DOLLAR GENERAL

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Technical Director
File Reference No. 2013-270
Financial Accounting Standards Board
401 Merritt 7, PO Box 5116
Norwalk, CT 06856-5116
Via email: director@fasb.org

Re: Proposed Changes to Accounting for Leases

Dear Board Members,

We are pleased to have this opportunity to comment on the May 16, 2013 Exposure Draft (ED) *Leases (Topic 842): A revision of the 2010 Proposed FASB Accounting Standards Update, Leases (Topic 840)*. Our company has been in business for 74 years and has operated in the retail sector for most of its existence. Our business strategy is to offer products that are frequently used and replenished at low everyday prices in convenient neighborhood locations. With over 10,900 stores in 40 states as of August 30, 2013, we believe we have more retail locations than any retailer in America. Substantially all of our stores are subject to operating leases. In our last three fiscal years, we opened 1,850 new stores, almost all of which are leased. In addition, we generally renew or renegotiate approximately 1,000 to 2,000 leases on an annual basis.

We believe that current lease accounting standards do not always provide an accurate representation of leasing transactions. We believe that relevant information about the rights and obligations associated with leasing transactions should be clearly communicated in an entity's financial statements. We believe that leasing transactions are important to the business community as a whole and that lease accounting should provide users of financial statements with a complete and understandable picture of an entity's leasing activities.

However, we do not believe that the ED, as drafted, will accomplish these objectives. We do not agree with many of the specifics of the measurement guidance included in the ED, including the measurement of the lease term, the frequency of remeasurement or reassessment which would be required by the ED, and other items as described in more detail below. Current accounting for leases is often criticized for its lack of comparability and undue complexity. We believe that these difficulties will continue under the proposed ED due to the extensive amount of judgment and estimates which will be required to implement the guidance as proposed. Consequently, we do not agree that assets and liabilities related to leases should be reflected in a company's statement of financial position. We recommend, as an alternative, enhanced footnote disclosures which would clearly communicate the rights and obligations associated with lease contracts. It is our understanding that the FASB's Investor Advisory Committee has recommended a similar approach.

With regard to the questions for which we were asked to comment, our specific responses to those most relevant to our company and to the industry in which we operate are reflected below.

Scope

Question 1: Identifying a Lease

This revised Exposure Draft defines a lease as —a contract that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. An entity would determine whether a contract contains a lease by assessing whether:

1. Fulfillment of the contract depends on the use of an identified asset.

2. The contract conveys the right to control the use of the identified asset for a period of time in exchange for consideration.

A contract conveys the right to control the use of an asset if the customer has the ability to direct the use and receive the benefits from use of the identified asset.

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 do not agree with the definition of a lease as described in the proposed guidance and believe it is overly broad and will be applied inconsistently, ultimately leading to a lack of comparability among financial statements. We believe that the proposed guidance significantly and unnecessarily expands the scope of lease accounting beyond current guidance. Because the accounting for lease contracts would be so emphatically different under the proposed guidance, we believe that it is very important that preparers, users and auditors of financial statements clearly understand the types of assets and obligations that will be subject to lease accounting. We recommend the definition of a lease be limited to land and depreciable assets (i.e. property, plant and equipment).

An example of how the guidance could be applied inconsistently is the concept of the right of control and the related analysis of whether a lessee has the ability to direct the activities that most significantly affect the economic benefits to be derived from the use of an asset throughout the contract term. Another example of potential subjectivity relates to the concept of an identified asset under the proposal, which does not include discussion of how a financial statement preparer should determine whether substitution costs are so significant that they create an economic disincentive for a supplier to substitute alternative assets. Each of these cases illustrates the complexity of the proposed standard and how the accounting treatment is likely to be applied inconsistently, resulting in diversity in practice.

In addition and with regard to assets inseparable from a good or service, we believe that contractual terms, restrictions and other factors may result in some arrangements meeting the definition of a lease even though that was clearly not the original intent of the arrangement. Because the new standard must be applied retrospectively, many existing arrangements that were never intended to be leases may be required to be accounted for as such. We believe that additional application guidance will be required in order to determine whether certain contractual arrangements contain a lease.

In companies such as ours, the overwhelming majority of lease obligation liabilities and related assets will be associated with our voluminous store leases. Nonetheless, exhaustive research on existing contracts such as cell phones, copiers, and miscellaneous information technology contracts that may include an "identified asset" such as a server, as examples, which could be deemed to be leases under the ED will be required. Dollar General, and other similar companies, may have thousands of contracts that potentially contain a lease under the proposed definition and we enter into hundreds of these types of contracts each year. We believe that this process will be unduly burdensome and ultimately will not provide useful information to users of our financial statements.

