December 18, 2015

Submitted electronically
Mr. Brent J. Fields
Secretary
U.S. Securities and Exchange Commission
100 F. Street, N.E.
Washington, DC 20549

Re: Request for Comment – Disclosure Effectiveness Initiative
File Number S7-20-15

Dear Mr. Fields:

STORE Capital Corporation ("STORE") appreciates the opportunity to respond to the Commission's request for comment under the Disclosure Effectiveness Initiative. Specifically, our letter is in response to the Commission's request for comments regarding Regulation S-X Rule 3-05, *Financial Statements of Businesses Acquired or to be Acquired* ("Rule 3-05") and, particularly, the application of certain aspects of Regulation S-X Rule 3-14, *Special Instructions for Real Estate Operations to be Acquired* ("Rule 3-14"), to real estate investment trusts.

Background

STORE is an internally managed net-lease real estate investment trust, or REIT, that was formed in 2011 to acquire and hold single-tenant commercial real estate properties throughout the United States that are leased to the properties' operators under long-term net leases. We target what we refer to as "operational real estate," meaning that we seek to invest in net-lease properties where sales and profits are generated by the business operating on the property, which makes that location "operational" (or fundamentally important) to the business. Examples of the types of operational net-lease real estate in which we invest include restaurants, health clubs, early childhood education centers, movie theaters, furniture stores, colleges and professional schools and sporting goods stores. Substantially all of STORE's investment portfolio is subject to triple-net leases, meaning the tenants are responsible for all of the taxes, insurance and maintenance expenses of the underlying properties. STORE's real estate acquisitions predominately have taken the form of sale-leaseback transactions on single-tenant commercial properties where a STORE-form lease is put in place in connection with the acquisition of the property from the owner-operator. STORE occasionally acquires properties from third parties subject to an existing net lease.

STORE is a public company and its stock has been listed on the New York Stock Exchange under the symbol "STOR" since November 18, 2014 at the time of its initial public offering ("IPO").

STORE has grown rapidly each year since its formation in mid-2011. In connection with our IPO, we noted certain aspects of the Commission's financial statement requirements relating to the acquisition of real estate operations, particularly under Rule 3-14, that were challenging to apply due to the significant year-over-year increase in STORE's net-lease acquisition volume measured against its last audited balance sheet. The issues that we encountered in applying Rule 3-14's financial statement disclosure requirements to our initial registration statement call into question the appropriateness of applying certain aspects of that rule to an entity, particularly a REIT like STORE, that is growing at a rapid pace through the continuous acquisition of net-lease real properties and whose ongoing business is the acquisition of net-lease real estate, some of which may be subject to an existing lease with rental history.

Determining the Applicability of Rule 3-14

Our comments are based on several general observations about Rule 3-14 and its applicability to a REIT whose business it is to continuously acquire net-lease real estate. Our general observation is that, while Rule 3-14 is relatively straightforward, the various cross references to, and sections in, the Division of Corporation Finance's *Financial Reporting Manual* ("Manual") are confusing and, in our view, complicate the rule and make it very difficult to understand which rule(s) apply under what circumstance(s) and when and what exclusions, if any, are applicable to any of the related disclosure determinations.

Rule 3-14 provides that "[i]f, during the period for which income statements are required, the registrant has acquired one or more properties which in the aggregate are significant, or since the date of the latest balance sheet required has acquired or proposes to acquire one or more properties which in the aggregate are significant …," audited income statements shall be furnished with respect to such properties.

The reader must then look to the Manual for additional guidance, particularly with respect to significance and the applicability of the rule to net leases. Section 2305.1 states that the application of Rule 3-14 is limited to the acquisition or probable acquisition of "real estate operations." Section 2305.2 then defines the term "real estate operations" as "properties that generate revenues solely through leasing." The last sentence of that section provides that "acquired properties subject to triple net leases, whether involving leasing or other activities, should be evaluated under Section 2340."

Section 2340 analogizes a triple net lease to a financing arrangement for the lessee since "costs normally associated with ownership of the property" (such as property taxes, insurance, utilities and maintenance costs) are imposed on the lessee under a typical triple net lease. Furthermore, Section 2340 makes a distinction between a triple net lease that exceeds 20% of a registrant's assets (considered to be a 'significant' asset concentration), as to which "full audited financial statements of the lessee or guarantor" are required in the registrant's filing, and acquisitions of a property subject to a triple net lease with a rental history where there is not a significant asset concentration (i.e., 20% or less of a registrant's assets), in which case Section 2340 instructs the registrant to apply "S-X 3-14." But because Rule 3-14 does not address individually insignificant acquisitions, the reader must turn back to the Manual to understand the concept of aggregating insignificant acquisitions for purposes of determining the appropriate financial statement disclosure.

Apparently, an insignificant asset concentration under Section 2340 (i.e., 20% or less of a registrant's assets) is to be analyzed under the individually insignificant acquisition criteria of Section 2320.2 of the Manual. However, Section 2320.2 appears to instruct the registrant to exclude triple net leased properties otherwise covered by Section 2340 from the calculation of individual insignificance for purposes of determining whether the aggregate of all insignificant real estate properties exceeds 10% of the registrant's total assets. Needless to say, in our view, the Manual is confusingly circular. We believe the rules underlying the guidance in the Manual in Rule S-X 3-14 should be clarified (particularly with respect to the inclusion or exclusion of triple net lease properties) and simplified for the benefit of those registrants whose business is acquiring net-lease properties that may be subject to an existing lease with a rental history.

