complying with this requirement? If yes, what operational concerns or constraints do you foresee and what would you suggest to alleviate them?

As more fully described in this letter, we foresee significant operational concerns in complying with this requirement, specifically in meeting the obligation to provide the disclosure on a quarterly basis and to disaggregate the expected cash flows to be paid within the next year into shorter time intervals. In addition to the operational concerns identified, we have highlighted below those areas where additional clarification or guidance may be needed to ensure consistent application by entities.

a) **Reconciliation to the Statement of Financial Position** – Based on our interpretation of the requirements, each obligation reported on the Cash Flow Obligations table should be reconciled to the carrying amount of that financial liability on the statement of financial position. However, it is unclear if the Board’s intention is that the sum of the carrying amounts on the table equal “Total Liabilities” on the statement of financial position. We recommend that the Board clarify this point. In addition, we suggest that the Board clarify how entities should reflect financial liabilities where the timing of payments cannot be estimated, such as accrued postemployment and certain accrued pension costs, income taxes and tax contingencies.

b) **Definition of Purchase Obligations** – In *Example 6: Cash Flow Obligations*, the Board presented an example to reflect the types of financial liabilities that might be included by an entity that is not a financial institution. One of the lines included was “Purchase obligations”. In reviewing the proposal, we were unclear if the Board’s intent was to include purchase obligations as defined by the SEC, or to include “Unconditional Purchase Obligations” as is currently defined in the glossary of the Accounting Standards Codification. Therefore, to avoid confusion and ensure consistency of application amongst entities, we suggest that the Board clarify and define the off-balance-sheet obligations to be included in the table.

**Question 3:** The proposed amendments would require information about expected maturities for financial assets and financial liabilities to highlight liquidity risk. Expected maturity is the expected settlement of the instrument resulting from contractual terms (for example, call dates, put dates, maturity dates, and prepayment expectations) rather than an entity’s expected timing of the sale or transfer of the instrument. Do you agree that the term expected maturity is more meaningful than the term contractual maturity in the context of the proposed liquidity risk disclosures? If not, please explain the reasons and suggest an alternative approach.

We do not believe that the term expected maturity is more meaningful than the term contractual maturity in the context of the proposed liquidity disclosures for the following reasons:
a) **Divergence in Practice** - We feel that the term expected maturity has the potential to create divergence in practice between entities. As the Board stated in the background information, "by requiring expected rather than contractual maturity information, the Board is allowing for more judgment by reporting entities in determining expected maturities." We feel that by allowing more judgment, this allows for diversity in practice, which reduces comparability between entities.

b) **Definition and Ability to Audit “Expected Maturities”** – We think it is unclear when a “consideration” or “plan” (i.e. a discretionary cash outflow) becomes an “expected maturity” and would therefore need to be reflected in the disclosure. For example, an entity may “consider” or “plan” to pay an obligation early, but a definitive decision may not be made until the point in time when certain market conditions and/or external facts and circumstances are known. Without such clarity, the potential exists to call into question management’s judgment for disclosing or not disclosing an expected maturity. We believe it will be difficult for entities to know how to differentiate between a planned event versus a disclosed expected maturity, and in turn will be difficult to audit. Therefore, if the Board proceeds with requiring disclosure of expected maturities, we recommend that the term “expected maturity” be more clearly defined, with a specific emphasis on the treatment of discretionary cash outflows.

**Question 6:** *As a preparer, do you feel that the proposed amendments would provide sufficient information for users of your financial statements to develop an understanding of your entity’s exposure to liquidity risk? If not, what other information would better achieve this objective?*

As we have highlighted throughout this letter and appendix, we believe that the Board’s proposed disclosures would not provide our financial statement users with a better understanding of our liquidity risk as compared to the existing disclosures within the financial statements and the MD&A. However, if the Board proceeds with the proposed disclosures, we recommend that they consider how leveraged leases would be presented in the Cash Flow Obligations table. Specifically, we anticipate that after the final leasing standard is issued, nonrecourse debt associated with leveraged leases will be required to be included in liabilities on the statement of financial position and therefore would result in a corresponding line item on the Cash Flow Obligations table. The inclusion of nonrecourse debt on the Cash Flow Obligations table would inflate an entity’s disclosed obligations without a corresponding disclosure of the financial asset (gross finance receivable attributable to a leveraged lease) that satisfies the obligation. Therefore, disclosure of the offsetting financial asset should be included in the table or in a footnote to the table.