Furthermore, a significant majority of our store leases contain both lease and service components for items such as common area maintenance, insurance, property taxes and other executory costs. Current GAAP requires separate accounting for lease components and non-lease components such as these, which has been a sound and logical practice for many years. The proposed standard imposes a significant burden on lessees to obtain standalone prices for these non-lease components which we believe will be very arduous, time consuming and expensive. The effort required to capture this information will most assuredly outweigh any purported benefits to users of our financial statements. We believe that the proposed guidance on separation of lease and non-lease components could cause significant practice issues. In cases where standalone prices are not available, the result of the proposed standard will be that these executory costs will be capitalized to the balance sheet. We do not understand the rationale for, or agree with, this approach. As noted above, we believe that such costs should continue to be accounted for separately as periodic costs, and strongly recommend a more reasonable approach for determining the costs associated with non-lease components.

The Accounting Model

This revised Exposure Draft would require an entity to recognize assets and liabilities arising from a lease.

When assessing how to account for a lease, a lessee and a lessor would classify a lease on the basis of whether a lessee is expected to consume more than an insignificant portion of the economic benefits embedded in the underlying asset.

This revised Exposure Draft would require an entity to apply that consumption principle by presuming that leases of property are Type B leases and leases of assets other than property are Type A leases, *unless specified classification criteria are met. Those classification criteria are different for leases of property and leases of assets other than property to reflect the different natures of property (which often embeds a land element) and assets other than property.*

The Boards acknowledge that, for some leases, the application of the classification criteria might result in different outcomes than if the consumption principle were to be applied without additional requirements. Nonetheless, this revised Exposure Draft would require an entity to classify leases by applying the classification criteria in paragraphs 842-10-25-5 through 25-8 to simplify the proposals.

Lessee Accounting

A lessee would do the following:

1. For all leases, recognize a right-of-use asset and a lease liability, initially measured at the present value of lease payments (except if a lessee elects to apply the recognition exemption for short-term leases).

2. For Type A leases, subsequently measure the lease liability on an amortized cost basis and amortize the right-of-use asset on a systematic basis that reflects the pattern in which the lessee expects to consume the right-of-use asset's future economic benefits. The lessee would present the unwinding of the discount on the lease liability as interest separately from the amortization of the right-of-use asset.

3. For Type B leases, subsequently measure the lease liability on an amortized cost basis and amortize the right-of-use asset in each period so that the lessee would recognize the total lease cost on a straight-line basis over the lease term. In each period, the lessee would present a single lease cost combining the unwinding of the discount on the lease liability with the amortization of the right of use asset.

Lessor Accounting

A lessor would do the following:

1. For Type A leases, derecognize the underlying asset and recognize a lease receivable and a residual asset. The lessor would recognize both of the following:

a. The unwinding of the discount on both the lease receivable and the residual asset as interest income over the lease term

b. Any profit relating to the lease (as described in paragraph 842-30-30-7) at the commencement date.

2. For Type B leases (and any short-term leases if the lessor elects to apply the exemption for short-term leases), continue to recognize the underlying asset and recognize lease income over the lease term, typically on a straight-line basis.

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?*

Conceptually, we agree that different types of leases should be accounted for differently. However, we believe this will be difficult to put into practice and is not a practical solution. As a retailer, a significant majority of our store locations are currently subject to operating leases. Under the proposed guidance, our preliminary analysis indicates that some of these leases will be considered Type A leases, while the majority will most likely be considered type B leases. We believe the diversity in accounting for purportedly similar leases in a different manner will lead to complexity and confusion, and will not be beneficial to users of financial statements. We believe this will result in different accounting treatments among companies within the same industry due to different real estate strategies, which could lead to lack of comparability of the financial statements of otherwise similar companies.

In addition, we believe the systems, software and processes needed to implement the proposed standard will be extremely burdensome, time-consuming and expensive. We believe that it will be very difficult to put the processes into place because many ongoing judgments and estimates will be required to be properly communicated from our diverse field locations to the personnel within the organization responsible for ensuring the accounting is accurate.

