

January 29, 2016

Ms. Candace Wright  
Chair  
Private Company Council  
Financial Accounting Foundation  
401 Merritt 7  
P.O. Box 5116  
Norwalk, CT 06856-5116

Mr. Russ Golden  
Chairman  
Financial Accounting Standards Board  
401 Merritt 7  
P.O. Box 5116  
Norwalk, CT 06856-5116

**Re: Proposed Accounting Standards Update—Leases (Topic 842): a revision of the 2010 proposed FASB Accounting Standards Update, Leases (Topic 840)**

Dear Chair Wright and Chairman Golden:

Our organizations represent all sectors of the global economy and speak for businesses that employ tens of millions of workers world-wide. Our constituent members are private as well as public companies. As such, we recognize that accurate and transparent financial reporting is a cornerstone of our world-wide and domestic capital markets.

We are concerned that the decision to apply the soon-to-be finalized lease accounting standard to private businesses will exacerbate complexity, not meet the needs of private company investors and harm capital formation for those businesses. Such a decision would presume that users of private company financial statements would prefer capitalizing leases on balance sheets. However, since users of private companies are different than public company financial statement users, in both composition and motivation, this may not be the case.

Accordingly, we respectfully request that the lease accounting standard not be applied to private companies. Furthermore, we believe that the Private Company

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Council (“PCC”) and the Financial Accounting Standards Board (“FASB”) should disclose what private company investor interest is being addressed and what private company investors were consulted in these discussions.

Private businesses take many different forms, including companies below the thresholds required for public company reporting, limited liability companies, partnerships, limited liability partnerships, joint ventures, private equity arrangements and sole proprietorships to name a few. Some of these private businesses access public capital markets for debt financing; others do not and obtain loans from financial institutions, while still others access capital through different vehicles including private equity, venture capital or angel investors.

The Blue Ribbon Panel which created the Private Company Council decided that both public company and private company accounting should be based upon United States Generally Accepted Accounting Principles (“US-GAAP”). However, many US-GAAP requirements do not meet the needs of private company financial report users while imposing unnecessary costs and complexities upon private companies. Accordingly, the Blue Ribbon Panel recommended that a separate standard setting board for private companies be established with the power to determine the US-GAAP standards that should apply to private companies, which should not apply, and those standards that should be modified to meet the needs of private companies.

This recommendation was necessitated by the determination that users of private company financial statements were different than public company financial statement users and had different needs. Private company financial statement users are lenders of capital as well as management who may use financial reports as an administrative tool. Indeed certain investors, such as venture capitalists, may be less interested in the finances or control aspects of a company, but rather focus on product development and rollout.

Thus, attempting to shape private company accounting standards through the lens of public company investors can create skewed and incompatible standards for private company users. Secondly, lenders of capital, such as banks, can and do

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request information in forms and quantities that suit their internal decision making needs. In turn, this means that public company accounting standards could provide irrelevant information and in formats that may not suit the private company lenders' needs. Thirdly, private company managements that use financial statements do so to make short-term as well as long-term decisions. Managers in this situation control how frequently or infrequently this information is needed, the data that should be provided and the format it should take. Again this differs from public company shareholders, who, while having a say in the direction of the company, weigh in on the long-term direction of a company and are not involved in the day to day operations of the company.

The development of the public company lease accounting standard has taken years and, while the debate has been long time and controversial in the public company realm, it is less apparent why this standard should be applied to private companies. As explained, the needs of private company financial statement users and the capital formation mechanisms used by those same businesses are much different than their public company counterparts.

We appreciate that the final lease standard will provide certain accommodations for private companies, including with regards to effective date and discount rate considerations. However, we respectfully request that more information be released to understand the private company capital providers consulted and the needs that are being addressed. Most importantly, we request that the lease accounting standard not be applied to private companies. We are happy to discuss these issues with you further at your convenience.

Sincerely,

American Truck Dealers  
American Trucking Associations  
Barnert Associates  
Building Owners and Managers Association  
CCIM Institute  
Financial Executives Institute

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Food Marketing Institute  
Independent Community Bankers of America  
Institute of Real Estate Management  
International Council of Shopping Centers  
NAIOP, Commercial Real Estate Development Association  
National Association of Realtors  
National Parking Association  
The Real Estate Roundtable  
Society of Industrial and Office Relators  
U.S. Chamber of Commerce