**Question 21:** *Although the proposed amendments do not have an effective date, the Board intends to address the needs of users of financial statements for more information about liquidity risk and interest rate risk. Therefore, the Board will strive to make these proposed amendments effective on a timely basis. How much time do you think stakeholders would require to prepare for and implement the amendments in this proposed Update? Should nonpublic entities be provided with a delayed effective date? If so, how long of a delay should be permitted and why? Are there specific amendments that would require more time to implement than others? If so, please identify which ones and explain why.*
While we currently have systems that capture information regarding our contracts and purchase orders, the actual preparation of the SEC purchase obligation disclosure is a highly manual process that requires a significant amount of time and resources each year to prepare. If the Board proceeds with the proposed Cash Flow Obligations disclosure with interim disclosures, and requires the same inclusion of purchase obligations as the SEC requires in their contractual obligations disclosure, we recommend that the Board provide adequate time for companies to develop systems solutions to be able to provide the proposed Cash Flow Obligations disclosure on a quarterly basis.

**Question 22:** Do you believe that any of the amendments in this proposed Update provide information that overlaps with the SEC’s current disclosure requirements for public companies without providing incremental information? If yes, please identify which proposed amendments you believe overlap and discuss whether you believe that the costs in implementing the potentially overlapping amendments outweigh their benefits? Please explain why.

We believe there is significant overlap between the proposed Cash Flow Obligations disclosure and the SEC’s current Contractual Obligations disclosure. The Board indicated that the intent is to provide complementary disclosure requirements that provide meaningful incremental information as compared to the current SEC requirements; however, we believe that objective is not achieved. Below we have addressed the improvements that the Board highlighted in the background information of the exposure draft as being achieved with the proposed disclosures.

a) **Standardized Information** - The Board indicated that the proposed disclosure will provide standardized presentation of information; however, the contractual obligations disclosure currently required by the SEC is very prescriptive and standardized. Consequently, we believe that the Board’s proposal does not provide a more standardized disclosure than the current SEC requirements.

b) **Expected Maturities** - The Board stated that the requirement to provide expected maturities in the financial obligations table versus the contractual maturities required by the SEC allows for more judgment by reporting entities in determining expected maturities. We feel that the Board’s requirement for expected maturities could lead to inconsistent application between entities and could call into question management’s judgments regarding the disclosure of expected maturities. Additionally, if the Board were to retain the requirement to provide expected maturities versus the SEC’s requirement to provide contractual maturities, entities would be required to prepare two sets of disclosures to comply with both requirements, which would be an added cost without a perceived benefit. Furthermore, this could create confusion for the users of the financial statements as they try to understand why there are differences in the reported expected maturities in the proposed Cash Flow Obligations table versus the SEC’s contractual obligations disclosure.

c) **Disaggregating Near-term Periods and Interim Reporting** - As we discussed previously, we believe that the Board’s proposal for the disaggregation of the near-term periods, especially for obligations that are operational in nature and aggregate numerous contracts and purchase orders, does not provide users with improved information to assess an
entity’s liquidity risk. Additionally, we believe that the SEC’s requirement to update the annual disclosure in interim periods for material changes outside the ordinary course of business is a more reasonable approach to the disclosure while providing users the information they need to assess an entity’s liquidity risk.

If the Board feels that including the SEC contractual obligations disclosure within the footnotes to the financial statements is beneficial to financial statement users, we would be supportive of that option as long as the information reported, reporting frequency, and periods reported are consistent with the existing SEC requirements. We do recognize that some financial statement users might prefer the Board’s requirement to reconcile the reported obligations to the carrying amount of that financial liability in the statement of financial position, and we believe that this information can be provided without undue burden. However, we want to highlight that the reconciliation doesn’t necessarily provide additional liquidity risk information, and despite narrative disclosures to explain the adjustments, it may create confusion or be misleading to some users of the financial statements.