Generally, we are supportive of the provisions of the proposed guidance which provide for the recognition of overall lease expense on a straight-line basis for Type B leases. However, amortization of Type B right-of-use assets would represent a balancing entry or "plug" to achieve the overall straight-line pattern of total lease expense. The Type B right-of-use asset amortization pattern would defer the amortization of the right-of-use asset as compared with a typical straight-line amortization model for other tangible and intangible assets, which in many cases could be inconsistent with how the utility of the underlying asset is consumed by the lessee. This practice could increase the risk of impairment during the term of the lease if the asset or asset group is not able to generate the future cash flows needed to recover the higher carrying amount of the asset in later periods during the lease term.

In addition, it is our understanding that this pattern of expense recognition would be required for lessees regardless of whether another systematic basis is more representative of the pattern in which the lessee expects to consume the economic benefits of the right-of-use asset. We therefore have questions about the conceptual basis for this pattern of amortization.

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?

This question is not a material issue for our company.

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 agree with this in principle, but if adopted we believe that it should be applied uniformly to all similar assets. We do not agree with the proposal as written, which, based on our understanding, could require switching from Type B accounting to Type A accounting as a leased asset nears the end of its economic useful life. We believe that tracking our large portfolio of stores will be a significant burden that will be very difficult to put into practice.

In addition, we do not understand the benefit of requiring a different analysis of economic life for leases of property as compared to non-property assets. A classification test that compares the lease term with an asset's total (rather than remaining) economic life seems inconsistent with a classification test that compares the present value of the lease payments with the asset's fair value. It seems logical that a test based on consumption should focus on the extent of consumption of the specific underlying asset in its actual condition at lease commencement. We believe the dual-model approach for lessee accounting raises questions about the decision to base the accounting for leases on rights of use rather than underlying assets. From a conceptual standpoint, the distinction between leases based on the characteristics and level of consumption of the underlying asset appears to be more consistent with accounting for the underlying asset than accounting for a right of use. These issues illustrate potential difficulties in implementing the dual-model approach. Including lease classification tests within the proposed lease accounting model results in additional complexities that must be addressed with further guidance and clarification, and will add to the demands associated with the adoption and ongoing compliance with the proposed standard.

Measurement

This revised Exposure Draft would require that a lessee and a lessor measure assets and liabilities arising from a lease on a basis that:

1. Reflects a lease term determined as the noncancellable period, together with both of the following:

a. Periods covered by an option to extend the lease if the lessee has a significant economic incentive to exercise that option

b. Periods covered by an option to terminate the lease if the lessee has a significant economic incentive not to exercise that option.

2. Includes fixed lease payments and variable lease payments that depend on an index or a rate (such as the Consumer Price Index or a market interest rate) but excludes other variable lease payments unless those payments are in-substance fixed payments. The lessee and lessor would measure variable lease payments that depend on an index or a rate using the index or rate at the commencement date.

A lessee would reassess the measurement of the lease liability, and a lessor would reassess the measurement of the lease receivable, if either of the following occurs:

1. There is a change in relevant factors that would result in a change in the lease term (as described in paragraph 842-10-55-5).

2. There is a change in an index or a rate used to determine lease payments.

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 disagree with the proposals on lease term. Our understanding is that one of the most important objectives of the overall lease accounting project is to ensure contractual liabilities are recorded on the balance sheet. If this presumption is correct, then we believe the lease term, as defined, should be limited to the timeframe for which entities are indeed contractually obligated. We believe there are fundamental flaws in the proposal to include any uncommitted option periods in the analysis of the lease term. Future option periods are just that, in that they are only exercised at a future date if the lessee so chooses and based on circumstances not yet known. We do not believe future option periods meet the definition of a liability and therefore should not be recorded on the balance sheet. As discussed previously, this is a complex proposal requiring many judgments and estimates, even for companies with a minimal number of leases. For a company such as ours with tens of thousands of leases, and larger multinational corporations with hundreds of thousands of leases, we believe that limiting lease term to the period for which an entity is contractually obligated would represent a practical expedient that is consistent with the accounting for other types of contractual arrangements. It would reduce the complexity of the proposed standard significantly with at most a minimal overall effect.

As a business practice, we carefully consider whether to exercise an option period or negotiate a lease extension typically within a two-year window as the current lease term or option period is nearing its end. This analysis takes into account competitive positioning, the nature of the property, accessibility of the site, parking, signage, visibility, crime rates and the surrounding area among other factors. These factors can change significantly over a relatively short period of time. We believe the proposals in the ED could result in ongoing adjustments to financial statement balances which would not provide meaningful information to financial statement users.