Application of the Individually Insignificant Aggregation Test to REITs

We believe it is inappropriate to apply the individually insignificant acquisition requirement of Rule 3-14 to the capital raising activities of a net-lease REIT. We base our conclusion on the belief that the underlying rationale for applying the insignificant acquisition requirement to a net-lease REIT – that an investor needs to see the property's prior rental history in order to evaluate the risk of an investment in the registrant – is misguided and not supported by the REIT market and those who participate in that market, including investors who buy REIT stock, the broker-dealers who participate in the sale of that stock and the research analysts who follow REITs similar to ours. Our conclusion is based on our management team's 35-year track record of investing in net-lease assets. In that 35-year history, no investor, analyst or broker-dealer has ever asked to see the prior rental history of our acquired net-lease real estate.

If investors, analysts or broker-dealers considered prior rental history relevant to an analysis of, or an investment decision in, net-lease real estate, they would demand to see it, and they do not; and the market would have evolved to build that requirement into purchase and sale transactions, but it has not. Since no one has ever inquired about the prior rental history of any of our acquired net-lease properties, our experiences have led us to conclude that market participants are interested in the future rental stream of properties acquired, not the rental histories of properties that may previously have been leased. Moreover, it has been our experience that the sellers of net-lease real estate rarely prepare or maintain financial statements at the property level. And, even if they did, it is highly unlikely that such information would have been previously audited or be verifiably auditable such that it could be included in a registrant's filing for which 10b-5 liability would attach. If a REIT, such as STORE, were to condition its acquisition of net-lease real property on the delivery of audited or verifiably auditable financial information (from a seller who had been renting the property to a third-party tenant), that seller would almost certainly choose to sell the property to a purchaser who did not impose such a condition on the sale. In that regard, a REIT that happened to be a public company seeking to raise equity, or that was in the process of going public, would be disadvantaged relative to other purchasers.

But that is the result for any REIT that is growing rapidly by acquiring net-lease properties, some of which may have a prior rental history; and, if the aggregation of individually insignificant acquisitions happened to exceed 10% of the registrant's last audited balance sheet, the REIT would be disadvantaged and burdened by the requirement to include audited property-level financial information for more than 50% of the acquisitions in the registrant's filings. This penalizes smaller, but growing, REITs (whether current registrants or REITs that aspire to be public) since the percentage would be measured against a smaller, but growing, audited balance sheet. The problem is exacerbated depending on the size and volume of acquisitions. Any REIT, like STORE, that grows through multiple unrelated acquisitions of individual net-lease properties (some of which may happen to have a rental history) and trips the 10% threshold could be faced with having to include a multitude of disparate financial statements from an unrelated and very diverse group of properties in its filing. Furthermore, it may not be possible, or it may be extremely burdensome, to obtain prior rental history that was either previously audited or is in a position to be audited by the acquirer's auditors.

We believe it is questionable whether an investor could read a compilation of disparate financial information relating to multiple unrelated properties and find it to be meaningful and not confusing. Moreover, the fact that financial information is required for only 50% of the properties that trip the 10% threshold is equally confusing. It is hard to understand how meaningful an investor would find the disclosure of unrelated property-level financial information relating to multiple properties across a wide range of industries where the disclosure only relates to a small percentage of the registrant's entire portfolio. For a diversified net lease REIT, like STORE, that acquires net-lease properties in the retail, service and industrial segments of the US economy, it would seem that the randomness of including disparate financial information for only a portion of its portfolio would be confusing and misleading to an investor.

It also is worth noting that the relevance of prior lease histories is debatable if the lease is terminated or materially modified in connection with that property's acquisition. In the case of most of STORE's existing lease acquisitions, which also was the case in our predecessor company and in the case of many other REITs, the existing lease either is terminated or materially modified in connection with STORE's acquisition of the property. Because the lease that will be paying our rent is either a new lease or a fundamentally different lease than the lease that existed prior to STORE's acquisition, STORE believes that the payment history of the prior lease is not representative of the cash flows or the tenant's ability to pay rent going forward; and, as a result, any disclosure to investors regarding the "old" lease payment history would, in our view, not be economically relevant or useful in evaluating the new lease structure or indicative of future operating results.

Recommendations

For the reasons stated above, we suggest that the Commission exclude triple net leases, including those with prior rental history, from the application of Rule 3-14; or

Either exempt properties subject to a triple net lease with a rental history where there is not a significant asset concentration from the application of the individually insignificant aggregation test under Rule 3-14 altogether or, in the alternative, adopt a similar exclusion for acquisitions (or probable acquisitions) that are less than or equal to 50% significant that is contained in Rule 3-05(b)(4)(i), which the Manual specifically states does not apply to Rule 3-14 financial statements.

We appreciate the opportunity to comment on the Commission's Disclosure Effectiveness Initiative. If you have any questions or would like additional information, please contact me at 480.256.1100.

Very truly yours,

Michael T. Bennett
Executive Vice President, General Counsel
& Corporate Secretary