

September 12, 2013

Technical Director, File Reference No. 2013-270 FASB 401 Merritt 7 PO Box 5116 Norwalk, CT 06856-5116

Dear Technical Director:

The Sherwin-Williams Company ("the Company") appreciates the opportunity to comment on the revision of the 2010 Lease Exposure draft issued by the Financial Accounting Standards Board (FASB) and International Accounting Standards Board (IASB) on May 16, 2013. Sherwin-Williams is engaged in the development, manufacture, distribution and sale of paint, coatings and related products to professional, industrial, commercial and retail customers primarily in North and South America with additional operations in the Caribbean region, Europe and Asia. The Company sells products through more than 4,000 leased retail stores, distribution and manufacturing facilities, and sales offices throughout all of these domestic and global locations. Additionally, the Company leases vehicles, trailers, distribution and manufacturing equipment and office equipment at these locations.

We appreciate the continued efforts of the Boards to improve lease accounting, and we acknowledge that the revised Exposure Draft simplifies certain aspects of the 2010 Exposure Draft, particularly the treatment of renewal options and contingent lease payments. However, the proposed guidance in the revised Exposure Draft is still unnecessarily complicated, would involve significant initial and ongoing costs and would not necessarily improve the usefulness of the overall financial statements. Our responses to selected questions in the revised Exposure Draft are set forth below. The responses focus on our primary concerns and include suggested modifications which we believe would improve the reliability of information presented and facilitate the implementation and ongoing administration.

Question 1: Identifying a Lease

Do you agree with the definition of a lease and the proposed requirements in paragraphs 842-10-15-2 through 15-16 for how an entity would determine whether a contract contains a lease? Why or why not? If not, how would you define a lease? Please supply specific fact patterns, if any, to which you think the proposed definition of a lease is difficult to apply or leads to a conclusion that does not reflect the economics of the transaction.

We agree with the definition of a lease as proposed, however, we strongly believe that the scope of the standard should exclude leases of assets used for administrative purposes (copiers, printers, etc.). The costs associated with applying the proposed lease model to these leases would be significant, and little, if any, useful information would be derived.

Question 2: Lessee Accounting

Do you agree that the recognition, measurement and presentation of expenses and cash flows arising from a lease should differ for different leases, depending on whether the lessee is expected to consume more than an insignificant portion of the economic benefits embedded in the underlying asset? Why or why not? If not, what alternative approach would you propose and why?

We do not agree that the recognition, measurement and presentation of expenses and cash flows arising from a lease should differ for different leases, depending on whether the lease is expected to consume more than an insignificant portion of the economic benefits embedded in the underlying asset. The proposed dual approach adds unnecessary complexity and costs, and would likely lead to diversity in practice due to the significant amount of judgment involved.

We recommend eliminating the Type A/Type B distinction and instead applying a consistent approach such as the following to all in-scope leases:

- Initial balance sheet measurement Recognize a right-of-use asset and lease liability as described in the revised Exposure Draft.
- Subsequent balance sheet measurement Amortize the right-of-use asset straight-line over the lease term, with the offset reducing the lease liability.
- Expense recognition Recognize expense on a straight-line basis consistent with current operating lease accounting.

Question 3: Lessor Accounting

Do you agree that a lessor should apply a different accounting approach to different leases, depending on whether the lessee is expected to consume more than an insignificant portion of the economic benefits embedded in the underlying asset? Why or why not? If not, what alternative approach would you propose and why?

We do not agree that a lessor should apply a different accounting approach to different leases, depending on whether the lessee is expected to consume more than an insignificant portion of the economic benefits embedded in the underlying asset. The proposed dual approach adds unnecessary complexity and costs, and would likely lead to diversity in practice due to the significant amount of judgment involved.

Question 4: Classification of Leases

Do you agree that the principle on the lessee's expected consumption of the economic benefits embedded in the underlying asset should be applied using the requirements set out in paragraphs 842-10-25-5 through 25-8, which differ depending on whether the underlying asset is property? Why or why not? If not, what alternative approach would you propose and why?

We disagree with the Type A/Type B distinction based on the lessee's expected consumption of the economic benefits embedded in the underlying asset. Both types of leases represent a financing arrangement for the use of a specified asset, regardless of whether or not a significant portion of the economic life is consumed. There does not appear to be a strong economic argument for making the Type A/Type B distinction. In addition, classifying leases as either Type A or Type B would be highly subjective since the term "insignificant" is not defined. This proposed dual approach adds unnecessary complexity and costs, and would likely lead to diversity in practice due to the significant amount of judgment involved. Refer to the alternative approach included in the response to Question 2.

Question 5: Lease Term

Do you agree with the proposals on lease term, including the reassessment of the lease term if there is a change in relevant factors? Why or why not? If not, how do you propose that a lessee and a lessor should determine the lease term and why?

We agree with the proposals on lease term, however, we believe that in addition to the lessee having significant economic incentive to exercise a renewal option, the lessee must also intend to exercise the renewal option in order for it to be included in the lease term.

Question 7: Transition

Subparagraphs 842-10-65-1(b) through (h) and (k) through (y) state that a lessee and a lessor would recognize and measure leases at the beginning of the earliest period presented using either a modified retrospective approach or a full retrospective approach. Do you agree with those proposals? Why or why not? If not, what transition requirements do you propose and why? Are there any additional transition issues the Boards should consider? If yes, what are they and why?

We do not have an issue with the proposed transition approaches, however, we urge the Boards to allow for adequate transition time when determining the effective date in order to allow companies to properly address the significant operating and reporting challenges that the changes will present, which include implementing new software, training employees and revising debt agreements based on the changes to key financial ratios.

In conclusion, while we agree with the overall objective of the Boards to improve the transparency of lease accounting, we believe that further simplification is necessary and a thorough cost-benefit analysis should be performed before a final standard is issued.

Thank you for taking our comments into consideration.

Sincerely,

Sean P. Hennessy

Senior Vice President - Finance and Chief Financial Officer