In the ongoing discussion of lease accounting, concerns are continually expressed about structuring opportunities. In our experience, lease contracts generally are structured for economic and not accounting reasons. Attempts to structure a lease in an effort to reduce the lease-related asset and liability would make the economic cost of such an arrangement impractical. These so called structuring opportunities also assume that lessors would be willing participants in such a transaction. However, in virtually all cases it would not be to the lessor's economic benefit to allow, in effect, short term walk away rights that could be exercised on an ongoing basis. Furthermore, the majority of real estate properties are subject to underlying financing and it would not be to the economic benefit of the lessor's financial institution to allow such structuring.

Conceptually, we agree that lessees should remeasure assets and liabilities arising under a lease contract when changes in facts and circumstances indicate that there is a significant change in the liability. However, tracking such changes on a lease by lease and quarter by quarter basis will be very challenging for large retail and restaurant companies such as ours, due to the size of our lease portfolio. Consistent with our discussion above, we believe the trigger for such a remeasurement should be a change in contractual terms such as the exercise of an option period.

It will be very difficult to implement the remeasurement requirement based upon a change in the assessment of whether the lessee has a significant economic incentive to exercise a lease term or purchase option, which will be required based upon a change in contract-based, asset-based, or entity-based factors, due to the combination of the volume of leases and the judgments and estimates inherent in the process. Although a change in market-based factors would not, in isolation, trigger a reassessment of whether the lessee has a significant economic incentive to exercise a lease term or purchase option, as a practical matter it would seem difficult to ignore changes in market-based factors when considering whether there has been a change in the other factors listed above.

The election by a lessee to exercise an option, where previously the lessee had determined that a significant economic incentive did not exist to do so, would result in a reassessment. Likewise, not exercising an option where previously the lessee had determined a significant economic incentive existed would trigger a reassessment. Because our company has thousands of lease transactions each year, developing processes, systems and controls to monitor and properly account for all such transactions will be an onerous task that will provide minimal incremental benefit to users of our financial statements.

Furthermore, the reassessment requirements which will result in revision of the lease liability during the lease term would represent a significant change from current GAAP requirements for capital leases where the liability is not subsequently reassessed and would likely result in greater volatility in the liabilities recognized by lessees. Such volatility could incorrectly indicate instability in a company's financial position, which could significantly impact a company's operating results, the accuracy of its financial forecasts, its compliance with debt covenants, and its ability to pay dividends. The significance of these issues cannot be overstated.

Due to the requirements listed above, companies will need to establish procedures and controls around processes to identify changes in facts or circumstances that could significantly impact the lease payments and discount rate, which will be a significant undertaking for companies such as ours. Changes to the carrying amount of the right-of-use asset as a result of revised estimates of the lease liability would require the lessee to revise useful life estimates and amortization expense on a prospective basis.

The 2013 EDs do not propose how to allocate remeasurements of lease payments to lease components that qualify for separate accounting. It is therefore unclear whether those remeasurements would be allocated on the same basis as at lease commencement or whether they could be allocated to one or more specific components. These requirements add additional complexity and require further clarification and guidance.

To simplify the reassessment and remeasurement processes, we recommend provisions to aggregate leases based on common facts and circumstances such as geography or store type, perhaps to determine if there has been a significant change at a level more material than an individual lease. We also believe that the cost of quarterly reassessments will significantly outweigh the benefits and recommend an annual assessment similar to goodwill or other intangible assets would be a more reasonable approach.

Question 6: Variable Lease Payments

Do you agree with the proposals on the measurement of variable lease payments, including reassessment if there is a change in an index or a rate used to determine lease payments? Why or why not? If not, how do you propose that a lessee and a lessor should account for variable lease payments and why?

This is not a material issue for our company

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 believe that the proposed changes to lease accounting are likely to have far-reaching effects, which would include greater scrutiny by lessees on the economics of leasing transactions compared to other forms of financing. Due to the far-reaching effects of the proposals, changes to internal control systems will be necessary to increase the involvement of the accounting and treasury functions in various aspects of leasing transactions. Arrangements that include lease and non-lease components will need to be analyzed in much greater detail to determine whether to separately account for the lease and non-lease components, how to apply the lease classification tests, and how to properly account for components that include both types of elements.

If the 2013 proposals are finalized as GAAP, lessees may reasonably expect lessors to provide more information, guidance, and tools to help them satisfy the new accounting and compliance requirements. However, lessors may be unable or unwilling to provide such assistance, or may do so only at an additional cost to lessees. Accounting simplicity would no longer be a benefit of certain types of leases, as right-of-use assets would be subject to unique subsequent measurement requirements that are different from those that apply to other tangible and intangible assets, such as the reassessment requirements discussed in our response to Question 5 above. Furthermore, right-of-use assets would be more likely to create a charge to earnings due to impairment than operating leases under current GAAP. The end result is that lease-related line items in financial statements for many companies, including most retailers, will likely be among the most complex and time consuming to account for.

Many of the companies to which the proposal will apply are SEC registrants. SEC regulations require registrants to present selected financial data for the five most recent fiscal years. Registrants adopting a standard on a retrospective basis would be required to update the other areas of their filings, including MD&A, to reflect the retrospective application of the new accounting standard. Additionally the SEC Staff Financial Reporting Manual states that, if a registrant adopts a new accounting standard retrospectively, the staff will expect all five years to be presented on the same basis. Registrants using either the full or modified retrospective application method would be required to apply the adjustments to all of the five years in the selected financial data table. We believe these requirements must be taken into account for transition purposes.

Taking these factors into account, we believe that serious consideration should be given to the timeframe for implementation of the proposed standard. We understand that the Board has not specified such a timeframe, although there is speculation that it could be as early as 2017. We do not believe this is attainable and we respectfully request that the Boards carefully consider the timeframes required for implementation of this standard. The standard must be finalized, which we presume cannot occur before 2014. Due to the complexity of the standard and the volume of our lease contracts, development of information systems will be required to implement the final guidance, and such systems cannot be developed until the standard is finalized. Once the standard is finalized, significant amounts of time will be needed for systems specifications, development and implementation, which we believe will be a two to three year process. Considerable time and effort will also be needed to interpret the new standard, inventory leases, determine which leases are not in existing systems, develop software interfaces, input and convert data, test new systems, design and test internal controls, re-engineer processes, run parallel systems, and determine the income tax accounting impacts. Many of these activities must occur in sequence and cannot run on parallel paths.

We believe that it will be at least five years from the date of the issuance of the new standard before it can reasonably and accurately be adopted. Failure to provide adequate time to implement the proposed standard will result in increased risk of inadequate internal controls and financial statement errors. We would be happy to discuss our expected timeline for implementation of the proposed standard in more detail.

Question 8: Disclosure

Paragraphs 842-10-50-1, 842-20-50-1 through 50-10, and 842-30-50-1 through 50-13 set out the disclosure requirements for a lessee and a lessor. Those proposals include maturity analyses of undiscounted lease payments, reconciliations of amounts recognized in the statement of financial position, and narrative disclosures about leases (including information about variable lease payments and options). Do you agree with those proposals? Why or why not? If not, what changes do you propose and why?

Under the proposal, required disclosures would increase significantly compared to current GAAP. Certain requirements such as the balance sheet roll-forward information would require the tracking and compilation of information that is not currently required to be disclosed. The proposed disclosure requirements will have a significant impact on information technology systems necessary to capture the required information at the appropriate level of disaggregation. We note that the Boards have proposed to both implement a fundamental change to lessee accounting and increase the disclosure burden for lessees. However, if the new accounting model provides the information that financial statement users need, one would expect to see a decrease in required disclosures. The fact that lessee disclosure requirements are expected to increase, we believe, calls into question whether financial statement users actually will benefit from the new recognition and measurement proposals.

We agree that lessees should disclose quantitative information that identifies and explains the amounts recognized in the financial statements arising from leases. We do not agree that the financial statements should describe how leases may affect the amount, timing and uncertainty of the entity's future cash flows. We believe that such disclosure for publicly traded companies, to which this proposal will have the most significant impact, is better suited for to Management's Discussion and Analysis of Financial Condition and Results of Operations in SEC filings.

The ED requires a significantly increased quantity of disclosures related to leases, and we question whether all such disclosures are useful or necessary. We do not agree that, or understand how, disclosure of the basis, terms and conditions of options to extend or terminate thousands of leases, a detailed rollforward of the lease liability balance by type of lease, among others, will be useful to users of financial statements. Information such as this is not currently being requested by users of our financial statements such as securities analysts and institutional investors. Furthermore, these disclosures will require the tracking of significant additional information which will be very costly and time consuming. Most of the existing lease-related disclosures are as of a point in time and systems to rollforward these balances will have to be developed at significant expense. If our suggestions above to simplify and make this guidance more operational are followed, it should greatly reduce the amount of judgments and estimates inherent in the reported amounts, and could have the ancillary benefit of reducing the volume of disclosures.

Question 9: Nonpublic Entities (FASB Only)

To strive for a reasonable balance between the costs and benefits of information, the FASB decided to provide the following specified reliefs for nonpublic entities:

1. To permit a nonpublic entity to make an accounting policy election to use a risk-free discount rate to measure the lease liability. If an entity elects to use a risk-free discount rate, that fact should be disclosed.

2. To exempt a nonpublic entity from the requirement to provide a reconciliation of the opening and closing balance of the lease liability.

Will these specified reliefs for nonpublic entities help reduce the cost of implementing the new lease accounting requirements without unduly sacrificing information necessary for users of their financial statements? If not, what changes do you propose and why?

This question is not applicable to our company

Related Party Leases (FASB Only)

The FASB decided that the recognition and measurement requirements for all leases should be applied by lessees and lessors that are related parties based on the legally enforceable terms and conditions of the lease, acknowledging that some related party transactions are not documented and/or the terms and conditions are not at arm's length. In addition, lessees and lessors would be required to apply the disclosure requirements for related party transactions in Topic 850, Related Party Disclosures. Under existing U.S. GAAP, entities are required to account for leases with related parties on the basis of their economic substance, which may be difficult when there are no legally enforceable terms and conditions of the agreement.

Question 10: (FASB Only)

Do you agree that it is not necessary to provide different recognition and measurement requirements for related party leases (for example, to require the lease to be accounted for based on the economic substance of the lease rather than the legally enforceable terms and conditions)? If not, what different recognition and measurement requirements do you propose and why?

We are in general agreement with these requirements.

Question 11: (FASB Only)

Do you agree that it is not necessary to provide additional disclosures (beyond those required by Topic 850) for related party leases? If not, what additional disclosure requirements would you propose and why?

We are in general agreement with these requirements.

Question 12: Consequential Amendments to IAS 40 (IASB Only)

The IASB is proposing amendments to other IFRSs as a result of the proposals in this revised Exposure Draft, including amendments to IAS 40, Investment Property. The amendments to IAS 40 propose that a right-of-use asset arising from a lease of property would be within the scope of IAS 40 if the leased property meets the definition of investment property. This would represent a change from the current scope of IAS 40, which permits, but does not require, property held under an operating lease to be accounted for as investment property using the fair value model in IAS 40 if it meets the definition of investment property.

Do you agree that a right-of-use asset should be within the scope of IAS 40 if the leased property meets the definition of investment property? If not, what alternative would you propose and why?

This is not a material issue for our company.

Other Comments:

We note that under the proposed guidance, the incremental borrowing rate would be the rate that the lessee would pay to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset. Because right-of-use assets generally are not financed outside of lease transactions, it is unclear how a lessee would obtain the information needed to comply with the proposed definition of incremental borrowing rate. If the current proposals are adopted, we believe that further guidance is needed in this area.

We further recommend a practical expedient that would allow the capitalization of leases above a certain threshold amount, similar to capitalization thresholds currently allowed by accounting standards for assets such as property, plant and equipment.

We understand and appreciate the limitations of current accounting guidance related to lease accounting, and believe that the recording of assets and liabilities related to lease contracts could theoretically be beneficial to users of financial statements. However, we believe that the complexity of such an undertaking, as well as the costs of many of the aspects of the ED, outweighs the benefits, as we have noted throughout this letter. These relate primarily to the methodology surrounding the determination of the lease term, significantly increased disclosure requirements, and reassessment and remeasurement requirements. Indeed, we believe that certain aspects will be impossible to accurately apply, will be applied inconsistently among companies, will be extremely expensive, will significantly increase audit costs, and will not adequately address the needs of financial statement users.

We would like to acknowledge the Board's thoughtful consideration of the matters discussed in the ED. We appreciate the opportunity to comment and hope our perspective is helpful in addressing what are admittedly complex and difficult issues.

We would be pleased to respond to any inquiries regarding this letter or our views on the ED more generally. Please contact David Tehle, Executive Vice President and Chief Financial Officer, or Anita Elliott, Senior Vice President and Controller, each of whom can be reached at 615-855-5506.

Very truly yours,

DOLLAR GENERAL CORPORATION

By: /s/ David M. Tehle

Name: David M. Tehle
Title: Executive Vice President and Chief Financial Officer